Virtual EU-China Technology Summit Simulation

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FINDINGS

Introduction

The European Union (EU) and its member-states are undergoing a massive rethink on the impact of technology on its economy, security, and democracy. Brussels has made its quest for "digital sovereignty" a key strategic priority for the coming years. At the same time, the list of the EU's tech policy issues with China is long and growing, creating the need to explore the demands, challenges and opportunities in this evolving tech relationship. Under the German Council presidency, the EU's strategic relations with China were high on the agenda and – looking at the ever-growing factor Beijing represents in the international arena – will be one of the top priorities in the months and years to come. The EU has made a U-turn in assessing its relationship with China. For decades referred to as partner, Beijing has now become a systemic rival. China's geoeconomic and geostrategic approaches have undoubtedly evolved under Xi Jinping, challenging the status-quo of the current international order. China for its part is keen on building out its 5G networks and investments in the European market. It seeks dominance particularly in the field of Artificial Intelligence, having outlined a strategy to become the world's leading AI power by 2030.

Against this backdrop, Aspen Germany hosted a virtual EU-China summit simulation in November 2020, focusing on the political dynamics at play in the Euro-Chinese tech policy space. It brought together a group of policymakers, legislators, academics and representatives of the business and civil society communities who are working at the intersection of international security and tech issues, mostly from Germany and Europe. The simulation took place in two parts: An inner-European meeting aimed at finding a common position towards China, followed by the "official" EU-China Technology summit. A total of 10 governmental actors took part in this exercise: the People's Republic of China, the European Commission, and eight EU member-states (Germany, France, Sweden, Greece, Portugal, Italy, Hungary, and Poland).

The outcomes of this day-long virtual simulation are certainly to be understood as hypothetical as they stem from the actions and decisions of a group of fictitious diplomats. At the same time, this exercise provided interesting insights to the strategic thinking around the EU-China tech relationship and gave participants a better sense of the issues that could arise in the EU-China tech relationship in the short and mid-term. In the following, a summary of key constraints, positions and the narrative of the summit are depicted.

Five take-aways stood out:

- The EU needs to find a way to balance economic interests, regulatory attempts and Human Rights demands as well as the existing rifts on these issues between its member states.
- In order to bring forward strong and coherent positions on tech-issues internationally, the EU internally should aim at clearer approaches with regards to its strategic goals.
- The EU and its member states have to develop stronger in-house expertise on China. There is a profound lack of technology experts in business and politics, particularly with regards to China.
- The yearning for a strategic transatlantic agenda towards China on digital rights, authoritarian surveillance strategies, platform regulation, offensive cyber capabilities, and many more issues has returned. While the EU-U.S. partnership could breathe new life into allying democracies globally, both players should be aware of the importance in keeping open communication channels towards Beijing beyond mere economic matters.
- With Angela Merkel leaving the political stage this year and Macron fighting for a second term in 2022, Europe's Franco-German "motor" could be put on the brake. It

will therefore be crucial to form broader coalitions within member states with regards to strategic goals such as Europe's digital sovereignty.

European Summit – Balancing Economic and Regulatory Interests

Agenda items touched upon a broad range of tech-issues including, in chronological order, a preamble on multilateral cooperation, general phrasing on digital Human Rights and cybersecurity enforcement as well as more tangible policy themes such as AI and platform regulation, data rights, 5G mobile networks, critical infrastructure, digital services tax, and digital sovereignty.

Strategically, two approaches stood out in the inner-European meeting. From the start, some European delegations – namely Hungary, Greece and Portugal – were putting emphasis on gaining ground and positioned themselves strongly on certain issues. This entailed a tendency to undermine certain EU strongholds, namely its normative power, potential regulatory attempts and the economic leverage of the internal market. Other delegations – Germany, France, Sweden and the EU Commission – however, strived for clear and rather strong formulations on areas where sticking points where to be expected. They believed that pre-emptively watering down likely critical topics would neither lead to a productive exchange nor to a greater willingness to compromise from Beijing. Despite these partially colliding approaches, there seemed to be widespread consensus among all European delegations on the importance of finding the precise wording to soften or clarify the own views on contested messages.

One could observe an intensive discussion on the balance between the idea of a strong and sovereign Europe – figuratively represented by the French-German tandem and its cloud project GAIA-X – and the desire to remain open to Chinese investments in European industry, infrastructure, and R&D. Hungary and Greece stood out as the strongest advocates for Chinese investments in digital infrastructure given their concern for the EU countries that are lagging behind on digital infrastructure. For this reason, they underscored the need for additional non-EU investments to bridge the gap. They were partially supported by the Portuguese delegation, which aimed at protecting its trade and investment ties with Beijing as well as national sovereign prerogatives on accepting Chinese foreign direct investment, as well as the Italian delegation who – being a member of both the G7 and China's Belt and Road Initiative – sought to mediate intra-European conflicts between investment-hungry countries (Portugal, Hungary, Greece) and those more closely aligned with Brussels' China policy (France, Germany, Sweden).

The Polish delegates played an interesting role between both camps. While they supported Hungary, Greece and Portugal's approach in softening language on China's human-rights violations, they pursued a strong approach to keeping Chinese influence at bay on infrastructure security, aligning with Sweden, and were committed to including language specifically committing the parties to fighting disinformation. The German, French, Swedish and EU-Commission delegation underscored the importance of positioning the EU as a "regulatory superpower" by bringing forward European values in the realm of digital human rights, seeking to elevate the dialogue beyond mere transactional or technical levels. Joined by the Italian delegation, the Germans additionally aimed at securing consensus from EU partners and China on the need to aggressively regulate AI. In contrast, France, Sweden, Portugal and Poland argued for a light regulatory touch, so as not to stifle homegrown AI innovation.

Generally, all parties were aligned on the European Commission's mantra of reciprocity and the creation of a level playing field with China. At the same time, some of the delegations –

namely the Polish, Greek, and Hungarian – attempted to delay progress so that some of the later issues could be dismissed or to prevent the European delegations from going too hard on China in areas where (smaller) countries may benefit from Chinese investments. This strategy was successful to the extent that the EU delegations had run out of time to thoroughly discuss a number of remaining points in the draft communique, namely platform regulation, digital sovereignty, data rights, and critical infrastructure. Even though the delegations ultimately reached agreements on all agenda items, a robust alignment behind a common China-policy could not be reached.

EU-China Technology Summit

The atmosphere was rather tense during the official EU-China summit. Both delegations had enormous problems in convincing the other side to accept proposed changes in the communiqué. While the European delegations had ultimately overcome their political and ethical differences to demonstrate a united front against the Chinese delegation, the debate between both sides was marked by deep rifts regarding sensitive formulations. Attempts from the Chinese delegation to divide the European block by appealing to Hungary and Portugal failed as much as European attempts to focus on highly political aspects, such as the exclusion of a phrase of civility towards the "One-China policy."

The situation further escalated upon the news of two "external shocks" consisting of a TV report on a Czech-Taiwanese diplomatic meeting and tweets from Ursula von der Leyen mentioning a deepening of the EU-U.S. tech-relations with president elect Joe Biden appeared. The EU delegation's unwillingness to condemn the Czech Republic for supposedly violating the "One-China Policy" and the Chinese delegations' insistence that there could be no advancement on any policies without an unwavering and explicit commitment to the sovereignty of the People's Republic of China, ultimately led to a collapse of negotiations. The EU's final appeal to pragmatism and attempt to simply agree on common introductory remarks, was met with refusal. Neither side could agree on even a significantly shortened version of the communiqué. The official Summit did therefore not lead to a joint statement – certainly a realistic reflection of the difficulties surrounding such an exercise in the "real" world.

Relevance for EU-China Relations Going Forward

While the EU's renewed strategy towards China is rooted in a respect for the rule of law and human rights, this exercise highlighted the difficulty of balancing the EU's primacy of values with its divergent geopolitical interests.

For instance, many Eastern and Southern European countries (including the Baltics, Poland, Czech Republic, Italy, and Greece) have endorsed the Belt and Road Initiative with the hope of expanding their trade and investment ties with China. Critics argue that the initiative has failed to deliver and further widened trade imbalances with China, not to mention the failures to meet the EU's standards. Another fault line exists with regard to China's foreign direct investments, especially within the technology sector. Western Europe and Scandinavia have been the primary recipients of Chinese FDI, but growing concerns about the surge of investments led to the European Commission implementing an FDI screening framework. While this can be seen as a boost to European sovereignty, it is not necessarily in the interest of those countries, especially in Eastern Europe, that are eager to receive more financing.

The simulation not only underscored the complex and diverging strategic interests of countries within the EU but also the tensions with regard to sensitive political und human rights questions. For instance, not all countries have signed UN statements condemning

China's human rights violations. Given the necessity of unanimity, this could prevent the EU from adopting sanctions against China. A new human rights mechanism was established a few weeks after the simulation in December 2020 that helps circumvent this problem by allowing for the targeted sanctioning of individuals without having a framework for the whole country. At the time of writing, the EU made use of this mechanism for the first time to sanction four representatives of the Chinese Communist Party as well as one Chinese organization for human rights abuses in Xingiang. Although China immediately issued counter-sanctions, it remains to be seen how this will impact the dynamics between both sides.

The exercise has given an early insight into the EU's inner life and anticipated the member states disunity over the assessment of German Chancellor Merkel's strongly promoted Comprehensive Agreement on Investment with China. First pictured as the final coup of Germany's EU Council presidency, it ultimately led to the emergence of several camps – from supporters to diverse levels of critics. The latter are mainly linked to Berlin's refusal to include restricting language towards Huawei equipment in its 5G network, to difficulties in enforcing the level playing field provisions and a lack of vision on how to embed the deal in the EU's new transatlantic agenda.

On the one hand there is a need for a coherent European approach towards China in several policy areas which are, as the exercise has shown, increasingly interlinked to the digital realm. On the other hand, deepening the strategic cooperation with other democracies around the globe as a frontrunner together with the United States, has again become a tangible option. Against this background, the EU needs to combine both the internal as well as the external approach in order to bring its agenda forward and to avoid stagnancy.