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## EU-China Sanctions Tussle: Winners and Losers

*By Frederick Kliem*

### SYNOPSIS

*China hit back hard at the European Union (EU) after their latest round of sanctions. Beijing's countersanctions create a dilemma for the EU, and provide the US with a diplomatic victory.*

### COMMENTARY

EUROPEANS ARE often quick to reserve the right to sanction third-party states on normative grounds. This happened again last week, when the latest round of European Union sanctions targeted the usual suspects, including Russia and Myanmar.

What was new was that [China has made it on to the EU sanctions list](#) on human rights grounds for the first time since Tiananmen. With this, European institutions joined the United States and others, targeting four senior Chinese officials and one entity for human-rights violations in Xinjiang.

### Targeted Sanctions and Countersanctions

The EU has an ambivalent relationship with China. There is an omnipresent power tussle among the EU institutions as well as among member states over the right balance between economic interests and normative imperatives, a struggle between national economic interests and the EU's [normative global ambitions](#).

Germany, for example, has long caused frustration among those in the EU who believe engagement with China should focus much more on questions such as human rights. This 'lobby' includes the more forward leaning member states and, importantly, the EU Parliament which largely sees itself as Europe's normative guardian.

Human rights abuses are serious and must receive international attention. But it is common wisdom that the efficacy of sanctions is low, perhaps counter-productive. In the EU, the primary objective of sanctions is, therefore, not an improvement inside the target country.

Instead, sanctions are an instrument of public diplomacy, a symbol of international protest, and not least addressing domestic public opinion and appeasing political dynamics inside the EU.

### **EU's First Dilemma: How to React**

Navigating the dilemma of having to react robustly without causing too much trouble for the sanctioned country is achieved by targeting a handful of lower-ranking individuals and entities with modest measures, including travel bans and asset freezing.

This way, the targeted country is only minimally affected, often not even worth a reaction. Not so this time.

While EU officials would have expected a Chinese reaction, they had not expected Beijing lashing out as they did, with [countersanctions](#) on ten European individuals and four entities, including the EU Parliament's Subcommittee on Human Rights, parliamentarians (including the EU Parliament's greatest China critic, the prominent German Green-MEP Bütikofer), diplomats and think tanks.

Just like in Europe, Chinese sanctions are an instrument of public diplomacy. China is not a small developing country but a superpower, and Beijing cannot be seen as passively accepting international sanctions.

### **A Dicey Investment Deal**

Germany's Achilles' heel is its export driven economy and the automobile industry in particular. It is no surprise that German Chancellor Angela Merkel was instrumental in concluding the EU-China Comprehensive Agreement on Investment (CAI).

This is an investment deal with which the EU hopes to level the hitherto asymmetric playing field for foreign businesses in China, long a serious concern in the EU, and Germany in particular.

Many EU MEPs, Bütikofer included, were critical of the other EU institutions' and CAI's ignorance towards poor human rights standards in China, including forced labour. And while Commission and Council can negotiate and approve the agreement, it is ultimately the EU Parliament that must give its consent for ratification.

Parliamentarians cancelled a meeting to discuss the deal in protest over China's reaction. Of course, China must have predicted this reaction, leaving only one conclusion: Beijing is signalling that they do not need to open up to the EU.

### **EU's Second Dilemma: Two Losers, One Winner**

The EU now faces a dilemma. While Chinese sanctions are equally toothless, the difference to Brussels' sanctions is that Beijing's are clearly punitive, therefore highly confrontational. This audacity enraged MEPs, many of whom had already been critical of CAI, the Greens in particular.

When the agreement now returns from "legal scrubbing" and official translation to Parliament for ratification, Beijing's countersanctions jeopardise the outcome many national governments were hoping for.

There is still time for intra-EU diplomacy to convince a critical number of MEPs to support CAI. Should the agreement be rejected, however, it will be European industry that loses out, not China.

And yet, the atmosphere in Beijing is barely festive. [As is often the case, inept Chinese diplomacy is better at assembling a coalition of opponents than its actual opponents are.](#)

### **US-EU Anti-China Alliance?**

With its counter-sanctions Beijing has undermined its own objectives. With CAI, China attempted to drive a wedge between Washington and Europe, with success.

Although the vast majority of European leaders eagerly awaited a "new beginning" post-Trump, Europe threw Joe Biden a curveball by rushing through CAI just before his inauguration, instead of waiting to coordinate with Washington's new China policy. The White House reaction was more than icy, leading to an early diplomatic tussle between Washington and European capitals.

But EU-China relations are taking a nose-dive just as the new US Secretary of State Anthony Blinken arrived for his first official Europe visit. The tit-for-tat sanctions are a diplomatic manna for the US, and a stumbling block for those in China — and inside Europe — who argue that the EU should dissociate itself from Washington.

For the foreseeable future, a united US-EU anti-China alliance is unlikely. But Washington has done better than Brussels by delicately producing a 'frenemy' relationship with Beijing out of last week's Alaska talks.

The unintended consequence of technically harmless EU sanctions show how easily diplomatic dynamics can spiral out of control, possibly with lasting impact on the global balance of power among Brussels, Beijing and Washington.

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