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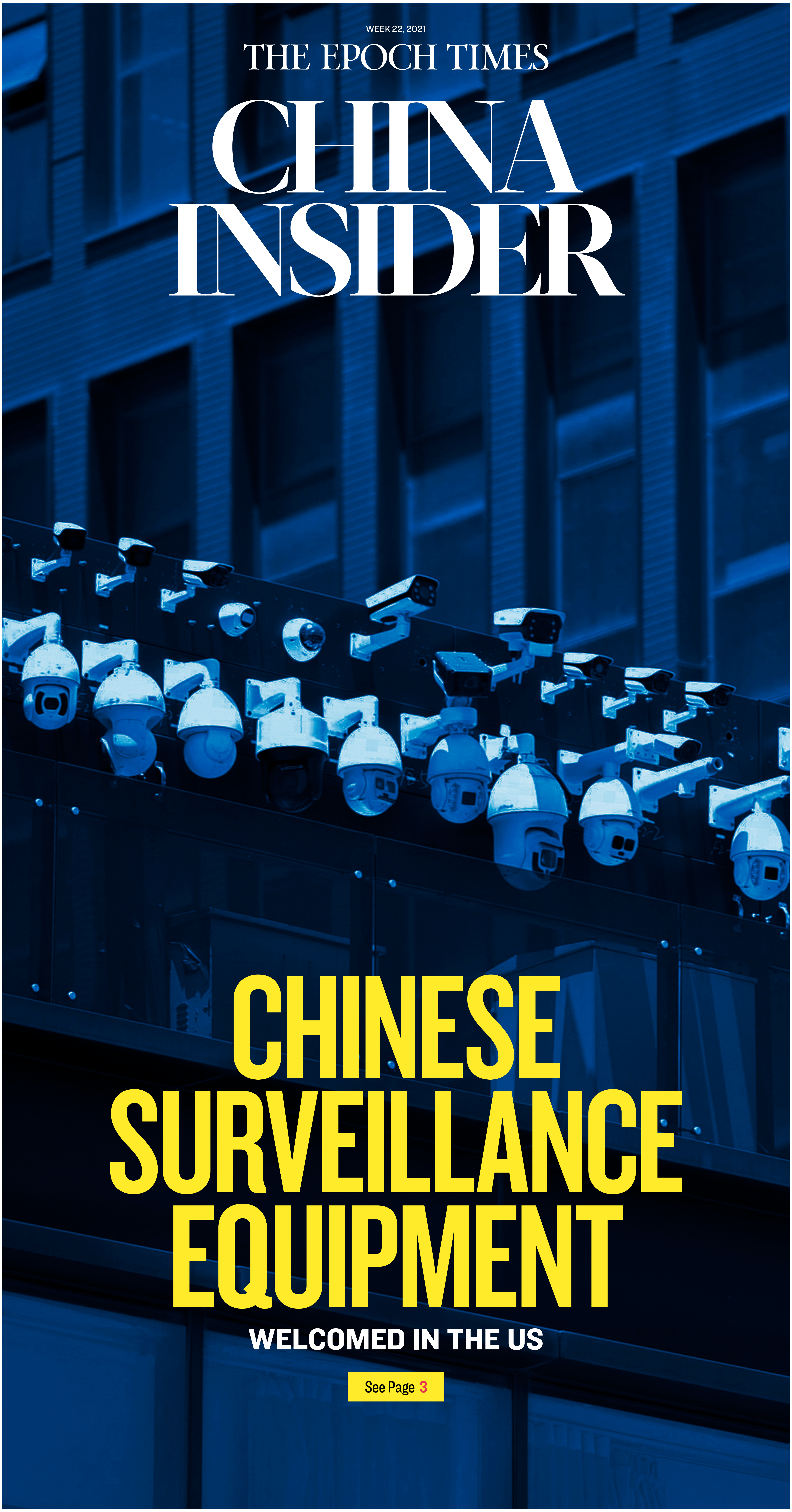
THE EPOCH TIMES

CHINA INSIDER



STR/AFP VIA GETTY IMAGES

CHINESE SURVEILLANCE EQUIPMENT

WELCOMED IN THE US

See Page 3

MIKE SARGENT/AFP VIA GETTY IMAGES

President Ronald Reagan addresses the people of West Berlin at the base of the Brandenburg Gate on June 12, 1987. The President's words could also be heard on the eastern side of the wall. "Tear down this wall!" he said to Soviet leader Mikhail Gorbachev. His address that day is considered by many to have affirmed the beginning of the end of the Cold War and the fall of communism.

OPINION

New or Old Cold War?

CLYDE PRESTOWITZ

Over the past two years there has been much talk of a "New Cold War" possibly now breaking out between the United States and China. The truth, however, is that it's not new. It's the same old Cold War just being conducted in new ways.

The notion of a new Cold War arises from the widespread belief that the 1991 collapse of the Soviet Union ended the war in victory for the free world. This view was strengthened by the 1979 establishment of formal relations between the United States and Communist China and by what appeared to the outside world to be an economic policy turn by Beijing onto the capitalist road. Indeed, under the Mao Zedong regime, many Chinese had been jailed and even executed for being "capitalist roaders." Now it seemed the whole regime was becoming a capitalist roader. At least that was the impression of most free world observers.

These events sparked euphoria in America and the rest of the free world. Indeed, so much so that leading political philosopher Francis Fukuyama wrote a book entitled "The End of History and the Last Man." By that title he was referencing Marxist teaching which predicted the establishment of the dictatorship of the proletariat as the final stage of dialectics. But Fukuyama was saying that the end is democracy and human rights not dictatorship by any class.

This was all very comforting and relaxing for America and the rest of the free world. Indeed, as China began to welcome foreign investment and to open its markets to imports from abroad, a euphoria came over the free world in the form of an expectation that free trade and the impact of market forces in China would inevitably lead to its ultimate political democratization. President Bill Clinton laughed when told that China was trying to censor the Internet and said it would be "like trying to nail Jello to the wall." President George W. Bush said that free trade inevitably carries with it the seeds of democracy. Indeed, it was the expectation that globalization would liberalize and democratize Chinese politics that convinced the free world countries to admit China to the World Trade Organization in 2001.

But were America and the rest of the free world seeing reality or were they being deceived, or, worse, were they deceiving themselves?

In the wake of the death of Mao, the Chinese economy was primitive and barely feeding the people. Deng Xiaoping and the other party leaders debated what to do. Deng pushed for some opening to market forces, famously saying that "to get rich is wonderful." Other leaders such as Li Peng opposed introduction of market forces for fear that it would lead to revival of the rich, bourgeois classes. In response, Deng famously said that "of course, if we open the windows a few flies will enter." But he was confident that the Communist Party could control the flies and eventually kill them.

In this context, it must be remembered that a major force driving China for the past 150 years had been to rectify the great humiliation visited upon the country by the western protagonists of the opium wars and by the revitalized Japanese empire of the early 20th century. Sun Yat-sen had voiced this sense of helplessness in saying at one point that "China is nothing but a slate of loose sand." Both the KMT (Kuomintang) under Chiang Kai-shek and the CCP under Mao Zedong had sought to recover China's ancient pride and power. Indeed, when Mao made his famous "China has stood up" speech in 1949 one wonders if Chiang, then in lonely exile in Taipei, might have had a moment of empathy with his old adversary.

In discussing the international scene after the massacre of students demonstrating in Tiananmen Square on June 4, 1989, Deng spoke of a 'new Cold War.'

Western audiences have some difficulty in understanding this awful sense of humiliation on the part of the Chinese. After all, two of China's greatest dynasties, the Yuan and the Qing, were not Chinese, but Mongol and Manchurian. The western countries had never occupied and directly ruled China as had the Mongols and the Manchus. Why, they ask, was complete conquest preferable among the Chinese to occasional outside interference from the West? What they don't realize is that while the Mongols and Manchus physically conquered China, they in turn had been conquered by Chinese civilization and ruled through the pre-existing bureaucratic structure based on the imperial examination. Thus, unlike the Asian peoples over whom China's civilization had loomed as superior for ages, the newcomers from the West viewed China not only as weak, but as technologically and culturally inferior. This was a national insult that demanded redress.

From its beginning, the CCP aimed not only to recover China's full sovereignty and independence but to restore the country to its long-accustomed position of the globally hegemonic Middle Kingdom. Deng may have been more flexible than Mao in terms of the tools and economic policies he would use, but his and the CCP's aims were not different. Indeed, in discussing the international scene after the massacre of students demonstrating in Tiananmen Square on June 4, 1989, Deng spoke of a "new Cold War."

In that context, it is clear China has long aimed at achieving maximum self-sufficiency and global leadership. As early as 1993, China began constructing the BeiDou Navigation Satellite System to duplicate the U.S. GPS and European Galileo systems despite having full access to both the other systems. The construction of the Great Firewall in 1997 to separate the Chinese Internet from the World Wide Web and the barring of companies like Google, Amazon, and Facebook from the Chinese market were clear declarations of Cold War. The CCP did not really accept full globalization despite constantly telling the annual Davos meeting that it did. Indeed, Beijing created its own counterpoint to Davos with the Boao Forum.

The announcement in 2015 of the Made in China 2025 policy was effectively a declaration of Cold War against the principles of the World Trade Organization of which China is a member and against the high technology industries of the free world. This has been accompanied by the quasi-militarization of the South China Sea, rapid expansion of the Chinese armed forces, and extensive hacking attacks on free world governments and corporations, and pressure on U.S. professional basketball coaches not to speak about Hong Kong and arbitrary, illegal barring of imports from countries like Australia that have called for an international investigation of the origins of COVID-19.

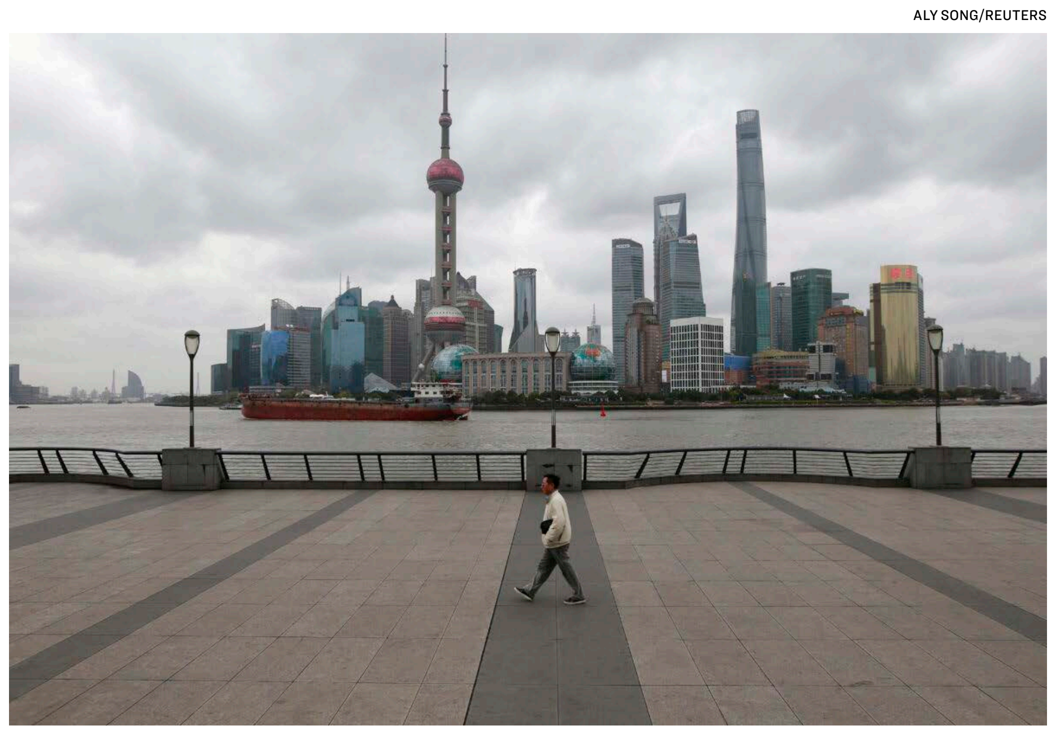
For 40 years, the United States and other free world countries spoke of China becoming "a responsible stakeholder in the rules-based, global order." In March 2018, The Economist magazine cover story announced that the Free World had "Made the Wrong Bet on China." It did not want to become a stakeholder in a global order established by others. It wanted to establish its own authoritarian world order.

The fact is that the world is not in a new Cold War. The old Cold War actually never ended.

Clyde Prestowitz is an Asia and globalization expert, a veteran U.S. trade negotiator, and presidential adviser. He was the leader of the first U.S. trade mission to China in 1982 and has served as an adviser to Presidents Ronald Reagan, George H.W. Bush, Bill Clinton, and Barack Obama. As counselor to the secretary of commerce in the Reagan administration, Mr. Prestowitz headed negotiations with Japan, South Korea, and China. Mr. Prestowitz's newest book is "The World Turned Upside Down: China, America and the Struggle for Global Leadership," published in January 2021.

Views expressed in this article are the opinions of the author and do not necessarily reflect the views of The Epoch Times.

ALY SONG/REUTERS



A man walks on the Bund in front of the financial district of Pudong in Shanghai on March 9, 2016.

SECURITY

Blacklisted Chinese Surveillance Equipment Companies Secure Regional US Governments as Customers

FRANK FANG

FRED DUFOUR/AFP VIA GETTY IMAGES

Hikvision cameras at a mall in Beijing on May 24, 2019.

More than 300 different U.S. government organizations—among them city, county, and other local governments, as well as public school districts—have purchased cameras and surveillance systems from two blacklisted Chinese tech companies since August 2019, according to government contract data.

The two companies are Hikvision and Dahua Technology, and their recent business deals with U.S. local governments were reviewed by IPVM, a Pennsylvania-based video surveillance research firm, based on government contracts obtained through GovSpend, a technology company based in Florida. On May 24, IPVM published its findings in partnership with TechCrunch.

Buying equipment and services from Hikvision and Dahua is an issue due to cybersecurity and human rights concerns associated with the two tech companies. In fact, federal agencies are prohibited from buying from the two companies because of significant national security risks outlined under the National Defense Authorization Act (NDAA) of 2019. The prohibition went into effect in August 2019.

Hikvision and Dahua were also among a group of China-based companies added to the U.S. Commerce Department's blacklist in October 2019 over their roles in supporting the Chinese Communist Party's human rights abuses in the far-western Xinjiang region. U.S. companies are required to apply for a special government license before they can do business with blacklisted companies.

The Chinese regime's crackdown on ethnic and religious minorities in Xinjiang—subjecting them to abuses that include torture, sterilizations, political indoctrination, and forced labor—has been denounced as "genocide" by Canada, the Netherlands, the UK, and the United States.

Most recently in March, the Federal Communications Commission (FCC) designated Hikvision and Dahua as companies posing a threat to U.S. national security. Three other Chinese companies receiving the same designation were Huawei, ZTE, and Hytera Communications.

Despite the NDAA ban and federal warnings, Hikvision and Dahua have continued to make inroads into the U.S. market at the state and local levels. Regional governments are only prohibited to use federal funds to buy from the two companies.

According to IPVM, one of the biggest spenders was the Baldwin County school district in Alabama, which spent over $1 million to buy 144 Hikvision thermal cameras from a local supplier in July 2020. These cameras were to be installed at 48 local schools to screen people for fever.

In August last year, the Fayette County Public Schools in Georgia paid $494,000 for 70 thermal cameras. The following month, the school district confirmed to IPVM that all purchased cameras were operational at all of its schools.

TechCrunch reported that Kern County in California was the only municipality that responded to the outlet's question about Hikvision and its alleged connections to human rights abuses. Ryan Alsop, chief administrative officer for Kern County, told TechCrunch that he was "not familiar at all with the issues you're referencing with regard to Hikvision."

When these American entities buy this equipment, they should know that not only are they supporting companies facilitating repression in China, but that the data gathered via this surveillance gear can be shared with the Chinese Communist Party.

Sen. Mark Warner (D-Va.)

According to IPVM, Kern County spent more than $15,400 in June 2020 on surveillance dome cameras and related equipment for its probation department offices.

Modesto City Schools, a public school district in California, spent $256,500 on eight Dahua cameras and equipment in October 2020, according to IPVM. Additionally, the city government in Modesto spent an undisclosed amount to outfit 55 buses with thermal scanners from Hikvision.

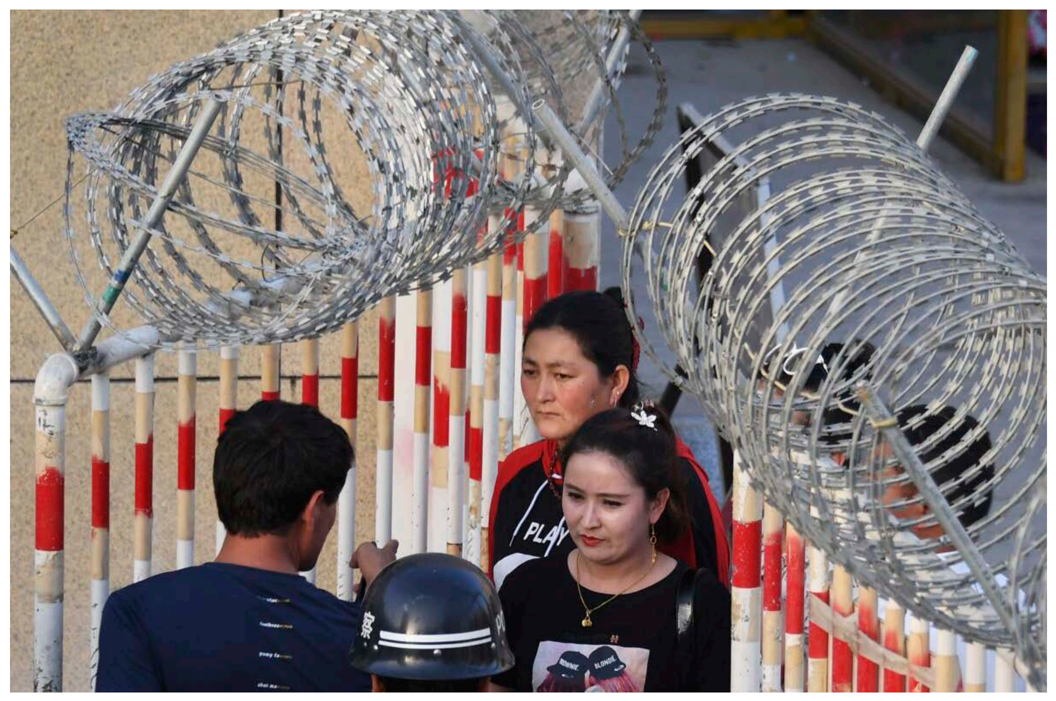
The city of Modesto initially used federal funds to make its Hikvision purchase, unaware that doing so violated NDAA prohibitions, according to IPVM. The city later told IPVM that they "processed to move the expenses to an alternate funding source."

Sen. Mark Warner (D-Va.), chairman of the Senate Intelligence Committee, told TechCrunch that Chinese companies are never "truly independent" from the CCP, in response to the IPVM findings.

"So, when these American entities buy this equipment, they should know that not only are they supporting companies facilitating repression in China, but that the data gathered via this surveillance gear can be shared with the Chinese Communist Party," Warner stated.

"Americans should also be concerned about how the CCP is working to collect data of U.S. citizens through a variety of tactics. We need to educate Americans, including local government entities, on the risks of buying this type of equipment and their moral and security implications."

GREG BAKER/AFP VIA GETTY IMAGES



A Uyghur woman (C) goes through an entrance to a bazaar in Hotan, in China's northwest Xinjiang region, on May 31, 2019.

OPINION

China's $70 Trillion Up for Grabs: A Risk to Democracy

ANDERS CORR

Western banks are hungry for access to China's household investable assets, which will exceed $70 trillion by 2030, according to Goldman Sachs. China's households will reportedly allocate more than half that amount to mutual funds, securities, and wealth management products. In 2020 alone, China's broader wealth market amounted to $18.9 trillion. According to China Everbright Bank and the Boston Consulting Group, that figure increased by as much as 10 percent from 2019.

As China claims to liberalize its financial system, western banks are rushing to cash in on China's trillions in consumer savings. On May 25, the Financial Times reported that Goldman Sachs won "initial approval" from China's regulatory authorities for a joint venture (JV) with the Industrial and Commercial Bank of China (ICBC) to conduct wealth management. ICBC, one of China's largest banks, will hold 49 percent of the venture, with Goldman Sachs Asset Management holding a 51 percent "controlling" share.

The word "controlling" is in quotes because ICBC is state-owned, and the success of Goldman's 51 percent of the venture will continue to be dependent upon Beijing's approval. If the venture falls out of favor, for whatever reason, the Chinese Communist Party (CCP) can through regulations, taxation, or control of the local banking network, make it impossible to operate profitably.

The CCP often pressures businesses, even foreign-owned public businesses, to include Chinese nationals on their boards of directors, and the CCP had cells within about 70 percent of China's 1.86 million private businesses in 2017. That figure was "destined to grow" according to The Diplomat.

"Even if Chinese Company Law regulates the establishment of Party units in foreign invested enterprises (both JVs and fully owned) without requiring governance roles for their members, recent trends in officials' attitude, which are oriented toward the demand for more power, indicate accelerating interference," according to The Diplomat. "That suggests that these positions are not merely symbolic, but rather an eventual source of political pressure around the boardroom."

The CCP has leverage over international business because it controls their access to China's massive market. The Financial Times article yesterday quoted a Goldman head who sees China's market as "one of the world's largest, fastest-growing, wealth management opportunities."

So, Goldman will be incentivized to comply with CCP demands. There is no guarantee that the bank will not be responsive to a CCP cell within its own venture in China, for example. That could include anything from pressure to pay higher taxes within China, to pressure for political favors delivered in the United States. The CCP seeks to lower tariffs on China's goods in the United States, and wants lighter export controls on sensitive technologies that Beijing seeks to acquire. Goldman is optimally positioned for such pressure, as many of its alumni become Treasury Department officials in Washington, and Treasury has extensive input into tariff and export control decisions. Treasury is also known as being consistently soft on China, including, according to one source, on the issue of the Uyghur genocide.

Steve Mnuchin, when he was secretary of the treasury for President Trump, was known to be one of the softest-on-China of Trump's cabinet. Mnuchin and his father were both Goldman alums. Gary Cohn, a Goldman alum, served as National Economic Council head under Trump.

Other former Treasury secretaries (and their years of service) with financial links to Goldman include Henry Fowler (1965–1968), Robert Rubin (1995–1999), Larry Summers (1999–2001), and Hank Paulson (2006–2009). When Hillary Clinton completed her stint as secretary of state, she reportedly accepted $675,000 in speaking fees from Goldman for just three engagements in 2013. Was it a payoff, was she really worth that much, or was it a means to influence future secretaries of state by huge payouts to former secretaries of state?

China is positioning other big banks in a manner that could incentivize pro-Beijing political pressure. This month, BlackRock received permission for a joint venture with China Construction Bank and Singapore's Temasek to begin wealth management. BlackRock is the world's biggest asset manager, with approximately $9 trillion in assets under management (AUM). France's Amundi asset manager ($1.8 trillion AUM) was the first foreign company to win approval for a majority foreign-owned wealth management business. It partnered with the Bank of China last year to launch the venture. Also in 2020, JPMorgan Asset Management unveiled plans for majority ownership in its mutual fund through buying out its JV partner.

While western governments have long pressed for "liberalization" of China's financial services sector, it is arguably impossible to truly liberalize a country in which a communist government has total control of the economy and there is no genuine rule of law. International investing in dictatorships almost always includes an ongoing political transaction, rather than simple investment in actual assets that can be easily sold, and the profits repatriated.

Investment and dependence of the world's biggest banks on China will give the totalitarian country increased political influence in the banks' home countries. China's near-total control of its own economy means that it can turn up and down the profits of these companies at will. If they show friendship or even loyalty to the CCP, they should expect subtle advantages that could lead to much higher profits. If they displease the CCP, they should expect disadvantages that could become as extreme as having their employees arrested by the regime.

As long as our banks are operating in China, they should be firewalled more thoroughly from our democratic political systems. Not doing so leaves an avenue for Beijing's increasing economic influence, which in democracies, translates into political clout. This includes pre- and post-government positions and revenues from banks like Goldman Sachs. Democracy is by design porous to political influence from the business community. The more the business community becomes dependent on China for its profits, the more democracy will need protection against business-mediated CCP influence.

Anders Corr has a bachelor's/master's in political science from Yale University (2001) and a doctorate in government from Harvard University (2008). He is a principal at Corr Analytics Inc., publisher of the Journal of Political Risk, and has conducted extensive research in North America, Europe, and Asia. He authored "The Concentration of Power" (forthcoming in 2021) and "No Trespassing," and edited "Great Powers, Grand Strategies."

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AP PHOTO/FRANCISCO SECO

CHINAFOTOPRESS/GETTY IMAGES

(Top) Spanish Civil Guard policemen stand guard outside China's ICBC bank offices in Madrid, Spain, on Feb. 17, 2016. Spanish police searched offices of China's ICBC bank in downtown Madrid and arrested six people as part of a money laundering and tax fraud probe.

(Above) An employee counts money at a branch of Industrial and Commercial Bank of China Limited in Huaibei, China, on July 26, 2015.

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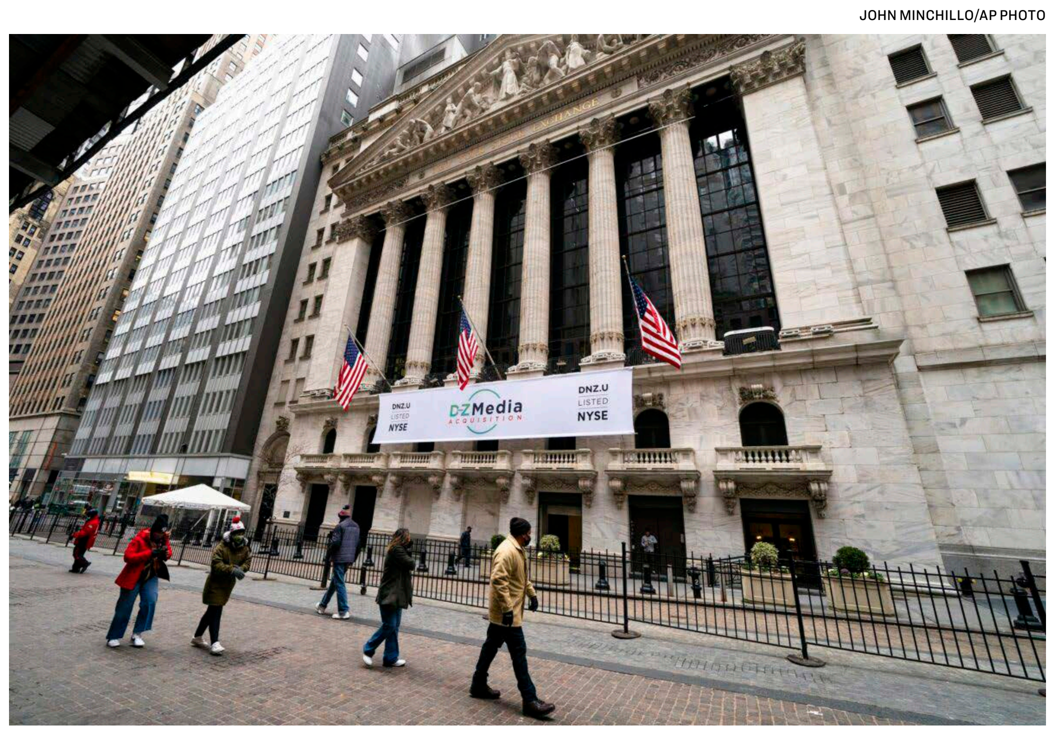
JOHN MINCHILLO/AP PHOTO



Pedestrians pass the New York Stock Exchange, in New York, on Jan. 27, 2021.

AFP/GETTY IMAGES

Runners take part in the 34th Beijing International Marathon which began at Tiananmen Square in Beijing on Oct. 19, 2014.

OPINION

The CCP Monopoly Behind the Chinese Ultramarathon Tragedies

CHEN SIMIN

Twenty-one people running a mountain ultramarathon in northwestern China died after extreme weather conditions hit the high-altitude race, the Chinese communist regime announced on May 23.

The 100-kilometer (62-mile) mountain race was being held on May 22 in the Yellow River Stone Forest tourist site of Baiyin city in Gansu Province, when it was hit by hail, freezing rain, and gale-force winds that caused as many as 21 deaths out of a total of 172 participants. Liang Jing, a well-known runner who had won a 62-mile race in Ningbo, and Huang Guanjun, the marathon champion for hearing-impaired runners at China's 2019 National Paralympic Games, were among those who died.

Gansu and Yunnan Marathon Deaths

Just within the first week of this month, two other separate marathon deaths were reported. On May 5, a senior executive of a Shanghai-based corporation suffered a sudden cardiac arrest and passed away while running a desert marathon held in Guazhou of Gansu Province, according to Chinese social media Weibo. On May 6, a runner named Yang Lijie died in another mountain ultramarathon in Zhaotong city of Yunnan Province, Chinese news portal Sohu reported.

At least 15 marathons were held in China during this year's May holidays, from May 1 to May 5, according to Chinese news portal NetEase. And within one week before that, there were more marathons in Beijing on April 24 with about 10,000 participants and Huai'an of Jiangsu Province on April 19.

In addition, "Run China," a national annual marathon series co-organized by the Chinese Athletic Association (CAA) and CCTV state-run media, has enrolled a total number of 24 selected events spanning cities in China so far this year, according to the state-run media Xinhua.

In retrospect, marathons were originally a kind of niche event, but have become hugely popular in China since 2010, except for 2020 due to the epidemic. An official document released by the CAA called "2019 China Marathon Blue Book" shows that the number of participants in marathon races reached over 7 million in 2019, while the number of marathon-related races increased from 13 in 2010 to 1,828 in 2019, a stunning 140-fold surge, according to Chinese news portal Sina.

Marathon races have been blooming across China in recent years, spawning an entire domestic marathon industry worth tens of billions of dollars. Although most domestic marathons can rely on the sponsors' fees to run the races, race operators can further generate revenue by collecting registration fees from ordinary runners. Depending on the length of a particular race, the fees varied from $12.00 to $37.00 in 2018. In 2019, registration fees alone may have generated hundreds of millions of dollars. The total annual domestic marathon industry output reached $11.4 billion in 2018 and continues to rise, according to a report by the CAA.

A marathon event is profitable for the event operator and brings big business to the hosting city to boost the local economy, including its restaurant, tourism, and retail sectors. Take the city of Xiamen, in southeast China's Fujian Province, for example, statistics show that the Xiamen Marathon boosted city business revenues by more than $92 million in 2017, according to Sina.

So it is easy to understand why city governments across China are keen to hold marathon events.

CCP Monopoly

Unlike marathons held in other countries, those that take place in China are all under the control of Beijing and local authorities of the Chinese communist regime, which means that it is not easy for private businesses to get a slice of the big pie, which keeps on getting even bigger.

As far as the central authorities are concerned, the state-run CAA still controls most of the events as the official organizer. For example, as part of a joint venture with the CAA, China Olympic Road Race Sports Management has been not only responsible for hosting the annual Beijing Marathon but also has obtained the operation rights to local large-scale marathon events, such as the Huai'an Marathon held in April this year, which had a winning bid of $1.22 million.

However, local authorities can also become the organizers of the races, which are operated by companies or organizations that are either controlled by or have close ties with the local authorities.

For example, the recent Gansu ultramarathon was organized by the municipal government of Baiyin, Gansu Province, and hosted by Jingtai county. The event was operated by Gansu Shengjing, a company that undertakes many local government projects.

On May 23, at a press conference, Zhang Xuchen, Baiyin city Party Committee deputy secretary and Baiyin mayor, classified the incident as a public safety issue—caused by a sudden change in local weather.

Although the Chinese media generally believes the extreme weather could not have been avoided, it failed to hold the organizer accountable for not taking precautions to ensure the runners' safety. With such a high number of casualties, the race could be passed off as a natural disaster caused by extreme weather, but in fact, it was a man-made disaster caused by the extreme negligence of the organizer.

More people were killed in the mountain ultramarathon than in the recent earthquake that hit the region. Critics accused Baiyin authorities of extreme negligence because they should have valued human lives by spending more money to strengthen safety measures, or they simply should have canceled the race based on weather forecasts. A close friend of Huang said, "He was deaf and dumb and couldn't even call for help."

Speaking of the marathon organizers and hosts that have disregarded the safety and health of the participants, Beijing officials have to be held accountable.

As a most recent example, on May 23, the Beijing Meteorological Bureau issued a warning for hazy and dusty weather in most areas, with a minimum visibility of only 2 to 3 miles. However, the Beijing Marathon still started on the same day, with tens of thousands of runners participating under hazardous conditions.

In 2014, at an international marathon in Beijing, the PM2.5 scale, which measures the number of micrograms of particulate matter per cubic meter, went up to a whopping 344, as compared to the 25 micrograms considered to be healthy by the World Health Organization. Tens of thousands of participants had to wear gas masks, braving the choking smog that again blanketed the capital. Chinese netizens criticized the organizer for insisting on holding the race without postponing it despite knowing the hazy forecast and completely ignoring the hazards to the runners' health. Some frustrated runners called it a "smog-athon."

The Chinese communist regime is the driving force behind the national marathon rush in China, and the so-called marathon economy is a monopolistic business—from the state-run CAA down to all local governments. However, as some domestic media have said, the profit and money-driven behavior that comes with it has deviated from the original purpose of the marathon, which was originally aimed at promoting health. The poor safety standards and sudden deaths are just the tip of the iceberg in the chaos of the nationwide marathon rush.

Chen Simin is a freelance writer who often analyzes China's current affairs. She has contributed to The Epoch Times since 2011.

STR/AFP VIA GETTY IMAGES

A runner is taking part in the Guizhou Tour of Leigong Mountain 100km International Marathon in Danzhai in China's southwestern Guizhou Province, on Nov. 17, 2019.

SEAN GALLUP/GETTY IMAGES

A container ship from China Shipping Line is loaded at the main container port in Hamburg, Germany, on Aug. 13, 2007. Northern Germany, with its busy ports of Hamburg, Bremerhaven and Kiel, is a hub of international shipping. Hamburg is among Europe's largest ports.

OPINION

Is Europe Changing Its Strategy Toward China?

JUNE TEUFEL DREYER

The answer might be yes—and no. The European Parliament's May 20 resolution freezing any consideration of a long-awaited Comprehensive Agreement on Investment (CAI) with China, along with advocacy of a strengthened European Union screening regulations on foreign investment and increased cooperation with the United States on a Transatlantic Dialogue on China, certainly seemed to symbolize a changed European attitude toward China.

Undoubtedly, European leaders have become more wary than those who met with members of a visiting U.S. congressional commission two decades ago. Warned by commissioners against lifting an embargo on arms sales that had been passed after the massacre in Tiananmen Square, they replied stoutly and virtually in unison that China "is not the same country that it was in 1989." They dismissed evidence that, although China was incontestably not the same country that it had been in 1989, it was in fact more repressive than it had been, and was getting more so.

Both Eurocrats and politicians seemed intrigued by the notion of strategic partnerships that China held forth, denying that they had any military implications, even when shown that the ideograph for the first character in strategic "戰略," shows a man holding a spear. Possibly their receptivity had something to do with Beijing's hints at the prospect of lucrative deals for purchases of the wares of European defense contractors as well as the hordes of Chinese tourists eager to visit the continent's castles, cathedrals, and department stores. Interestingly, the Western European states who had never lived under communism were the most trusting of Chinese promises whereas the Eastern European states, which had, were far more skeptical.

Fast forward 20 years and the picture changes dramatically. Not overnight, to be sure, but incrementally in rough proportion to increases in Chinese assertiveness. Enthusiasm for lifting the arms embargo waned after China's National People's Congress in 2005 passed an anti-secession law formally asserting Beijing's determination to use non-peaceful means against the separation of Taiwan from China and in any scenario where unification [read: annexation] became otherwise impossible. So as well did China's moves to enforce its claims to contested areas of the South China and East China seas as seen in its outright rejection of the 2016 ruling of the Permanent Court of Arbitration (PCA) that China's nine-dash line had no basis in international law, and its willingness to use force, as it did against Vietnam in 2020. Revelations about the treatment of Muslim minorities in Xinjiang, and the steady diminution of the rights of residents of the Hong Kong Special Administrative Region that had been guaranteed under a 1984 treaty between Great Britain and China made it difficult to believe that Beijing cared about the rights of its peoples and international law. Or that post-1989 China was evolving toward the kind of liberal democratic state that European leaders had seemed so confident of.

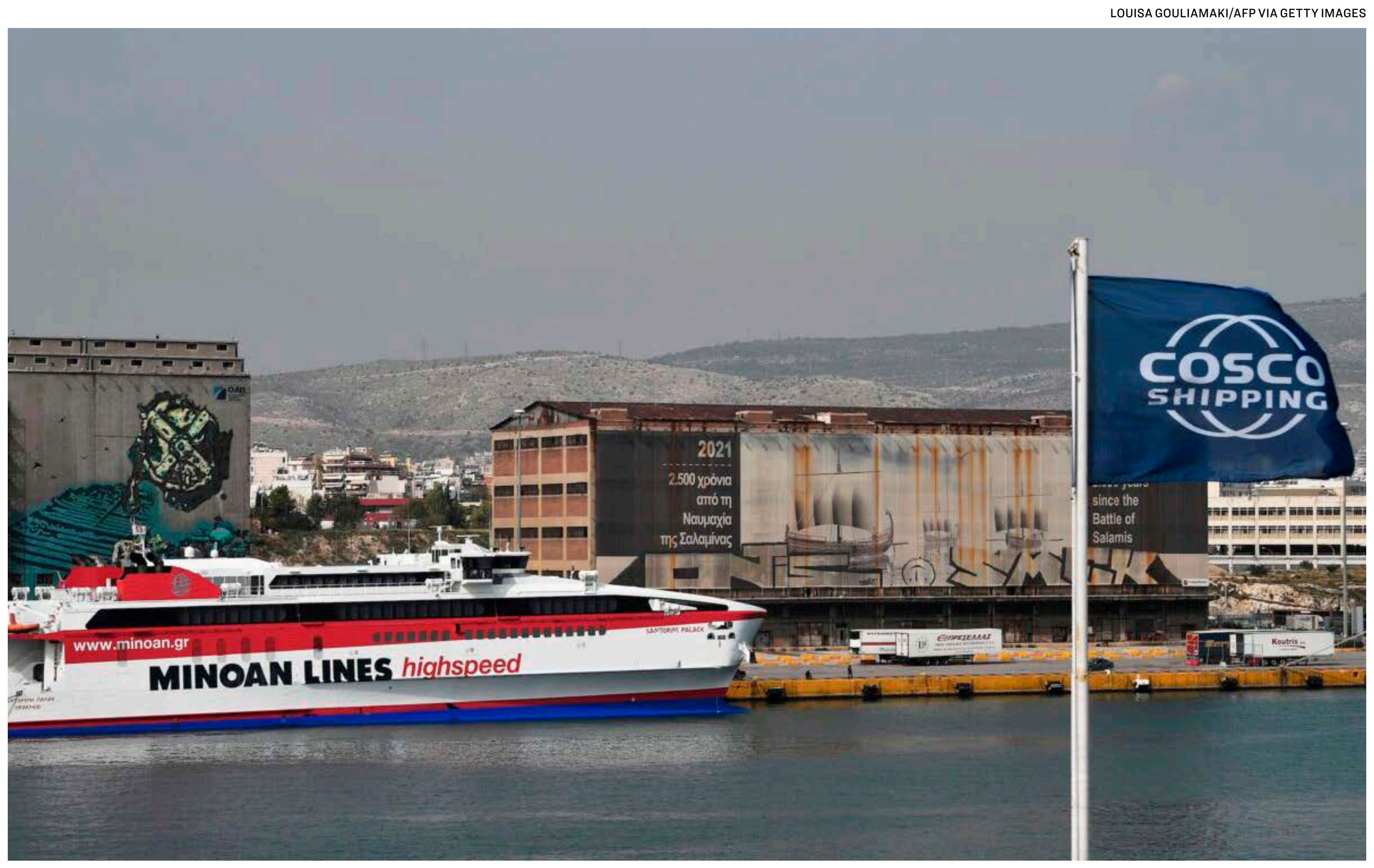
Reports on the suppression of religion and the persecution of believers were widely reported, but had few policy consequences. It was not so much that Europeans did not care about human rights issues as that they were eclipsed by concerns with the lure of a rapidly expanding Chinese market and their desire to get a larger share of it for themselves and their countries, often in competition with other European states.

There was no lack of awareness that China was negotiating with European countries one deal at a time, skillfully playing one against another, but also no consensus about what to do about it. French President Jacques Chirac declared 2004 the Year of China and bathed the Eiffel Tower in red for visiting counterpart Hu Jintao, with lucrative business deals signed during the latter's four-day stay. And after German Chancellor Angela Merkel met with the Dalai Lama in 2007, she was criticized for jeopardizing German business opportunities in their rivalry with France.

Most European states welcomed Xi Jinping's signature "One Belt, One Road" (OBOR, later renamed the "Belt and Road Initiative") project that would facilitate Sino-European trade. Enthusiasm cooled markedly when it was discovered that too many of the railway cars that brought Chinese goods to Europe were being shipped back empty: a rueful quip was that OBOR should be renamed OBOW: One Belt, One Way. In addition, it was noticed that European companies had slipped in global rankings even as Chinese companies like State Grid and Sinopec climbed into Fortune's top 10.

With its 28, now 27, members, the European Union, finds it difficult to reach an agreement on most issues, let alone ones as contentious as dealing with China. Until the 2021 decision on CAI, the results tended to be tepid. Maritime law expert Peter Dutton deemed the EU statement on the PCA's decision on the nine-dash line, a "deeply disappointing statement from a government that likes to consider itself one of humanity's strongest supporters of international law. They could have ... and should have ... said they support the tribunal's decision. Period."

LOUISA GOULIAMAKI/AFP VIA GETTY IMAGES



A view of old warehouses in the Port of Piraeus in Athens, Greece, on Oct. 18, 2018. Chinese shipping giant Cosco said it has ambitious plans for the port, including a boost on the already-bustling container and car piers but also five-star hotel expansion.

China was also able to take advantage of economic downturns in the Euro economy to acquire strategically important assets at low prices. China's State Grid Corporation began acquiring stakes in the power networks of cash-strapped southern European countries, including Portugal, Spain, Greece, and Italy, raising concerns that Beijing might exercise control of their operations. In response to a query by Reuters, a State Grid official replied, "This is not a financial investment, [it's] more like a strategic investment."

When chided by the EU for allowing Chinese shipping company COSCO to acquire rights in Piraeus, Greek officials responded angrily that the EU had done little to help their country in its hour of need and that they would welcome more investment from China. COSCO now has a 67 percent stake in Piraeus, one of the largest ports in the Mediterranean and strategically situated close to the Suez Canal. The Chinese-Greek partnership has had consequences for EU decision-making, as when Greece refused to sign an EU letter on the South China Sea and, later, on China's alleged torture of detained human rights lawyers. Hungary, where China had pledged to spend billions of dollars on a railway project, likewise declined to sign. Concerns grew that China could be targeting smaller countries with weaker economies in order to penetrate the region. And, when in 2012 China set up the 16 (later 17)+1 partnership with central and eastern European states, EU leaders fretted that this was a mechanism to try to divide Europe.

Chinese interests were not confined to penurious southern and eastern European states. German firms specializing in engineering and technology were prime targets for acquisition. In 2016, news that China's Midea group planned to acquire cutting-edge robotics firm Kuka raised anxieties about loss of intellectual property. However, Chancellor Merkel declined to intervene, making Kuka essentially a Chinese company despite charges that German engineers were now designing robots for the People's Liberation Army (Chinese military).

Vigilance, however, had been heightened. Shortly after the Kuka purchase, Germany's economics ministry withdrew its earlier approval of chipmaker Aixtron by China's Fujian Grand Chip Investment Fund LP, with Chinese officials accusing Germany of protectionism. Although German sources gave as their reason the lack of reciprocity in their dealings with China—which is true—the underlying issue was security. For example, Aixtron's new, highly efficient semiconductor technology are able to boost the power of military radar transmitters while consuming less electricity. Not all concerns were economic: Berlin-based scholar journalist Didi Kirsten Tatlow's meticulously documented study of China's Einheitsfront (united front) operations, concluded that Beijing's deliberate influencing in an orchestrated manner cannot be ignored, and that most Germans underestimate the CCP's (Chinese Communist Party) will to power.

Similar revelations occurred in Britain bringing to an end what both sides called the "golden era" of bilateral relations, especially when, shortly after leaving office, former Prime Minister David Cameron accepted the headship of a fund to create new investment links between China and the UK. Security concerns were raised about Chinese participation in the UK's Hinkley Point nuclear power station. News of the persecution of Uyghurs and the crackdown on pro-democracy Hong Kong residents deepened concerns, with Hong Kong being a particularly sensitive issue in Great Britain since it violated the 1984 treaty under which the UK agreed to return its colony to Chinese jurisdiction. These were exacerbated when the Chinese Foreign Ministry announced that the agreement "no longer has any practical significance and is not at all binding for the central government's management over Hong Kong."

Civil liberties not only in China but in the UK itself also began to be threatened with incidents such as Chinese students at the London School of Economics, likely acting on suggestions from their embassy, demanding that an LSE globe depicting Taiwan as separate from China be altered. The Chinese Embassy then threatened Oxford University's Vice-chancellor Louise Richardson with the withdrawal of Chinese students unless she stopped Chancellor Chris Patten from visiting Hong Kong. Both efforts were unsuccessful: LSE's globe remains unaltered and Richardson refused the embassy's request. Patten subsequently said that "China had betrayed the people of Hong Kong and the West should cease kowtowing to Beijing for an illusory pot of gold." And a February 2021 study of academic cooperation with Chinese entities found many UK universities "unintentionally generating research that is sponsored by China's military conglomerates including those with activities in the production of weapons of mass destruction, intercontinental ballistic missiles, hypersonic missiles, and other items of massively destabilizing weaponry."

An aerial photo taken though a glass window of a Philippine military plane shows the alleged on-going land reclamation by China on Mischief Reef in the Spratly Islands in the South China Sea, west of Palawan, Philippines, on May 11, 2015.

RITCHIE B. TONGO/POOL/REUTERS

Interestingly, the Western European states who had never lived under communism were the most trusting of Chinese promises whereas the Eastern European states, which had, were far more skeptical.

Similarly high-handed statements from Chinese official sources occurred elsewhere. When meeting pushback, they tended to elicit insults. The ambassador to Sweden, reacting to its government's complaints about the arrest of one of its nationals and, separately, evidence that an incident of Chinese tourists being bullied was fabricated, declared that his country had fine wines for its friends but shotguns for its enemies. Replying to widespread criticism of his words, the ambassador responded that Sweden was "not important enough to threaten." After a French scholar defended the rights of parliamentarians to visit Taiwan, tweets from the Chinese embassy called him a "little hoodlum," "ideological troll," and "mad hyena." When Lithuanian intelligence services accused China of increasingly aggressive espionage campaigns and the use of tech companies as surveillance assets, the Chinese ambassador countered that his country was being demonized and charged Lithuania with cold war-ism. Eighteen months later, Lithuania's foreign minister announced his country's withdrawal from the 17+ 1 organization and called on the other member states to do the same.

The EU's tepid statement on Beijing's rejection of the PCA ruling on the South China Sea did not diminish the concerns of nations with major shipping interests in the area. Britain and France announced plans to send naval vessels to emphasize the importance they attached to freedom of navigation in the area. France, which has geographically extensive territories in the South Pacific, was particularly articulate on this issue. After the ruling, then-defense minister Jean-Yves Le Drian called for joint EU patrols of the maritime areas of Asia and the establishment of a "regular and visible presence there" and, with China clearly in mind, Le Drian argued that if the rule of law and freedom of navigation were not respected in the South China Sea today, they will next be challenged in and around Europe. More surprising than the British and French FONOPs was Germany's decision, although it has no territories in the area, to send a frigate to the area as part of a newly-adopted Indo-Pacific strategy.

What does this mean for the future of Sino-European relations? Unquestionably, attitudes in major EU countries have hardened. In Germany, the Green party's candidate for chancellor, the Greens having a realistic chance to become the ruling party in the country's September election, has vowed to be tough on China. The smaller Free Democratic Party, which has a reputation of being a kingmaker, has pointedly removed the "one-China" clause from its party platform. Britain has banned Chinese telecommunications provider Huawei from its 5G networks, offered UK passports to British National Overseas residents of Hong Kong, revoked state-owned broadcaster CGTN's UK broadcast license, and expelled three Chinese for spying. In Czechia, attempts to build influence in politics backfired and there was discontent when a number of promised investments failed to materialize. The Czech senate president visited Taipei in defiance of Chinese orders and declared "I am Taiwanese;" Prague's mayor publicly refused to accept a "one-China" clause and flies Tibetan flags from city hall.

Yet it would be foolish to overinterpret these events. China is defiant, with the Global Times editorializing that the conditions imposed for resuming the ratification process are "rough and arrogant," that the sanctions imposed by China are actually countermeasures against the EU's sanctions over Chinese officials and entities, and that there is no way that China will lift those sanctions under pressure from the European parliament. EU organizations other than the EP and many more European countries, the paper pointed out, want the CAI to come into force.

Global Times may well be correct. The CAI was, and presumably continues to be, a major priority for Chancellor Merkel because of China's importance to the German automobile industry: if ratified, it would allow European companies to own majority stakes in their Chinese subsidiaries rather than forcing them to operate though joint venture with Chinese partners and share trade secrets. China is Germany's largest trading partner.

In less wealthy countries, the lure of Chinese largesse is a powerful force for leaders even where there is opposition from the general public. Czech president Milos Zeman, who has been described as "ostentatiously pro-China," has vowed to make his country China's gateway to Europe, even welcoming Xi Jinping with a 21-gun salute—an honor not accorded to any foreign leader for more than fifty years. Most recently, he praised China as "the only country that helped us and sent medical supplies" in the pandemic. In Serbia, although complaints about the environmental and political aspects of Chinese investment grew, its elected leaders, despite their aspiration to join the EU and claims to share its democratic values, lean further toward China, which offers big loans, vaccines, and investments without the constraints that the EU would impose. Mutatis mutandis, there is a similar situation in Montenegro, whose government has asked Brussels for financial assistance to refinance a loan to China for an expensive only partially built highway that, according to European analysts, was a risky proposition to start with. China holds a quarter of Montenegro's debt; if it defaults, the terms of the contract give China the right to access the country's land as collateral.

It is also possible that the EU sanctions themselves may end up hurting Western companies as much or more than China. Beijing has imposed boycotts on companies such as Sweden's H&M, among others, for its "suicidal" remarks on so-called slave labor in Xinjiang, thereby impacting an important market for the apparel maker. A Xinjiang factory manager, admitting an initial downturn in international purchases of cotton, stated that his factory had made up the difference by shifting to domestic orders.

Given the democratic principles that undergird both Eurogovernance and those of Europe's component states, Beijing will always have the upper hand in playing one off against another.

In sum, European strategy toward China has evolved beyond the so-called golden years, and present tensions are unlikely to abate in the foreseeable future. With the emotional naivete of the past now spent, European statespersons would do well to concentrate on the realistic economic and security aspects of the relationship. Given the democratic principles that undergird both Eurogovernance and those of Europe's component states, Beijing will always have the upper hand in playing one off against another. How long this can continue depends on many factors outside the scope of this study. Meanwhile, however, the EU's dream of a partnership between a united Europe and a liberalizing China seems to have fallen victim to Xi Jinping's China Dream.

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