



## The EU and China: Sanctions, Signals, and Interests

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Sanctions are much easier to use against your allies than against your enemies. A friend will want to stay in your good books, and is much more likely to modify his behaviour than an adversary, who will probably just harden his resolve to outdo you. The Trump administration liberally used sanctions against allies in Europe and Asia, who did not exactly cave in but did not want things to escalate either.<sup>1</sup> The US trade war with China, on the other hand, cost both sides dearly, without resolving anything.

In a coordinated move with the US, the UK, and Canada, the EU has adopted sanctions against four Chinese officials and one entity for violating the human rights of the Uighur people in Xinjiang province.<sup>2</sup> That is fully legitimate: as a union of democracies, the EU has a moral duty to speak up for human rights everywhere. But are sanctions the most effective way of doing so?

That depends, of course, on the effect sought: what is the EU objective? If the end is to change China's policy, the sanctions are far too moderate to score any effect, for policy is set in Beijing, not

by provincial-level officials. But even if the EU were to adopt much further-reaching sanctions, targeting the Chinese leadership or its economy, China would still not budge. For the Chinese regime, this is about vital interests: the power of the CCP, domestic stability, and the security of the Belt and Road Initiative, for which Xinjiang is crucial. And no state, and certainly no great power, compromises on vital interests unless forced to. But the EU will not go to extremes because its own vital interests, in contrast, are not directly at stake – and China understands that very well. The EU has grave humanitarian concerns, but the human rights situation in Xinjiang in no way affects the security of Europe. The same applies to the situation in Hongkong.

Thus, even far-reaching sanctions cannot easily affect change on the ground when they concern an issue that the targeted party deems vital, especially if the issue is not vital to the party taking the sanctions. This is even more so when targeting a great power. That was the case in the past: four decades of pressure during the Cold War produced little or no improvement in the human rights situation in the Soviet Union. And it remains the case today: the EU and China both are great powers that are in many ways mutually

dependent; neither has much leverage to force the other to change its domestic policies.<sup>3</sup>

### **SIGNALLING HUMAN RIGHTS CONCERNS**

The EU's current sanctions against China can only serve a *signalling* purpose, therefore, without any hope of effecting short-term change. Yet, quoting William the Silent: one need not hope to undertake, nor succeed to persevere. In other words, the EU can and must continue to speak up for human rights, in order to maintain the norm and underscore that violating human rights is abnormal. But the question still remains: are sanctions the best of way of signalling this?

Sanctions do amplify the signal that the EU finds a particular human rights situation, such as in Xinjiang, unacceptable. But as China is an authoritarian state (as is Russia), there obviously are endless grounds to legitimately adopt human rights sanctions. As stated above, against a great power, human rights sanctions are mostly symbolic. Symbols often trigger strong emotions, however; and when emotions sway reason, sound strategy-making becomes difficult. Sanctions usually provoke countersanctions, setting in motion a negative spiral that will cost both parties – yet without in any way improving the lives of those whose human rights are being violated.

Actually, the EU's signal can also be loud and clear without sanctions, if the Union and each Member State consistently and publicly repeat it in every interaction with China. While sanctions are always legitimate, in view of the universality of human rights, they are not necessarily opportune, therefore.

### **CHINA'S OVERREACTION**

As expected, China has taken countermeasures, which are evidently disproportionate. Targeting individual members of parliament and academics, but also the entire Subcommittee on Human Rights of the European Parliament and the EU's Political and Security Committee, plus a think-tank and a

foundation, is so much of an overreaction, in fact, that it goes against China's interests. For one, those same members of parliament will have to ratify the *Comprehensive Agreement on Investment* (CAI) that the EU and China announced in December 2020. And it is precisely the academics who help create a nuanced understanding of China.

The temptation in many corners is, of course, for the EU to react forcefully, perhaps even with another round of sanctions. China's overreaction thus risks triggering the negative spiral and undoing one of the main features of the EU's China strategy: its willingness to compartmentalise relations – to treat China as a partner, a competitor or a rival depending on China's position on the issue at hand. In that logic, it ought to be quite possible to announce the CAI in December and adopt human rights sanctions in March, counterintuitive though it may appear to Beijing.

Compartmentalisation, which can be paraphrased as "cooperate when you can, push back when you must", is actually very much in China's interest. For the alternative is that the EU shifts to the opposite stance: "push back when you can, cooperate when you must". That was the attitude of the Trump administration, and might become Biden's as well. If that happens, more and more potential areas for cooperation will be blocked out, and China will increasingly be facing a firm US-EU bloc, instead of a more flexible three-way great power game (or four-way, counting Russia) – exactly what Beijing has been seeking to avoid.

China would be well advised, therefore, to make some conciliatory gestures now, and demonstrate that compartmentalisation is still possible. Not only to maintain cooperative relations with the EU in areas of common interest, but to convince the US of engaging in selected areas of cooperation as well. Rather than emphasise, as Chinese diplomats now do, that in China appetite for the CAI is not as strong as the EU

might think, proof of sincerity is required, if China does not want to see its future access to the European market tighten.

### THE EU'S RED LINES

The EU, for its part, ought to resist the temptation of further sanctions at this stage. Sanctions must be a policy, not an urge. Furthermore, the current low in relations cannot logically be a ground for rejecting the CAI, for the human rights situation in Xinjiang was not different when the EU agreed to it. If human rights violations are a reason to refuse any cooperation, then the EU should never have embarked on negotiations for the CAI in the first place. That would run counter to its strategy of compartmentalisation, however, which seeks to cooperate when possible precisely in order to involve all powers in the running of the current world order.

Brussels must draw its red lines in the right place, therefore. The European interest demands that the EU cooperate with authoritarian states. The red line is that by cooperating, the EU itself cannot become party to the human rights violations that its authoritarian partners commit. The CAI with China is possible therefore, on the condition that no product that is the result of human rights violations, such as forced labour in Xinjiang, enters the European market, for that would make the EU complicit.

That must be ensured by building in strong and verifiable mechanisms into the CAI itself, but also by adopting general legislation, for China is not the only culprit.<sup>4</sup> Towards China, such legislation, which is in the making, will be a much stronger signal than sanctions. It also has a lot more potential to affect the situation on the ground. China will not change its overall policy towards the Uighurs, but it will have to adapt production processes and labour conditions if it does not want to lose market share. At the same time, binding EU rules reduce the exposure of European companies, who are now caught between European consumers' concerns over complicity in human rights violations and a boycott by Chinese consumers.

### SANCTIONS AND VITAL INTERESTS

If human rights sanctions have but limited effectiveness, sanctions may be required in other policy areas. China has also crossed the EU's red lines in its foreign policy, which does affect European security. The *fait accompli* created by the military annexation of the South China Sea is the most obvious example. Others are subversive activities on the territory of EU Member States, attempts at coercing EU governments to adopt certain policies, or intimidation of Uighur people residing in the EU. In these areas, the EU's own interests are much more directly at stake, and more than symbolic sanctions may be called for.

The EU ought to show more resolve when reacting to illegitimate, and certainly against illegal, activities on its territory, by China, Russia, and others. The Treaty on European Union includes, in Article 42.7, a collective defence guarantee, but the EU does not implement it – collective territorial defence against military threats is organised through NATO. In the spirit of 42.7, the EU could, however, organise solidarity against all non-military challenges posed by foreign powers. A cyber action against one Member State must be seen as an action against all, just like economically coercing one means coercing all, and should automatically produce a joint response. Under the heading of resilience, the EU could thus not only take defensive measures to safeguard its sovereignty (for example, by leveraging access to the single market through investment screening). It could, in addition, elaborate a doctrine of *deterrence* against all forms of subversion and coercion, based on a demonstrated willingness to retaliate by way of sanctions.

If the red lines when it comes to subversion or coercion of the EU itself are relatively clear, more strategic debate is required to forge an EU consensus on where the red lines are in China's foreign policy towards third states. Certainly, military aggression (for example, to change the status quo on Taiwan) should lead to sanctions, as was the case after Russia invaded Ukraine. Were China to force a country to sever relations with the EU against its

will (in the context of the *Belt and Road Initiative*, for example), that too would call for sanctions. At the same time, no country is aspiring to become a Chinese vassal, but if only China puts a serious offer on the table, the EU (and the US) can hardly condemn others for taking it up. What the EU is willing to offer to third countries is at least as important as what it is willing to do against China, therefore. That calls for a strengthening of, and more budget for, the *EU-Asia Connectivity Strategy*.

## CONCLUSION

To put it bluntly: the EU's vital interest is not how China treats the Chinese, but how China treats the EU. Yet somehow Brussels always gets a lot more excited over human rights violations in China than over Chinese transgressions against the EU itself. The EU must care for human rights – that goes without saying. But it must also be aware of what is vital and what is not, of where it has leverage and where it has not, and use its instruments accordingly.

The EU and the Member States can in effect signal their human rights concerns to China (and Russia) loudly and clearly without all the time resorting to symbolic sanctions, by consistently and publicly condemning violations. Effective sanctions, i.e. further-reaching and aimed at actually inducing a change in policy, ought to be mostly reserved to deter, or to retaliate against, actions that directly affect the vital interests of the EU itself or that threaten international peace and security.

China too must reflect on where its interests lie, however. Perhaps Beijing feels that the EU will in the end always prioritise its economic interests anyway, and no longer cares too much about its image. That would be a serious underestimation, however, of the resentment that its often overbearing behaviour has provoked in the EU. Overall, through its strategy of “cooperate when you can, push back when you must”, the EU has consistently shown that it considers the rise of China to great power status a normal evolution, and that it is quite willing to work with China within the core rules of the existing world order. China had better not let that goodwill go to waste.

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## ENDNOTES

<sup>1</sup> Each Even the Biden administration may introduce additional sanctions against European companies involved in the Nordstream 2 gas pipeline between Germany and Russia.

<sup>2</sup> In its first application of the *EU Global Human Rights Sanctions Regime*, the Council on 22 March 2021 also adopted sanctions against individuals and entities in Eritrea, Libya, North Korea, South Sudan, and Russia.

<sup>3</sup> This interdependence is only symmetric in the aggregate, however: in several specific sectors, the dependence is rather more one-way.

<sup>4</sup> There is a qualitative difference, because China persecutes the Uighurs politically, but in many sectors, in many countries, labour conditions are as horrible. Where indentured labour survives, for example, people's living conditions may in practice not differ much. If the EU is serious about human rights and labour conditions, the new legislation ought to target this too – we cannot simply accept the situation that the market has created.

