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BU-CWD Workshop Remarks

Toward a 21st Century Global Order

A. The coronavirus pandemic has made clear that:

1. A 'decoupled world' in which the United States and China unravel their global supply chains and key parts of their economy would make it impossible to deal with global challenges such as pandemics and climate change. This pandemic has highlighted the deeply integrated nature of the global economy even more for the Europeans. On the other hand, the pandemic has also made evident that nations need to take some measures to diversify their supply chains for critical medical supplies so that they can ensure access in times of crisis.
2. The international community's response to the global pandemic would be further hamstrung by political divides reminiscent of the Cold War. A ratcheting up of tensions between states - primarily the U.S. and China - will only inhibit international cooperation on economic responses, and with global public health.
3. Current international institutions have not risen to the challenge. The G7 (currently presided over by the United States) is not serving as a needed body of coordination; initial European responses were from states rather than the European Council and the European Commission. The UN is neither a convening body or resource provider in this pandemic. Leadership has instead been provided by local governments -- state and city officials, and health first responders.

Therefore, the crisis raises new implications for international institutions. The crisis makes clear that we need to reshape international institutions -- to not only reflect current power realities, but also to address the challenges of global governance including climate change, global public health and natural disasters.

B. Two questions/tensions inherent in the current geopolitical transition:

1. How can the U.S. and democratic partners avoid the emergence of a bipolar competitive era between the West and China that is primarily characterized by ideological tensions -- without ignoring the challenges that China poses to democratic institutions and norms?
2. How can the U.S. work with Western and non-Western partners to reshape the rules-based system in ways that accommodate China's power and interests, without bending to unacceptable forms of Chinese authoritarian influence and pressure (ie. data surveillance systems; forced technology transfers; IP theft)?

C. How is the U.S. currently approaching these questions? *

- There is an emerging bipartisan consensus that China represents the preeminent challenge to U.S. foreign policy and national security interests. The 2017 NSS codified an all-of-government reorientation away from global terrorism and toward great power competition. Democrats and Republicans alike appear willing to pursue hardline approaches toward China in economic, political and military terms.
- Within the Democratic party, there is general consensus that the U.S. must address the China challenge alongside friends and allies. This means reinvesting in alliances, partnerships and multilateral institutions that have been strained by the Trump Administration -- but also by longer trends in U.S. unilateralism developed by this current Administration as 'America First'.
- There is also a growing consensus within the Democratic party that a cooperative approach among democracies would amplify American power and strengthen a rules-based system in which states -- including China -- should operate.

* Note: These are topline points and are not meant to oversimplify nuances in opinion held in the U.S.

D. How does Europe view China?

- In Europe, many countries have woken up to “the China challenge” and now view China not only as an economic opportunity but as an economic and systemic competitor. A March 2019 white paper produced by the European Union highlighted this shift.
- Made in China 2025, China’s internal data surveillance system, the CCP’s treatment of Uighur Muslims in Xinjiang, and assertive and increasingly authoritarian leadership under President Xi have deepened Europe’s uncertainty and critical assessment of its relations with China.
- However, European countries are not united in this outlook. Several central, eastern and southern European countries rely on China for investment; western European countries view China as an important multilateral partner (particularly during the Trump Administration); and none want to *choose* between the United States and China.
- For these reasons, it is not in the interest of the United States to ask allies to choose - as Defense Secretary Esper did at the recent Munich Security Conference - because Washington may not like what it hears. We are already seeing a backfiring of this

approach in the 5G and Huawei debates. The UK and other European countries went against America's preferred approach to ban Huawei from 5G networks entirely, despite significant pressure from the U.S.

E. The future character of U.S.-China competition and relations between the West and China will depend in large part on Europe's decisions.

- In this new era of geopolitical competition, some view Europe as an 'object' of competition between the U.S. and China rather than an 'actor' or global player itself. This is an inaccurate perception of Europe's role in the world and underassessment of its geo-economic strengths. Furthermore, the EU is in a more flexible position to deal with challenges from China, given that it is not locked into a competitive framework.

It is critical for the U.S. to understand the views of allies and their relations with China when attempting to develop joint policies toward China.

F. A better approach: Instead of beating down on European partners to 'get in line,' the U.S. should be supporting a unified, stronger and more independent Europe.

What steps is Europe already taking?

- EU Commissioner Ursula von der Leyen is looking to **revamp the EU's competition laws to guard against unfair practices** from state-owned enterprises and intends to appoint a "chief trade enforcer" for anti-dumping cases that hurt European companies;
- The EU's foreign policy chief, Josep Borrell, is also pushing for **tougher member-state responses to China's human rights abuses in Xinjiang**;
- The EU has launched a framework for a **EU-wide investment screening mechanism** to address foreign (including Chinese) takeovers of European companies;
- Von der Leyen has also taken the lead on **efforts to update and reform the World Trade Organization**, which will be a central player in advancing cooperation between the United States and the EU on Chinese trade practices.

What steps should Europe take moving forward?

- As China pursues regional forums like the 17+1 initiative, the **EU should serve as a clearing house of information**, enabling countries to share cautionary tales and best practices for dealing with Chinese investments across Europe;
- The EU should consider **adding a pillar to EU competition law**, allowing the EU to intervene if it finds that state-backed businesses are distorting markets and pursuing unfair practices;

- **Strengthen investment screening mechanisms** and close loopholes for Chinese investments that result in technology transfers and IP theft.

These actions will help Europe to develop a more unified approach toward China, not necessarily in lockstep with the United States, but as a cohesive bloc. When Europe -- as a regulatory and economic power, and champion of addressing climate change, democracy and human rights-- is united, it can better shape China's actions on the world stage to the benefit of democratic institutions and norms.