

A K O N R A D - A D E N A U E R - S I F T U N G P U B L I C A T I O N

CHINA and the EU

All that glitters is not gold

Implications for Canada

Dr. Peter Roell

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At a Glance

- **The People's Republic of China** will continue undeterred in its Global Strategy. Its intermediate objectives are to establish China as the dominant regional power by 2021 and as a global power by 2049. Relations between the United States and the People's Republic of China have entered a new low. Neither will they improve in the foreseeable future after the US presidential elections in November 2020. While Beijing is pursuing the modernization of its armed forces at a rapid pace, the USA is investing billions in its navy and preparing for potential conflicts in the Indo-Pacific.
- **Germany and the EU will** continue to be involved in the reconnaissance spectrum of Chinese intelligence services, including cyber-attacks. Beijing is also making efforts to strengthen its influence in the realms of politics, business, science and society worldwide. This ranges from political influence, pressure and threats so as to secure orders for Huawei to build and expand the 5G network.
- **The EU and Germany regard** themselves as being confronted with the following influences from the PR China: Exerting influence on political and economic elites and lobby groups, using the Silk Road initiative as the most important means of geopolitical reorganization, creating financial and economic dependencies, weakening Western democratic systems, influencing the scientific and cultural spheres, using espionage and disinformation, building up substantial military potential and the issuing of threats. Against this background, a study in Canada on these topics is desirable so as to draw the attention among Canadian decision-makers to issues that are or could become equally important for Canadian politics.

- **The South China Sea is** one of the world's most important economic and environmental regions. Thirty percent of world's crude oil and over 50 percent of world LNG shipments are transported via the South China Sea, and the SCS is rich in energy reserves (oil and gas). In more recent years, the PR China has been steadily increasing its military presence in the South China Sea. Politically, economically and militarily, the South China Sea remains a hot spot. Germany and the EU have repeatedly emphasized how crucial it is for them to maintain stability throughout the region. Analyses by the EU Intelligence Analysis Centre (EU INTCEN) and the European Centre of Excellence for Countering Hybrid Threats (CoE) are important for decision-makers in the EU.
- **Germany and the EU have** undoubtedly profited from China's remarkable economic ascent. However, serious differences remain in the areas of the rule of law, freedom, democracy and human rights. Only when the EU is able to clearly define and communicate its interests and, if possible, speak with one voice or at least make qualified majority decisions possible, will it be accorded a greater hearing, and not only in Beijing. The German government's new Indo-Pacific Strategy also points the way forward.

En un coup d'œil

- **La République populaire de Chine** poursuivra sa stratégie globale sans se laisser décourager. Ses objectifs intermédiaires sont d'imposer la Chine comme puissance régionale dominante d'ici 2021 et comme puissance mondiale d'ici 2049. Les relations entre les États-Unis et la République populaire de Chine ont atteint un nouveau creux. Elles ne s'amélioreront pas non plus dans un avenir prévisible après les élections présidentielles américaines de novembre 2020. Alors que Pékin poursuit la modernisation de ses forces armées à un rythme soutenu, les États-Unis investissent des milliards dans leur marine et se préparent à d'éventuels conflits dans la région Indo-Pacifique.
- **L'Allemagne et l'UE continueront à** participer à l'éventail de reconnaissance des services de renseignement chinois, y compris les cyber-attaques. Pékin s'efforce également de renforcer son influence dans les domaines de la politique, des affaires, de la science et de la société dans le monde entier. Cela va de l'influence politique aux pressions et menaces afin d'obtenir l'attribution des contrats d'infrastructures et de déploiement du réseau 5G à Huawei.
- **L'UE et l'Allemagne se considèrent** comme étant confrontées aux influences suivantes de la RP de Chine : Exercer une influence sur les élites politiques et économiques et les groupes de pression, utiliser l'initiative de la route de la soie comme principal moyen de réorganisation géopolitique, créer des dépendances financières et économiques, affaiblir les systèmes démocratiques occidentaux, influencer les sphères scientifiques et culturelles, utiliser l'espionnage et la désinformation, constituer un potentiel militaire im-

portant et émettre des menaces. Dans ce contexte, une étude au Canada sur ces sujets est souhaitable afin d'attirer l'attention des décideurs canadiens sur les questions qui sont ou pourraient devenir tout aussi importantes pour la politique canadienne.

- **La mer de Chine méridionale** est l'une des régions économiques et environnementales les plus importantes du monde. Trente pour cent du pétrole brut mondial et plus de 50 % des expéditions mondiales de GNL sont transportés via la mer de Chine méridionale, et son sous-sol est riche en réserves énergétiques (pétrole et gaz). Ces dernières années, la RP de Chine a régulièrement augmenté sa présence militaire dans la mer de Chine méridionale. Politiquement, économiquement et militairement, la mer de Chine méridionale reste un point chaud. L'Allemagne et l'UE ont souligné à plusieurs reprises combien il est crucial pour elles de maintenir la stabilité dans toute la région. Les analyses du Centre d'analyse des renseignements de l'UE (EU INTCEN) et du Centre d'excellence européen pour la lutte contre les menaces hybrides (CoE) sont importantes pour les décideurs de l'UE.
- **L'Allemagne et l'UE ont sans** aucun doute profité de la remarquable ascension économique de la Chine. Toutefois, de sérieuses divergences subsistent dans les domaines de l'État de droit, de la liberté, de la démocratie et des droits de l'homme. Ce n'est que lorsque l'UE sera en mesure de définir et de communiquer clairement ses intérêts et, si possible, de parler d'une seule voix ou du moins de prendre des décisions à la majorité qualifiée, qu'elle sera mieux entendue, et pas seulement à Pékin. La nouvelle stratégie indo-pacifique du gouvernement allemand indique également la voie à suivre.

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Preliminary Remarks

The objective of the present study is to inform policy makers in Canada on current developments in EU-China relations. The emergence of a new world order, with global trouble spots and upheavals, coupled with the various forms of influence exerted by the People's Republic of China, make it imperative for the EU, Germany and Canada to cooperate on both bilateral and international levels, to advance and preserve free democracy, the social market economy, and the development and consolidation of the value consensus.

Taking the global strategy of the PR China as a starting point, US-China threat perceptions are presented. In addition, China's intelligence activities in Germany and the EU as well as Huawei and the 5G problem will be discussed. As tensions in the South China Sea continue to intensify, attention will also be given to political, economic and military developments. The statement "The power that gains hegemony over the South China Sea will dominate the future" underlines the importance of this region.

In view of the importance and indispensability of intelligence information for the European Union and its decision makers, the EU Intelligence Analysis Centre (EU INTCEN) and the European Centre of Excellence for Countering Hybrid Threats (CoE) will be discussed.

Within the framework of the German EU Council Presidency, closer attention will also be paid to the PR China. A groundbreaking EU strategy document is intended to further specify the EU's future relations with the People's Republic of China.

The study concludes with ten recommendations.

Original German texts were translated into English. All the links were checked for functionality on 21 September 2020, prior to submission of the study.

China's Global Strategy

Questions: How do Western strategic thinkers view the Global Strategy of the PR China? What is the definition of Global Strategy? What is the Grand Strategy of Chinese President Xin Jinping? What role does the “One Belt One Road Initiative” (OBOR) and the “21st Century Maritime Silk Road” play in this strategy? What interests, initiatives and influences are being pursued by Beijing in the Mediterranean region? What deficits can be identified on China's path to becoming a world power?

I would like to introduce this section by quoting three strategic thinkers on China. In his book “The Clash of Civilizations”, Samuel P. Huntington observes that “The emergence of new great powers always has a destabilizing effect, and China's development into a great power will, if it occurs, overshadow every comparable phenomenon of the last 500 years...

If China's economic development continues for another decade, which would seem possible, and if China is able to maintain its unity during the succession period, which is likely, the countries of East Asia and the rest of the world will have to respond to this increasingly self-confident, most greatest of players in human history.”¹

On the long road to improving US-Chinese relations, Henry Kissinger made the following statement during a press conference at the White House on December 18, 1969, “The Chinese are obviously a great people. They have the oldest unbroken tradition of government before all existing cultures; and secondly, 800 million people, 25 percent of the world's population, cannot simply be ignored. They will influence the coexistence of the peoples, whatever our intentions and whatever policies we profess. They are a reality. And their policies, for better or worse, will determine the possibilities for peace and progress, regardless of what we do.”²

In his book entitled “The Only World Power – America’s Strategy of Domination” Zbigniew Brzezinski, security advisor to President Carter from 1977 to 1981, writes the following about China: “China can look back on a great history. The currently strong national feeling of the Chinese people is only new in its societal dissemination, for never before have so many Chinese people identified themselves, even emotionally, with their state and the destinies of the country...

This awareness has deep historical roots. Due to national history, the Chinese leadership tends to regard China as being the center of the world. Now, the Chinese word for China – Chung-kuo or Middle Kingdom – both embodies the idea of China’s central role in world affairs and reaffirms the importance of national unity. The term also implies that the influence emanates from a power center and reaches out to the periphery in hierarchical gradations; hence China as the center expects reverence and respect from its neighbors.”³

I would now like to turn to the definition Grand Strategy. Although there are many definitions of this term, I was particularly interested in the definition in a recent RAND study. “Grand Strategy is the process by which a state relates long-term ends to means under the rubric of an overarching and enduring vision to advance the national interest.”⁴

A great power’s grand strategy, according to the authors of the RAND Study, is often intertwined with a state’s perceived or actual rivalry with another state; whereby rivalry means an antagonistic relationship between two states embroiled in “long-term hostility” and competition as manifested in “multiple disputes, continuing disagreements and the threat of the use of force.”⁵

Should one wish to better understand the policies of Chinese President Xi Jinping and his Grand Strategy, one must know the great value he attaches to Chinese history. On the occasion of the opening of the Academy of Chinese History at the Chinese Academy of Social Sciences in January 2019, Xi congratulated the Academy and wrote: “History is a mirror and drawing lessons from it not only benefits contemporary endeavours but also enriches the mind. With a civilization reaching

back over 5,000 years, it is one of China's fine traditions to emphasize historical research and its use as a reference."⁶

In his Executive Summary Yossef Bodansky points out that "Xi Jinping bases his policies increasingly on the Legalism school best associated with the philosopher Han Fei, and that he is in constant preparation for a protracted confrontation, perhaps violent war, with the US. His strategy builds on Mao Zetong's "protracted war" doctrine. Given the magnitude of the core and vital interests in stark contradiction with the US – there is no hope that any Sino-US economic deal will avert a major confrontation. These endemic differences cannot be resolved fully because of the US' profound, lingering misunderstanding of China. Indeed, China expects more US provocations rather than conflict resolution. Hence, Xi Jinping ordered the PLA to intensify its training and preparation for war. He also ordered the development and fielding of new weapon systems. The PLA will increase its global footprint including the establishing of new overseas bases."⁷

In an analysis dating from August 2018, "The Hegemon's Surge – China's Grand Strategy", Bodansky emphasizes that "China has just embarked on the implementation of the historic ascent to becoming the global Hegemon with the next milestones to come in 2021 and 2049. A major threshold was crossed in March 2018 with the completion of the actionable grand strategy for China's acceleration to the historic ascent of the global Hegemon. Beijing now has a clear understanding of the role of China and the crux of the Chinese-led world order in the future world.

The undertakings recently committed to by Beijing are the outcome of several years of deliberation over modalities for implementation rather than the overall commitment to the historic ascent of China to lasting pre-eminence as a global Hegemon that was reached decades ago. Chinese President Xi Jinping clarified issues that permit fuller understanding during the BRICS Summit in Johannesburg in July 2018.

Furthermore, the Chinese leadership wants to give priority to China's grand strategy and foreign policy interests in order to attain the milestones to come: "China the dominant regional power by 2021", and "China the global Hegemon by 2049". Having been recently empowered as the "Core Leader" and made effectively president for life – Xi Jinping

is all but assured to get his way with the highest echelons of the Chinese leadership. The final push to completing “the Hundred-Year Marathon” and the ascent of China as the global Hegemon has just begun.”⁸

An important part of China’s Grand Strategy is the One Belt One Road Initiative (OBOR)⁹ and China’s “21st Century Maritime Silk Road.”¹⁰

Breaking down China’s Grand Strategy by country or region would go beyond the scope of this section. I would thus like to illustrate this by way of China’s initiatives and interests in the Mediterranean region.

On the occasion of a workshop hosted by the Konrad-Adenauer-Stiftung in Athens on 11 September 2018, I pointed out that Beijing’s political and economic influence in the region will continue to grow, and China will most certainly be strengthening its military presence in the Mediterranean Sea and beyond.

Dr. Christina Lin, ISPSW author of many years, stresses this and points out in her comprehensive study “The Belt and Road and China’s Long-term Visions in the Middle East”, that China has significantly increased its political visibility in the Middle East. With “Xi Jinping’s most important strategic initiative during his presidency that aims to economically connect more than 60 countries throughout the Afro-Eurasia region and revive the ancient Silk Road along with a Maritime Silk Road, the Middle East will continue to play a vital role in the implementation of ‘OBOR’ and the challenge of Western influence and presence in the region.”¹¹

In her most recent study “China’s Silk Road meets Syria’s Four Seas Strategy”, Dr. Lin points out that while the international community is fixated on Iran’s nuclear program, China has been steadily expanding its political, economic and strategic ties with Syria. With China’s westward march via the Belt and Road Initiative Beijing is meeting Syria’s Four Seasons Strategy to turn Damascus into a trade hub around the Mediterranean Sea, Red Sea, Persian Gulf/Arabian Sea and Caspian Sea.¹²

Looking through the prism of time, China’s Grand Strategy has invariably been challenged by three interrelated objectives: to control the periphery and ward off threats to the ruling regime; to preserve domestic order and well-being in the face of the various forms of social

strife; and to attain or maintain geo-political influence as a major, or even primary, state.¹³

Although China's success in political, economic and military terms is remarkable its rise cannot be taken for granted. The U.S. still remains the world's leading financial power, its military and land bases are all over the world, supported by still strong alliances. In his book "China Goes Global – The Partial Power" Professor David Shambaugh also refers to China's deficits such as huge trade surpluses that contribute directly and indirectly to job losses around the world, to its military modernization and regional muscle-flexing in Asia which is tarnishing its standing there, to its domestic human rights situation which has been a long-standing concern to Western countries, to its environmental record and contributions to global warming which are criticized abroad, and to its political system, which finds little admiration abroad although its economic growth is still admired, etc.¹⁴

Further challenges are the demographic development in China, over emphasis on President Xi Jinping, which renders critical remarks and contradictions rather unlikely, corruption, and domestic and foreign political disruptions.

I conclude this section by quoting the Chinese general, military strategist, philosopher and author of "The Art of War", Sun Zi (544 BC-496 BC):

"The best war strategy is to seize a state unharmed; the worse tactic is to destroy it. The second best is to break its alliances. The third best is to attack its troops. The worst strategy is to attack cities; attack them only when there is no other choice."¹⁵

When carefully reading through Sun Zi's complete works, it soon becomes evident just how relevant his statements are today, whether relating to strategy and tactics, situation assessment, the use of agents, disinformation, hybrid warfare, etc. – and the fact that Sun Zi's works are still very much alive, elements that are clearly evident in China's Global Strategy and that have found their way into it.

The White and the Yellow Tiger: The U.S. and China's Threat Perception

Questions: How does the United States of America perceive the threat from the People's Republic of China? How do the Chinese leadership and the Chinese National Institute for South China Sea Studies (NISCSS) assess the threat situation? What military modernization measures can be identified in the PLA?

A Chinese proverb runs: There is no space for two tigers on the peak of a mountain. So how do the United States of America and the Chinese leadership in Beijing see the potential threats? In January 2018 a close associate sent me a copy of the 2018 National Defense Strategy of the United States, as formulated by former United States Secretary of Defense, Jim Mattis. It contained the following passage:

“We are emerging from a period of strategic atrophy, aware that our competitive military advantage has been eroding. We are facing increased global disorder, characterized by decline in the long-standing, rules-based international order – creating a security environment more complex and volatile than any we have experienced in recent memory. Inter-state strategic competition, not terrorism, is now the primary concern in U.S. national security.

China is a strategic competitor which uses predatory economics to intimidate its neighbours while at the same time militarizing parts of the South China Sea. Russia has violated the borders of nearby nations and pursues veto power over the economic,

diplomatic, and security decisions of its neighbours. Meanwhile, North Korea's breaches of international law and reckless rhetoric continue despite United Nation's censure and sanctions. Iran continues to sow violence and remains the most significant challenge to Middle East stability. Despite the defeat of ISIS' physical caliphate, threats to stability remain as terrorist groups with long reach continue to murder the innocent and threaten peace more broadly."¹⁶

References to hybrid warfare in the People's Republic of China can be found in the Annual Report to Congress "Military and Security Developments Involving the People's Republic of China 2019", which states: "China's leaders employ tactics short of armed conflict to pursue China's strategic objectives through activities calculated to fall below the threshold of provoking armed conflict with the United States, its allies and partners, or others in the Indo-Pacific region. These tactics are particularly evident in China's pursuit of its territorial and maritime claims in the South China Sea as well as along its borders with India and Bhutan."¹⁷

Last year China also continued militarization in the South China Sea by placing anti-ship missiles and long-range surface-to-air missiles on outposts in the Spratly Islands, violating a 2015 pledge by Chinese President Xi Jinping that "China does not intend to pursue militarization".¹⁸

To analyse the Chinese perception, one must first see things from the perspective of the Chinese Politbureau. Like the Europeans, the Chinese have understood that there is obviously only one topic in Washington, in Congress, in the Pentagon, and in think tanks: China, China, China.

The *Global Times* has accurately described the quintessence of the dispute with the US, and what the Chinese leadership thinks: "The recent row between the two major economies is not just about trade. In fact, all of the US requirements target issues beyond trade, which is actually meant to contain China's development in an all-round way. By curbing our development in the high-tech field, the US intends to manage China's future development in the way they design, thus posing serious challenges to us... More importantly, they don't want to see China develop

high-tech industries, nor better their technology. That is to say, according to their design, changes must be made to the *Made in China 2025* initiative and to the reform of State-owned enterprises so as to contain China's development."¹⁹

And *Global Times* claims that the PRC is ready to compromise on trade and other issues but cannot give up the right to develop and relinquish their national sovereignty.

When acting Defense Secretary Patrick M. Shanahan declared before a House hearing in May 2019 that countering the threat posed by China is one of Pentagon's highest priorities, and identified Beijing's aggressive military build-up, systematic theft of technology, subversion of the rules-based international order and coercive global activities as key concerns,²⁰ one may confidently assume that his statement contributed to the impression among experts of the Central Military Commission and the People's Liberation Army of being confirmed in their worst-case analysis.

Chinese President Xi Jinping had already raised the awareness of the military on 4 January 2019. In a key meeting of the Central Military Commission he ordered the PLA to intensify its training and preparation for war. The PLA must improve its joint operation capability, whereby new types of fighting forces should be the priority in military development along with the introduction of more realistic training programmes.²¹

Similarly, according to a statement by the U.S. State Department of 8 July 2019, it has approved the possible sale to Taiwan of M1A2T Abrams tanks, Stinger missiles and related equipment at an estimated value of \$2.2 billion, and thus that the present political tensions between Washington and Beijing is set to intensify.

On the same day, the Pentagon's Defense Security Cooperation Agency (DSCA) also notified US Congress of a possible arms sale to Taiwan, which could also include mounted machine guns, ammunition, Hercules armoured vehicles for recovering inoperative tanks, heavy equipment transporters and related support. It was also pointed out that this delivery of weapons would not alter the basic military balance in the region.²²

I concur with this view, since the delivery of 108 M1A2T Abrams tanks as well as 250 Stinger missiles etc. would, indeed, not alter the basic military balance in the region, but would affect one of China's core interests. Washington will obviously continue to support Taiwan!

This intention was documented in August 2020 when Taiwan formally signed an agreement to purchase 66 of the latest model of US F-16 jets built by Lockheed Martin Corp. for 62bn US Dollars. The F-16s will be equipped with top-line fire control radar allowing precision-guided munitions to be fired at greater distances.²³

And how does China's National Institute for South China Sea Studies (NISCSS) assess the U.S. military presence in the Asia-Pacific in 2020? This comprehensive and interesting study deals with the following topics: The Evolution of U.S. Security Strategy in the Asia-Pacific after the Cold War; U.S. Military Presence and Deployment in the Asia-Pacific; U.S. Military Activities in the Asia-Pacific, U.S. Military and Security Relations in the Asia-Pacific; China-U.S. Military Relations in the Great Power Competition.²⁴

Although the President of NISCSS, Dr. Wu Shicun, who enjoys a high reputation among experts, points out in his foreword that the study is an academic research report reflecting the personal views of the NISCSS rather than official positions or views of the Chinese government, he still has high-level and strong contacts with Chinese decision-makers. I have little doubt that this study has been approved by the highest authority prior to publication.

With respect to the threat situation on the part of the white tiger, the yellow tiger determines that the U.S. military has maintained its absolute supremacy in the Asia-Pacific over the years. However, the U.S. military keeps seeking new military deployments in the Asia Pacific so as to expand and maintain its supremacy. Furthermore, in the foresee-

The yellow tiger determines that the U.S. military has maintained its absolute supremacy in the Asia-Pacific over the years.

able future, the U.S. military power which is No.1 in the world will continue its rapid growth, particularly in the Asia-Pacific, and with a clear objective to maintain overwhelming supremacy over its competitors.²⁵ A most remarkable assessment of the Chinese leadership!

The Chinese situation assessment is confirmed by a statement by U.S. Secretary of Defence Mark Esper on 16 September 2020 at an event organized by RAND Corporation, namely, that China cannot match the United States when it comes to naval power. Even if the U.S. would cease building new ships, it would take the People's Republic of China years to close the gap when it comes to US capabilities on the high seas.²⁶ He also announced an ambitious plan to expand the US Navy with a range of unmanned and autonomous ships, submarines and aircraft to confront the growing maritime challenge from China. The US sea fleet would be expanded to more than 355 ships, from the current 293. Furthermore, the "game-changer" plan requires additional tens of billions of dollars to the Navy budget between now and 2045.²⁷

As far as the three Yellow Tiger proposals for crisis prevention are concerned, this is nothing new, although the White and Yellow Tigers lack the will to implement them.²⁸

With respect to the military capabilities of the People's Liberation Army (PLA), Yossef Bodansky, in his new analysis "The Xipolmacy of What's Next" points above all to the improvements in the area of command and control capabilities, as also, in 2020 to the supply of new weapons.²⁹

I would like to draw attention to a new document of the "White Tiger" concerning China "Military And Security Developments Involving The People's Republic of China 2020 – Annual Report To Congress"³⁰ as well as to a CSIS analysis of August 2020, "Analysis of the FY 2021 Defense Budget".³¹

China's Intelligence Activities in Germany and the European Union: Means to an End

Questions: What intelligence collection priorities has the Chinese leadership defined? What methods does Beijing use to build intelligence assets in Germany and Europe? To what extent does Xi Jinping use the “China Dream” for the purpose of global strategic-political influence? How does the German Federal Office for the Protection of the Constitution (BfV), Germany's domestic intelligence service, assess the threat potential of the Chinese intelligence and security services in the field of cyber-attacks? What significance do the Chinese services have for maintaining power and expanding the “Communist Party” (CCP)?

By way of introduction, I would like to point out that, naturally, other states likewise conduct espionage. Thus, the US intelligence services are very active worldwide. My remarks deliberately focus on the Yellow Tiger, which spies on the White Tiger, as well as on Germany and the EU member states.

“In December 2017, the BfV issued a public warning that a Chinese intelligence service created thousands of fake profiles on the online platform LinkedIn. Following a nine-month investigation, the BfV identified 10,000 German citizens who had been contacted by members of a Chinese intelligence service masquerading as employees of headhunting agencies, consulting firms, think-tanks or as scientists.

Recruitment targets were chiefly members of the German and European parliaments, but also senior diplomats, members of

the armed forces, lobbyists, researchers in private or government think-tanks and political foundations. As former BfV President, Hans-Georg Maaßen, pointed out: “These individuals were all targeted as a broad attempt to infiltrate parliaments, ministries and administrations.”

Many recruitment candidates were invited to all-expenses-paid conferences, or to fact-finding trips to China. The task of the Chinese Intelligence Services was to collect further information on their suitability for recruitment.

The press conference closed with the BfV urging European officials to refrain from posting private information on social media, since foreign intelligence operatives actively collected data on users’ online and offline habits, gathering a range of information on the target person including hobbies and other interests etc.”

It is quite plausible – given the importance attached to keeping face in Asia – that the government of the Chinese intelligence service dismissed the German allegations by claiming that the BfV’s investigation was based on “complete hearsay” and was thus “groundless”, before going on to urge German intelligence officials to “speak and act more responsibly”.

Thanks to high-level government talks, a miracle occurred: recruitment activities were reduced dramatically.

According to BfV information, over 90 per cent of the initial contacts failed in their desired objective; at over five percent, however, the number of continued first-contacts is very alarming. Even with a few successful operations in the targeted sectors, such as in politics and administration – but also in other affiliated fields, such as in the economy, industry and the military – this could result in enormous damage to the Federal Republic of Germany.”³²

On 27 June 2019, the Federal Minister of the Interior, Horst Seehofer, and the President of the German Federal Office for the Protection of

the Constitution (BfV), Thomas Haldenwang, presented to the public the 2018 Annual Report on the Protection of the Constitution – Facts and Trends.³³ I cite here the following passages from the above report:

“The focus of Chinese intelligence activities is shifting towards political espionage. Chinese intelligence services are now making great efforts to obtain information about supranational entities such as the EU and about international conferences, like the G20 summit. Moreover, the country is very interested in policy positions on China, e.g. recognition as a market economy or territorial disputes in the South China Sea.

Intelligence targets continue to be business and industry, research, technology and the military. The same applies to the popular movements which the Chinese authorities call the “Five Poisons” – including the independence movement of the Uyghur and Tibetan ethnic minorities, the anti-regime Falun Gong movement, the democracy movement and proponents of sovereignty for the island of Taiwan – fearing that they threaten national unity and the Communist Party’s monopoly on power.

In 2018, China continued to acquire medium-sized companies in the high-tech sector in order to close gaps in technology and carry out its ambitious high-tech programme “Made in China 2025”, which is aimed at making China a global leader among industrialised nations. With this in mind, certain sectors and innovative technologies are targeted for support, including new energy sources and engines, medical technology, industrial robotics, information technologies and space and aviation technology.

The export of German high-tech could harm the German Economy in the long run. Nor can it be ruled out that China, by acquiring security-relevant German Businesses, might obtain sensitive data and information which it could use to the detriment of German security interests.

The Chinese are attempting to exert increasing political influence abroad. In late 2017, China's President Xi Jinping announced the start of a "new era" in which China would move closer to centre stage and become a global leader. He said the "China dream" would come true with the help of strategic master plans such as "Made in China 2025" and the "New Silk Road" project. The Chinese leadership has promoted the latter, also known as the Belt and Road Initiative (BRI), since autumn 2013. The project is intended to open land and sea routes connecting China, Africa and Europe, and was recently extended to include the Arctic and Latin America. It has also assumed a security policy.

The Chinese believe it necessary to ensure a favourable political environment for the project to succeed and are thus engaged in massive attempts to extend Beijing's global influence on politics, business, research and society. Governmental, semi-governmental and private Chinese actors use well-connected German decision-makers and multipliers to lobby on behalf of Chinese interests. Chinese investment in Germany also create economic dependencies which China can utilise as leverage to gain political concessions where necessary.

The increase in Chinese cyberattacks, as witnessed in 2017, continued into 2018. Meanwhile, attacks have become more difficult to detect. This development in the methods and techniques used by Chinese APT cyber attackers, in combination with a high degree of resources, signifies a growing threat, which is also more difficult to identify.

The Chinese AP10 group is currently considered the most active group when measured by its visible activities and is currently focusing on targets in Japan and the USA, particularly in the telecom sector. The attacks are carried out in three stages: The initial attacks, which are difficult to detect, are followed by tactical reconnaissance on infected systems. The reloading of permanently usable harmful malware can thus take place at any time, sometimes months after the initial infection.

Methodology and software are individually adapted to the target spectrum or developed entirely from scratch.

Furthermore, as the BfV Annual Report 2018 indicates, so-called supply chain or managed service provider attacks are regarded as particularly effective and sophisticated. The aim is not to attack the target computer itself, which is usually well-secured, but to identify a detour via third parties installed in the target system and interfaces from service providers (namely, for remote maintenance). Thus, by infecting presumably trustworthy programs and communication channels, malware can be smuggled through selected victim systems, whereby spyware can be reloaded at a later point in time.

Finally, the BfV states that the current world political situation and China's related political and economic ambitions indicate further intensification of espionage activities, as well as attempts to exert influence. Protecting German companies against cyber threats is the shared responsibility of government and industry. This is why the BfV continues to participate in the *Economic Security Initiative*, a forum for cooperation among security authorities and industry coordinated by the Federal Ministry of the Interior, Building and Community. This alliance is in an ongoing dialogue with those responsible for security in industrial associations and their member companies to prevent attacks against German industry”.

The Federal Government has already provided the German intelligence and security services and other security agencies with personnel, material and financial resources, and will continue to do so to a considerable extent over the coming years. The challenge for the security services is selecting qualified employees suited to such challenging tasks.

The following are examples of Chinese intelligence activities in Germany, France and Belgium.

In January 2020 Federal prosecutors in Germany confirmed that they are investigating three people suspected of spying on behalf of China.

The suspects under investigation include a former senior EU diplomat and two lobbyists. Two of the suspects are accused of sharing private commercial information with the Chinese Ministry of State Security (MSS). Police carried out raids on homes and offices in Berlin and the southern German States of Baden-Württemberg and Bavaria, as well as in Brussels.³⁴

The search warrant for the premises of the former EU ambassador Gerhard Sabathil in Berlin says that he had committed himself to give information from his professional and private surroundings to a leading officer of the Chinese secret service.³⁵

In an interview with the journalists Georg Mascolo, NDR/WDR and Florian Flade, the WDR as well as the Süddeutsche Zeitung, the suspect made his first statement, denied the espionage allegations and criticized the investigators. He had never been employed by a Chinese secret service. According to research by WDR, NDR and Süddeutsche Zeitung, there is even said to have been a dispute between the prosecutors in Karlsruhe and the BfV, which had triggered the espionage investigations against Sabathil. The dispute concerned tapped telephone conversations which were allegedly incompletely recorded. Exonerating aspects had simply been omitted.³⁶

Investigations in the Sabathil case are still ongoing. Being an outsider, it is difficult to evaluate the case. Since we live in a constitutional state, I am sure that this espionage accusation will be cleared up in a non-prejudicial manner. From the perspective of the Ministry of State Security (MSS), EU Ambassador Sabathil would be an interesting target person due to his high-ranking access.

On 27 June 2020, the Tagesschau reported in an article by ARD security expert Michael Götschenberg that the Federal Prosecutor's Office had initiated investigations against a 74-year-old man and his wife. According to information from the ARD capital city studio, they are said to have been in the employ of a Chinese secret service and for the German Federal Intelligence Service (BND). Until his retirement W. worked in a leading position at Hanns-Seidel-Foundation. Shortly prior to his retirement, a visit to Tongji University in Shanghai is said to have led to a recruitment approach by a Chinese secret service.³⁷

The couple were equipped with a laptop and software to transmit encrypted information. The goal was to prepare the couple for the World Uyghur Congress.³⁸

This case will also be further investigated by the respective authorities. Evidently, political foundations, diplomats, representatives from politics, business and science are the focus of the Chinese Ministry of State Security (MSS). Sensitizing this group of people to possible recruitment attempts by Chinese and other intelligence services will continue to be a challenge!

There have been several incidents of suspected Chinese spies in France. In May 2018, two former French operatives identified as Colonel Henri Manioc and Pierre-Marie H. were accused of communicating classified information to China. Manioc was reportedly the Beijing chief for the Directorate-General for External Security (DGSE). Allegedly, he changed sides in 1998, after he fell in love with a Chinese woman.³⁹

This case demonstrates a very successful operation by the Chinese MSS to recruit and plant a high-ranking agent inside a foreign intelligence service. Perhaps, the French intelligence services will decide to carry out security checks more frequently.

As can be read in WIKIPEDIA, Justice Minister Jo Vandeurzen accused the Chinese Government of electronic espionage against the Belgium government, while Foreign Minister Karel De Gucht informed the Belgian Federal Government that his ministry was hacked by Chinese agents. Furthermore, the Katholieke Universiteit Leuven was believed to be the centre for a group of Chinese students in Europe conducting industrial espionage, operating under a front organization called the Chinese Students' and Scholars' Association of Leuven. In 2005, a leading figure of the Association defected to Belgium, providing information to the Sûreté de l'Etat on hundreds of spies engaged in economic

The Katholieke Universiteit Leuven was believed to be the centre for a group of Chinese students in Europe conducting industrial espionage, operating under a front organization [...].

espionage across Europe. The group had no obvious links to Chinese diplomats and focused on establishing moles in laboratories and universities in the Netherlands, Britain, Germany, France and Belgium.⁴⁰

According to a report released by the European External Action Service (EEAS) in February 2019, an estimated 250 Chinese MSS and 200 Russian spies were operating in Brussels.⁴¹

In the most recent report of the Federal Office for the Protection of the Constitution issued in July 2020, which refers to the year 2019, the Office also points out the importance of the Chinese intelligence and security services of the People's Republic of China. With their far-reaching powers, the services were instrumental in maintaining the power of the "Communist Party" (CCP). It goes on to explain that the expansion of power and influence, the transformation of the national economy into a developed industrial society and the technological leadership of the future are among the ambitious goals of the state and party leadership.⁴²

The report on the protection of the constitution discusses in great detail the goals and focal points of information gathering and the methods used by Chinese services. It also deals with the Belt and Road Initiative of the PR China. From an intelligence point of view, Beijing's geopolitical investment goals and state influence have made China the greatest challenge with regard to foreign direct investment in Germany.⁴³

Furthermore, the report points to attempts by Chinese actors to gain greater political influence abroad. Here, the decisive success factor is the creation of a benevolent political environment. This is carried out worldwide in the areas of politics, business, science and society. To achieve this goal, Chinese state, semi-state and private actors are being deployed in order to win over well-networked decision-makers and multipliers as "lobbyists" for China's interests.⁴⁴

The BfV's Annual Report 2019 again focuses on China's cyber activities in the Federal Republic of Germany. Cyber defence assumes that state-controlled cyber-attacks of presumably Chinese origin will continue to pose a high-risk potential for companies and research institutions, as well as for politics and administration and other institutions in our country.⁴⁵

5G and Political Pressure

Questions: With which political and economic measures is the USA seeking to in order to prevent its allies from building and expanding the 5G network on the part of Huawei? What countermeasures can be identified by the PR China? How do security experts in Germany and the EU assess the threat posed by Huawei? How has Germany positioned itself so far with regard to the 5G question? What are the difficult decisions facing German politics?

On 28 January 2019, the US Justice Department announced criminal charges against Chinese telecommunications giant Huawei and its associates for nearly two dozen alleged crimes. The two indictments accuse Huawei of violating intellectual property law and lying about its compliance with the US against Iran. Specifically, Huawei is charged with violating confidentiality agreements with T-Mobile by photographing, measuring, and stealing part of a T-Mobile-developed robot, as well as lying to banks about Huawei's ties with Iran affiliate Skycom to appear to comply with US sanctions. Furthermore, Huawei's CFO, Meng Wanzhou, was arrested in Vancouver on 1 December 2019 on charges of lying about violating US Sanctions against Iran, thus generating considerable backlash from Beijing.⁴⁶

In his speech at the Munich Security Conference (MSC) on 16 February 2019, U.S. Vice President Mike Pence urged allies to turn their backs on Huawei technologies, painting the Chinese telecommunications equipment supplier as a severe security threat. "Chinese law requires them to provide Beijing's vast security apparatus with access to any data that touches their networks or equipment. We must protect our critical telecom infrastructure, and the United States is calling on all our security partners to be vigilant and to reject any enterprise that

would compromise the integrity of our communications technology or national security systems”.⁴⁷

Already on 21 December 2018, the Chinese Ministry of Foreign Affairs reacted with the following statement: “The Chinese government had never participated in or supported the stealing of industrial secrets”,⁴⁸ and urged Washington to withdraw its accusations.

The US is exerting strong, worldwide pressure on its allies and other states to prevent China from participating in the 5G project. The U.S. government, for example, is said to have threatened Germany with restrictions on the cooperation of the secret services in the event that the Chinese communications provider Huawei were to set up the new 5G data standard. In a letter to Federal Minister for Economic Affairs and Energy, Peter Altmaier, US Ambassador Grenell stressed that Huawei is obliged under Chinese law to serve Chinese security interests and that it will not be possible to minimise the risk of information being passed on to Chinese secret services through controls.⁴⁹

And, indeed, Article 28 of the Chinese cyber security law states the following:

“Network operators shall provide technical support and assistance to public security organs and national security organs that are safeguarding national security and investigating criminal activities in accordance with law”.⁵⁰

Undoubtedly, governments will task their intelligence officials to provide background information on the issue, on which basis they can make political as well as economic decisions.

How does Jeremy Fleming, director of U.K. cybersecurity agency GCHQ, assess the threat situation?

In his address at the 35th IISS Fullerton Lecture in Singapore on 26 February 2019, he pointed out that security agencies must collaborate with governments so as to understand both the opportunities and threats presented by Chinese technologies, as well as the global nature of supply chains and service provision irrespective of the supplier’s flag,

and to obtain a clear view of the implications of China's technological acquisition strategy in the West. He added that GCHQ had been unambiguously clear with Huawei that it would be uncompromising on the security improvements it expected from the company.⁵¹ He emphasised that the U.K. has yet to come to a decision about Huawei's inclusion in its domestic 5G network.

In speeches and other public appearances, the heads of MI6, GCHQ, and the National Cyber Security Centre have attempted to bring some clarity to the raging debate about Chinese technology. They all concur that there is a threat.⁵²

On 2 May 2019 British Prime Minister Theresa May removed Gavin Williamson as defence secretary following leaked National Security Council discussions about awarding Huawei Technologies a role in building the country's 5G Network. The information, which was shared during an April 23 meeting of the National Security Council, concerned Huawei's possible involvement in developing the UK's 5G network. Shortly after the news broke, Williamson released a statement in which he "emphatically" denied any involvement in the leak.⁵³

Within the EU, however, there are also a number of critical voices regarding Huawei's equipment in new 5G projects. On 7 December 2018, Andrus Ansip, Vice President of the European Commission and former EC Commissioner of Digital Single Market stated that Europe should be concerned about Huawei and other Chinese companies, given the mandatory cooperation they are obliged to maintain with Chinese intelligence services.⁵⁴

In the UK, however, we observe new developments. Boris Johnson is poised to begin phasing out the use of Huawei technology in Britain's 5G network as earlier as this year following warnings that US sanctions have undermined the Chinese telecom equipment maker's ability to

Europe should be concerned about Huawei and other Chinese companies, given the mandatory cooperation they are obliged to maintain with Chinese intelligence services.

supply the UK Market. John Sawers, former head of the MI6, thinks that a change in UK policy is inevitable. The latest US sanctions mean that reliable, non-Chinese suppliers to Huawei can no longer work with the company. Thus, UK intelligence services can no longer provide the needed assurance that Chinese-made equipment is still safe to use the UK's telecoms network.⁵⁵

On 14 July 2020, Reuters reported that Prime Minister Boris Johnson ordered Huawei equipment to be purged completely from Britain's 5G network by 2027 and Oliver Dowden, Britain's Digital, Culture, Media and Sport Secretary told parliament, that by the end of the year, it will be illegal for operators to buy any 5G equipment from Huawei.⁵⁶

Furthermore, he said that Britain was working with its intelligence allies to create a group of rivals to Huawei to build 5G networks, naming firms from Finland, Sweden, South Korea and Japan. The decision to exclude Huawei would mean a delay to the roll-out of 5G by two to three years incurring costs of up to 2 billion pounds (\$2.5 billion).⁵⁷

But British leaders also worry that their country may become the target of a possible cyberattack. Australian Prime Minister Scott Morrison briefed Johnson on a massive cyberattack launched on his country last month. The incident targeted government, industry, political organizations, education, health, essential service providers and operators of other critical infrastructure.⁵⁸

But China may also have other targets in mind. China's Ambassador to the U.K. Liu Xiaoming warned that severing ties with Huawei could prompt Beijing to pull Chinese investment from major British infrastructure projects – including the Hinkley Point nuclear power plant and the costly High Speed 2 railway.⁵⁹

And what of Germany's position? Could the British decision be an inspiring example for German decision-makers? During his three-day visit to China in June 2019, Federal Minister for Economic Affairs and Energy, Peter Altmaier, also met Huawei's CEO Ren Zhengfei in Shanghai, making it very clear that telecommunication security is top priority, and that all operators fulfil Germany's security requirements. It would be Huawei's duty to show that they are able to do so.⁶⁰ Already in March

this year, speaking on a ZDF talk show he pointed out that Germany does not wish to ban Chinese telecoms equipment maker Huawei from building 5G networks.⁶¹

His statements comply fully with statements by German Chancellor Dr. Angela Merkel. “There are two things I do not believe. Firstly, to discuss these very sensitive security questions publicly, and secondly, to exclude a company simply because it is based in a certain country. The government has said our approach is not to simply exclude one company or one actor, but rather we have requirements of the competitors for this 5G technology”.⁶²

In an interview with the *Frankfurter Allgemeine Zeitung* (FAZ) in July 2020, Minister Altmaier held fast to his line that close cooperation, for example, with China was necessary in the sphere of climate protection. Regarding the exclusion of the Chinese technology group Huawei from the UK’s 5G expansion, he still believes that Germany will not exclude Huawei from the 5G net. Exclusion should only be possible when national security is demonstrably endangered.⁶³

Critical voices are also to be heard in the German media. Peter Limbourg, Director General of Deutsche Welle, maintains that China does everything it can to block access to information, particularly from the foreign press. Consequently, permitting the Chinese firm to build Germany’s 5G network is naïve, to say the least.⁶⁴

Furthermore, the German magazine *Der Spiegel* points out in its article “Weniger verwundbar” (“*Less Vulnerable*”) that in the German Christian Democratic Union (CDU) there is renewed opposition to the participation of the Chinese provider Huawei in the development of the mobile network 5G.⁶⁵

I share the opinion of Prof. Dr. Patrick Sensburg MP, Member of the Parliamentary Control Committee (PKGr) “I do not trust the suppliers from China or the USA”. Clearly, the MP is well-acquainted with intelligence matters!

In a *Der Spiegel* interview with Arne Schönbohm, President of the Federal Office for Information Security explains: “I think the risk is man-

ageable. There are essentially two fears: first, espionage, such that data flows off unintentionally. We can counter this with improved encryption. Second, sabotage, such that networks are remotely manipulated or even turned off. We can also minimize this risk by not relying solely on one supplier in critical areas. With a possible market exclusion, we also increase the pressure on these providers.”⁶⁶

On 9 July 2020, Federal Minister of the Interior, Horst Seehofer, and President of the Federal Office for the Protection of the Constitution, Thomas Haldenwang, presented the 2019 Report on the Protection of the Constitution. Asked by a journalist about the status of the decision as to whether Huawei could participate in the expansion of the 5G network in Germany, Seehofer said that, as yet, no decision has been made. It was necessary to ensure technical security and assess risks.⁶⁷

In January 2019, Polish authorities arrested Piotr Durbajlo and Weijing “Stanislav” Wang on charges of espionage on behalf of China. Wang, a Chinese national, was sales director at Huawei, while Durbajlo was a former member of the Polish domestic counterintelligence agency and former telecommunications advisor to Prime Minister Beata Szydlo. Durbajlo was well integrated at senior levels of the Polish government and had even designed the special smartphones.⁶⁸

A Warsaw court agreed to prosecutors’ requests to place the two men under custody for three months. If found guilty on charges of espionage, they would face up to ten years in prison.⁶⁹ I doubt whether this espionage case will make a deep impact on decision-makers in the European Union.

On 20 December 2018, the U.S. indicted two Chinese nationals for carrying out cyberattacks and building “back doors” into telecommunications gear to steal military secrets. The Department of Justice said the men stole intellectual property and confidential business information from more than 43 technology companies and government entities in the U.S., including the Navy and the NASA space agency, while on 21 December 2018 China denied America allegations that Beijing has long-since been carrying out cyberattacks. Instead, Beijing accused Washington of espionage.⁷⁰

In view of rising tensions, Washington and Beijing will not, of course, decelerate their intelligence activities, but rather increase them.

Donald Trump's statement on the occasion of the G20 meeting (June 28-29, 2019) in Osaka is interesting.

“US companies can sell their equipment to Huawei” – as long as the transactions do not present a “great national emergency problem.”⁷¹ It has yet to be seen whether the US Commerce Department would grant some temporary licences to US companies to resume business with Huawei. Within the European Union discussions are ongoing as to how to proceed with the Huawei project. Perhaps, we will obtain more detailed information at the end of this year.

During Chinese Foreign Minister Wang Yi's visit to Berlin on 1 September 2020, his German counterpart, Heiko Maas, made the following statement on the question of a participation of the Chinese group Huawei and the expansion of the 5G network: The Europeans do not wish “to become digitally dependent, neither in the West nor in the East”. It is important that a minimum of digital infrastructure is available in Germany.⁷²

European Union intelligence services will continue seeking to obtain confidential information on the 5G topic. Even with secure information confirming Chinese services' use of Huawei to extract intelligence, policymakers must assess the extent to which it is advisable to block China, the strong economic partner, and shut out the billion-dollar business!

Hotspot South China Sea: Political, Military and Economic Implications

Questions: What military activities on the part of the USA and the People's Republic of China are discernible in the East and South China Sea in July 2020, and why is the South China Sea so important? What political and military activities on the part of the PRC have become apparent in the South China Sea since 2015? What has been the reaction of the riparian states and the EU so far? What economic significance does the South China Sea have for Germany and the EU?

It was a tense first week of July 2020 in the seas of Asia. While two U.S. aircraft carriers, the USS Ronald Reagan and the USS Nimitz, launched hundreds of aircraft daily into the skies above the South China Sea, China was conducting naval exercises in the same sea. In a rare and symbolic move, the People's Liberation Army Navy also carried out live-fire drills in the East China Sea and the Yellow Sea.⁷³

A Chinese missile destroyer and two helicopters practiced capturing unrecognized vessels in the East China Sea. The drill is thought to have been tailored to waters near Taiwan and the Japan administered Senkaku Islands, which China claims and refers to as Diaoyu.⁷⁴

Why is the South China Sea important?

“The South China Sea is one of the most important economic and environmental regions in the world. More than half of the world's fishing vessels are in the South China Sea, and millions of people depend on these waters for their food and livelihoods. Thirty per cent of world crude oil and over 50 per cent of world

LNG shipments are transported via the South China Sea, and the SCS is rich in energy reserves (oil and gas).

The Sea Lanes of Communication are a vital military artery since the U.S. Seventh Fleet transits regularly between the Pacific and Indian Ocean. Furthermore, the SCS is the heart of a rapidly growing South East Asia and a vital link between the Indian Ocean and the Asia-Pacific regions.

The region is also the subject of more than a dozen overlapping and interconnected territorial disputes over the various islands, rocks, shoals and reefs scattered throughout South China Sea waters. For example, the Spratly Islands are claimed by China, Taiwan, Vietnam and, in part, by Brunei, the Philippines and Malaysia, whereby except Brunei each of the disputants actually occupies some islands.

The power that gains hegemony over the South China Sea will dominate the future of East Asia”!⁷⁵

China’s Maritime Activities in the South China Sea

When President Xi Jinping visited President Obama at the White House in September 2015, he maintained that China had no intention to militarise the artificial islands in the Spratly Group. Now, however, over 40 different installed radar facilities represent a significant enhancement to China’s C4ISTAR capabilities (command, control, communication, computers, information/intelligence, surveillance, targeting acquisition and reconnaissance). The following are three examples of the above:

Fiery Cross Reef: The images date from 28 November 2017 and depict the northern part of a 3000-meter runway and its large communication and signal intelligence facilities. The airfields are capable of supporting military aircraft including bombers and large transport aircraft. With this military presence, China would be in a position to better control the South China Sea.

The Subi Reef: The image is of a sensor/communication facility and

hardened structures with retractable roofs believed to be shelters for mobile missile launchers.

The Mischief Reef: The image shows a large sensor/communication facility and hangars for China's fighter jets, bombers and transporters, shelter for anti-ship cruise missiles, ammunition storage depots, and a range of electronic and signal intelligence equipment, including over the horizon radars.

ASEAN Members Begin Standing up to China's Maritime Aggression

Indonesia: President Joko Widodo reasserted Indonesia's claim to its exclusive economic zone (EEZ) in the Natuna Sea – waters that border the South China Sea – as Chinese and Indonesian vessels remain in a standoff in the area. In January 2020, Widodo stated “*There is no compromise when it comes to our nation's territorial sovereignty*”.⁷⁶

Malaysia: In December 2019 several Chinese ships entered Malaysian waters. Foreign Minister Saifuddin Abdullah has characterized China's excessive claims in the area as “ridiculous”.

Vietnam: Repeated incursions by Chinese vessels in 2019 prompted Hanoi to openly consider legal action against what it called “serious violations of its exclusive economic zone”.

The following statement by the G7 Foreign Minister's on Maritime Security, issued on 11 April 2016 in Hiroshima, underline our concerns and worries: “We express our strong opposition to any intimidating, coercive or provocative unilateral action that could alter the status quo and increase tensions, and urge all states to refrain from such actions as land reclamations including large scale ones, building of outposts, as well as their use for military purposes and to act in accordance with international law including the principles of freedom of navigation and overflight”.

While the focus of German and European Union politicians is currently placed on such issues as migration, terrorism, the situation in the Near and Middle East, the Ukraine and now the coronavirus, Asia is all too important for it not to be on the radar. The European External

Action Service (EEAS), together with other EU institutions, such as the Institute for Strategic Studies in Paris, the EU Intelligence Analysis Centre (INTCEN) in Brussels etc., would be well advised to critically analyse the situation in Asia, and issue valuable information to EU decision-makers, including situation reports on developments in the East and South China Sea.

South China Sea – Economic Implications

We do not have to explain to Asian experts how important the South-China-Sea is for Germany and our economy. The profound economic importance of the region for Europe, especially for Germany, is abundantly clear. The coronavirus shows us, shall we say, in a brutal manner how global events impact our economy and the real significance of interruptions in global trade. Interruptions in supply chains, as may already be seen, are really hard and are already having consequences. The measures taken by all governments regarding the virus are necessary.

We are dealing with eight key countries of the region with a strong position in global trade. The eight countries, the direct neighbours in the South-China-Sea, are well known.

The contribution of eight countries to global GDP in 2018 that represented approx. 23 per cent is a very substantial figure. China, Indonesia, Brunei, the Philippines, Taiwan, Singapore and Vietnam have demonstrated tremendous economic growth over the last years. Singapore has functioned as the financial hub in the Asian region (ranked number four worldwide) and occupied second place in the 2018 Global Competitiveness Ranking as issued by the World Economic Forum, in other words, just behind the USA. Another important and huge figure is that nearly 30 per cent of global trade passes through the South-China-Sea. And, to complete the numbers, 80 per cent of oil deliveries for north eastern Asia pass through this important trade-route. The South China Sea is becoming the world's most important trading route – of far greater importance than comparable trade routes, such as the Panama-Channel or the “Strait of Hormuz”. The latter is important for oil and gas, whereas the South China Sea is considerably more important for us.

A further change in recent years, something that is important for Germany as world export champion, is that these countries are no longer “mere producing countries”. China is, above all, changing from a more or less production economy to a “consumer and travelling country”. The Chinese consumer market is important for German merchandise. Similarly, there is also a major difference between the consequences of Sars and the current virus. In 2003, China represented four per cent of global trade, in contrast to its present position of over 18 per cent. Whereas, in the past, China produced more or less “cheap parts” for the global trade, it now produces “high level” products.

Considering the region from an economic standpoint, we are, of course, referring to resources. Experts estimate that there are 900 trillion cubic meters of gas and 210 billion barrels of oil under the seabed. This fact alone makes the region so important and vital for Germany. China is the world’s biggest importer of coal, oil and gas. While current oil and gas prices are clearly low, it is more important for every country to have direct access to these raw materials. We have witnessed an approximate 30 per cent decrease in oil prices. The reason, I think, is already evident. In concluding this section, we must also bear in mind that the South China Sea is a huge fishing ground.

As a major economy, Germany has a great interest in peaceful conflict resolution. We welcome and support dialogue between the nations involved, and we all know that every nation has a right to protect its trading routes. The same holds for China and all the other countries who use this trading route. Stability is what we need in these times, and yet the reality looks different. We have witnessed an increasing number of serious incidents in recent years.

We have seen stable global economic growth. We also recall the 2007-2009 global financial crisis and the recovery therefrom. Should events in this region take a negative turn, we will go into a deep recession

Stability is what we need in these times, and yet the reality looks different. We have witnessed an increasing number of serious incidents in recent years.

followed by depression. We must acknowledge that we are presently on the way to a recession as triggered by the virus. The consequences of economic decline would be so tough and brutal that it is difficult to imagine what would happen in our country, in Europe and throughout the world.

To conclude, we must acknowledge that the South China Sea is a hotspot for the world economy, and so also for Germany. Thus, we have more than one reason to be concerned about the development in the South China Sea.”

In this context I would like to refer to a Statement by Secretary of State Mike Pompeo on July 13, 2020 when he announced a new U.S. South China Sea Policy.⁷⁷ Most Governments across Asia welcomed his statement, but Southeast Asia states does not wish to choose between the U.S. and China.⁷⁸

EU INTCEN and EU CoE: Indispensable Organizations for EU Decision-Makers

Questions: How have the EU's intelligence capabilities developed since 1997? What were the key tasks in 2012? What are the advantages of intelligence cooperation for EU member states and their decision makers? With which organizations and ministries does INTCEN cooperate? How has the European Centre of Excellence for Countering Hybrid Threats (CoE) developed? How is it structured and what are the CoE's tasks and priorities? Which findings and conclusions did the Hybrid CoE present in its Trend Report 5 Trends in China's Power Politics to decision-makers in the EU and partner organizations?

Intelligence analysis within the European Union is not a new phenomenon. In the Treaty of Amsterdam of 1997, one reads in paragraph 6.5 of the Declaration on the Establishment of a Policy Planning and Early Warning Unit, that member states and the Commission shall assist the policy planning process by providing relevant information including confidential information, to the fullest extent possible.⁷⁹

When posted to the Permanent Representation of the Federal Republic of Germany to the EU in Brussels in 2001, I had the privilege of following developments in intelligence analysis within the EU.

In the wake of the terrorist attacks in New York and Washington of 11 September 2001, the then High Representative for Foreign Affairs and Security Policy, Xavier Solana, opted for using the existing Joint Situation Centre (SITCEN) to start producing intelligence based on classified information.

On Solana's request, in June 2004 the Council of the European Union agreed to establish a counter-terrorism cell within the SITCEN. This cell was tasked to produce counter-terrorist intelligence with the support of the member states. In 2012 it was officially renamed European Union Intelligence Analysis Centre (EU INTCEN), an intelligence body of the European External Actions Service (EEAS) under the authority of the EU's High Representative.⁸⁰

As of 2012, the EU INTCEN has been composed of two divisions:

- The Analysis Division is responsible for providing strategic analyses based on input from the security intelligence services of the member states. It is composed of various sections that deal with geographical and thematic topics.
- The General and External Relations Division deals with all legal and administrative questions, as well as open sources analyses. It is composed of three sections, each of which are concerned with IT questions, internal and external communication, as well as open source analysis, respectively.⁸¹

In December 2015, Federica Mogherini, High Representative for Foreign Affairs and Security Policy and Vice President of the European Commission appointed Dr

Gerhard Conrad as the new Director of the EU Intelligence Analysis Centre (INTCEN) at the European External Action Service (EEAS).

The latter formerly held high-ranking posts in the German Federal Intelligence Service (BND), speaks fluent Arabic and holds a doctorate in Islamic studies. He assumed his post in January 2016 and retired on 1 November 2019.⁸²

Among his chief tasks are the strengthening of cooperation between European Intelligence Services, and the provision of valuable strategic analyses to EU decision-makers, including topics in and around international terrorism.

What are the advantages of intelligence cooperation in the European Union?

Information provided by the foreign and domestic intelligence services of the EU member lists INTCEN's merits:

- Intelligence information is garnered from different intelligence and security services, and the various expertise are pooled;
- the overall knowledgebase is consistently augmented;
- the perceived threat is uniformly monitored;
- common analyses processes are fostered, and joint political decisions are supported.

INTCEN maintains further ties with the European Union Satellite Centre (EUSC) in Torrejon, Spain, the European Police Office (EUROPOL) in The Hague, EUROJUST (likewise in The Hague), the EU Institute for Security Studies (EUISS) in Paris, and the European Union Agency for Network and Information Security (ENISA) in Heraklion, Crete, with its expertise in cyber security. Furthermore, INTCEN liaises with the foreign offices and the ministries of the interior of the EU member states and is able to draw on the expertise of the special representatives in the relevant regions.

More than 100 analysts, including cyber experts from the foreign and domestic intelligence services of the EU member states, are now operative within INTCEN.

In this connection, I should also mention FAQ: Joint Framework on countering hybrid threats.⁸³

The European Centre of Excellence for Countering Hybrid Threats (CoE)

The excellent Hybrid CoE Trend Report 5 “Trends in China’s Power Politics”⁸⁴ underlines why INTCENT and Hybrid CoE are indispensable organizations for EU decision-makers. I begin by way of a brief introduction.

The Hybrid CoE was established on 11 April 2017 with the signing by the initial nine participating states (Finland, Sweden, the United Kingdom, Latvia, Lithuania, Poland, France, Germany and the United States)

of a Memorandum of Understanding. The official inauguration event took place on 2 October 2017. Since April 2017, the centre has sixteen new participating states. Representatives from Estonia, Norway and Spain joined in July 2017, the Netherlands, Italy, Denmark, Czech Republic, Austria, Canada, Romania and Cyprus in 2018 and Greece, Hungary, Luxemburg, Montenegro, Portugal, Slovenia and Turkey in 2019.⁸⁵

With a staff of over 30 personnel and under the auspices of the European Union (EU) and NATO, the Centre focuses on responses to hybrid threats. It is not a NATO Centre but a European CoE, with its organizations and military staff on board. It conducts training courses, exercises, hosts workshops to policy makers and practitioners, and produces white papers on hybrid threats.⁸⁶

Currently, the centre comprises three active *Communities of Interests (COI)* – Hybrid Influencing (led by UK), Vulnerabilities and Resilience (led by Finland) and Strategy and Defence (led by Germany). Each of the COI is coordinated by the Secretariat. Communities of Interest are networks of practitioners from the participating states and institutions within the EU Centre of Excellence (CoE) for Countering Hybrid Threats.⁸⁷

The Hybrid Influence COI investigates how state and non-state actors conduct influence activities targeted at participating states and institutions as part of a hybrid campaign. The COI looks at the ways in which hostile state actors use their influencing tools to sow instability or curtail the sovereignty of other nations and independence of institutions. The Hybrid Influence COI has a sub-COI called Non-state Actors and investigates how different proxies and other non-state actors carry out influencing on behalf of hostile state actors. The sub COI is led by Sweden.⁸⁸

The Vulnerabilities and Resilience COI focuses on understanding participating states' and institutions' vulnerabilities and on improving

China's vital strategic interests [...] lies in enhancing permanent economic growth to sustain domestic demand and preserve the regime's dominance.

their resilience by sharing best practices, developing new policy proposals and identifying topics for further study. The aim of the COI is also to improve public-private and civil-military partnership in countering hybrid threats.⁸⁹

COI Strategy&Defence focuses on hybrid warfare, related strategies and resulting implications for security policy, military and defence. It aims to discover the essence and nature of hybrid warfare as well as the logic and pattern of hybrid strategies so as to develop an analytical framework for the assessment of current and future hybrid warfare situations and their practical implications. The overarching objective is to contribute to the education of common and comprehensive judgement among participants, EU and NATO, as a precondition for joint and comprehensive action in defence and response.⁹⁰

To return to the Hybrid CoE Trend Report 5 “Trends in China’s Power Politics” and some of the report’s conclusions:

- China’s vital strategic interests, beyond the regime’s propaganda about its ‘rightful place’ in the world, lies in enhancing permanent economic growth to sustain domestic demand and preserve the regime’s dominance.⁹¹
- The outbreak of COVID-19 pandemic has underlined the country’s centrality to global economic and trade relationships. Its economic expansion accompanies a political, military and geostrategic agenda focussed on the imperative of securing the sources of economic growth.⁹²
- The future direction of China, under increased economic, and institutional pressure both domestically and internationally, means that the use of hybrid threats in its modes of power projection is likely to intensify. Beijing’s posturing regarding the US reflects a process through which China seeks and tests its margin of manoeuvre. Aggressive messages and posturing, provocative military rhetoric and stances, ranging from economic and technological competition and a long list of security dilemmas, constitute a worrying trend in the development of China-US bilateral affairs.⁹³

- At regional levels, China's ability to communicate a credible deterrence stance to foreign governments complicates the latter's ability to formulate an effective reaction to Chinese actions, such as in the South China Sea. Beijing has increased its activities in the Arctic and Antarctic. From the perspective of the transatlantic community, China risks becoming more of a systematic rival than competitor or partner.⁹⁴

China and Germany's EU Council Presidency

Questions: How does German Chancellor Dr. Angela Merkel perceive the EU-China relations with regard to Germany's EU Council Presidency? What does she expect from future relations between Germany and the EU on the part of the PR China? What are the serious differences in emphasis between the EU and China?

Two speeches by the German Chancellor provide insight into her assessment and the shaping of EU-China relations.

Her speech at the Konrad-Adenauer-Stiftung on 27 May 2020 focused on Foreign and Security policy during Germany's EU Council Presidency.⁹⁵

Regarding the European relation with China she stated that this would also be a foreign policy priority of the EU Council Presidency. "The European Union has great strategic interest in actively shaping cooperation with China, one of the key players of this century. In my talks, I have noticed time and again that the Chinese are surprised to hear so much talk of their country's rise. For in their own eyes, this 5,000-year-old civilization is simply regaining the central place on the world stage that it enjoyed for centuries.

When shaping our relations in future we must, therefore, not focus solely on expanding trade volumes or maintaining protocol but must come to recognize the strength of China's determination to take a leading role in the existing international architecture. We must not only to recognize this ambition but should also confidently rise to the challenge it presents.⁹⁶

That is why we have a number of issues on our presidency agenda concerning our relations with China. We want to conclude the investment

agreement that has been under negotiations for years. This is, admittedly, a very ambitious project. We want to make progress on climate and environment protection. We want to advance global health and exchange views on issues including how to improve transparency standards in the context of global pandemics. We also want to discuss our respective relations with Africa and work out how we can better coordinate our engagement and set the right standards to make sustainable development possible.⁹⁷

- All these issues concerning EU-China relations are ambitious enough in themselves. What makes them even more ambitious, of course, is the fact that China is not just any partner or competitor, but a country with which we have profound differences concerning the rule of law, freedom, democracy and human rights; just think of the situation in Hong Kong with regard to the “one country, two systems” principle. However, the fact that fundamental differences exist should not be an argument against exchange, dialogue and cooperation – especially not at a time when disputes between the United States and China are becoming increasingly acrimonious. On the contrary, open, critical and constructive dialogue is more important than ever if we are to assert our European values and interests.”⁹⁸
- In her government statement to the German Bundestag on 18 June 2020, she issued the following statement: “Europe’s relations with China will also remain the focus of our EU Presidency. The decision to postpone the EU-China meeting planned for 14 September in Leipzig due to the pandemic was not an easy one. I agree with the President of the European Council Charles Michel and the Chinese President Xi Jinping that we should hold this meeting later. Because it is particularly important, especially in the face of a strategic partner like China, that Europe, with 27 member states, speaks with one voice.”⁹⁹
- When interpreting the Chancellor’s speech at the Konrad-Adenauer-Stiftung, it becomes evident what great importance she attaches to EU-China relations. Her reference to China’s 5,000-year history and Beijing’s desire to regain a leading role on the

world stage with all its determination and single-mindedness and to once again become the Chung Kuo, the Middle Kingdom, is apt. However, the EU should face these challenges with confidence.

The issues to be discussed with China are many and varied, and in my view the conclusion of an investment agreement that has been sought for many years is of particular importance.

In her government declaration from 18 June 2020, the Chancellor also pointed to the importance of strategic dialogue with China and thus remained true to the course she has been pursuing for several years. Rescheduling the EU-China meeting, planned for 14 September in Leipzig, was certainly not easy for the Chancellor. It was and remains important for her that Europe speaks with one voice. The high-level talks may also have been postponed owing to the fact that the negotiations on the investment agreement have yet to be successfully conducted in the preliminary talks on both sides.

She made it abundantly clear that there are serious differences between the EU and China with respect to the rule of law, freedom, democracy and human rights, whereby I doubt that the Chinese leadership is likely to make any major concessions in these areas. The CCP will not deviate from the strategic objectives propagated by Xi Jinping.

China and the European Union: A tougher EU approach towards China?

Questions: How does Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy, appraise EU-China relations? To what extent will his remarks on Hong Kong impress the Chinese government? What other statements on EU-China by high-ranking representatives of the Commission relations are known? How do NATO, the Federation of German Industry (BDI) and State Minister Michael Roth in the Foreign Office assess relations with the PR China? What challenges does the PR China face?

Josep Borrell, High Representative of the European Union for Foreign Affairs and Security Policy, also emphasized China's important role in world politics – as did the German Chancellor in her speeches in Berlin. Following a meeting with Chinese Foreign Minister Wang Yi, he made the following statement at a press conference on 9 June 2020: “Our strategic dialogue was a very intense and substantial meeting. China is without doubt one of the key players. This is a fact, and China will increase its global role. We have to engage with China to achieve our global objectives, based on our interests and values.”¹⁰⁰

According to Borrell, the EU needs a more robust China strategy for dealing with its increasingly assertive stance, a strategy which also requires improved relations with the rest of democratic Asia.¹⁰¹

Following an initial discussion in the Foreign Affairs Council on 13 July 2020, on 28 July 2020 the Council adopted a conclusion that expresses grave concern over the national security legislation for Hong Kong, as

adopted by the Standing Committee of China's National People's Congress on 30 June 2020.

The conclusions restate the EU's support for Hong Kong's special status under the 'One Country, Two Systems' principle, and its solidarity with the people of Hong Kong, whilst setting out a coordinated response package of measures in various fields. These measures include among others: asylum; migration; visa and residency policy;

exports of specific sensitive equipment and technologies for end use in Hong Kong; scholarships and academic exchanges involving Hong Kong students and universities; support for civil society; the operation of member states' extradition arrangements and other relevant agreements with Hong Kong.¹⁰²

Not surprisingly, China expressed its annoyance at the decision of the EU foreign ministers. Wang Wenbin, spokesman for the Chinese Foreign Ministry, accused the EU of only wanting to "impair Hong Kong's stability and prosperity" with its "so-called countermeasures".¹⁰³ Whoever else may be compromising Hong Kong's prosperity it is certainly not the EU!

A statement by the Chinese Mission to the EU in Brussels on 29 July 2020, maintained that it firmly opposes the EU's decision to impose sanctions on Hong Kong and urged the EU to truly respect China's position on safeguarding national security in Hong Kong, and to stop meddling in Hong Kong affairs and China's internal affairs in any way.¹⁰⁴

Returning to Josep Borrell's ideas of a robust strategy for dealing with an increasingly assertive China, I find the statement by the EU Foreign Minister to be mild and more symbolic. It will make a limited impact on Hongkong. The arrest of pupils and students, of pro-democracy advocate Agnes Chow and media tycoon Jimmy Lai on 10 August 2020 in Hongkong, shows down which road the CCP is headed, even though Ms. Chow and Mr. Lai were released on bail after 40 hours. Critical voices are undesirable and will be removed. Sanctions against high-ranking Chinese Officials in Hongkong, as practiced by the USA, are more robust, but have presumably not been enforceable in the EU.

When assessing the situation in Hong Kong, one ought not to forget the First Opium War from 1840-1842, which culminated in the total surrender of China, and the Second Opium War, also known as the Second Anglo-Chinese War from 1856 to 1860, resulting in the second defeat of the Qing dynasty. These events are deeply rooted in the memory of the Chinese people and the Chinese leadership, which, in plain language, means that Hong Kong was Chinese territory and always will be.

Rather more robust was a statement by EU Commission President Ursula von der Leyen in Brussels on 22 June 2020: “We have seen cyber-attacks on hospitals and selected computing centres, adding she had “pointed out” to Premier Li and President Xi that such attacks along with China’s disinformation campaign in Europe “cannot be tolerated.” The accusations were levelled at the conclusion of an EU-China summit on 22 June 2020, which brought together von der Leyen and Council President Charles Michel and Chinese counterparts Premier Li Keqiang and President Xi Jinping for videoconference talks.

Likewise of interest is a statement issued by Vera Jourava, Vice-President EU Commission, Commissioner for Values and Transparency, which for the first time publicly blamed China for its role in spreading fake news. It was presented jointly with EU High Representative Josep Borrell of the Joint Communication to the European Parliament, The European Council, The Council, The European Economic and Social Committee and The Committee of the Regions and entitled ‘Tackling COVID-19 disinformation – Getting the facts right’.¹⁰⁵

The document claims that foreign actors and certain third countries, in particular Russia and China, have engaged in targeted influencing operations and disinformation campaigns on the subject of COVID-19 both within the EU, its neighbours and globally, thus seeking to undermine democratic debate, exacerbate social polarization and improve its own image in the context of COVID-19.¹⁰⁶

In a pre-announcement briefing with Brussels journalists on 9 June 2020 she said: “We have for the first time, decided to name China in our report. I’m glad we did this because if we have evidence, we must say it. It is time to tell the truth.”¹⁰⁷

And how does Jens Stoltenberg, NATO Secretary General, see NATO-China relations?

Asked if NATO would consider China as the new enemy, he said that the alliance does not see China as the new enemy, but must be ready to face up to the country's growing might, referring to two major concerns: China's rapid military development and Beijing's use of propaganda and disinformation. Consequently, NATO must work more closely with like-minded countries such as Australia, Japan, New Zealand and South Korea, to defend the global rules and institutions that have ensured our security for many decades.¹⁰⁸ Thus, NATO will also be keeping a close eye on developments in the Asia-Pacific region.

A more assertive European line toward China could already be observed in 2019. In January 2019, the influential Federation of German Industries (BDI) published a paper on EU-China economic relations. The paper referred to China as a 'systemic competitor' and called on the EU to strengthen its commitments to compete with China. Furthermore, the paper expressed growing frustrations in German business circles about China's reluctance to reform its market-distorting practices. It also urged German politicians to support tougher measures against China.¹⁰⁹

In its policy paper, entitled *China Partner and Systemic Competitor – How Do We Deal with China's State-Controlled Economy?* the BDI emphasized the following points:

“The challenge of systemic competition: A competition is emerging between our system of liberal, open and social market economy and China's state-dominated economy. Politicians, society and the business community in Germany and Europe need a broad public discussion on orientation to this challenge.

Partnership and competition: China is, and will remain, a dynamically growing market, a driver of the global economy and a key sales and procurement market for German industry. German industry wishes to take advantage of the opportunities offered by economic exchange with China. However, the challenges posed by China cannot be ignored.

Strengthening the competitiveness of the EU: in the future German industry wants to compete successfully with China on a level playing field. To achieve this, Germany and the EU must invest significantly more resources in research, development, education, infrastructure and innovative technologies. The EU needs an ambitious industrial policy for Europe and its companies with a focus on innovation, intelligent regulation, social partnership, infrastructure and free trade.

A strong and united Europe: No member state can on its own cope with the economic and political challenges posed by China. The response can only come from a strong and reformed Europe that speaks with one voice.

Effective economic policy instruments: German industry needs instruments that make its market economy more resilient. The Chinese must therefore acknowledge both our market economy principles and be WTO-compliant. Furthermore, China must apply the above equally to all foreign players within the EU's internal market.

International cooperation with like-minded partners: Germany and the EU must coordinate even more actively with other liberal market economies so that common interests vis-à-vis China also lead to joint action.”¹¹⁰

In itself, the BDI Policy Paper is remarkable because Germany has always been very reluctant to openly criticize China. Three months later, the European Commission and EEAS issued a communication on the EU-China relations calling China a “systemic rival” and proposed several recommendations for action to the European Council.¹¹¹

I would like to conclude this section with a statement by Michael Roth, State Minister at the Federal Foreign Office, entitled “China as a Systemic Rival to the EU – The Security of Our Citizen Is at Stake”. In this statement, he goes into EU-China relations in great detail, describing the necessary steps Germany and the EU must take in their foreign, economic and security policy towards China. His analysis is widely shared

in political circles within Germany, in business and science, and by large sections of the EU and its population.

The coronavirus, according to Roth, “does not care about ideology or geopolitics, and yet the pandemic has long been a catalyst for the rivalry between the major powers, throwing the complex geopolitical situation into sharp relief. The U.S., already in retreat, is mainly preoccupied with itself. Meanwhile, China is taking a tougher stance and is driving its global agenda forward with determination. This has brought home all the more clearly the fact that Europe must become more resilient, and that it urgently requires a clear compass, also in terms of its approach to China.

The EU’s relations with China are complicated. China is both an important partner and an economic competitor. The country is the European Union’s second-largest trading partner for goods while the EU is at the top of the tree as far as China is concerned. Our economies are interconnected and cooperating with one another is in our mutual interest. We can only be successful together with China, particularly when it comes to global issues, such as combating epidemics, fighting climate change and resolving regional conflicts.

China is also a systemic rival, however, and it is increasingly going on the offensive, also vis-à-vis Europe. Beijing’s “mask diplomacy” coupled with a disinformation campaign in the midst of the coronavirus crisis is just one current example. The leadership of the authoritarian, one-party state passes up no opportunity to drive a wedge between the EU member states and to weaken them. We are locked in a tough competition of values stemming from very different concepts of society.

In Hong Kong, China is currently showing how uncompromisingly it is prepared to assert its claim to power. Beijing’s actions with regard to its territorial claims in the South China Sea as well as serious human rights violations in the province of Xinjiang fit seamlessly into this picture. China is, therefore, not afraid to violate central principles of the rules-based international order before the eyes of the world.

What can the EU do to ensure that it does not find itself paralyzed like the proverbial rabbit when faced with an apparently ever more powerful snake? One thing is clear: We urgently need more European action

in our dealings with China. A consistent “Team Europe policy” is long overdue. This is a priority of Germany’s presidency of the Council of the European Union, during which we bear a special responsibility. The EU must act more confidently vis-à-vis China and speak with one voice. We will not bring our influence to bear in Beijing if we are not united and if we do not stand up for our values and interests with the combined strength of the EU.

Lack of unity is our Achilles’ heel. The EU must not allow itself to be divided. We must move away from the bilateralization of relations that Beijing is deliberately pursuing. Around 80 different dialogue formats are taking place between Germany and China alone. The aim must be to further strengthen exchange at European level. Notwithstanding all legitimate individual national interests, the EU is the decisive framework for action and the essential guidepost for us. After all, not a single country in Europe is on its own capable of permanently standing up for its interests and values vis-à-vis China.

The EU must stand for more in the world than just the lowest common denominator of its members. This is why Germany’s presidency of the Council of the European Union is also committed to qualified majority decision-making in the EU’s common foreign and security policy. Unfortunately, we are also seeing that the lure of doing business with China sometimes challenges Europe’s foundation of values. It compromises our credibility and weakens us all if individual members are prepared to undermine European human rights policy for the sake of a supposedly lucrative bilateral “deal” with China.

Thus, as part of our Team Europe policy, we must leave no doubt that as far as we Europeans are concerned our fundamental values are not up for discussion. This is, after all, the essence of our community of values, our European DNA.

It is our common foundation of values that makes the EU so unique and precious. However, we must also be prepared to defend our values with determination. The coronavirus crisis has been a wake-up call. The pandemic has been a painful reminder to us of how dependent Europe has become in certain areas. With protective masks, protective clothing

and antibiotics, a great deal is now produced in China. And Beijing in particular is using economic dependencies as leverage in power politics. Greater European sovereignty is therefore the order of the day. We must strengthen our health-care systems, diversify our supply chains and minimize dependencies in particularly critical areas.

We need to encourage greater domestic production of essential goods such as protective equipment and medicines. Europe must also become more independent in terms of logistics, energy and natural resources.

A more strategic industrial policy, large-scale investment in research and development and a digital single market are the pillars of a future-proof European home. As far as the global race for technological supremacy is concerned, China and the U.S. are currently setting the pace. However, we must strive to master key technologies ourselves and to hold the patents to such technologies in Europe. The EU must remain the engine of innovation – only then will it continue to stand on its own two feet in the future.

This is already very clearly evidenced today by the example of the 5G mobile communications standard, the backbone of our digital future. This is primarily a question of the dependence on and trustworthiness of manufacturers from third countries, including China. Nothing less than the security of our citizens is at stake here. The 5G issue is thus also becoming a litmus test for the objective of greater European sovereignty. It would therefore only be logical to lean first and foremost on our domestic suppliers. European alternatives are available and are world leaders in the field of technology.

On the other hand, “decoupling” as far as possible from China, as the U.S. has in mind, is not an option for the EU. The coronavirus and the major powers are changing globalization, but they are not abolishing it. There will be no escaping China in the post-coronavirus world, both politically and economically speaking. Cooperation is both a necessity and an opportunity. In our direct dealings with Beijing, we can and must clearly and unambiguously articulate our interests and cultivate robust cooperation with a view to solving common problems.

Depending on how the situation develops with respect to the coronavirus, the meeting of EU and Chinese leaders planned during Germany’s

presidency is a good opportunity to do this. For example, we should place the onus on Beijing with respect to tackling the pandemic and reforming the World Trade Organization, as well as further expand our cooperation in Africa and on climate protection. The EU must insist on the principle of reciprocity with regard to transparent trade practices and economic competition on a level playing field. And when it comes to the long overdue conclusion of an ambitious investment agreement with China, we should now demand swift results.

We must not be afraid to lock horns when it comes to difficult issues such as human rights, security and technology. This, too, is about our own sovereignty at the end of the day. China will certainly not build one single coal-fired power station less if we remain silent when we have differences of opinion. Beijing takes the EU seriously, primarily as the world's largest trading bloc and economic area. We should therefore use our trade policy and our single market even more effectively as a lever for defending our values and interests.

The EU has not minced its words with respect to the situation in Hong Kong. When international obligations are disregarded, when fundamental freedoms and human rights are threatened, then this concerns us all. Beijing's actions are changing the rules of the game and are having a tangible impact on our relations. The EU has now adopted a comprehensive package of measures as part of a common response. This includes further restrictions on exports of goods related to security, simplified entry and residence regulations for Hong Kong citizens and targeted support for civil society.

Moreover, after close consultation with the EU member states, Germany has decided to suspend its extradition agreement with Hong Kong. The message to Beijing is crystal-clear, namely, there will be no "business as usual" as far as the EU is concerned. Hong Kong will also be the acid test for China's credibility as a reliable international partner.

Germany has decided to suspend its extradition agreement with Hong Kong. The message to Beijing is crystal-clear, namely, there will be no "business as usual".

You do not have to be a soothsayer to tell that, in the face of highly volatile geopolitical conditions, the post-coronavirus world will be an uncomfortable one. The fact that the major powers China and the U.S. are continuing to escalate the situation does not bode well. How we position ourselves now for the future and rebuild and reconstruct Europe will determine how successfully the EU can defend and assert its interests and values on the world stage. The EU sent a powerful signal for a new beginning at the July summit in what was an unprecedented show of strength.

With the largest multi-annual financial framework in its history and further coronavirus aid totalling 750 billion euros, the EU is now setting the course for the European future. A Chinese proverb runs “it is better to be envied than pitied”. A strong and sovereign Europe in a spirit of solidarity that protects its citizens and stands up as one and with determination for its values and interests in the world is a form of life insurance to be envied. This is a question of sovereignty, both vis-à-vis China and others. The good news is that we are in the driver’s seat here.”¹¹²

I share the view of State Minister Roth that “decoupling” from China should not, as far as is possible, be an option for the EU. Rather, the EU should make it clear to Washington and Beijing: “We will not be blackmailed politically or economically”. Lack of unity is, indeed, the Achilles’ heel of the EU. However, so long as the EU adheres to the unanimity rule, its ability to act in foreign policy will remain limited.

It also seems to me that the EU-China 22nd bilateral Summit via video-conference held on 22 June 2020, has not proved very successful; no joint Chinese-EU declaration at the end of the summit was announced.

I conclude this section with a reference to the German government’s new Policy guidelines for the Indo-Pacific region dated 2 September 2020. These guidelines state that with the rise of Asia the political and economic balance is increasingly shifting towards Indo-Pacific region and that the region is becoming the key to shaping the international order in the 21st century.

Furthermore, in the document the Federal Republic of Germany defines its interests, principles and refers to her initiatives.¹¹³

The new German Indo-Pacific policy became visible in the stony-faced expression of Chinese Foreign Minister Wang Yi following the press conference with Foreign Minister Maas on 1 September 2020. The latter began by emphasizing that the Europeans desired good relations with China, at eyelevel and based on mutual respect. The future of Europe will be a more sovereign and a more self-confident one. He went on to say that European values would also be promoted beyond the outer borders of the EU – in all directions. Threats against this commitment would no longer be accepted.¹¹⁴

Europe will also not allow itself to become the pawn in the game between the USA, Russia and China. Neither did Maas conceal his anger about threats Wang had issued against Czech Senate President Milos Vystřil. He would have to pay a heavy price for violating the One China principle by organizing an official visit to Taiwan. The German Foreign Minister stressed that Europeans would speak with one voice and that threats have no place here.¹¹⁵

On 14 September 2020 Chinese President Xi Jinping convened with German Chancellor Angela Merkel, European Council President Charles Michel and European Commission President Ursula von der Leyen for a virtual summit meeting.

Chancellor Merkel pointed out that cooperation with China must be based on concrete principles, namely, those of reciprocity and fair competition. We have different social systems, but while we are committed to multilateralism, it must be rules-based.

Ursula von der Leyen told reporters that the EU and China agreed on three important issues, the disciplines regarding the behaviour of state-owned enterprises, technology transfer and transparency on subsidies. Furthermore, China should open up sectors such as telecoms, IT, health, financial services and manufacturing.¹¹⁶

The European side also addressed topics such as the detention of Uighur Muslims in Xinjiang, Beijing's new security law cracking down on free speech in Hongkong and human rights concerns. In addition, they

Europe will also not allow itself to become the pawn in the game between the USA, Russia and China.

urged China to refrain from unilateral actions in the South China Sea.¹¹⁷

As the Xinhua news agency reported, President Xi Jinping rejected the EU's criticism. Europeans should concern themselves with their own human rights issues. His country would oppose anyone and any force encouraging instability, secession and unrest within China. The Chinese media emphasized the political will of both sides to conclude negotiations on the investment agreement by the end of the year and to strengthen relations with the European Union, based on the principle of mutual respect so the two sides can make progress.¹¹⁸

Although some progress was made in the EU-China talks, a major breakthrough had not been reached.

Recommendations

1. **The geopolitical rise of the** People's Republic of China and the shifting of the international balance of power from the standpoint of politics, economics and of the armed forces from West to East must also be recognized by NATO. Since NATO is not only a military but a political organization it should pay greater attention to developments in the Asia-Pacific region. Anti-access (A2) and area denial (AD) challenges are important to consider. They are imminent in several regions. Opponents can attack NATO, the EU and its member states in all five domains – air, sea, land, space and cyberspace. As a member of NATO, Canada is also impacted by this potential threat.
2. **Since the People's Republic of** China – invariably mindful of its 5,000-year history – will unwaveringly and single-mindedly adhere to its Grand Strategy, Germany, the EU and Canada should continuously analyse China's global activities. This includes Beijing's goals to become a dominant regional power by 2021 and a global hegemon by 2049. Furthermore, China's "One Belt One Road Initiative" (OBOR) as well as the "21st Century Maritime Silk Road" should be the focus of attention.
3. **According to the Chinese leadership,** relations between the United States and the People's Republic of China have reached an absolute low point. Even if Joe Biden should win the presidential elections, Beijing assumes that while the tone would possibly improve, the US Containment Policy would continue. To avoid being crushed in this conflict, Germany, the EU and Canada should confidently articulate and implement their own interests. This includes continued strong cooperation between the EU and Canada on climate change.

4. **Germany and the EU will** continue to be targeted by Chinese intelligence services, including aggressive cyber-attacks. Beijing will also continue its efforts to gain global influence. This includes political and economic pressure to influence the development and expansion of the 5G network. It is therefore advisable to continue discussions with Canada on the issue of cyber-security. As far as China is concerned, Canadians are well informed in the intelligence field. Thus, it would be advisable for Canadian government agencies in Brussels to intensify the informal exchange of information with the new head of the EU Intelligence Analysis Centre (INTCEN). Canada is present and constructively engaged in the European Centre of Excellence for Countering Hybrid Threats (CoE) in Helsinki. Canada's engagement in the CoE should thus be continued.
5. **The tensions in the South** China Sea as described in the above will increase and, therefore, require reactions from the EU and the Federal Republic of Germany, namely, "promoting the enforcement of rules and norms in the Indo-Pacific". As part of Navy Diplomacy, Germany, together with France, Australia, Canada and other partners, should participate in a Freedom of Navigation Operation in the South China Sea and become a more strategic player in East Asia. This would also comply with the German government's new "policy guidelines for the Indo-Pacific region". China's activities in the South China Sea are of importance, but so also is the Arctic. This provides Germany and the EU the opportunity to participate in Canada's expertise in this region. Close cooperation between the EU member states Denmark, Sweden, Finland – the Arctic states – and some states with observer status in the Arctic Council would also be advisable.
6. **"Change through trade" has been** the call among western voices in politics and business with regard to China. Although the PRC is very successful in the global economic arena, there are serious differences between China and the EU in terms of rules of law, freedom, democracy and human rights. Nevertheless, the Middle Kingdom should not be regarded by the EU as an enemy, but rather as what it is: a negotiation partner, economic competitor and systemic rival.

When dealing with China, one should not be guided by Western wishful thinking but by reality. It is recommended that Canada, the EU and Germany work single-mindedly to develop joint assessments and strategies in areas where this has not already been the case.

7. **Germany and the EU Commission** should continue working steadfastly to ensure that qualified majority decisions can be made in the Union's foreign and security policy and that these decisions can be implemented more rapidly. France and Germany could make progress in this difficult endeavour and introduce well-suited proposals to the EU. In a further step, other EU member states could be invited to join. However, this is also accompanied by the risk that the already existing manifest animosities among EU member states might increase.
8. **The increasing tensions between** the US and China should also be of concern to the EU. Thus, various options for action should already be discussed at a high level in the EU and be subject to constant adaptation according as the situation develops. Despite the currently difficult relations between the European Union and the United States of America, the latter is and will remain an indispensable partner for Germany, Europe and NATO in the field of security policy.
9. **Besides the USA, Germany,** the EU and Canada should cooperate worldwide with like-minded states – such as Japan, Australia, South Korea, Taiwan, India and others – that share our core values and pursue similar interests. With Taiwan, which shares our Western values, relations should be intensified in all spheres. Of course, the EU should also maintain dialogue with states such as China and Russia, though one must be prepared for tough negotiations.
10. **The European Union, Germany, Canada,** Japan, South Korea and other like-minded nations should closely follow China's new economic strategy – the dual circulation concept – and draw the appropriate conclusions, for all that glitters is not gold.

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