CHAPTER 4

US and EU Perspectives and Responses to China’s Strategic Challenge

Robert Wang

INTRODUCTION

In its National Security Strategy report in 2017, the US Trump Administration posited in clear and stark terms that “a geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region.”¹ In particular, it argued that China “seeks to displace the United States” and “expand the reaches of its state-driven economic model, and reorder the region in its favor.”² In its 2018 National Defense Strategy, the US Defense Department described China as a “strategic competitor using predatory economics to intimidate its neighbors while militarizing features in the South China Sea.”³

Separately, in its 2019 “EU-China—A Strategic Outlook” report, the European Commission noted at the outset that “there is a growing appreciation in Europe that the balance of challenges and opportunities presented by China has shifted” as China’s economic power and political influence has grown with unprecedented scale and speed over the
past decade. While still describing China as a cooperation and negotiation partner, the report explicitly stated that China has also become "an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance." In this connection, the Commission observed that "the human rights situation in China is deteriorating, notably in Xinjiang and regarding civil and political rights, as witnessed by the continuing crackdown on human rights lawyers and defenders."

It thus appears that the United States and the European Union (EU) have each come to the conclusion that China’s rapidly growing economic and military power, in conjunction with the government’s increasingly authoritarian and repressive domestic policies, currently poses a comprehensive threat, in different ways and to varying degrees, not only to their specific economic interests but also to the security of China’s neighbours in the region and the fundamental values of the rules-based liberal international order, which the two have championed since World War II. The key question now is whether and how the United States and the EU can and should respond to this perceived strategic threat, especially in the light of increased tensions in trans-Atlantic relations between the United States and various European countries as well as Britain’s departure from the EU (Brexit) and growing divisions within the EU itself.

In this chapter, I will first elaborate and expand on the respective US and EU perspectives and policies in response to the multifaceted nature of China’s strategic threat and its regional and global implications. I will then discuss some of the difficulties they will face in developing a cohesive response to this perceived threat in the context of current trans-Atlantic and internal European relations, post-Brexit, as well as increasing Chinese economic presence in Europe. Finally, I will offer some recommendations as to how the United States and EU, as well as the UK, might nonetheless improve coordination to address the long-term strategic challenges posed by an increasingly powerful China in the coming years.

**Evolving US Economic and Security Strategy in the Indo-Pacific Region**

As noted above, the US Trump administration has declared that the United States is currently engaged in a strategic competition with China, initially focused on the latter’s state-driven economic model as well as its militarisation of the South China Sea. In his letter introducing the 2017
National Security Strategy, President Trump asserted that “the United States will no longer tolerate economic aggression or unfair trade practices.” In particular, the report claimed that “competitors such as China steal US intellectual property valued at hundreds of billions of dollars” each year. In addition to massive cyber-theft, many of these state-driven and subsidised actors also “use largely legitimate, legal transfers and relationships” to acquire technology and “erode America’s long-term competitive advantage.”

In March 2018, President Trump approved a memorandum based on a detailed USTR investigation that identified specific Chinese policies that justified US action against China under US Section 301. These policies included: forced technology transfers, unfair licensing practices, state-directed investments to acquire foreign technology and cyber-theft against US companies and institutions. After the failure of numerous rounds of high-level trade negotiations, the United States raised tariffs by 25% on $250 billion and by 15% on another $120 billion worth of Chinese imports in several tranches. In retaliation, China increased tariffs at rates from 5 to 25% on $110 billion worth (or almost all) of imports from the United States.

In August 2018, President Trump also signed into law the “Foreign Investment Risk Review Modernization Act” that will require foreign investments in 27 “critical technology” industries—ranging from aircraft manufacturing to semiconductor and biotechnology research—be subject to mandatory national security review. In May and August 2019, the US Commerce Department placed Chinese telecommunications giant Huawei and over a hundred of its non-US affiliates on its “Entity List” indicating that these entities are believed “to pose a significant risk of being or becoming involved in activities contrary to the national security or foreign policy interests of the United States.” This rule imposes a licensing requirement for US semiconductors and other exports to these entities. Finally, immediately after the rapid depreciation of the Chinese currency (“renminbi”) in early August 2019, the US Treasury officially designated China a “currency manipulator,” which may be seen as justifying further retaliatory trade measures against China.

Following the interim US-China Phase One Trade Agreement in January 2020, the United States suspended further tariff increases and reduced the 15% tariff increase on $120 billion of Chinese imports by half to 7.5%, but retained the initial 25% tariffs on $250 billion worth of
Chinese imports.\textsuperscript{16} At the same time, the US Treasury removed the designation of China as a currency manipulator. In response, China committed to increasing the import of US products and services by at least $200 billion over the next two-year period (from 2017 levels) while indicating it would improve intellectual property (IP) protection, expand foreign access to its financial services market and refrain from competitive currency devaluations. The two sides thus deferred negotiations on more fundamental economic structural reform issues, such as China’s state-driven trade and investment policies, along with its subsidising of state-owned enterprises, to the indefinite future, likely after the 2020 US elections.

On the security front, the Trump administration warned in its 2017 National Security Strategy that China’s “efforts to build and militarise outposts in the South China Sea endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability.”\textsuperscript{17} Moreover, it noted that China has “mounted a rapid military modernization campaign designed to limit US access to the region and provide China a freer hand there.”\textsuperscript{18} To respond to this threat, the United States “will maintain a forward military presence capable of deterring and, if necessary, defeating the adversary” while strengthening long-standing military relationships and encouraging “the development of a strong defense network with our allies and partners.”\textsuperscript{19} In a pointed message to China, the administration asserted that the United States “will maintain our strong ties to Taiwan in accordance with our ‘One China’ policy, including our commitments under the Taiwan Relations Act to provide for Taiwan’s legitimate defense needs and deter coercion.”\textsuperscript{20} 

Accordingly, under the Trump administration, the US Navy stepped up the frequency of its freedom-of-navigation operations (FONOP) in the South China Sea starting with bimonthly operations from 2017 to 2018 to almost monthly operations since the beginning of 2019.\textsuperscript{21} Additionally, these operations now include more ship transits through the Taiwan Strait. In the summer of 2018, the Pentagon withdrew an invitation for China to participate (which China had done for the past two exercises) in a biennial US-hosted “Rim of the Pacific” (RimPac) multinational naval exercise that is intended to foster cooperation in ensuring the safety of sea lanes and security on the world’s oceans. In the announcement, the Pentagon spokesman said that this was a response to “China’s continued militarization of the South China Sea,” which is “inconsistent with the principles and purposes of the RimPac exercise.”\textsuperscript{22} Looking ahead, the
US Defense Department submitted a 2020 budget proposal that focuses on a build-up in Asia in response to China’s rising military capability and threat.23

Finally, the 2017 National Security Strategy stated more broadly that “China and Russia want to shape a world antithetical to US values and interests.”24 It noted that “for decades, US policy was rooted in the belief that support for China’s rise and for its integration into the post-war international order would liberalize China.” Instead, China “expanded its power at the expense of the sovereignty of others,” and “gathers and exploits data on an unrivaled scale and spreads features of its authoritarian system, including corruption and the use of surveillance.” Vice President Pence underscored this theme in his October 2018 speech at the Hudson Institute, stating that “for a time, Beijing inched toward greater liberty and respect for human rights, but in recent years, it has taken a sharp U-turn toward control and oppression.”25

Today, Pence said, “China has built an unparalleled surveillance state, and it’s growing more expansive and intrusive.” “And when it comes to religious freedom, a new wave of persecution is crashing down on Chinese Christians, Buddhists, and Muslims.” Looking to the future, Pence warned that “as history attests, a country that oppresses its own people rarely stops there.” In another speech in October 2019, Pence strongly criticised China’s actions to intimidate the people of Taiwan and Hong Kong as well as its efforts to “export censorship” by “coercing corporate America.” He specifically cited Chinese financial pressures against the NBA to pressure it to take action against a Houston Rockets executive who tweeted support for Hong Kong protestors.26

In 2019, at the release of the 2018 US Human Rights Report, Secretary of State Pompeo declared that China is “in a league of its own when it comes to human rights violations.”27 A senior State Department official reportedly described Beijing’s roundup of Muslim minorities into re-education camps as something not seen “since the 1930s,” obviously referring to Nazi concentration camps in Germany prior to World War II.28 The report also included a long list of specific cases of other human rights violations, including politically-motivated killings, the use of torture and inhuman punishments, arbitrary arrests or detention, criminal prosecution of journalists, lawyers, writers, bloggers and dissidents, denial of civil liberties, censorship of the internet, and restrictive laws against foreign and domestic NGOs.29 In March 2020, Pompeo again highlighted Chinese human rights abuses at the release of the 2019
report, calling the Communist Party’s record in Xinjiang “the stain of the century.”

A SHIFT IN THE EU’S STRATEGIC OUTLOOK ON CHINA

As noted earlier, the EU’s strategic perspective with respect to China has also hardened significantly since the European Commission issued its last report “Elements for a new EU strategy on China” in June 2016. The 2019 report asserted that “China can no longer be regarded as a developing country. It is a key global actor and leading technology power. Its increasing presence in the world, including in Europe, should be accompanied by greater responsibilities for upholding the rules-based international order, as well as greater reciprocity, non-discrimination, and openness of its system.” While the Commission continued to call for cooperation with China on major global issues, such as those related to UN goals and operations, climate change, and Iran and nuclear non-proliferation, the report highlighted differences over a wide range of bilateral trade and investment practices in the set of ten concrete actions sent to the European Council for endorsement.

Specifically, mirroring key points in the US Section 301 Action, the Commission expressed strong concerns that “China’s proactive and state-driven industrial and economic policies such as ‘Made in China 2025 aim at developing domestic champions and helping them to become global leaders in strategic high-tech sectors.’” Meanwhile, “China preserves its domestic markets for its champions shielding them from competition through selective market opening, licensing and other investment restrictions.” It thus called for EU actions, including the use of “recently modernized and strengthened trade defense instruments” as leverage to get China “to deliver on existing joint EU-China commitments” related to WTO reform, “in particular on government subsidies and forced technology transfers.” The Commission also indicated that it will identify needed legislative changes “to fully address the distortive effects of foreign state ownership and state finance in the internal market” and seek to develop a common EU approach to the security of 5G networks “to safeguard against potential serious security implications for critical digital infrastructure.” It urged Member States to fully implement the recently adopted EU regulation on screening of foreign direct investment “to detect and raise awareness of security risks posed by foreign investments in critical assets, technologies and infrastructure.”
Although the 2019 EU-China Strategic Outlook report did not include any specific action related to the maintenance of peace and security, it did point out that “China’s maritime claims in the South China Sea and the refusal to accept the binding arbitration rulings issued under the United Nations Convention on the Law of the Sea (UNCLOS) affect the international legal order and make it harder to resolve tensions affecting sea-lanes of communication vital to the EU’s economic interests.”

More broadly, the Commission observed that “China’s increasing military capabilities coupled with its comprehensive vision and ambition to have the technologically most advanced armed forces by 2050 present security issues for the EU.” It expressed concerns as well about China’s “cross-sectoral hybrid threats including information operations, and large military exercises” that “not only undermine trust, but also challenge the EU’s security” and “must be addressed in the context of our mutual relationship.”

Having referred to China as a “systemic rival promoting alternative models of governance,” the European Commission underscored in the report that “the ability of EU and China to engage effectively on human rights will be an important measure of the quality of the bilateral relationship.” Apart from pointing to worsening domestic human rights conditions in China, it also stressed that “the human rights of EU and other foreign citizens in China must be protected,” and that “the high degree of autonomy enshrined in the Hong Kong Basic Law needs to be respected.”

While the Commission also did not propose specific actions to promote human rights in China in the report, the EU did issue a press release after its subsequent 37th Human Dialogue with China in April 2019 that highlighted “the deteriorating situation of civil and political rights in China, marked by the arrest and detention of a significant number of human rights defenders and lawyers.” It provided a long list of names of such individuals as well as imprisoned or detained Uighur and Tibetan activists and an EU national (Gui Minhai), all of whom the EU urged China to release. The previous year, it was reported that the German Government had been instrumental in securing the release of Liu Xia from house arrest and travel to Germany after her husband, Nobel Peace Prize laureate Liu Xiaobo, died in detention the year before. More broadly, the EU expressed concerns about “the system of political re-education camps” and urged China “to allow meaningful, unsupervised and unrestricted access to Xinjiang for independent observers, including for the UN High
Commissioner for Human Rights.” The EU also raised the cases of the two recently detained Canadian citizens and another Canadian sentenced to death “without due process” in connection with the extradition case of a Chinese Huawei executive from Canada to the United States.

**China as a Strategic Threat to the Liberal International Order**

From the above, it is clear that both the United States and the EU are now beginning to see China and its recent policies and actions as threatening not only their own and the region’s economic or security interests but, more significantly, as also endangering the fundamental values of the post-war liberal international order. When China entered the WTO in 2001, it entered as a “developing country” which allowed it to take on fewer WTO commitments while enjoying full access to the markets of advanced economies such as the United States and most EU countries. Thus, over the past two decades, China has averaged double-digit economic growth mainly on the basis of its comparative advantage as a low-cost manufacturing centre and has since become the second-largest economy in the world. In recent years, however, China has moved away from market reforms and instead developed a state-driven economic model and industrial policies. To this end, China has sought to build up a domestic high-tech industry by acquiring—either legally or illegally—the technologies of advanced economies, thus eroding their comparative advantage. As such, China is seen by the United States and the EU not simply as an economic competitor but also as unfairly employing an economic model that evades the market-based rules of the WTO and the global trading system.

As its economic power has grown, China has also developed into a major regional military power with its defence budget rising at double-digit rates over the past few decades. China has also begun to extend its military presence into other regions, such as the Indian Ocean and Africa. Since the global financial crisis of 2008–2009 that shook the US and European economies, it appears that China’s ambitions have grown with many Chinese officials and scholars touting “China’s rise and US decline.” More recently, with the ascendency of Xi Jinping in 2012–2013, Beijing appears to have abandoned previous policies of relative caution with respect to China’s maritime claims with the massive reclamation and militarisation of reefs and islands in the South China Sea. And as the
EU pointed out in its strategic outlook report, China’s defiance of the binding arbitration rulings issued under UNCLOS (of which China is a member) in a case brought by the Philippines against China’s maritime “Nine-Dash line” claims undermines the authority of the UN and the international legal order.

Meanwhile, China and ASEAN negotiations on a “Code of Conduct” (COC) in the South China Sea have remained stalled, with Beijing refusing to accept any agreement that could compromise China’s expansive maritime claims that have already been repudiated by the UN Arbitration Tribunal. Finally, since President Tsai Ing-wen took office in Taiwan in 2016, China has employed military intimidation tactics and influence operations to apply pressure on the Tsai administration, especially in the run-up to the presidential elections in 2020, and continuing after her overwhelming election victory in January.

Last, but certainly not least, the European Commission stated in its EU-China Strategic Outlook report that “as a permanent member of the United Nations Security Council and a beneficiary of the multilateral system, China has the responsibility to support all three pillars of the United Nations, namely, Human Rights, Peace and Security, and Development.” In many ways, the promotion of democracy and respect for universal human rights form the ideological and moral foundation of the post-war liberal international order. Beijing, under Xi Jinping, has significantly tightened Communist Party control over all aspects of society. It has engaged in the gross violation of basic human rights and individual freedoms on the mainland and now threatens the individual freedoms of people in Hong Kong and Taiwan’s democracy. It has thus become a “systemic rival” to the fundamental values of this liberal international order.

Beyond this, there are increasing concerns that China is also “exporting” its model by providing support and assistance to authoritarian governments abroad as well as interfering in the governments and civil societies of democracies around the world. The Hoover Institution at Stanford published a 200-page report in 2018 titled “Chinese Influence and US Interests” which documented China’s influence operations abroad. It detailed its use of so-called “sharp power,” through which it has sought—using financial resources and in non-transparent and restrictive ways—to interfere in various sectors of American Government and society, going beyond normal public diplomacy. The report also included
case studies of Chinese influence operations in eight other advanced democracies in Europe, Asia as well as Canada.

In sum, the outcome of the US-China and EU-China strategic competition will likely have major regional and global consequences, beyond current government administrations, into the foreseeable future. Should China succeed in maintaining its current state-driven economic model, it will not only infringe on critical US and EU economic interests but will also eventually undermine the current WTO-led multilateral trading system based on accepted rules and market principles. As its economic power continues to grow on this basis, one expects that China will be even more determined—using either military force or economic leverage—to pursue its maritime claims and political goals throughout the region, including in Taiwan and Hong Kong. Finally, China’s authoritarian model that essentially disavows democratic principles and the universality of human rights values, and provides support to other authoritarian regimes, potentially presents an existential threat to democracies around the world.

**Challenges in Developing a US-EU Response to China’s Strategic Threat**

It is thus critical that the United States and the EU, and also post-Brexit UK, take action to address the multifaceted threat currently posed by China if they are to sustain the values and multilateral institutions of the post-war liberal international order. In order to mobilise the support of like-minded countries and civil society institutions, they will need to take the lead in forging a strong response to convince China that it has to abide by existing international rules and norms, from which it has benefitted greatly, as well as share the responsibilities for strengthening, and in some cases reforming, the multilateral institutions in which it plays an increasingly important role.

Unfortunately, as many have pointed out, the Trump administration’s “America First” policies and initial approach to its European allies generated considerable confusion and distrust in trans-Atlantic relations that could make such cooperation more difficult. Karen Donfried, the President of the German Marshall Fund of the United States, was reported as saying that “President Trump’s ‘America First’ foreign policy threatens to damage the US-European relationship” because “he views alliances as transactional rather than enduring; for example, when he says that the United States has gotten a ‘raw deal’ from its European allies and calls
to re-evaluate US commitments in Europe.”42 This was a reference in particular to early public comments made by President Trump raising questions about the US role in NATO, focusing narrowly on the issue of defence burden-sharing. Additionally, the Trump administration had increased tariffs on global steel and aluminium imports on national security grounds, and it continued to threaten to raise tariffs on auto imports from Europe. More generally, by quickly withdrawing from a number of major multilateral agreements, including the Paris Climate Accord, Iran nuclear deal and Trans-Pacific Partnership, the Trump administration appeared to signal that it was willing to act unilaterally to pursue short-term US economic and political interests with minimal regard for the collective and long-term interests of its allies and global multilateral institutions.

Moreover, although US and EU perspectives with respect to China have now begun to converge on the general perception of China as a strategic threat to their interests and the liberal international order, there are still significant and genuine differences concerning the extent and urgency of the threat and appropriate responses. At a meeting between the US and European and other allied diplomats in Washington, for example, it was reported that US officials were unable to persuade its allies to sign on to a joint statement critical of China’s Belt and Road Initiative (BRI) plan on the eve of the BRI summit in Beijing in April 2019.43 While European officials criticised the US “misguided zero-sum approach” to China, American diplomats complained about “Europe’s reluctance to stand up to China.”44 In large part, this difference can be attributed to the much greater US stake in Asia in the form of its post-war military assets and alliances as well as its broader regional and global roles that are now threatened by a China intent on regaining its hegemony over the region and expanding its global influence. While European countries have expressed general concerns about China’s ambitions in the region, most of them do not have very immediate and tangible interests involved in this aspect of the strategic competition, and they seem focused primarily on reducing risks and tensions that might eventually affect their economic ties to China and the region.

In this context, it will be very difficult for the United States to obtain European cooperation in developing a unified response to China’s strategic challenge. While sharing some concerns about BRI in the recent meeting, for example, European participants also complained about the White House’s “mistaken belief that it can employ an à la carte
approach with its partners, denouncing them publicly on some issues while expecting cooperation on others.” Similarly, with respect to US-China trade negotiations, a European diplomat indicated to me that there is real concern among his European colleagues that a final agreement, if eventually reached, could actually compromise European interests. He noted that recent shifts in US Government policies with respect to the Chinese telecommunications giant Huawei, for example, had increased uncertainty in Europe about the reliability and consistency of US commitments. In a study looking at the EU’s options amid the US-China trade war, one European economist suggested that the EU might need to begin exploring eventual “rebalancing toward China” to protect its own interests.45

There were also some doubts about the US commitment to democratic principles and human rights values under the Trump administration. While top US Government officials such as Vice President Pence and Secretary of State Pompeo spoke out repeatedly and strongly against perceived human rights violations in China, many have noted that President Trump himself appeared to be entirely focused on trade and economic issues. In fact, there appeared to be a general, if implicit, understanding within the US Government that the priorities of US-China trade negotiations were to take precedence over other China-related matters, including those related to human rights, and that the latter should not infringe on progress towards a final trade agreement. In this connection, it was widely noted that when asked by the media about the ongoing protests in Hong Kong and whether he was concerned that China might intervene, President Trump replied that the city had experienced “riots for a long period of time,” and that “Hong Kong is a part of China, they’ll have to deal with that themselves.”46 These comments, especially referring to the protests as “riots,” contrast notably from statements of the EU and other European leaders emphasising the need to respect the Hong Kong people’s “fundamental right to assemble and express themselves freely and peacefully.”47

On the other side of the Atlantic, Brexit and the rise of populist regimes and growing division among some European countries may also make it more difficult for the EU to develop its own united front to respond to the challenge from China. As Donfried also observed, “authoritarian populism is rising in Europe because of growing concerns about economic inequality and the loss of national identity as a result of immigration,” thus potentially eroding support for the EU and European
integration.\textsuperscript{48} Although the EU has thus far held firm in the process of Brexit, it is not certain whether and how long this unity can be maintained as EU members continue to face increasingly difficult economic and immigration issues, especially in the midst of the recent pandemic crisis, and in the years ahead. In some ways, Brexit may be a reflection of the choices that other EU members will confront in future. In fact, Brexit, formally taking place at the end of January 2020, has not only weakened the EU as a major economic and political bloc but could also fuel Euro-sceptics and populist nationalists, possibly further undermining the effectiveness of the EU in future. Thus, with many of its member countries even more focused on their own diverging economic and political interests, and more sceptical of the EU, it could become increasingly difficult for the EU to maintain unity as well as the consensus needed to implement a China policy that addresses their broader long-term interests.

Meanwhile, giving it increasing leverage and influence, China has dramatically expanded its trade and investment ties to Europe, with the EU now China’s largest trading partner and China becoming the EU’s second-largest trading partner after the United States. In his recent testimony to the US Congress, Philippe Le Corre, a French academic and former government official, noted that China’s annual foreign direct investment (FDI) in the EU “skyrocketed from $840 million in 2008 to $42 billion in 2017.” This figure does not even include the acquisition of the Swiss agri-business giant Syngenta for $43 billion by a Chinese state-owned enterprise in 2017.\textsuperscript{49} The vast majority of Chinese direct investment, both state and private, is concentrated in the major European economies, such as the UK, France, Italy and Germany, with nearly $50 billion accumulated investment in the UK.\textsuperscript{50} From 2015 to 2017, for example, it is reported that Chinese companies acquired nearly a dozen major robotics companies in the United States and EU that included German-based Kuka AG, the world’s fourth-largest robot manufacturer, for $4.5 billion.\textsuperscript{51} In 2018, Chinese investors also acquired a majority stake in British chip designer Arm’s subsidiary in China through its Japanese owner SoftBank for $775 million.\textsuperscript{52}

Although Chinese FDI fell sharply in 2018–2019 due largely to Chinese capital controls and new investment screening regulations in the EU, Chinese investments into the UK actually rebounded in 2019 partly as a result of the Brexit-pressured pound depreciation. According to the consulting firm Deloitte, non-real estate-related FDI from China into the UK in 2019 had reached an estimated $8.3
billion, compared with $6.1 billion for the whole of 2018. In January 2020, perhaps not surprisingly, despite strong and high-level US Government interventions, the UK administration under Prime Minister Boris Johnson announced its decision to allow Huawei to take part in building the country’s non-core 5G network.

Within the EU as a whole, it should be expected that countries will thus have different views and concerns about China’s expanding investments in Europe that stem largely from their own economic needs and interests. Many of the developing economies, for example, are much less concerned about the issues of intellectual property rights and technology competition highlighted in the EU-China Strategic Outlook and are more eager to attract Chinese capital and infrastructure investments. On the other hand, countries with advanced technologies as well as existing investments in China are more likely to be the targets of Chinese IPR theft and commercial acquisitions, and thus see the establishment of a foreign direct investment screening mechanism aimed particularly at China’s state-driven acquisitions as being more urgent. It thus remains a question as to whether such a mechanism, which will require the drafting of separate national laws and regulations, can be effectively implemented across the EU.

More broadly, as part of its Belt and Road Initiative, China’s state-owned enterprises have also invested heavily in ports and infrastructure projects across Europe including, for example, a controlling stake in the Greek port of Piraeus. In his testimony, Le Corre warned Congress that “the greatest challenge is that Chinese investments in strategic sectors can generate economic dependence, especially among smaller countries and struggling economies, and this relationship can expand into the political realm.” For example, China has reached out separately to Central and Eastern European (CEE) countries that are seeking to increase trade and investment ties with China. Launched in 2012, the “16 + 1” annual summit between 16 (now “17 + 1, including Greece) European countries and China includes 12 EU members. Most of these countries have been strongly supportive of China’s Belt and Road Initiative in the hope of attracting Chinese infrastructure investment.

Others in Europe, however, view “Beijing’s growing leverage over these countries...as a threat to EU unity, norms and values.” They point specifically to several instances where some of the EU members of this group have recently blocked proposed EU statements at the UN Human Rights Council critical of China’s human rights record as well as an EU
declaration against Beijing’s activities in the South China Sea. With the EU often needing to make certain decisions on a consensual basis, China’s leverage on these countries makes it even more difficult for the EU to develop a unified policy vis-à-vis China.

More recently, with the coronavirus pandemic spreading to most of Europe, many have argued that the offer of Chinese assistance to specific European countries, such as Hungary and Serbia (a current candidate for EU membership), is also intended to cover up China’s responsibility for the spread of the virus. They argue that such assistance also functions to “drive wedges between members of the European Union and to advance its propaganda war against the United States.” A news report noted, for example, that the Chinese embassy to France had “posted a series of tweets claiming the US Government had covered up a Coronavirus outbreak the year before as flu cases, deflecting claims that Covid-19 originated in China.” The report also pointed out that Huawei had very conspicuously donated millions of masks (“in cardboard boxes branded with Huawei logos”) to various EU governments in the middle of drafting rules on Huawei market access. In a recent blog post, EU’s foreign policy chief Josep Borrell himself warned against the “politics of generosity,” noting critically that “China is aggressively pushing the message that, unlike the US, it is a responsible and reliable partner.”

Finally, there are also different degrees of concern among EU members on the issues of China’s human rights record and authoritarian political system. In a survey of 17 European countries and the EU itself, a recent study found that, despite the strong and public concerns raised by the EU about China’s worsening human rights record, only three EU members—Germany, Sweden and the UK—stood out as “active and vocal” advocates of “political values” (defined here as democracy, human rights and the rule of law) with respect to China over the years. Six of these countries (including Norway as a non-EU member) were classified as being “active and discreet” in promoting political values in China, while the remaining countries were categorised as “passive” or “passive and potentially counteractive.” The study found that historical legacy, economic relations (with China) and Chinese pressure were all factors contributing to the different perspectives and policies among these countries. While the general public and media in all the countries surveyed had “largely negative views” of China’s political system, there were divergent views on how and the extent to which Europe should be defending or promoting political values in relations with China.
Confronting China’s Strategic Threat and Strengthening the Liberal International Order

It is thus clear that the United States and the EU will face serious challenges in countering China’s growing threat to their interests as well as the values of the liberal international order. We need to start with the assumption, as seen above, that there will continue to be different views and priorities between the United States and the EU, and among European countries themselves, that will lead to different policy responses on a wide range of issues. Given these differences, and making clear that this is not a zero-sum competition with China, the United States and the EU should focus on mobilising various “coalitions of the willing” to tackle the specific challenges that China poses.

At the same time, however, we have seen converging views on how China’s rapidly growing economic and military power, along with its authoritarian state-driven model, threatens to undermine the existing rules and standards of the widely accepted global trading system, infringe on the sovereignty of other countries and erode the values of the liberal international order that has helped foster the growth of democracies and respect for universal human rights around the world for the past 75 years. So, the question now is whether and how the United States and the EU, as well as the UK, can identify common interests, despite the differences, to work separately and together to respond to this broad and growing challenge.

To start with, the United States and the EU will need to address the issues that emerged under the Trump administration and begin to repair and strengthen the increasingly troubled trans-Atlantic relations. Above all, they—including the UK—need to search for opportunities to reaffirm the enduring interests and values that have bound them together over the past decades while, however difficult, begin to work more discretely to address and resolve the various issues that have strained this relationship. As clearly evident at the recent Munich Security Conference in February 2020, the United States and key EU members, such as Germany and France, do have markedly different perspectives about the current state of trans-Atlantic relations. Despite voicing these differences, however, it is noteworthy that these leaders all continued to affirm and emphasise, perhaps even more strongly, the existence and importance of the underlying values of the liberal international order while pointing out
the challenges that the “West” (broadly defined in terms of rules-based 
democratic and human rights values) currently faces in protecting and 
promoting these values around the world.

Thus, under the incoming administration the United States needs to 
reach out proactively to the EU and European allies to consult on the 
specific trade and investment as well as defence spending issues that have 
been the main source of recent friction between the two sides. Although 
it is unlikely that they will be able to resolve these issues in the short term, 
it is nonetheless important to resume discussions as soon as possible with 
the aim of turning the relationship around and making some progress 
in mitigating their impact on trans-Atlantic relations. Some of the trade 
issues could be addressed within the context of, or parallel to, negotia-
tions on a US-UK Free Trade Agreement, if these continue, as well as a 
n narrower US-EU trade deal.62

During his January 2020 visit to the UK, for example, US Secre-
tary of State Pompeo underscored that the two countries “would retain 
and enhance their special relationship” after Brexit, step up bilateral FTA 
negotiations—including further discussions on the Huawei issue—and 
predicted “exponential” growth in bilateral trade that will relieve some of 
the economic pressures on the UK.63 Meanwhile, the United States and 
EU should at least suspend further tariff measures as negotiations proceed 
toward an interim trade deal. On the part of Europe, there needs to be an 
acknowledgement that some of the defence, among other, issues do stem 
from long-standing US concerns about the need for more of its allies 
to assume even greater regional and global responsibilities. In fact, key 
European leaders underscored the importance of “strengthening Europe’s 
role in the world” at the 2020 Munich Security Conference. In effect, 
these combined efforts should aim to expand existing economic ties and 
enhance closer cooperation across the Atlantic at this critical moment in 
the history of the “West”.

With respect to confronting China’s strategic challenge, the US 
Government should increase its efforts to inform and consult with EU, 
UK and other European officials on the full range of US policies vis-à-
vis China in order to improve understanding and restore trust between 
the two sides. While there are still likely to be many differences, this 
effort should seek to identify areas where there might be common inter-
ests among some of the countries and thus facilitate cooperation among 
them. Specifically, they need to focus on coordinating policy responses 
to China’s state-driven trade and investment practices, particularly with
respect to intellectual property rights and technology competition, its increasingly expansive and aggressive military activities in the East and South China Seas, and gross human rights violations within China as well as its coercive actions against the peoples of Hong Kong and Taiwan.

**Promoting Rules and Standards in the Global Economic Order**

While the United States and China did reach an interim Phase One Trade Agreement in January 2020, there is much scepticism, given its previous record, as to whether China will fully implement its commitments to protect IPR and halt the state-directed acquisition of foreign technology in targeted industries. Moreover, China has refused to include the key issues of government subsidies, cyber-security and state access to private company data networks in the negotiation of this agreement, deferring them indefinitely to future negotiations. With its comparative advantage as a low-cost manufacturing centre gradually diminished by other developing countries, China now seeks to move up the value chain by developing an advanced technology economy as quickly as possible. Unable yet to build its own innovation base, however, Beijing has continued to pursue its state-driven strategy (reflected in “Made in China 2025”) to acquire foreign technology through forced technology transfers, cyber-theft and commercial acquisitions to create its own national champions, whether private or state-owned enterprises.

In response, as discussed earlier, the United States has not only taken retaliatory tariff measures under Section 301 in reaction to Chinese forced technology transfer and cyber-theft practices but also mandated a national security review of foreign direct investments in critical high-tech industries. It has also imposed restrictions on major Chinese technology companies, such as Huawei, seeking to operate in the United States. Beyond this, the US Justice Department also launched a nation-wide “China Initiative” in 2018 to investigate and counter Chinese economic espionage activities against US companies and research institutions, which has already resulted in the prosecution of a number of high-profile cases over the past two years. The United States and China thus remain far apart on the fundamental issues related to China’s state-driven development model that seeks through non-market and often extra-legal mechanisms to achieve global economic and technological superiority as well as to advance China’s broader foreign policy goals. Whatever the
results of the 2020 presidential election, the next US administration will continue to face this critical challenge from China.

Similarly, it is clear from the EU-China Strategic Outlook that advanced European countries in particular also share serious concerns about China’s state-driven industrial policies aimed at acquiring—legally or illegally—their advanced technology and eroding their comparative advantage. After the sharp rise in Chinese FDI in Europe targeting European high-tech industries since 2015, the EU has also developed a foreign direct investment screening framework directed primarily at Chinese acquisitions that took effect in April 2019, and has urged all EU members to enact national regulations needed to fully implement this framework as soon as possible.

While certain policy differences may continue to exist, it would thus be useful for US, EU and European trade officials to consult regularly on ways to coordinate and improve the effectiveness of their respective policies and implementation in this area, including on the controversial issue of Huawei’s quest to help build the European 5G networks. They should also seek to include other advanced economies, such as Japan, Korea, Taiwan and Australia, who all have important stakes and critical roles to play in this effort. The US Justice Department should also be briefing EU and British officials regularly on the progress of its “China Initiative” to underscore the urgency and seriousness of Chinese economic espionage not only in the United States but possibly in Europe. Both sides need to underscore the need for joint action to bring about the structural changes in China that would create a more level playing field and strengthen the market and rules-based system of the global economic order.

Additionally, it is critical that the United States, EU and the UK increase their cooperation within the WTO to challenge China’s non-market economy and industrial policies and government subsidies to its state-owned enterprises. For example, the US and EU refusal to grant China “market economy status” at the end of 2016 was essentially upheld when the WTO dispute settlement body suspended proceedings—at China’s own request—on its case against the EU on this issue in June 2019. The United States had submitted a third party filing supporting the EU position in this case. In connection with the US Section 301 Action against China in March 2018, the United States also officially launched a trade complaint at the WTO regarding China’s allegedly discriminatory technology licensing practices. Separately, the EU has filed complaints against China at the WTO over its forced
technology transfer policies, specifically including electric vehicles and biotechnology.\(^6\)

A recent CATO Institute study concluded that the WTO dispute settlement mechanism has actually had success in bringing about some market openings in China but is currently underutilised.\(^6\) In this connection, the United States should consult with the EU and others on ways to further improve the WTO dispute settlement mechanism with respect to specific US concerns regarding anti-dumping cases to address and resolve the current stalemate in the appointment of judges to the appellate process. Beyond this, the United States and the EU, along with the UK, Japan and others, should work towards broader WTO reforms that will improve its overall effectiveness and can challenge directly China’s government subsidies to its state-owned enterprises, especially in relation to their global activities. Looking to the future, the reform and strengthening of the WTO system are essential to enhancing the rules-based international economic order that should be their long-term goal.

Another prospective area for US-EU cooperation would be in jointly promoting appropriate financial, governance, labour and environmental standards with respect to public-private assistance to developing countries. Both have recently launched new sustainable development and connectivity initiatives that will seek to promote and apply these standards and provide substantial funding alternatives to China’s Belt and Road Initiative.\(^7\) US and EU officials have now begun to meet regularly to refine standards and coordinate global projects. Thus, they should consider expanding cooperation to include Japan, given its significant global infrastructure development assistance programme.\(^7\) This effort need not be opposed to China’s BRI projects. However, it could be used to alert recipient countries about the economic and political costs and risks involved in accepting Chinese loans for major infrastructure projects as well as to inform them of the standards that should be employed to safeguard against corruption, poor labour practices and environmental degradation. Ideally, this could eventually pressure China into adopting similar standards for its BRI projects abroad as well.

**Maintaining Peace and Security in Asia**

As noted earlier, the United States has stepped up its naval operations and clearly plans to strengthen its forward military position in the region as a response to China’s massive reclamation projects and militarisation
of the South China Sea. Nonetheless, one security analyst argued that US efforts are “probably too little, too late” to reverse what China has already put in place that “has enabled it to claim possession of the South China Sea.” He advised that the United States needs to get tougher by not only increasing the frequency of FONOPs but also “send warships deeper into the 12-nautical-mile radius around the islands and reefs that China claims” to press the point home. Others noted that US FONOPs “have proved insufficient to prevent Beijing from using gray zone pressure to expand its influence over the sea and airspace within the nine-dash line and block its neighbors from accessing resources (including oil, gas and fish) in their own waters.” They argued that this had eroded US credibility among countries in Southeast Asia, and recommended that the United States further highlights Chinese transgressions, reaffirms its regional security commitments and considers sanctions against Chinese entities that violate international law.

This is thus an area where stronger US-European and regional cooperation could have an impact. In the Asia Reassurance Initiative Act signed into law during December 2018, the US Congress authorised $1.5 billion for military and diplomatic programmes in the Asia and Pacific region. They tasked the president with developing “a diplomatic strategy that includes working with the United States allies and partners to conduct joint maritime training and freedom-of-navigation operations in the Indo-Pacific region, including the East China Sea and the South China Sea.” This would underscore that the issue is not simply one involving regional territorial disputes or US-China rivalry but also a matter of upholding international law. Although it is clear that the EU as a whole does not have a security role, the EU as an institution must continue to maintain and publicly express its position with regard to the need for China to adhere to its obligations under UNCLOS.

Meanwhile, individual European countries, such as France and the UK, have been stepping up their naval operations in the area and should be encouraged to further expand their presence in the coming years. France was reported to have sailed at least five ships into the South China Sea in 2017, as well as conducting a joint FONOP with the UK in the Spratly Islands in June of 2018. More recently, a French warship passed through the strategic Taiwan Strait in early April 2019. During a security conference in Singapore in June 2018, the British Defence Secretary indicated that the UK would begin sending warships through
Pacific waters to demonstrate its commitment to internationally recognised maritime rules in the region. In August, it was reported that the HMS Albion, an amphibious warship carrying a contingent of Royal Marines, exercised its “freedom of navigation” rights as it passed near the Paracel Islands.

In a press interview in October, the Royal Navy commander said that Britain—despite protests by China—would continue to assert its right to freedom of navigation near disputed islands claimed by China. He also described the patrols as a means of demonstrating tangible support for allies in the region. Post-Brexit in February 2020, the HMS Enterprise, an Echo-class survey ship, paid a “courtesy” visit to the coastal city of Haiphong in Vietnam to highlight bilateral defence ties and, according to the British ambassador, to demonstrate “the UK’s commitment to security in the Asia-Pacific.” Both France and the UK are now reportedly planning to deploy aircraft carriers to the region within the next two years.

It is thus important that the United States and its allies are conducting joint operations more frequently. Apart from the biennial RimPac exercise, the US Navy regularly trains with allies and partners in the Pacific, working with countries such as Japan, the Philippines and Australia throughout the year, including joint US-Philippine maritime activities around the contested Scarborough Shoals currently controlled by China. According to the US Navy, US and British ships conducted three joint training drills in the western Pacific from January to February 2019. In January 2019, US and UK warships also sailed together in the South China Sea, conducting communication and manoeuvring drills and exchanging personnel. As US Indo-Pacific Commander Adm. Phil Davidson told the Senate in February 2019, “We’ve had allies and partners in the region—the UK, Japan, Australia, New Zealand, Canada, France, all in one form or another step up their operations in the South China Sea, and I think that shows the international community’s willingness to push back.”

**Safeguarding Democracy and Human Rights**

Finally, the United States, EU and the UK must work together more openly and actively to support democracies and promote respect for universal human rights in the face of China’s increasing threat to the maintenance of these values within China and around the world. As
the Trump administration stated in its National Security Strategy report, “a geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region.” In many ways, this is the most fundamental and difficult challenge that the world faces today, not only from China or in the Indo-Pacific region but also across the world from Russia and other authoritarian regimes and even within our own countries. It should be understood that the gradual erosion of the current rules-based liberal international order could eventually bring us back to the era of powerful authoritarian regimes and xenophobic rivalries that brought us the catastrophes of two world wars. The United States, EU and the UK, as the architects of the post-war liberal international order, have a responsibility to lead the world in confronting this grave challenge.

With respect to China, specifically, the United States, EU members and the UK should start by working with relevant human rights NGOs to document and publicise even more widely reports of China’s gross human rights violations through the media and in public forums, including at the United Nations. The aim here is to raise public awareness and highlight deteriorating human rights conditions under China’s increasingly repressive authoritarian regime for even more of the world, including Chinese people at home and abroad, to see. For instance, the mass detention of over a million Muslims in “re-education camps” should not only be of concern to Muslim communities but should be a concern to all peoples, and particularly to cultural, ethnic and religious minorities in other countries around the world.

Moreover, notwithstanding Beijing’s protests and retaliatory measures, senior US, EU and European officials need to be even more open and direct in speaking out against China’s human rights violations. They should continue to speak out publicly against Beijing’s increasingly repressive measures against its own citizens who seek to express different political views and against Muslim and other ethnic minorities. They should be unequivocal in expressing support under the Basic Law for the individual rights and freedom of the people in Hong Kong as well as for the right of the people in Taiwan to determine their own future. And even if President Trump was not personally focused on human rights issues, senior members of the US administration need to continue to speak out publicly and forcefully. Their failure to do so would undermine the long-term credibility of the United States in its support of democracy and universal human rights values around the world. In short, China should
be openly challenged to live up to its public claims to be a global leader that upholds international law and respects human rights principles.

In more concrete and substantive terms, the United States, EU and the UK should work with and significantly expand financial support for international NGOs and non-profit institutions to bolster democracies and promote human rights values around the world. One of the most effective ways to do this is to respond directly to Beijing’s threat against Taiwan and its democracy by expanding broad and multi-faceted ties with Taiwan to enable it to resist Beijing’s efforts to isolate it from the global community. To begin with, the United States and EU should proceed quickly to negotiate bilateral trade and investment agreements with Taiwan to expand mutually beneficial economic ties as well as to bolster Taiwan’s strategic position in the region. They should also support and encourage US and European NGOs to engage more actively with Taiwan’s vibrant NGO community not only to strengthen Taiwan’s own democracy and civil society but also to work together to facilitate the growth of NGOs and civil societies in the region, particularly in Southeast Asia. As such, Taiwan’s democracy can serve as a model for other countries in the region, including for the Chinese people on the mainland.

**Conclusion**

Although the United States, UK and EU member countries continue to have different interests and priorities vis-à-vis China, it appears that there is growing convergence on views about specific aspects of China’s strategic threat, whether concerning its state-driven economic model, aggressive military policies in the region or increasingly authoritarian and repressive regime. The key point here is that these are interconnected facets of an increasingly powerful China that poses a genuine threat to the rules-based, liberal international order that the United States and many EU members—especially the UK—have built and sought to maintain since World War II.

In this chapter, I have thus identified specific areas of common interests and offered suggestions as to how the United States and EU members as well as the post-Brexit UK might be able to respond together, and in their own ways, to the different aspects of this broad strategic challenge. Regardless of the outcome of the upcoming US presidential election and the consequences of Brexit for either the EU or Britain, the United States and Europe will continue to face this potentially existential threat to the
post-war liberal international order. To be sure, the end goal is not to disengage from or contain China but rather to make clear to China that it can no longer continue to benefit from this system while ignoring and taking advantage of its rules and norms, and that it is in China’s own long-term interest to help maintain and strengthen this rules-based liberal international order.

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