



## EUROPE INDIA CHAMBER OF COMMERCE

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EICC-2021

Brussels, 18 October 2021

Mr. Josep Borrell  
EU High Representative for Foreign Affairs and Security Policy and  
Vice-President of the European Commission  
242, rue de la Loi  
B-1049 Brussels

Dear High Representative, Vice-President Mr. Borrell,

### Re: EU's Indo-Pacific Strategy and its China Challenges

While political and constitutional developments in some European Union member states have preoccupied the EU's internal and external policy focus, it is in the Indo-Pacific where Europe's interests are most significantly and immediately at risk. An alarming situation has been developing in the region which will have deep consequences on the global peace and security.

A significant enhancement in the number and size of provocative military exercises by China in the Indo-Pacific, notably the recent large-scale violations of Taiwan's air space as well as continuation of building military bases all around the region, should be a matter of concern to the EU policy makers, like most others around the world. While China's military aggression is nothing new, what is new is the scale of these aggressions and China's determination to disturb peace in the Indo-Pacific, disregarding global concern. In the face of Beijing escalating pressure on Taiwan to unprecedented levels, it is important that EU abandons the ambiguity of its "One China Policy" to Taiwan in favor of an unqualified commitment to the Republic of China.

You are also aware that China's geographical threats vis a vis India, into Ladakh, Sikkim and Arunachal Pradesh have continued to escalate over the years and have put India under additional pressure to respond adequately. China's belligerence in eastern Ladakh is a reflection of its expansionist policy that has been thwarted by "firm" and "strong" response by the Indian Army. As a result of the continuing Ladakh crisis, India faces a new strategic reality that the Chinese leadership cannot be trusted.

It is time the EU took a more assertive policy on China and countered China's intimidatory tactics. It should demonstrate its commitment to democracy, help defend Taiwan and deepen bilateral relationship in ways that intrinsically bind EU's interests and values with the island nation. Taiwan symbolizes the global ideological struggle between democracy and authoritarianism and any Chinese attack on Taiwan would be a tragedy and a crime, not just for the Taiwanese, but indeed for the rest of the world. Chinese military juggernaut is unlikely to stop only with Taiwan, the entire Eastern Asia would be under immediate threat of a military

conflict with serious consequences for everyone, including the EU. Hence, here and now is the moment that EU should make it clear to Beijing that any such escalation would not be seen by the EU as a bilateral matter between China and Taiwan, instead it should deliver a firm and credible message that such a step by China would be grave, unacceptable and would destroy EU-China relations in all spheres, including trade and economic ties.

We are of the strong view that this is a critical moment for EU to underscore its Indo-Pacific priorities by increasing the clarity of EU's commitment not only to defend peace and stability but, more pointedly, to defend democracy against China's blatant resort to military and other forms of coercion in the region. China's incursions are designed to intimidate Taiwan and test the West's resolve, and therefore a firm stand by EU is both timely and necessary.

China has also long ignored global norms on trade, distorting them to favor state owned companies and privileged firms by allowing them to undercut foreign rivals, thus causing significant harm to companies from the developing and developed nations. Taking on the Chinese policy will need a series of concerted actions on all fronts; diplomatic, strategic, and economic. Where does EU stand and how secure is EU investment in China? You will agree that from the outside it often appears that a misguided and divided EU doesn't know its own mind and is struggling to craft its China policy.

One of the objectives of EU's Comprehensive Agreement on Investment with China is to promote open and more liberal trade, free and competitive markets in China, protection of intellectual property rights, competition, and an end to government-led distortions. The EU has for long recognized the "authoritarian threat from China" and although it has long been a staple of politics in Europe, some EU countries have been soft on Beijing. It should be of no surprise that given lack of a clear and well-defined as well as properly implemented strategy, China has become a bigger threat since the CAI. In my humble view, EU's China policy has been a disaster for Europe and its democratic values. It has been nearly ten months since the signing the CAI and still China has not shown any inclination to respect its commitments under the agreement.

It is our opinion that EU has nourished an incoherent and inconsistent policy towards China that has failed to deliver on its promises. For long, European Union has labelled China a "systemic rival" and a strategic competitor, but also has simultaneously tried to constructively engage with it and without any positive outcome. Today, the EU leaders need to review whether EU's constructive engagement and continuing the old China policy has brought any benefit to Europe?

It appears that EU has no clue about how to deal with China threat, besides its changing language that can be softer or harsher in its statements, apparently depending on the prevailing mood here in Brussels. It has been evident that EU's policy lacks the content and thrust that could make China understand the international concern about its policies. Such failures have left EU largely weakened in a world where power is central to ensuring peace and security. This is why we call for charting a new China policy.

For a long time, EU's policy has been that only 'dialogue and cooperation' will entice the Chinese Communist Party to become a more responsible global stakeholder. However, this has

been a failure. Those in the EU who believe that political freedom in China would follow the new economic freedoms have been proven wrong. And believing that China's economic growth would have been built on the same foundations as those in the West, the EU has failed to envisage the Chinese state's continuing role as investor, regulator, and intellectual property owner.


We are glad that the EU's Indo-Pacific strategy has implicitly recognized China's attempts to alter the regional status quo, mentioning "tensions around contested territories and maritime zones", and a "significant military build-up including by China". We are also glad that EU finally accepted that crises in regional hotspots like the South and East China Seas and the Taiwan Strait could have "a direct impact on European security and prosperity". An increasingly assertive China poses a direct challenge to the EU's Indo-Pacific strategy.

Sir, business as usual in Brussels will be insufficient to address the China challenge in the Indo-Pacific and therefore we urge the EU to approach strategic competition with China as an urgent priority. In pursuit of a free and open Indo-Pacific, the EU will have to present an affirmative vision that goes beyond blunting China's illiberal order. It will also require EU to be proactive in building regional order in the Indo-Pacific, establishing new rules, norms, and institutions. The world and the EU has a China problem and it time to find the fortitude to deal with it.

Sir, in my capacity as Secretary General of the Chamber, I have, on many occasions, warned the EU about the numerous global challenges China poses and why EU needs a new China policy. The Union needs to counter China's assertiveness with its partners through a strong economic presence in the region and call out China for its continuous and large-scale undermining and violation of international rules and norms. The behavior of China has shown that as all other tactics have consistently failed to produce even the littlest of the desired results, it is time for bold and brave actions. It is late, but not too late.

With kind regards,

Yours sincerely,



Secretary General

Cc: Mr. Valdis Dombrovskis, Executive Vice President and EU Commissioner for Trade, European Commission