The EU's (Leading) Role in Opposing China's Threat to the Liberal International Order

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Resumo: Num contexto em que a China se afirma cada vez mais como uma potência hegemónica, este artigo pretende avaliar em que medida a UE pode limitar os efeitos corrosivos do *sharp power* chinês na salvaguarda de uma ordem mundial liberal. Para este efeito, é feita uma análise comparativa das economias da UE e da China, nomeadamente nas componentes de comércio e investimento. De seguida, é explorado em que medida esses laços económicos incorporam uma projeção *sharp power* por parte da China, maioritariamente visível através de continuas violações dos direitos humanos e do Estado de direito, por uma concorrência internacional desleal, pelo roubo de segredos tecnológicos, bem como pelo risco de fragmentação da própria UE. Neste enquadramento, este artigo procura compreender em que medida os dois modelos políticos distintos podem ser compatíveis com a manutenção de uma ordem liberal aberta a trocas económicas livres e justas. No final, embora seja concluído que a China ameaça a subsistência de uma ordem internacional estável, sugere-se que a UE preserva um papel relevante na manutenção dessa mesma ordem. Nesse sentido, assistindo a uma crise de liderança por parte dos EUA, a UE (se unida) tem a oportunidade, a capacidade económica, e até o dever, de se estabelecer como o principal promotor do que deve permanecer uma ordem internacional aberta e sustentada em regras.

Abstract: At a time when China increasingly seems eager to become a hegemonic power through authoritarian means, this paper assesses whether EU's unity and economic strength could be effective in limiting the corrosive effects of China's sharp power in the preservation of a liberal world order. For this purpose, we first make a comparison between EU and China's economies, namely through a comparative assessment of quantitative data regarding the components of trade and investment. Then, we explore how these economic links may also include a projection of sharp power by China, mostly visible through human rights violations, breaches of rule of law, unfair competition, the theft of technology secrets, as well as the risk of undermining the very own integrity of the European project. Having this in mind, we then reflect on the limits of doing business with China, trying to understand as to what extent the two distinct political and economic models are compatible with the preservation of a liberal order open to free and fair economic exchanges. In the end, while concluding that the Chinese model is increasingly threatening a stable international order, we also argue that the EU has a considerable economic deterrence power to push China into respecting global defined rules and arrangements. While considering that the US's leadership has reached to a crisis, we argue that the EU (if united) has the opportunity, the economic capacity and even the duty to establish itself as the main promoter of what must remain a rules-based liberal international order.

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Introduction

The opening up of the Chinese economy in the late 1970s, together with major internal reforms initiated by Deng Xiaoping, brought significant political and economic changes which culminated in remarkable levels of economic growth that led China, in just a few decades, to position itself, alongside the US and the EU, as one of the three largest economic blocks in the world. Despite this apparent success, China's current economic power was achieved by an authoritarian regime, which follows an asymmetric model that combines characteristics of a capitalist economy, but that is ultimately run by a single-party communist state. This poses several challenges when reflecting on the consequences of doing business with China. In fact, the Chinese Communist Party (CCP) threatens the deep principles that sustain the liberal order itself, using its increasing power to legitimate and sometimes impose its illiberal ideas, while the US seems less committed to assuming its international leadership role. Indeed, as China expands its economic and business interests around the world, Cristopher Walker and Jessica Ludwig (2017, 9) highlight that the CCP has been active to supress "to the extent possible" any critical voices, using manipulative techniques "applied to targets in the media, academia, and the policy community", seeking "to permeate institutions in democratic states that might draw attention or raise obstacles to CCP interests, creating disincentives for any such resistance". Aimed at securing their strategic interests, such actions reflect the tendency of authoritarian regimes to apply internationally the same suppressive techniques that they use domestically (Walker and Ludwig 2017, 10). In this sense, when making a parallelism between "soft" and "sharp" power, Walker and Ludwig (2017, 13) highlight that contrary to the "soft" version of power, in which non-military forms of influence are benign and attractive, the actions taken today by some authoritarian countries "capture the malign and aggressive nature of the authoritarian projects", being better described as "sharp" in the sense that they "pierce, penetrate, or perforate the information environments in the targeted countries". At a time when

China increasingly seems eager to become a hegemonic power through authoritarian means, this paper assesses whether EU's unity and economic strength could be effective in limiting the corrosive effects of China's sharp power in the preservation of a liberal world order. To this end, we first make a comparison between EU and China's economies and then explore how their economic links may reflect a projection of sharp power by the CCP. Thereafter, we reflect on the limits of doing business with China, trying to understand as to what extent the two distinct political and economic models are compatible with the preservation of a liberal international order open to free and fair economic exchanges. In the end, we conclude that the EU (if united) has a considerable economic deterrence power to push China into respecting global defined rules and arrangements.

The Threat of Sharp Power in EU-China Economic Relations

By combining the world's largest population with an impressive economic growth in the last decades, China became the world's third largest economy in nominal terms, only surpassed by the United States (US) and the European Union (EU) (see figure 1).[2] By consistently displaying higher growing rates than the US or the EU, China may soon become the biggest economy in the world. Actually, when measured in purchasing power parity (PPP), which adjusts for different prices across countries, China has already the largest economy since 2017 (see figure 2).

[2] Unless otherwise stated, data for the European Union accounts for the current 27 members-states and data for China do not include its special administrative regions of Hong Kong and Macao.

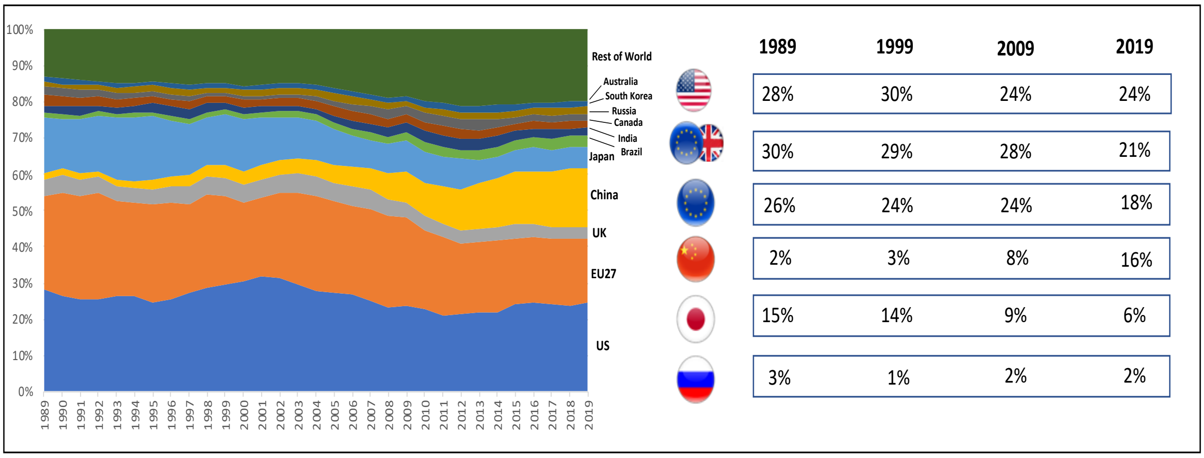


Figure 1: Share of World's GDP (in current US$)
Source: World Bank, World Development Indicators

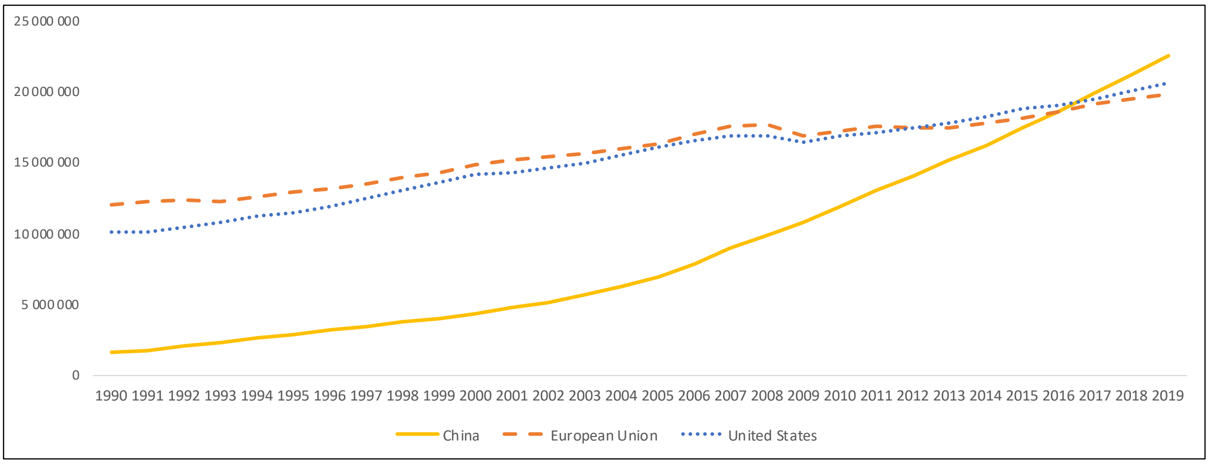
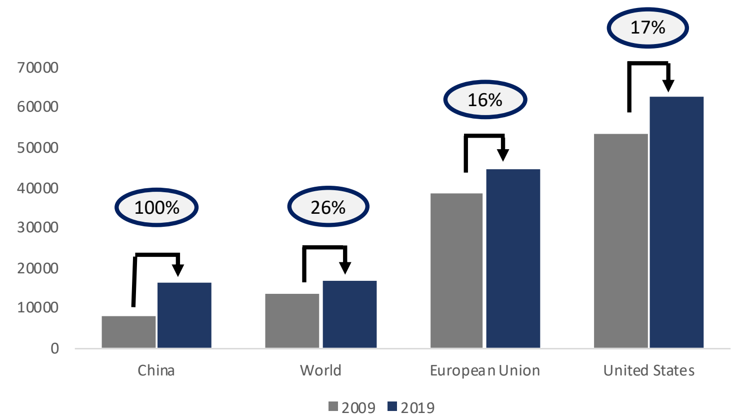


Figure 2: GDP, PPP (constant 2017 international $, in millions)
Source: World Bank, World Development Indicators

This substantial increase in China's GDP necessarily reflects a country with an increased capacity to use its economic power to pursue its strategic objectives. In that sense, the comparison between EU and China economies, including its main links, is important to put the power of both economies into perspective. This assessment is then relevant to understand how the EU's economic strength may contribute to limit the harmful effects of China's sharp power. Firstly, it is important to recall that while China's alternative model has taken China towards impressive levels of economic growth, the country departed from a very low starting point. For instance, when comparing the GDP per capita in PPP, we see that in just 10 years, the average Chinese citizen has doubled is purchasing power, but that still represents only about a third of the GDP per capita in the EU (see figure 3). China is therefore a still relatively poor country.



Relative Weight of China	2009	2019
China in% of US	15%	26%
China in% of EU	21%	36%
China in% of World	60%	95%

Figure 3: GDP per capita (constant 2017 international $)
Source: World Bank, World Development Indicators

Them, by assessing the economic links between EU and China, namely on the most relevant components of trade and investment, we find that the EU, even after Brexit, still remains the second most important economic power in the world. Besides being the second largest economy after the US, the EU is still the world's largest trading block, although almost tied with China when just accounting for extra-EU trade (see figure 4), and clear outweighs China in both outward and inward foreign direct investment (FDI) (see figure 5).

	Main Exporters				Main Importers				Total Trade			
			$US, Millions	% Trade			$US, Millions	% Trade			$US, Millions	% Trade
	Rank	**World**	**18 974 119**	**100%**	**Rank**	**World**	**18 724 006**	**100%**	**Rank**	**World**	**37 698 124**	**100%**
	1	EU (intra-trade)	3 415 888	18,0%	1	EU (intra-trade)	3 358 147	17,9%	1	EU (intra-trade)	6 774 035	18,0%
	2	China	2 498 549	13,2%	2	United States	2 498 402	13,3%	2	EU (extra-trade)	4 569 267	12,1%
	3	EU (extra-trade)	2 398 084	12,6%	3	EU (extra-trade)	2 171 183	11,6%	3	China	4 567 499	12,1%
	4	United States	1 593 001	8,4%	4	China	2 068 950	11,0%	4	United States	4 091 403	10,9%
World	5	Japan	705 632	3,7%	5	Japan	720 803	3,8%	5	Japan	1 426 435	3,8%
	6	South Korea	542 602	2,9%	6	United Kingdom	689 570	3,7%	6	United Kingdom	1 158 652	3,1%
	7	Hong Kong	535 807	2,8%	7	Hong Kong	578 783	3,1%	7	Hong Kong	1 114 590	3,0%
	8	United Kingdom	469 082	2,5%	8	South Korea	502 758	2,7%	8	South Korea	1 045 360	2,8%
	9	Mexico	460 704	2,4%	9	Mexico	482 613	2,6%	9	Mexico	943 317	2,5%
	10	Canada	446 098	2,4%	10	India	479 894	2,6%	10	Canada	925 326	2,5%

Figure 4: World's Main Traders (Trade of Goods 2019, in $US Millions)
Source: International Monetary Fund, Direction of Trade Statistics

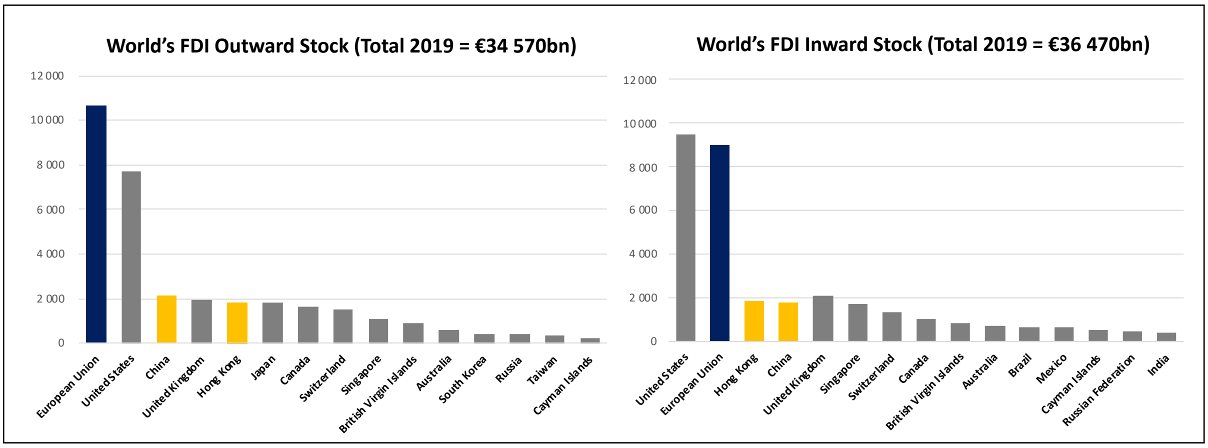


Figure 5: World's Main Outward and Inward Stocks of FDI (FDI 2019, in $US Billions). Data for the EU includes both intra and extra-EU stocks
Source: UNCTAD, *World Investment Report* 2020

When analysing the direct relations between EU and China in these two components, we see that both economies strongly depend on each other, specifically in the trade of goods (see figure 6). China is the third main destination of EU's exports (representing 9.3% of EU's total exports in 2019), being EU's main source of imports (18.7%). Conversely, EU is China's main importer (12.2%) and the second destination of China's exports (14.6%). The most traded goods from EU to China are machinery and equipment (e.g. automotive products and non-electrical machinery), chemicals and agricultural products, while from China to EU the most traded goods are also machinery and equipment (but mostly office and telecommunication equipment) as well as textiles, clothing and other manufactures (European Commission 2020a). Additionally, besides the trade in goods, we may also take into account the trade in services. While, relatively less important, this component represents more than 10% of EU-China's trade in goods, with the EU showing a positive balance towards China of €16.7bn in 2018 (European Commission 2020b).

	Total Exports (excluding intra-trade)				Total Imports (excluding intra-trade)				Total Trade (excluding intra-trade)			
			$US, Millions	% Trade			$US, Millions	% Trade			$US, Millions	% Trade
	Rank	**World**	**2 398 084**	**100%**	**Rank**	**World**	**2 171 183**	**100%**	**Rank**	**World**	**4 569 267**	**100%**
	1	United States	430 413	17,9%	1	China	405 182	18,7%	1	United States	690 157	15,1%
	2	United Kingdom	356 356	14,9%	2	United States	259 744	12,0%	2	China	627 076	13,7%
	3	China	221 894	9,3%	3	United Kingdom	216 855	10,0%	3	United Kingdom	573 212	12,5%
	4	Switzerland	165 714	6,9%	4	Russia	161 862	7,5%	4	Switzerland	290 196	6,4%
EU	5	Russia	98 215	4,1%	5	Switzerland	124 482	5,7%	5	Russia	260 077	5,7%
	6	Turkey	76 411	3,2%	6	Turkey	78 126	3,6%	6	Turkey	154 537	3,4%
	7	Japan	68 433	2,9%	7	Japan	70 383	3,2%	7	Japan	138 815	3,0%
	8	Norway	57 734	2,4%	8	Norway	60 629	2,8%	8	Norway	118 363	2,6%
	9	South Korea	48 524	2,0%	9	South Korea	53 019	2,4%	9	South Korea	101 544	2,2%
	10	Canada	42 901	1,8%	10	India	44 299	2,0%	10	India	87 094	1,9%

	Total Exports				Total Imports				Total Trade			
			$US, Millions	% Trade			$US, Millions	% Trade			$US, Millions	% Trade
	Rank	**World**	**2 498 549**	**100%**	**Rank**	**World**	**2 068 950**	**100%**	**Rank**	**World**	**4 567 499**	**100%**
	1	United States	418 584	16,8%	1	European Union	252 698	12,2%	1	European Union	618 582	13,5%
	2	European Union	365 884	14,6%	2	South Korea	173 553	8,4%	2	United States	541 820	11,9%
	3	Hong Kong	279 617	11,2%	3	Taiwan	172 801	8,4%	3	Japan	314 747	6,9%
	4	Japan	143 224	5,7%	4	Japan	171 523	8,3%	4	Hong Kong	288 673	6,3%
China	5	South Korea	110 985	4,4%	5	United States	123 236	6,0%	5	South Korea	284 538	6,2%
	6	Vietnam	98 004	3,9%	6	Australia	119 608	5,8%	6	Taiwan	227 881	5,0%
	7	India	74 924	3,0%	7	Brazil	79 204	3,8%	7	Australia	167 712	3,7%
	8	United Kingdom	62 276	2,5%	8	Malaysia	71 630	3,5%	8	Vietnam	162 083	3,5%
	9	Taiwan	55 080	2,2%	9	Vietnam	64 078	3,1%	9	Malaysia	124 112	2,7%
	10	Singapore	54 964	2,2%	10	Russia	60 257	2,9%	10	Brazil	114 681	2,5%

Figure 6: EU and China Top Trading Partners (Trade of Goods 2019, in $US Millions)
Source: International Monetary Fund, Direction of Trade Statistics

Regarding investment, when accounting for extra-EU FDI stocks (which excludes investments between EU member-states), we see that China does not actually represent a very significant share of EU's inward and outward investments, representing in 2018 about 2.9% and 2.8% of stocks respectively (see figure 7). In addition, EU shows a positive investment position towards China and Hong Kong (see figure 8).

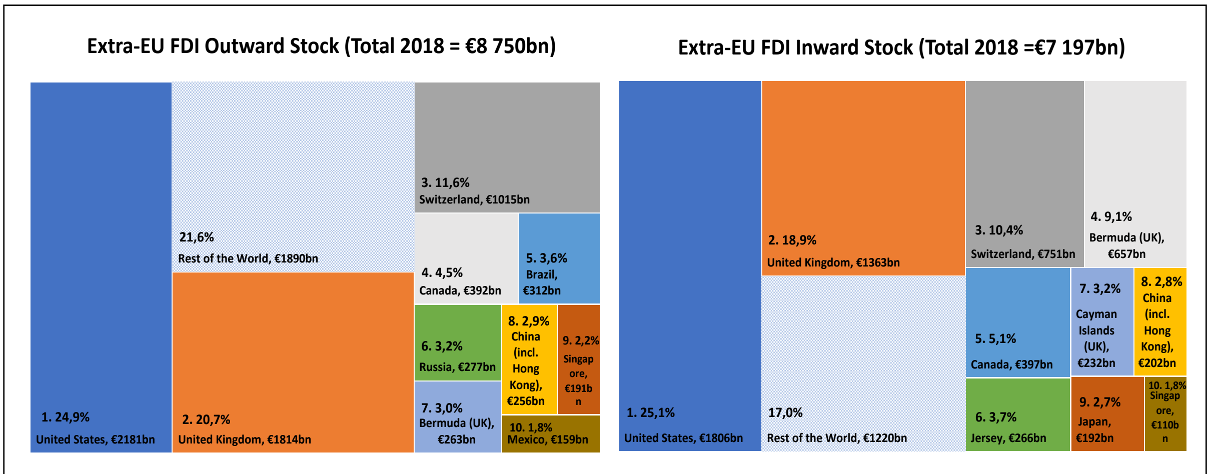


Figure 7: Extra-EU Top 10 Investment Partners (FDI Stock 2018, in € Billions)
Source: Eurostat, bop_fdi6_pos

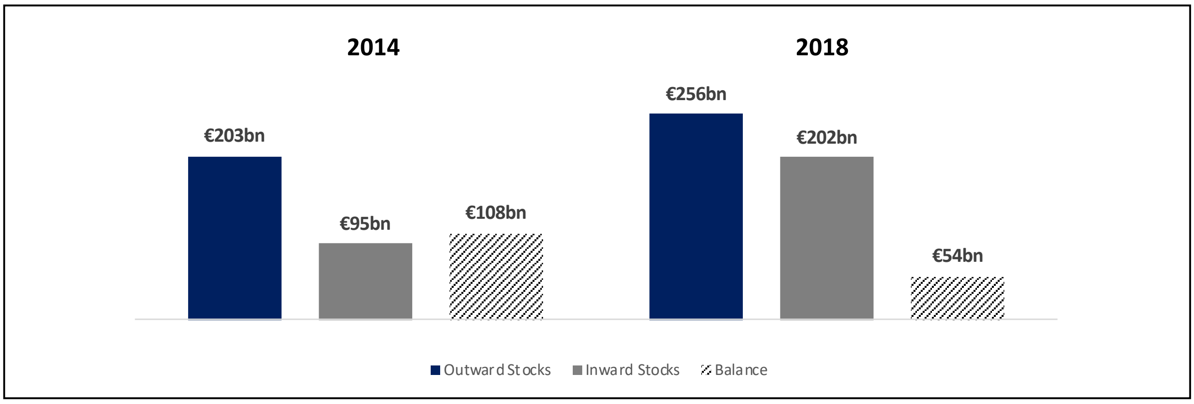


Figure 8: EU Outward and Inward investments towards China (including Hong Kong) (FDI Stock 2014 and 2018, in € Billions)
Source: Eurostat, bop_fdi6_pos

Nonetheless, to carry a proper analysis, it is important to take into account the limits of official databases on FDI[3], which also lack granular information on the nature of investments. In this sense, in order to have a more detailed overview on China's FDI, including its real economic presence abroad, it is important to complement the analysis with alternative sources. In this respect, the China Global Investment Tracker (CGIT) published by The America Enterprise Institute (AEI) and The Heritage Foundation, provides an important source of information, by tracking since 2005 China's global investment and construction projects over $100 million. From 2005 and to half-2020, this dataset accounted for more than 3 400 Chinese transactions totalling $2 trillion (from which about 1 400 projects amounting to $755bn relate to the Belt and Road Initiative (BRI) launched in 2013). The EU member-states account for $210bn (10%) of total Chinese global investments over $100 million in the last 15,5 years (see figure 9). In the EU, Germany is the largest recipient, but when putting into perspective of its economic size, it does not show such impressive numbers (see figure 10).

[3] The quantification of FDI stocks is an important source of information to measure the long-term economic links between two counterparties. However, this data presents many limitations. Official data is released with great delay and there are different methodologies to measure FDI, making it very difficult to have a consistent quantification among different sources. In addition, the use of special purpose entities (SPEs), which amount to more than 50% of both inward and outward EU's investments, create many distortions in data. In fact, companies may transfer funds to countries or regions with friendly tax policies that are then re-invested in other countries (being accounted as FDI towards the first country while not having a real economic impact). This also happens with mainland China and Hong Kong (therefore, by combining both in figures 8 and 9, we partially mitigate the risk of underestimating China's presence in the EU).

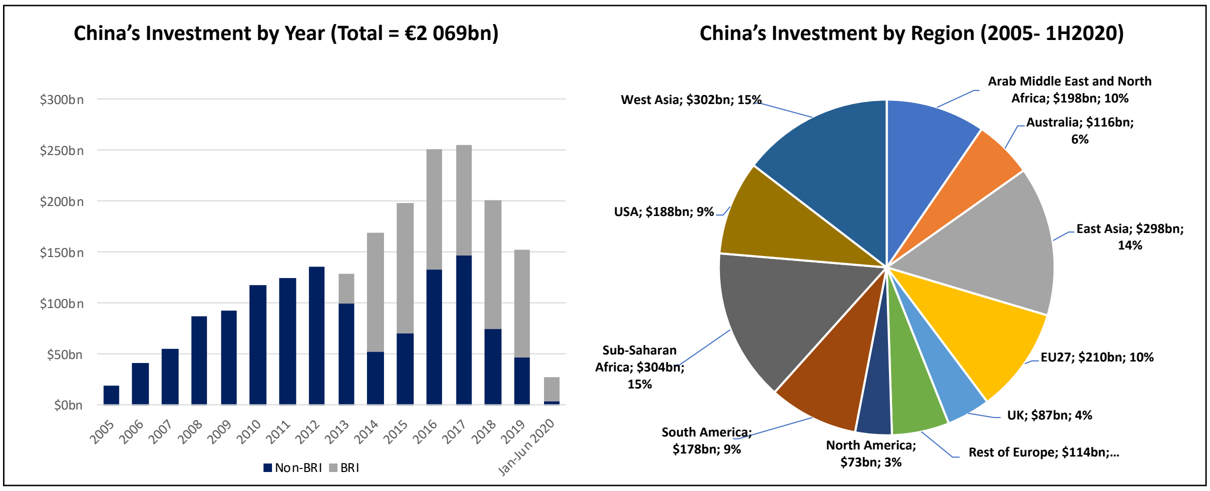


Figure 9: China's Investment in the World (2005-1H2020) by Year and Region
Source: AEI and Heritage Foundation, CGIT

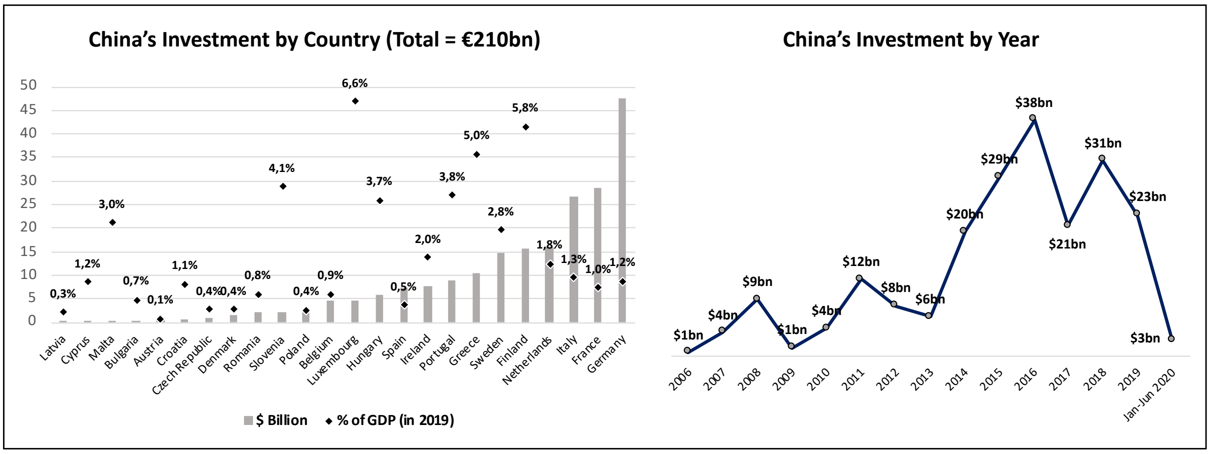


Figure 10: China's Investment in the EU 27 (2005-1H2020) by Country and % of GDP plus evolution
Source: AEI and Heritage Foundation, CGIT and World Bank, World Development Indicators (for 2019 GDP in current $)

In addition, we observe a visible decrease of China's investment abroad since 2018. On this subject, Scissors (2020, 1) highlights as possible explanations the growing suspicious of key host countries towards Chinese firms and the erosion of China's foreign exchange reserves. The last one in particular is pointed out by the author as the main reason for American decision-makers to focus primarily on protecting the rule of law and "stop worrying about another flood" of Chinese investment, as the "foreign exchange squeeze has capped and will continue to cap China's overseas investments" (Scissors 2020, 8-9). In addition, the visible effects of the pandemic crisis on the decrease of Chinese investment (as reflected in figures 10 and 11) further reinforce the author's arguments that the quantity of investment is not the main problem. In this context, according to Scissors, weak export controls harm more US's national security than inbound investment, stressing the protection technology as "the most acute challenge for policy", in which intellectual property coercion and theft constitute the biggest concerns (Scissors 2020, 9-10). Similar arguments can be transposed to the European case. Actually, contrary to most public perception, the quantity of Chinese investments per se should not constitute EU's biggest worry, but rather specific cases of partnerships that sometimes do not even need to involve capital participation. Indeed, as Chinese investment is becoming more difficult to happen, a report by Rhodium Group (RHG) and the Mercator Institute for China Studies (MERICS) stresses that many Chinese companies entered in R&D collaborations with EU companies, universities, governments, among others (Kratz et al. 2020, 7). While these may be essential to solve common problems, the report highlights that in some cases, the collaboration with Chinese companies that grant access to EU technologies may have a long-term detrimental impact on EU economic competitiveness that is similar to China's acquisitions of strategic technological assets. On this topic, the report refers that "European stakeholders still tend to underestimate the Chinese government's top-down, strategic approach to foreign R&D collaboration" targeting specific sectors (such as emerging technologies) in which "China's government seeks to create firms that can become global leaders, or to gradually replace foreign technologies with indigenous ones" (Kratz et al. 2020, 16). Additionally, the report also describes some examples that reveal security and military concerns, stressing that some EU-China partnerships could lead to the transfer of dual-use technologies to the Chinese military-industrial complex where both EU's companies and universities seem to have a lack of awareness about the security issues of some R&D collaborations (Kratz et al. 2020, 16-17). Furthermore, within these partnerships, the EU can be indirectly contributing to increase CCP's ability to mass control its population, for instance through several identified joint projects targeting frontier surveillance technologies that are being or could be used in the future "to increase Beijing's sway over Uighur and other minorities in Xinjiang" as well as elsewhere in China (Kratz et al. 2020, 17). Similarly, we see that human rights concerns may arise from other types of interactions. For example, a report from the Australian Strategic Policy Institute identifies 83 foreign and Chinese companies, including some European global firms such as Adidas, BMW, Mercedes, Lacoste, Nokia or Zara, that directly or indirectly benefit from the use of Uighur forced labour (Xu et al. 2020, 4-5). This poses numerous challenges for companies to secure the integrity of their supply chains, becoming essential that foreign governments find further ways to restrict the trade of commodities and products that are produced with forced labour (Xu et al. 2020, 27-29).

On top of all economic, security and human rights concerns, the risks of doing business with Chinese companies may run the risk of actually fragmentating the EU, while subverting its founding values and creating disunity through an evident projection of sharp power. In this regard, Cooper (2019) describes the growing risk of Chinese economic statecraft, in which the country has used its economic leverage with some EU member-states to secure its political aims. In this sense, Cooper (2019, 2) highlights that "Chinese funding for projects in Greece and Hungary have provided Beijing leverage to disrupt a united European policy on China", being clear examples of this effects the first time the EU failed to release a drafted statement criticizing China's human rights record at the United Nations Human Rights Council in 2017 or when both countries carried similar actions to prevent a statement in 2016 criticizing the Chinese policies in the South China Sea. The concrete example of Hungary is actually very revealing of mechanics of China's sharp power, in which its malign effects are not necessarily proportional to the weight of China's trade or investment. As portrayed by the International Republican Institute (IRI), "China's growing trade and investment in Hungary have not yet yielded significant economic leverage", and although Hungary has been the largest Central and

Eastern Europe (CEE) recipient of China's FDI, the "Chinese investment nevertheless comprised just 2.4 percent of total FDI stock into Hungary as of 2017" (Shullman 2020, 43). Though, even if quantitatively not very relevant, these economic links open room to other forms of Chinese influence, with IRI's report emphasizing China's cultural diplomacy and attempts to influence media coverage with the goal of improving its own image and selling the attractiveness of BRI projects in Hungary. The report also mentions the existence of 4 Confucius Institutes in the country, in which the host universities may obtain funds "in exchange for self-censoring" criticism to China, with the report also referring the use of "funding of academic exchanges and BRI-related travel opportunities for Hungarian scholars" in order "to steer public and elite discourse in favour of China's goals in Europe and Hungary" (Shullman 2020, 44). This clearly reflects the risks of corrosive capital from authoritarian countries, in which the majority, as described by Hala (2020, 1), "may appear legitimate and can have a financial, political, or cultural character", but ultimately undermines "democratic processes and institutions in the receiving countries". Moreover, Cooper (2019, 2) also warns that "China could use additional leverage through the emerging "17+1" grouping" to divide Europe. This group, formed by China plus 17 CEE countries, including 12 EU member-states, such as Greece, Hungary, Czech Republic, but also other EU countries such as Estonia, Poland or Romania, is according to Hala (2018, 84) a "masterstroke of Chinese diplomacy", by managing "not only to divide Europe once again, but also to herd together countries from Russia's former backyard and current member-states of the EU without much protest from either".

EU, China's Sharp Power and the Preservation of a Liberal International Order

We previously assessed how doing business with China may harm EU's democratic values and institutions, as well as the EU's unity that is so needed to successfully overcome the new challenges posed by China. The next step is to understand whether EU and China's divergent political and economic models are really compatible with the preservation of a liberal international order. For that purpose, we first recall its foundation and main components. On this subject, John Ikenberry (2011, xii) distinguishes different layers of international order, in which the Westphalia arrangements are the basic pillar of today's world organization. This system has been (or it can be) the foundation of various types of international order. From this standpoint, the construction of a liberal international order results from the work of leading states (especially the United States) that have pursued a liberal order building. By moving from imperial hegemonic systems, Ikenberry (2011, 26) suggests that a liberal hegemony is "built around political bargains, diffuse reciprocity, provision of public goods, and mutually agreeable institutions and working relationships", operating "to a greater or lesser extent" within established rules and institutions.

With this in view, we conclude that international relations have been following in the last decades what we could define as an American-led liberal hegemony, an order that has been designed after World War II and inspired by Wilson's ambitious vision of a cooperative world in the aftermath of World War I. This order lasts for about 70 years and it seems to be now in struggle. In fact, we share Inkenberry's argument that US's leadership has reached to a crisis (Ikenberry 2011, xii-xiii). When developing this argument, Ikenberry reinforces the idea that the international liberal order can take various shapes and that the crisis we are experiencing is a crisis of governance, namely a "crisis of authority within the old hegemonic organization of liberal order, not a crisis in the deep principles of the order itself" (Ikenberry 2011, 6). Thus, the main challenge is to establish a legitimate authority for a coordinated international action on behalf of the world community in a time where other forms of authority are emerging. Following this reasoning, we see that the subsistence of a stable liberal international order depends on the existence of hegemonic democracies. Notwithstanding, as argued by Deudney and Ikenberry (2018), the maintenance of a liberal international order does not necessarily imply that all of its members are liberal democracies. On the basis of the authors arguments it is the idea that even considering the risks associated to the rise of illiberal forces, there is no valid alternative to an international liberal order. In that regard, the authors recall that much of international cooperation has nothing to do with liberalism or democracy, but with the Westphalian institutions designed to solve the problems of sovereign states (Deudney and Ikenberry 2018, 21). Following these arguments, we may claim that the cooperation between states of divergent values is possible and even desirable given the growing economic interdependencies. This is precisely the equilibrium EU should aim to achieve towards China. However, this constitutes a very challenging task, as preserving a liberal order in an increasingly less liberal world has its limits. In fact, the mere fact of being the best-known system to solve the problems of sovereign states does not guarantee its perpetuation. Therefore, in the same way we argue that a liberal international order results from an imposition by liberal democracies, a world eventually dominated by China would certainly not follow an international order compatible with liberal values. In these conditions, the greater the Chinese economic presence in the world, the greater will be the tendency of CCP to impose its authoritarian values to other countries, particularly the ones presenting already some economic and institutional fragilities. For this reason, the stability of a liberal international order depends on the continued existence of healthy democracies with military and economic capacity to actively promote it. In this vein, particularly through economic means, the EU has an important role to play.

In view of this, while stop doing business with China is not the solution, as it is economically irrational, and it is inclusively contradictory to EU value of economic openness, any indication of direct or indirect disregard for human rights cannot be tolerated, even if it brings economic costs for EU companies. Also, security threats, online disinformation campaigns, technology theft or market distortions should immediately trigger a strong (united) response from the EU. As previously seen, the EU has a considerable economic deterrence power and must use it in defence of democratic values. In that regard, the unprecedent EU Commission decision to impose tariffs on Chinese glass fibre manufactures, which were benefiting from unfair subsidies granted by the Chinese government, is a step towards the right direction (European Commission 2020c). In the same direction, mainly due to security risks, it would be beneficial if the EU member-states unify their 5G national strategies, even if it brings some economic drawbacks in the short-term. On the other hand, we have also concluded that major threats come from China's economic influence over more fragile member-states. In that sense, the approval of a massive recovery package to face the pandemic crisis also contributes for achieving that deserved unity (European Council 2020). This type of measures will ultimately contribute to preserve the liberal international order and the long-term prosperity it entails. Surely there will be no liberal order without the military capacity of the US. But especially today, there will be no liberal order without an economically strong and united Europe.

Conclusion

In the previous sections, we aimed to put China's growing economic influence into perspective, concluding that even though China's economy and position in the world has grown significantly, it still lags behind the EU, especially when assessing the components of GDP per capita (which end-up reflecting two completely different stages of economic development) and foreign investment (which is actually decreasing and has very limited prospects of increasing to 2015/2016 levels in the near future). Particularly regarding investment, we have seen that China's FDI in the EU does not represent a big share of its total investment abroad and especially does not represent a big share of EU's inward stock of investment (less than 3%). Also, on trade, we saw that both powers heavily rely on each other, but that the EU still remains the world's largest trading block, with trade policies benefiting from being delegated to the

European Commission, which ensures that the EU has a common position and a strong leverage in the redefinition of a fair system of world trade. In this context, while acknowledging that doing business with China poses numerous concerns, such as human rights violations, breaches of rule of law, unfair competition, the theft of technology secrets, as well as the very own integrity of the European project, we conclude that the EU has a considerable economic deterrence power to push China into respecting a rules-based world order. Certainly, this objective would be easier to achieve with a unified EU-US strategy on China.

Moreover, we conclude that the Chinese model may have achieved its limits when its economic influence abroad started to become more visible. While the model of liberal democracies can be the basis of a liberal international order that brings prosperity to the world, the Chinese model cannot, as there is no way of continuing to increase the world's prosperity without mechanisms of free and fair economic exchanges in which the rule of law is respected. In order words, hardly a potential authoritarian hegemony will support a liberal order, even if this order would theoretically be more beneficial for all parties. In fact, when the rule of law matters, but does not fit CCP's purposes, it ends-up being disrespected. The new security law in Hong Kong constitutes a clear example of this behaviour. In such circumstances, the further the Chinese economic influence increases, the bigger are the chances of continuing to be opposed by Western forces, which still are economically (and militarily) superior. In the end, CCP's ambiguity seems not sustainable and China may end-up be paying the price of its authoritarian-led economic success, especially if a convincing transatlantic alliance is maintained. From this perspective, EU's soft power (if united) clearly outweighs China's sharp power, being clear that the absolute defence of liberal democratic values is the right political and economic strategy for the long-term. For all these reasons, we conclude that the EU has the opportunity, the economic capacity and even the duty to establish itself as the main promoter of what must remain a rules-based liberal world order.

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