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ANALYSIS

CCP's 20th Party Congress - What does it mean for the EU?

By **Francesca Ghiretti and Grzegorz Stec**

The 20th Party Congress signaled a continuation of Xi Jinping's leadership and an emboldened commitment to party policies. The rationale appears to be a further tightening of party control to bolster domestic stability and to prepare for oncoming economic and geopolitical struggles. Consequently, many of the challenging trends in EU-China relations are here to stay if not intensify.

POLITICS: Party unified around Xi with security as top goal

While "Xi Jinping Thought" did not make it into the party constitution and the title of Chairman was not bestowed upon him, he comes out of the Congress significantly strengthened. The new Politburo Standing Committee (PBSC) is made up of Xi loyalists whose ideological commitment is more important than technocratic credentials. The more reform minded moderates did not make it to the PBSC, nor to the Politburo.

Security tops the agenda. National security has new dedicated sections and security (安全) received 93 mentions in the work report (compared to 54 mentions in 2017), overtaking economy's (经济) 60 mentions, for the first time. To ensure security, the CCP's control is set to tighten under the "Central Committee's centralized, unified leadership" and with "ideological commitment" being the primary competency for selection of officials.

Takeaways for the EU:

- As the party exercises greater control over party-state officials, weakening the position of moderates and increasing the requirements of ideological commitment, common ground between the EU and China will be harder to find.
- EU-China relations have largely been based on an assumption that ultimately both sides are rational economic actors who prioritize economic benefit. Beijing's growing prioritization of security and ideology over economics disrupts the fundamentals of this relationship.
- As adherence to Xi thought grows officials' agency decreases. Therefore, it is important for the EU to access higher ranks in the chain of command where greater levels of maneuverability exist. EU-China summits and bilateral exchanges with Xi become even more important.

FOREIGN POLICY: Struggling for a new world order

Beijing's outlook on the geopolitical status quo has grown darker. The work report emphasized that within China's current international environment "strategic opportunity and risks and challenges co-exist", a shift from 2017 report that focused solely on the former. Heightened anxiety is linked to fear of US-led containment, which affects the prospects for fruitful major power relations. While in the previous work report "cooperation"

(合作) was still one of the ambitions, it now been reduced to the weaker wording of “peaceful coexistence” and “positive interaction” (良性互动).

Within that environment, Beijing’s objective is to change the international order through its initiatives (GSI, GDI), minilateral groupings (BRICS, SCO) and increased engagement with the Global South. The idea here is to adjust the international order so that it accommodates China’s rise and ensures the safety of its political system.

On Taiwan, there were relatively few new points since the August publication of a dedicated White Paper. However, in his work report Xi reserved the right to use military force and “opposing and deterring Taiwan separatism” was added to the Party’s Constitution.

Takeaways for the EU:

- Room for meaningful, long-term cooperation is narrowing given the deficit of strategic trust, but Beijing may be trying to court the EU – likely with low-cost and reversible gestures – amid fear of US-led containment.
- Beijing is unlikely to move away from supporting Moscow, given that on a strategic level Moscow is a key ally in reshaping the international order. China may, however, decide to recalibrate the extent of its support if becomes too costly.
- Systemic rivalry is likely to become more pronounced as will the competition to support developing countries within multilateral frameworks.

Geoeconomics

The centrality of geoeconomics to CCP thinking is evident given the Belt and Road Initiative’s enduring policy relevance, the focus on supply-chain security, and on cultivating a dual-circulation economy. In each case, special attention is given to the Global South and to technological advancement, where the party views competition with the US and Europe as a zero-sum struggle: “resolutely win the battle of key core technologies” (坚决打赢关键核心技术攻坚战).

For those who doubted the future of the BRI, the Congress provided necessary proof that it is still very much in the CCP’s plans. In the report, the BRI is even mentioned in relation to four tangible deliverables: (i) speed up construction of a new land-sea corridor in the West, (ii) and of the Hainan free port; (iii) implement strategies to upgrade free trade pilot zones and expand the global network of high-standard free trade zones; (iv) promote RMB internationalization. Neither the GDI nor the GSI, in contrast, are presented with deliverables.

The relationship with the Global South gains importance not only considering global diplomatic competition but also for China’s own domestic development and the success of the dual-circulation economy.

Takeaways from the EU:

- The EU must define Global Gateway strategically. The Global South is going to be the focus of much of China’s diplomatic and geoeconomic action. Finding new markets and areas for production and securing supplies should be some of those priorities. The EU should reach out to third countries with which to do business, not just to send aid.

- Notwithstanding the competitive basis of the different initiatives, the Global Gateway and the BRI can collaborate in limited sectors in third countries (i.e. debt relief).

Read more:

- Nikkei: [Transcript: President Xi Jinping's report to China's 2022 party congress](#)
- MERICs: [Eight days a week: The CCP never sleeps - Calendar of party and state meetings](#)
- King's College London, Centre for Grand Strategy: [After the Party Congress, where is the Belt and Road Initiative going?](#)

REVIEW

German China policy's strategic repositioning: outcome unknown

Amid the uncomfortable realization of what over-dependence on an authoritarian state can lead to, Germany debates its new China strategy with many calling for change. But Chinese acquisitions of investments in Germany, coupled with the fact that Chancellor Scholz visited Beijing on November 4, despite vocal opposition, show that there is still quite some appetite – especially in the chancellery – for maintaining the previous government's pro-business course.

What you need to know:

- **China strategy controversy:** The December 2021 coalition formation agreement of the German government provides for the need of a China strategy. After repeatedly postponing the deadline, the government is expected to publish the strategy in the first half of 2023. Petra Sigmund, Director General for Asia and the Pacific in the German MFA, has been leading the drafting process. As of mid-October, more than 30 related meetings with business and other governments' representatives and researchers have taken place. Given the friction over how to deal with China in the government itself, some wonder how reformist the document can really be. The values-oriented Greens, leading the economy and climate ministry and the foreign ministry, push for less dependence on China, while the Social Democrats-led chancellery advocate a pro-business line. In its coalition agreement, the German government agreed on the still insufficiently defined goal of "Europeanizing Germany's China policy". In view of lucrative business deals and close bilateral trade relations with China, there appears to be a reluctance within the coalition to develop a real plan and put it higher on the agenda.
- **Recent investment screening disputes:** A German port and a chip-deal have recently caused a stir in Germany and Europe, leading to the Liberals (FDP) making a proposal to strengthen investment screening regulations for critical infrastructure. The port deal revolved around the takeover of a minority stake in Container Terminal Tollerort – the smallest of the Port of Hamburg's four terminals by Cosco, a Chinese state-owned shipping and logistics giant. At the end of October, the Chancellor decided to allow Cosco to acquire a "compromise" minority stake of 24.9 percent instead of 35 percent. This is just one of approximately 42 investment reviews linked

to Chinese involvement in Germany this year. A European ports initiative to monitor acquisitions by non-EU actors and related risks was proposed in the debate, which would be a constructive outcome. Just this week, there was further controversy surrounding chip deals involving Silex, a Swedish-Chinese semiconductor company that wanted to buy German chipmaker Elmos, and a Chinese takeover of German company ERS Electronic, which were both prevented by the cabinet.

- **Scholz's contested one-day China visit:** Members of the government and media vocally criticized the timing and modalities of the chancellor's first official visit to Beijing. The trip took place immediately after Xi's "election" for a third term as CCP leader, the visuals of which provided Xi validation from a G7 leader. Scholz, like his predecessor, was accompanied by a twelve-person business delegation of CEOs, and the trip was not well coordinated in EU circles. Seemingly responding to the backlash, Scholz published an article in German media before the visit outlining five "thoughts" which guided the visit – his fifth being that he travels to China "as a European". Even though the piece showed some realism and that Scholz did not want his visit to be misunderstood, one could also interpret it as damage-limitation, or as merely deploying realist language to conceal the truth that the trip was simply business as usual. During the one-day trip, Scholz's priorities involved addressing China's position regarding Russia's war of aggression in Ukraine, making clear Germany's position on Taiwan, and addressing areas for cooperation such as climate and Covid-19. Admittedly, expectations for the trip were not high. However, Scholz addressed controversial issues, including Xinjiang, and Xi condemned Russia's threat of nuclear weapons, which led Germany's commentators to assess the visit positively given the circumstances.

Quick take: The fact that the Hamburg deal and Scholz visit are receiving attention beyond China-policy circles is perhaps a sign that Germany's civil society is becoming increasingly aware of the importance of China-related issues, and that German and international media has increased the public agenda importance of these topics. Therefore, more Germans might be aware of the potential costs that they may have to incur to minimize dependence on China – a necessary debate to have sooner rather than later. The German government – ideally in coordination with the EU – needs to weigh such costs systematically and more comprehensively define its own critical infrastructure, while taking into consideration the key principle of reciprocity where appropriate.

Additionally, the developments above reveal a major point of contention in developing a new German China policy: its alignment with European China policy continues to lack both substance and initiative. This may be intentional as Germany runs the risk of losing the mutually beneficial position of trust it has built up with China over decades. Be it hundreds of thousands of jobs in Germany, the export of high-value goods and tech China continues to rely on, or access to innovation and market dynamics – ties to China are traditionally important to Germany. It will be crucial to find ways to align German and European China policy, especially in view of the next German government consultations scheduled for January – a coming together of Germany and China's cabinet members on what might be a biennial basis.

Read more:

- Reuters: [EU industry chief issues China warning ahead of Scholz's Beijing visit](#)
- Frankfurter Allgemeine Zeitung: [Darum geht es bei meiner Reise nach China](#)
- FOCUS online: [KRITIS stärken – Kritische Infrastruktur umfassend definieren und sichern](#)
- Reuter: [Germany blocks Chinese investment in two chipmakers after security concerns: sources](#)
- Financial Times: [Germany allows Chinese shipping group a stake in its biggest seaport](#)

SHORT TAKES

EU Foreign Affairs Council and European Council debate China policy

The outcome of the two October meetings could be summarized as “continuity with adjustment of focus.” Both confirmed the validity of the three-pronged – cooperation partner, economic competitor, systemic rival – approach as a framework for navigating relations with Beijing. However, signals of a more assertive engagement with China are visible too.

In a dedicated input paper, the European External Action Service described China as a “strategic competitor” with an objective to “systematically promote an alternative world order.” At the first European Council meeting in a year to have China on the agenda, the focus was reportedly on how to mitigate the EU’s economic and strategic dependencies on China. Despite differences in viewpoints between EU capitals remaining in place, expect the bloc to bring security – especially economic security – even more to the forefront of its China-approach, yet to remain unwilling to derail the overall relationship.

- SCMP: [China relations slide down crisis-hit agenda for EU leaders summit](#)
- EURACTIV: [EU leaders wary of dependencies created with China, but far from united](#)
- Euronews: [China pulls video speech by EU Council chief Charles Michel at major trade expo](#)

Sweden, Italy and the UK get new Prime Ministers skeptical of China

All three have made statements unfavorable to Beijing during campaigns or before.

- **Ulf Kristersson (Sweden)** – While in opposition Kristersson was a vocal advocate who pressed the Chinese government to release detained Swedish citizen Gui Minhai, leading to a pushback from the Chinese Embassy in Sweden. In his government policy statement, he included agenda points on China that oppose Beijing’s goals of unification with Taiwan and emphasized that Sweden’s China policy will “be anchored” in an EU one “with a clear transatlantic link.”
- **Giorgia Meloni (Italy)** – Italy’s furthest right-wing government since the end of the Second World War has been signaling a skeptical position towards China. Yet, as it was the case for previous governments, China is not a priority of Italy’s foreign

policy, and this government is heavily focused on domestic policy. Not only has Meloni granted an interview to Taiwan's Central News Agency during the campaign, but also promised to review the agreements signed in 2019 in the framework of the Belt and Road Initiative's Memorandum of Understanding. Furthermore, her team of ministers has already displayed a strong opposition to Chinese investments in Italy.

- **Rishi Sunak (UK)** – While remaining open to economic engagement with China as Treasury Secretary and Chancellor of the Exchequer under Boris Johnson, Sunak made several pledges targeted at Beijing during his Tory leadership campaign against Liz Truss. This included – among others – creating a technology NATO to counter China, scrutinize tech, military and academic cooperation with China, connect MI5 with British businesses and universities to diminish Chinese influence, and ban Confucius Institutes.

All their positions may be moderated by pressure to ensure stability of economic relations, but they fit into the wider trend of more negative view on China across the EU.

- The Government Offices of Sweden: [Statement of Government Policy](#)
- Foreign Policy: [Italy's Right Is Torn on Ukraine but United on China](#)
- MERICS: [UK-China relations: From cautious optimism to disillusioned pessimism](#)
- The Telegraph: [Ban on Chinese institutes at UK universities drawn up after Rishi Sunak's pledge to scrap them](#)

Taiwan invests in Lithuania

On November 7, Taiwan's USD 200 million Central and Eastern European Investment Fund announced its first investment. EUR 3.5 million is set to pour into Lithuanian laser company Litlit, with more investments in high-tech sectors set to follow. The fund was announced last year as part of a tightening of Vilnius-Taipei ties which has caused strong pushback from Beijing.

The level of benefits that Lithuania gathers from its "Taiwan engagement" policies will be an important signal for other European actors building tighter links with Taipei. Czech Republic, Slovakia and – to a lesser extent – Poland stand as other prospective beneficiaries.

- LT: [Taiwan announces its first investment in Lithuania, says more to come](#)
- MERICS: [The crisis in the Taiwan Strait: the European front](#)
- MERICS: [Taiwan's diplomatic and economic offensive in Europe](#)

Do Chinese overseas police stations operate unauthorized across Europe?

The Netherlands and Ireland have ordered closures, while Spain and Portugal have opened investigations into unregistered activity of Fuzhou and Qingtian counties authorities in their countries. This follows a report by an investigative human-rights NGO Safe-guard Defenders, which claims to have mapped 54 such stations established in 30 countries across the globe.

According to the report, the objective of the offices is to exercise long-arm jurisdiction and intimidate Chinese dissidents into returning to China operating under guise of “overseas service stations”. However, the announcements should be treated with a degree of caution as closer examination suggests that the activities might have been a result of local-level policy experimentation and rather than at the station itself, the police work is happening in China, after a call is transferred. This by no means alleviates the legitimate and pressing concerns about Beijing’s increasing pressure on Chinese dissidents living abroad and the Chinese diaspora at large, but reraises the sinister issue of Chinese citizens being approached by compatriots, acting under government orders, persuading them to return to China.

Related, in early October, the European Court of Human Rights unanimously opposed the extradition of a Taiwanese man from Poland to China on grounds of fraud charges. The legally binding ruling based on assessments of violent practices in Chinese detention centers may constitute a precedence for European countries going forward.

- Spiegel: [China’s Secret Police Stations in Europe](#)
- Safeguard Defenders: [230,000 Chinese “persuaded to return” from abroad, China to establish Extraterritoriality](#)
- China Law Translate: [“Overseas Police Stations?”: A clearer look](#)
- European Court of Human Rights: [Judgment 6.10.2022: Liu v. Poland](#)

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