

EUROPEAN UNION-CHINA RELATIONS IN THE SHADOW OF THE US- CHINA CONFLICT¹

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Introduction

"...The Trump administration's conflict with China has little to do with US external imbalances, closed Chinese markets, or even China's alleged theft of intellectual property. It has everything to do with containing China by limiting its access to foreign markets, advanced technologies, global banking services, and perhaps even US universities..."²

Jeffrey Sachs, Columbia University US

Relations with the People's Republic of China (PRC) are one of the main topics of the United States' presidential elections to be held on November 3, 2020. Since President Trump was elected in 2016, he has transformed his confrontationist stance with China, called the "Trade War," into a "Technology War." Headlines about the US-China trade war have initially focused on tit-for-tat tariffs and President Trump's obsession with closing the US foreign trade deficit with China. However, the so-called trade war between the two economic superpowers is not really a struggle involving trade relations: The primary source of current tensions between the United States and China is its competition in the field of technology.

The Trump administration's policies against China are targeted at economic and technological topics. In short, the Washington administration is trying to keep these strained relations with China on the agenda in any way possible. In May 2020, the Trump administration released a report by the White House titled "United States Strategic Approach to the People's Republic of China."³

At the heart of the problem, the United States sees China as an "existential threat" to itself from political, security, ideological and economic perspectives. For the first time, the US considers its post-World War II economic and military superpower position to be weakened. Prior to the presidential election, the Trump administration saw China as a "threat to the American way of life." Meanwhile, Washington takes political and economic actions against Beijing in response to pressures against Uighurs; crackdowns on opponents of the implementation of the security law in Hong Kong, limiting the activities of Chinese journalists and closing the Consulate General of the PRC Houston and deporting employees.⁴

¹ Policy Paper prepared for the joint webinar organized by TÜSİAD and BDI in cooperation with the Program of Economics at Sabancı University

² J. D. Sachs, "The War on Huawei." Project Syndicate, December 2018. <https://www.project-syndicate.org/commentary/trump-war-on-huawei-meng-wanzhou-arrest-by-jeffrey-d-sachs-2018-12?barrier=accesspaylog>.

³ United States Strategic Approach to the People's Republic of China, <https://www.whitehouse.gov/wp-content/uploads/2020/05/U.S.-Strategic-Approach-to-The-Peoples-Republic-of-China-Report-5.20.20.pdf>.

⁴ Meredith Mc Graw Trump accelerates China punishments in time for reelection, Politico, July 22, 2020 <https://www.politico.com/news/2020/07/22/trump-china-punishments-reelection-377405>.

In addition, senior executives of the Trump administration have contributed significantly to the dissemination of the Chinese leadership's negative image in American society that is reminiscent of Soviet-US rhetoric during the Cold War.

Chief among them is a June 2020 speech by US National Security Adviser Robert C. O'Brien, in which he claimed that the belief of economic development will lead China's liberalism over time, was the result of bad policy making that the United States has followed since the 1930s.⁵ In addition, he claimed that Xi Jinping, Secretary General of the Marxist-Leninist-focused Communist Party of China (CPCh), is a follower of Stalin and representative of totalitarian ideology. Going further, Mr. O'Brien raised the issue that CPCh not only controls the thoughts and behaviors of its own citizens, but also plans to re-regulate the world according to its ideology.

Likewise, FBI Director Christopher Wray, speaking on July 7, 2020, raised the issue that CPCh poses a major threat to the country's security and economy, particularly with covert organizations and influential operations against the US leadership in technology and the economy. According to the FBI Director, the main objective of all these efforts of the Chinese government is to become the single superpower at the global level.⁶

US Attorney William P. Barr made an even more interesting speech in July 2020. He underlined that CPCh's main goal is clearly to "overthrow the rules-based international system and make the world safe for its own dictatorship". According to Mr. Barr, the conflict with Beijing is about "whether the United States and its liberal democratic allies can hold their fate in their own hands or whether CPCh and its autocratic allies can control our future."⁷

Secretary of State Michael Pompeo joined the chorus in a speech on July 23, 2020 when he stated that "blind engagements" should be overcome.⁸ According to him, "Totalitarian ideology" is a "breeding ground good for global leadership" for China. America can no longer ignore "ideological differences."⁹ Today's China is not a "normal country." The aim of the

⁵ The Chinese Communist Party's Ideology and Global Ambitions, *Remarks delivered by National Security Advisor Robert C. O'Brien on June 24, 2020, in Phoenix, Arizona.* <https://www.whitehouse.gov/briefings-statements/chinese-communist-partys-ideology-global-ambitions/>

⁶ The Threat Posed by the Chinese Government and the Chinese Communist Party to the Economic and National Security of the United States, Hudson Institute, Video Event: China's Attempt to Influence U.S. Institutions Washington, D.C. July 7, 2020, <https://www.fbi.gov/news/speeches/the-threat-posed-by-the-chinese-government-and-the-chinese-communist-party-to-the-economic-and-national-security-of-the-united-states...>

⁷ Grand Rapids, MI, July 16, 2020, <https://www.justice.gov/opa/speech/attorney-general-william-p-barr-delivers-remarks-china-policy-gerald-r-ford-presidential>
Grand Rapids, MI, July 16, 2020, <https://www.justice.gov/opa/speech/attorney-general-william-p-barr-delivers-remarks-china-policy-gerald-r-ford-presidential>.

⁸ Speech Michael R. Pompeo, Secretary of State " Communist China and the Free World's Future", July 23, 2020, <https://www.state.gov/communist-china-and-the-free-worlds-future/>

⁹ *ibid*

Chinese People's Army is not only to secure the leadership of the communist party, but also to expand the borders of the "Chinese Empire".¹⁰

China- At the forefront of the American Public Agenda Before the Presidential Election

The escalation of the debate on China in both rhetoric and populist intensity and ideology is part of Trump's re-election campaign strategy. The president and his advisers are following a policy of aggressively using the Chinese issue in the election campaign. It intends to show his rival Joseph Biden as "soft" on China. In the campaign ad for Super-PACs "America First Action," a political action committee supporting Trump:¹¹ "He says Biden must stop if you want to stop Beijing, and if Trump doesn't win the election, the president claims that in August 2020, China will "own" the United States and Americans will have to "learn Chinese."¹²

If we take the Trump administration's propaganda as a benchmark, China is thinking of nothing more than the destruction of the "American way of life." American presidents from Nixon to Obama were more interested in supporting human rights and democracy than protecting economic and security interests. The Trump administration argues these policies were wrong.

As a result of these in full operations, the American public has begun to approach China even more critically. Today, about two-thirds of Americans have a negative view of China. This negative view is more pronounced among Republican voters than those in the Democratic Party, but even among Democrats, opposition to China also represents a majority.

According to a Pew Research Center study conducted between mid-June 2020 and mid-July, this negative trend has continued to increase. The study suggested that 73 percent of the American public has a negative view of China.¹³

¹⁰ *ibid.*

¹¹ By Eli Stokols, Janet Hook, "Trump and Biden clash over China in duelling ads", April 2020, <https://www.latimes.com/politics/story/2020-04-17/trump-and-biden-clash-over-ch>

¹² Kevin Liptak, CNN August 11, 2020, "Trump says Americans will have to learn Chinese if Biden wins but offers little condemnation of Beijing" <https://edition.cnn.com/2020/08/11/politics/trump-china-biden-learn-chinese/index.html>

¹³ Nearly four-fifths of the respondents share a significant to large proportion of responsibility for the global spread of the Corona virus. A quarter of Americans see the popular republic as an opponent, and for nearly three-fifths, it is a rival . As a partner, it is considered by only 16 percent. By Kat Devlin, Laura Silver and Christine Huang.. "Views of China Increasingly Negative Amid Coronavirus Outbreak," *Republicans more negative than Democrats toward China, though unfavorable ratings have climbed among both parties*, April 21, 2020, <https://www.pewresearch.org/global/2020/07/30/americans-fault-china-for-its-role-in-the-spread-of-covid-19/> and Kat Devlin. Pew Research Center. <https://www.pewresearch.org/staff/kat-devlin/>.

Even if the American public's views on China are negative, a differentiated policy towards Beijing could be expected under a Biden Administration. If Biden's statements, advisers, Strategy,¹⁴ and the Democratic Party's election manifesto are an indication, he will continue to support a competitive US relationship with China, but through less confrontational rhetoric. Democrats said investments in research and development would be increased to maintain US technological leadership.

Tough pressure is expected on China on trade and human rights issues. Despite their stiff rivalry with China, awareness of the need for cooperation with Beijing on climate and non-proliferation policies is at the forefront. Democrats are focusing on working with allies to strengthen their negotiating position on controversial economic issues with China. However, if Biden is elected, it will take time for the perception of China in the US public to turn in a positive direction, and it seems difficult for Chinese politicians, firms, NGOs and the Media to tear down the narrative that has been weaved into society.

Trump's strategy, with the help of aggressive conflict-oriented rhetoric and actions by the United States, spreads the fear that he is targeting regime change in Beijing -- provoking China to take a hardline against the United States in response--which is expected to give momentum to the US break away from China. In a tweet, President Trump explained that the United States has the option of "full break from China."¹⁵

China hawks¹⁶ in the administration see the COVID-19 outbreak as evidence of their belief that U.S.-China economic ties should be minimized as much as possible. As part of this effort, they propose the establishment of a reliable "Economic Prosperity Network".

The Tech War gains momentum

The aim of this economic network is to create a union between reliable domestic, foreign firms and states and reduce dependence on China.¹⁷ This goal had already emerged as part of the US's new China strategy. Its aim is to maintain the US's technological superiority in the face of Chinese rapid development by implementing a policy of "selective decomposition" against China in the fields of advanced technologies and digitalization, while maintaining its

¹⁴Yang Kuang-shun "Team Biden's Policies on China and Taiwan": To understand a possible President Biden's China approach, need to look at the views of his likely advisers. July 16, 2020. <https://thediplomat.com/2020/07/team-bidens-policies-on-china-and-taiw>

¹⁵Robert Schroeder, Trump says "U.S. has option of 'decoupling' from China, contradicting his trade chief" June 18, 2020, <https://www.marketwatch.com/story/trump-says-us-has-option-of-decoupling-from-china-contradicting-his-trade-chief-2020-06-18>

¹⁶ According to Economists, the coalition covers the Team Trump, the national-security hawks in Congress, Pentagon chiefs and the head of spy agencies, civil society, as well as religious conservatives, human rights advocates, labour unions and old-school protectionists. See The Economist, "Briefing: China and America", October, 20th- 26th 2018, p.24.

¹⁷ Keith Johnson, Robbie Gramer, "The Great Decoupling", Washington is pressing for a post-pandemic decoupling from China. But the last big economic split brought on two world wars and a depression. What's in store this time?, May 14, 2020 <https://foreignpolicy.com/2020/05/14/china-us-pandemic-economy-tensions-trump-coronavirus-covid-new-cold-war-economics-the-great-decoupling/>

role in technological leadership against China. Meanwhile, the Trump administration plans to strengthen digital isolation against China to prevent Beijing's ability to conduct espionage and sabotage. These include possibly banning TikTok and WeChat, known as China Apps.

At the heart of this policy are efforts to limit Huawei's workspace and access to advanced technology. Companies in other countries working with Huawei have to apply for an export license if they use American technology to produce computer chips or want to supply chips to Huawei. Computer chips are produced in a manufacturing process that Chinese companies cannot easily master. Only a few manufacturing countries, particularly the United States, Japan and the Netherlands have the necessary equipment for semiconductor production necessary to develop them.¹⁸

The United States and other countries have legitimate concerns about China's IP and technology practices. The development of new transformative technologies such as 5G and AI will continue to be a critical source of tension between the United States and China.

The US-China relationship should be built on more robust foundations, rather than just a temporary solution to the current trade conflict that masks fundamental structural problems. Otherwise, a long period of conflict will likely lead to a reduction in trade and investment in the United States and China. The outcome of this conflict will not only result in damaging each other; it will have negative effects on the global level.¹⁹

Huawei isn't the only one target of the US. Washington, for example, is trying to discourage European countries from their contracts with Nuctech Co., which manufactures screening systems for goods, luggage and passengers at airports, ports and borders.²⁰ In the area of goods transportation at sea, almost 90 percent comes from the Chinese company Zahlen while they contribute almost 50 percent of the equipment at airports. The US Transportation Security Administration banned Chinese-made facilities at US airports in 2014.

In contrary to American actions, China passed a new law to restrict sensitive exports to protect national security, increasing Beijing gain reciprocity against US policies. The law will be effective December 1, 2020, The so called "export retaliation" action could also have an effect beyond China: both domestic and foreign companies can face criminal penalties if they violate the new rules. The law covers export controls over items of both civilian and military

¹⁸ Ely Ratner, Daniel Kliman, Susanna Blume, Rush Doshi, Chris Dougherty, Richard Fontaine, Peter Harrell, Martijn Rasser, Elizabeth Rosenberg, Eric Sayers, Daleep Singh, Paul Scharre, and Loren DeJongeSchulman. "Rising to the China Challenge Renewing American Competitiveness in the Indo-Pacific ", <https://s3.amazonaws.com/files.cnas.org/documents/CNAS-Report-NDAA-final-6.pdf?mtime=20200116130752>,

¹⁹ See Policy Article Sonali Chowdhry, and Gabriel Felbermayr "The US–China trade deal and its impact on China's key trading partners, Kiel Policy Briefs, 134, February, https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Kiel_Policy_Brief/Kiel_Policy_Brief_134.pdf
20 U.S. Presses Europe to Uproot Chinese Security-Screening Company: By Kate O'Keeffein Washington, Drew Hinshaw in Warsaw and Daniel Michaels in Brussels, June 28, 2020 9:00 am ET U.S. <https://www.wsj.com/articles/u-s-presses-europe-to-uproot-chinese-security-screening-company-11593349201>

use, military and nuclear products, as well as “goods, technologies and services” that are related to national security, including data related to them.²¹

But the current "retaliatory logic" that is shaping US-China relations and creating insecurity is particularly negative for the financial sector. In recent years, China's integration into global financial markets has increased rapidly. One area where there is a tendency towards financial decomposition is the decline in direct capital investments of Chinese firms in the United States.²²

This seems primarily the result of expanded restrictions imposed by the Chinese government on the flow of capital abroad, but it is certainly also due to the fact that the Foreign Investment Committee (CFIUS) in the United States tightly controls Chinese investments. Washington wants to include other countries in its own policy of tighter restrictions. The aim is to create "prudent and secure coalitions" on export restrictions, investment controls, visa screening and the risks arising from international scientific and technological union with China.²³

The critical question is how the economic based conflict between Washington and Beijing could be resolved? The *Economist* suggested that “...The strategy of the American government should leave room for China to rise peacefully- which inevitably also means allowing China to extend its influence. America and China need to co-operate despite their rivalry. The two countries should be more commercially intertwined.”²⁴ Since the relationship is simultaneously built on competition and interdependence, it is inevitable that the U.S. and China should call for a compromise to move forward.

²¹ Merics China Briefing, “New export controls give China new weapon in tech war”, <https://mail.google.com/mail/u/0/#inbox/FMfcgxwKjBKKmfsDRVKnIcpxqlbBxnC>,

“China passes export-control law following U.S. moves”, Reuters, October 18.2020, <https://www.reuters.com/article/us-china-parliament-exports/china-passes-export-control-law-following-u-s-moves-idUSKBN27305>

“China Lawmakers Pass Export Control Law Protecting Tech”, *Bloomberg News on October 18, 2020*, <https://www.bloomberg.com/news/articles/2020-10-17/china-lawmakers-pass-export-control-law-protecting-vital-tech>

²² - The decoupling of the US and China has only just begun, Financial Times, <https://www.ft.com/content/9000d2b0-460f-4380-b5de-cd7fdb9416c8>

²³ Christopher Asley, "Bureaucracy and Counterstrategy: Meeting the China Challenge", September 11, 2019. B <https://www.state.gov/bureaucracy-and-counterstrategy-meeting-the-china-challenge/Bureaucracy>

²⁴ The Economist also pointed out that “... Alliances with the EU, Japan and Australia, India and Vietnam are best source of protection against the advantages China will reap from its economic and military power”, “China v. America”, October 20th-26th 2018, p.13.

Where does China- US- EU Relations go?

"...China has discovered it can pick off different EU members and stop the EU having a China policy... The larger EU member states have from time to time thought: 'We ought to take China more seriously.' But it wasn't clear they were taking China more seriously themselves..."²⁵

Robert Cooper, former adviser to EU foreign policy chiefs Catherine Ashton and Javier Solana

One thing that is clear is the fact that the United States will not be able to solve the problems it creates with China on its own without the participation of other states. This understanding, for example, was reflected in Secretary of State Pompeo's remarks in July 2020 calling for "a new grouping of like-minded states, a new alliance of democracies".²⁶ Information on the need for international co-working is highlighted by the United States accepting a proposal by Joseph Borrell, the EU's High Representative for Foreign Affairs and Security Policy, on June 25, 2020, to establish a US-EU dialogue on China. America's expectation is that the discussions will be "action-oriented" and lead to "more coordinated policy consequences" in the pursuit of common interests. For the EU, this dialogue will focus on analyzing China's global goals and challenges, strengthening European-American coordination on China and exchange views on its own approaches.

The EU assess its relations with China primarily in terms of its economic interests. According to a European Commission document in March 2019, the country is considered a "cooperating partner", an "economic competitor" and a "systemic competitor" depending on the policy area.²⁷ The United States evaluates China from security, economic and ideological perspectives. However, there is no status conflict between Europe and China, nor a claim to be a global power. For Europe, security policy towards China is not a priority; only economic interests are an indispensable item on the agenda. It is true that the COVID-19 outbreak led to a change in the emergence of economic dependence on China in Europe; their main goal is to reduce its dependence on China through the diversification of supply chains and production facilities, while avoiding a deterioration of relations.

One of the issues that has been prominent in the United States for some time and discussed in different ways is Washington's idea of forming some kind of alliance or coalition against China under the name of the "Federation of Democracies" with leading democratic states.²⁸ What is really important here is the question of how the EU will take a position in the face of such a proposal. In this regard, the danger that awaits the EU is that such an alliance of cooperation will focus primarily on protecting US interests, and the Washington administration is likely to put pressure on Brussels to do so. Moreover, if some EU members

²⁵ Michael Peel in Brussels, Lucy Hornby in Beijing and Rachel Sanderson in Milan, European foreign policy: a new realism on China, March, 20 2019 <https://www.ft.com/content/d7145792-4743-11e9-b168-96a37d002cd3>

²⁶ Peter Rudolf, "Ein »Bund der Demokratien«: Amerikas neuer globaler Multilateralismus? WP-Aktuell 28 April 2008, https://www.files.ethz.ch/isn/118128/2008_US_Multilateralism_D.pdf

²⁷ European Commission and HR/VP contribution to the European Council EU-China – A strategic outlook 12 March 2019. European Commission. <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>.

²⁸ Peter Rudolf, " ibid.

are invited separately, the EU's emergence as a single voice against the United States will be eliminated, resulting in the EU facing a period of instability and subsequent dissolution.

European Union and China Summit Meeting on 14 September 2020: Is it a Turning Point in the Relations between Brussels and Beijing?

On September 14, 2020, a virtual summit was held between senior European Union and Chinese leaders. European Council President Charles Michel, European Commission President Ursula von der Leyen and German Chancellor Angela Merkel held a video conference with Chinese President Xi Jinping. This event was supposed to take place first in Leipzig, Germany but due to the COVID-19 outbreak, this meeting was held online. According to European Council President Charles Michel, the leaders discussed "four key topics" at the meeting: climate change, economic and trade issues, "international relations and human rights" and "COVID-19 and economic recovery."²⁹

President Michel's press conference announced the contents of the post-China-EU Summit reconciliation topics. To sum them up briefly:³⁰

"Today we addressed 4 key topics: 1. Climate change. 2. Economic and trade issues. 3. International Affairs and Human Rights. 4. COVID-19 and economic recovery.

- China is a key global partner in reducing global greenhouse gases and tackling climate change. And we encourage China to be even more ambitious.
- The EU is setting the bar high — carbon neutrality by 2050. And we count on China to show similar leadership by implementing the Paris Agreement.
- We have a robust trading relationship with China. The EU is China's first trading partner. On average we trade over 1 billion euros a day.
- Trade can energize our economic recovery. But we want more fairness. We want a more balanced relationship. That also means reciprocity and a level playing field. That's why we welcome today's signature of the Agreement on Geographical Indications. It's a big step in the right direction. We are working on a comprehensive investment agreement and concrete results in other important areas.
- With the EU-China Comprehensive Agreement on Investment (CAI), the EU seeks to create new investment opportunities for European companies by opening China's market and eliminating discriminatory laws and practices that prevent them from competing in the Chinese market on an equal basis with Chinese companies and companies from other third countries.³¹
- And in the digital domain, we defend our vision of a free, open and secure cyberspace. For the good of our people and our societies. As global players, the EU

²⁹Remarks by President Charles Michel after the EU-China leaders' meeting via video conference, Council of the European Union, 14 September 2020, <https://www.consilium.europa.eu/en/press/press-releases/2020/10/16/remarks-by-president-charles-michel-before-the-european-council-meeting-on-16-octobre-2020/>.

³⁰ Ibid.

³¹ the EU-China Comprehensive Agreement on Investment (CAI), <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2115>

and China have global responsibilities. This means upholding the rules-based international order.

- The national security law for Hong Kong continues to raise grave concerns. The EU and our Member States have responded with one clear voice. Democratic voices in Hong Kong should be heard, rights protected, and autonomy preserved. We called on China to keep their promises to the people of Hong Kong and the international community.
- We reiterated our concerns over China's treatment of minorities in Xinjiang and Tibet, and the treatment of human rights defenders and journalists. We asked for access for independent observers to Xinjiang and we called for the release of the arbitrarily detained Swedish citizen Gui Minhai and two Canadian citizens. We agreed to discuss these issues in detail at the Human Rights Dialogue in Beijing later this year which will also include, we hope, a field visit to Tibet.
- We called on China to refrain from unilateral actions in the South China Sea, to respect international law, and avoid escalations.
- COVID-19 remains a deep and urgent threat. Only collective and transparent action will send this virus to the history books. There is only one way to find a vaccine and deploy it in all countries ... that's global cooperation.
- We expect all countries, to cooperate with the impartial, independent and comprehensive evaluation of the international health response to COVID-19, and support the WHO to identify the source of the virus.
- We encourage China to pursue an economic recovery that leads to structural reforms and that shapes a greener, more sustainable economy. This includes implementing the G20 Action Plan to drive sustainable global growth and reduce global tensions. And in Africa, China should be engaged in multilateral efforts on debt relief that will spur economic recovery.
- In conclusion, our discussions today were of great importance. We are well aware that talks and dialogue are important, but they are not enough. We must turn our messages into actions.
- We are determined to continue to engage with China to promote our values and defend our interests. We want a balanced relationship, based on respect for mutual interests.
- We believe that reciprocity and transparency must be at the heart of the commitment made by the European Union.
- At the virtual meeting, Xi Jinping proposed four new principles to guide China-Europe relations: "peaceful coexist, openness and cooperation, multilateralism, dialogue and consultation", respectively."

Michel and von der Leyen also stressed the need for full cooperation for an international investigation into the origins of the Chinese COVID-19 outbreak - a particularly sensitive issue for China given the initial emergence of the virus in Wuhan.

Compared to past years and these new declarations of results, goodwill statements and desirable goals are set. There is no decisive attempt to convert them into active action. In short, there is a lot of talk, but these expectations cannot be implemented. China's President, Xi wants to strengthen China's ties with Europe to ensure it does not side with the United States in a major emerging power contest. On the EU side, he expresses only his expectations

and criticisms on other issues, primarily in favor of the continued economic ties. In other words, there is nothing new in China-EU relations.

The future of the China-EU trade relationship

The President of the Federation of German Industries (BDI), Dieter Kempf, has called on the German Federal Government and the European Commission to strengthen the European Union (EU) in the face of competition with China.

He stated that “...At the same time, Germany and the EU must invest significantly more in research, development, education, infrastructure and future technologies. The EU needs an ambitious industrial policy for its leading companies that focusses on innovation, intelligent regulation, social partnership, infrastructure and free trade...”.³²

This statement by Kempf could be interpreted as target-oriented proposals and framing of future-prospects of the German Industry. For the time being, this statement sounds merely like wishful thinking rather than realistic milestones for the rest of the EU. If we look at EU’s current macroeconomic indicators, it seems to be difficult to achieve these tasks in a short period. The reality is that the EU, and in particular some EU countries (notably Germany), have long benefitted from their trade relationships with China while other EU countries have benefitted less. The sharing of economic gains is one of the main economic disputes in the EU.

The Chinese government put its thirteenth Five-Year Plan for National Economic and Social Development of China for 2016–2020 into force in March 2016. This development plan has been regarded as one of the most important milestones of Chinese economic development. The ‘Made in China 2025’ strategy of 2015—a masterplan for China’s economic transformation and equaling of its manufacturing industry with Western countries.³³ Furthermore, the ‘Made in China 2025’ seeks to replace foreign products with domestic products in the Chinese market.

Since the 1990s, China has become dominant in manufacturing goods. However, much of this activity is low value-added and complementary goods. China does not create technologies or sell products under its own brands at the end of the process. At the present stage of economic development, it is inevitable that Chinese firms must develop and produce new and sophisticated products for customers inside and outside of the country in order for the Chinese economy to continue to grow.

Now, China is moving to produce a greater degree of substitute goods. In the coming years the trade relations between the EU and China will be based on intra - trade relations exporting and importing the same goods to and from each other. In addition, China has

³² BDI Report, *ibid.* p.1.

³³ The Plan has targets for ten industries, including advanced information technology, automated machine tools and robotics, aerospace and aviation equipment, maritime engineering equipment and high-tech vessels, advanced rail equipment, energy-saving vehicles and new energy vehicles (NEVs), electrical equipment, agricultural machinery and equipment, new materials, biopharmaceuticals and high-performance medical devices.

become a competitor for the EU not only in the European Single market, but also exports to third markets, including Russia and Latin America. China has quickly started to offer goods that the EU has had the comparative advantage over Chinese products. It means that the competition is not between China and the EU but also globally tougher and especially, the big economic powers will pay more attention to preserve market shares.

Conclusion:

*"...Western politicians must understand that the economic, scientific and technological rise of China is unstoppable, and come to terms with this as a fact of life. The only way to race against China is to compete with it..."*³⁴ Helmut Schmidt, Former Chancellor of Germany.

US-China (PRC) relations are one of the main topics of the presidential elections to be held in the United States on November 3. The Trump administration, with all its strength, continues to keep the conflict between it and China on the agenda. If President Trump is re-elected, he can take a more uncompromising stance, further increasing the pressure on China. If Biden is elected president, the problems with China will not disappear immediately, but if a climate of trust is created, mutual negotiations can develop in a more constructive direction and result in a satisfactory compromise on both sides.

On the other hand, there is no close cooperation between the United States and the EU on China-related issues during the time period. The EU continues its economy-weighted strategy with China of its own set. The most important problem here is the difficulties of following a common, one-voiced policy against Beijing inside the EU. Because the economic interests of large members and the interests of middle and small countries do not coincide. The 17+1 movement is the most concrete example of this. China itself, is trying to prevent the formation of a US +EU alliance and is ready for closer ties with Brussels.

³⁴ Helmut Schmidt, *Vertiefungen (Deepening)* (Berlin: Siedler Verlag, 2010), 303–305.

