Cyber Technology and the European Union’s Gestaltian Approach to China [version 2; peer review: 2 approved]

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Abstract

Contemporary European Union (EU) and China relations are marked by a simultaneously beneficial, conflictual and competitive partnership. This is aptly evident in the cyber technology realm. This paper contends that the European Union’s gestaltian approach towards China can be understood with the aid of three theoretical positions: (1) an institutional perspective; (2) as a values-based actor; and, (3) a realpolitik dimension. The arguments advanced in the paper, ultimately imply that the EU’s approach towards China can provide various EU domestic and global actors’ space to exploit contradictions, notably when it comes to cyber technology diplomacy. This has the attendant effect of fostering future fissures in the EU’s overall engagement with China.

Keywords

cyber technology, institutionalism, values, realpolitik, Huawei, European Union, China
The revisioned paper added verbatim on the following:

1. Defining the meaning and intentionality of ‘cyber-technology’.
2. Disclosure about why EU (and Western nations) sanctions were placed on China.
3. Further discussion on the limitations of a values-based and ‘virtuous signaling’ argument, notably in light of the realpolitik dimension.
4. Added discussion on sources of potential mistrust by the EU towards China.
5. Discussion about the USA’s potential ability to exploit fissures in EU-China relations.

Any further responses from the reviewers can be found at the end of the article.

Introduction
Like a gestalt figure, contemporary European Union (EU) and China relations pertaining to cyber technology – which includes digital technology and infrastructure such as the 5G mobile network – can be seen as a fruitful and rivalrous partnership.

An example of the former: after seven years of negotiations the EU and China concluded a Comprehensive Agreement on Investment (CAI) in December 2020.1 The agreement sets forth a commitment for a greater level of market access to China for EU investors. It also includes provisions outlining obligations for Chinese state-owned enterprises (SOEs), transparency rules for subsidies, rules against the forced transfer of technologies, and a ‘technology neutrality clause’ which would ensure that equity caps imposed for value-added telecom services will not be added to other services. The Agreement, as conceived, will create a better balance in the EU-China trade relationship, and comes at the cusp of China officially becoming the EU’s largest trade partner in 2020. The formal procedure for deliberating and ratifying the CAI in the European Parliament was expected to commence in the latter part of 2021. However, this process has been suspended since May 2021 due to EU sanctions on China – alongside other Western nations’ sanctions such as the USA, UK and Canada – for alleged human rights violations in the Xinjiang Uyghur Autonomous Region.2 This speaks to the erratic, conflictual and competitive nature of contemporary EU-China relations.

The rivalrous nature of EU-China relations is further evident when looking at cyber technology diplomacy. The European Commission, in January 2020, recommended that member states avoid dependency on 5G suppliers who are considered to be major risk for national security.3 In response, the Shenzhen-based Huawei – the world’s largest telecommunications equipment provider with 31 percent of global market share in 20204 – was subsequently restricted from providing 5G digital infrastructure to most EU member states, under the guise that key information can be potentially accessed by Chinese state authorities. Sweden5 and France6 enacted policies that were, in effect, an outright ban on Huawei telecommunication equipment. Several Eastern European nations7, where China has a large influence through the Belt and Road Initiative, signed a deal with the United States to limit Huawei’s role in developing telecommunication infrastructure in their respective jurisdictions. On the other hand, Germany, with Europe’s largest telecommunications market, was cautious on a total ban. By the end of 2020, Germany’s interior ministry clarified its stance towards engaging with “high-risk companies” like Huawei, suggesting that it will not ban any individual suppliers outright from the nation’s 5G network.8

In order to explain the EU’s simultaneously beneficial, conflictual, and competitive partnership with China, and notably in the cyber technology realm, this paper utilizes three prevailing theoretical claims, an institutional perspective, a values-based approach, and a realpolitik dimension. First, the EU’s relationship with China can be understood within an institutional framework whereby the EU, through its various organizational and decision-making bodies, encompass a set of institutional norms and legacies that guide its foreign policy behaviour with China. The second claim is that the EU is a values-based actor. The body aims to display – partially via virtuous signalling – both to its domestic constituents and international partners, the values and beliefs that the EU as a conglomerate holds dear. Finally, there is a realpolitik dimension, whereby

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the EU’s orientation towards China is driven by a pragmatism influenced by internal stakeholder pressures.

The paper further argues that the implications for the EU’s gestaltian approach, rooted in these three explanatory variables, is that EU domestic and global actors can exploit contradictions when it comes to cyber technology diplomacy. This has the attendant effect of fostering future fractures in the EU’s overall engagement with China.

The institutional approach

The institutional approach places primacy on structural arrangements, including institutional resource configurations, as the main determinant of an actors’ behaviour and orientation. Institutions are hypothesized to have “thick socializing effects on actors that go beyond instrumental adaptation and the strategic conception of rules to include the internalization of norms and rules into the definition of self-interest and its calculation”. In other words, according to the institutional approach the EU’s behaviour is shaped by its institutional structure, that subsequently generates a series of “rituals” and “regulations” for EU actors to abide by.

This is demonstrable when observing the case of the EU upholding its inner legacies of not overstepping the boundaries of national sovereignty, and softening the blow of EU-level policies. In the cyber technology realm, more poignantly, this is in spite of the fact that “significant vulnerabilities and/or cybersecurity incidents concerning 5G networks happening in one member state would affect the Union as a whole”. The EU thus has to carefully balance national interests and sovereignty concerns with pan-EU considerations when it comes to 5G. In fact, the EU Commission has simultaneously argued that decisions pertaining to 5G should be a “coordinated decision” amongst member states, while at the same time advocating that national sovereignty “should be a major objective, in full respect of Europe’s values of openness and tolerance”.

The European Commission has been so careful in this near-impossible balancing act between national and pan-EU interests, that its stated grounds for the joint decision regarding 5G was not due to the fact the EU is facing a common challenge as an integrated organization. But rather, the European Parliament’s resolution on security threats is “connected with the rising Chinese technological presence”; which has becoming alarming to such an extent that “the Union calls on the Commission and member states to take action at the Union level”.

Notwithstanding, understanding the EU and China relations viz. the institutional approach, provides an overly deterministic account that assumes a path-dependent preference formation once institutional outcomes are in place. Moreover, the theoretical perspective adopts a uniform view of institutional arrangements that cannot account for variations within regions and nations. This is significant, as a plurality of institutional environments can create competing “rituals” that favour no single guiding preference.

A values-based actor

While the institutional approach is helpful in explaining the European Commission’s role in promoting a joint EU position towards China, it fails to fully capture the Commission’s motivations for doing so. A values-based approach, that is, one that examines actors’ motivations, has the potential to be instructive in this regard.

As a normative actor, the European Commission understands that its role is not simply to coordinate the member states’ positions, but also to shape them according to EU values defined broadly as a respect for human dignity, freedom, democracy, equality, the rule of law and respect for (civil and political) human rights. Such values are intimately linked to perceived “cultural legacies” and “historical heritages” that the EU as a body is a testament too. That is, from its inception, the EU and its institutions are deeply embedded in a socio-cultural nexus of its member states – with foundation members states (e.g. Germany, France) generally having an outsized influence on the development of the prevailing values structure. As illustration, the European Commission immediately links technological vulnerability with the EU’s underpinning value of democracy. It states: “the organization of democratic processes, such as elections, will also rely more and more on digital infrastructure and 5G networks”. If the EU’s motivation were to merely exclude competitors, such verbatim would not be necessary.

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17 Ibid.
The values aspect is so engrained in EU policy planning that it appears even in the technical recommendations for member states. For example, the European Union Agency for Cybersecurity guidelines for national regulatory authorities on incident reporting, security measures and threats and assets, contain values discourse (e.g. “good practice”, “development of cross-border communities”) and elements of normative discursive motivation (e.g. “harmonized implementation of legislation creates a level playing field and makes it easier for providers and users to operate across different EU countries”). This approach is understandable. An engaging, normative language can make a difference since the guidelines are non-binding and ultimately, it is up to the member states to act on recommendations.

Falling back on its normative role, the EU reserves the right not just to balance the interests of member states, but also to exercise its authority in the ethical domain. Member states are advised to act according to its recommendations because it is “good practice” – it is simply the right thing to do.

In the case of the admission or exclusion of China’s Huawei in European 5G networks, the EU is faced with an additional dilemma in the values domain. The EU dictates that companies – such as ones widely prevalent in China – with a perceived problematic record in human rights violations (e.g. China’s management of ethnic minorities in Xinjiang) should not be provided with the same access to non-transparent private data protection protocols, and/or located in nation-states with a blurred state/private ownership division, non-transparent private data protection protocols, and/or located in nation-states with a perceived problematic record in human rights violations (e.g. China’s management of ethnic minorities in Xinjiang) should not be provided with the same access to opportunities as companies without such issues. However, the EU promotes a policy philosophy that aims to uphold a level playing field. Therefore, in order to avoid charges of hypocrisy, the EU sought policy recommendations that was not exclusive of Huawei, but provided sufficient reasons for limiting Chinese companies such as Huawei simultaneously.

The EU has, arguably, succeeded in this task with the publication of “Cybersecurity of 5G Networks: EU Toolbox of Risk Mitigating Measures” in January 2020. As aptly put by the European Internal Markets Commissioner Thierry Breton, “There is zero discrimination. I’m very honest when I’m saying this ... I’m not naive. I know that for some it will be easier to comply than for others.” While the “virtuous signaling” argument advanced in this section speaks to the EU’s capabilities as a values-based actor, the realpolitik dimension can considerably erode the EU’s capacity in this regard.

Realpolitik dimension
That is to say, international relations’ realists will consider observed EU values as a performative public rationalization of rational behaviour, and not deterministic in their own right. They will point out that institutional values and ideological positions do not matter if a nation state and/or regional institutions such as the EU lack the power to effectuate them. That is, realists contend that the power of the state is a universal objective that subordinates socio-cultural concerns. Accordingly, there is a practical, realpolitik dimension to factor when it comes to contemporary EU and China engagement in the cyber technology realm – one that is driven by internal stakeholder pressures. Internal stakeholder pressures also include the varying positions of EU’s member states.

While the leading member states have showcased unity in their position on China at times, in other cases they have demonstrated suspicion and dissident agendas. For instance, the President of France, Emmanuel Macron has argued for a stronger European position on China, e.g. by inviting then German Chancellor Angela Merkel and then European Commission President Jean-Claude Juncker to talks with Chinese President Xi Jinping in Paris in 2019. However, President Macron’s effort was inevitably viewed by other EU members “as a crafty way of putting France at the centre.”

Another case in point: Germany has cautiously balanced the interests of its domestic industries and the nation’s commitment to EU unity. This balancing act has become strained insofar as Chancellor Merkel has lost the belief that one can

24 In return, one can suggest that dominant socio-cultural norms are an expression of power relations; and the nature of local resource configurations can propel certain socio-cultural norms into the forefront, while leaving others outside mainstream pockets of power. Thus, the primary role of structural constraints is not so much to form socio-cultural preferences, but rather to help determine which ones gain the most hold in governance systems. See e.g. Hasmath and Wyzycka, “What Drives the EU’s Contemporary Strategic Engagement with China?”.
operationalize values-based politics; which has led to internal disillusionment with European unity in general, and a more pragmatic relationship with Beijing. This move away from values-based politics is largely due to the fact the German economy has been dependent on China for many years, whereby the narrative has been a “confrontational course towards Beijing would be economic suicide”. Put differently, China’s importance as a growth market and dominant player for Germany (and the EU) will continue to increase, thereby “risk mitigation measures must not lead to broad economic decoupling”.

Still, even if major EU member states do not necessarily agree on the degree of rigidity and strictness towards China when it comes to cyber technology diplomacy, they tend to share the perception that the EU should formulate its own internal approach to China, independent of foreign actors’ influence. This balancing act towards a common European objective avoids a bi-polar system in which EU member states must choose a particular side on relevant policy issues. In short, the EU’s real-politik positions on China can be traced to the ultimate idea that the EU wants to deal with China on its own terms, notwithstanding potential internal frictions when it comes to cyber technology diplomacy.

**Implications and conclusion**

The ultimate goal of advocates for EU autonomy is to ensure that the EU can weigh the gains and losses on its own terms. The fissures borne by the EU’s institutional legacies, self-perceived values-based role, and realpolitik considerations suggests that there is bound to be a gestaltian approach towards China when it comes to cyber technology diplomacy. This has the attendant effect of fostering future fractures in the EU’s overall engagement with China, and creates potential opportunities for EU domestic and global actors to exploit.

Foremost, amongst the EU’s smaller member states, there is not necessarily a full agreement in advocating for a pan-EU strategy towards China in cyber technology. This is largely the product of external trans-Atlantic pressures that Baltic states, Poland or Romania face. For example, the United States of America serves as the leading security provider to those nation states against Russia. This has become more evident since the 2014 annexation of Crimea and the 2022 conflict in wider Ukraine. These nation states are acutely aware that they have very little to provide, and are making the conscious and pragmatic quid-pro-quo choice of supporting the USA’s position on China’s cyber technology. That is, by pledging to ban Huawei even to the extent of contradicting the EU’s position.

Theoretically speaking, the realist school of thought has a tendency to focus on larger powerful nation-states behaviour, and disregard small nation-states agency. One can argue that in a political and economic union such as the EU, small nations policy groupings can have an influence on the overall agenda. Smaller national actors may hold little sway in realpolitik terms, but the design of EU institutions – stemming from its internal institutional legacies and values-based propositions – provide mechanisms for spotlighting their shared and competing interests that allow for various actors to exploit for their own gain.

Practically speaking, there are strong economic and market considerations for the EU to allow Chinese cyber technologies in their jurisdiction; thus contradicting institutional and/or values-based claims. Simply put, providing Chinese cyber technology companies access to EU markets keeps Europe’s own champions in check. For example, while Huawei’s equipment is not always cheaper than its competitors, there is a risk that cutting Huawei from a competitive bidding-processes will mean that other European competitors (e.g. Sweden’s Ericsson, Finland’s Nokia) may not competitively price their equipment. For instance, in 2019, Huawei had 44 percent of 4G network customers, while in 16 out of 31 European nations more than 50 percent of 4G equipment comes from Chinese vendors. The impact of keeping Huawei out of the 5G upgrade process will therefore be significant.

At the end of the day, while the European Parliament has currently halted deliberations on the CAI, and the EU has taken an antagonistic stance towards Chinese cyber technology companies such as Huawei playing a formidable role in its internal markets, paying sole homage to its institutional legacies and the values that it promotes can be costly in realpolitik terms. This is a balancing act that the EU may not have the full luxury of agency to act upon in a post-COVID environment.

Given the EU’s weak post-COVID economic outlook, member states will struggle to invest in their 5G digital transformation while at the same time achieve a high level of digital

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27 Ironically, this form of pragmatic diplomacy is a staple of Chinese foreign relations behaviour. See e.g. Reza Hasmath, “White Cat, Black Cat or Good Cat? The Beijing Consensus as an Alternative Philosophy for Policy Deliberation”, *China’s World* 12, (2017): 12-24.


32 For more information, see Una A. Berzina-Cerenkova, “The Baltic Resilience to China’s ‘Divide and Rule’”, *Lex Portus* 7, no. 2 (2021): 11–38.

sovereignty. As the March 2021 joint letter from leaders of Germany, Denmark, Estonia, and Finland to the European Commission suggests, Europe’s technological capacity and its ability to establish values and rules in a technology-centered world is becoming dominated by other nations. They thus “call for the European Union to get ahead of the curve in the digital transformation”. Yet there are difficulties to do so factor- ing realpolitik considerations. The uncomfortable fact is that the United States of America – who stores 92 percent of the Western world’s data – and not China, is the biggest threat to achieve this goal. Alas, the United States, with a better understood political, legal and economic institutional configuration and behaviour in EU circles, as well as having perceived similar norms and values as the EU, is a more trusted actor than China. The United States can potentially use this state of affairs to its advantage by pressuring the EU and its member states to crowd out China from its markets. From a birds-eye view, this speaks to the potential consequences of the EU’s gestaltian approach towards China. It provides an avenue for domestic and global actors to exploit to their advantage.

Data availability
No data are associated with this article.

Acknowledgement
An earlier version of this paper was presented at the 2021 Canadian Political Science Association Annual Conference.


36 See e.g. Hasmath, “The Century of Chinese Corporatism”.
Open Peer Review

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Version 2

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I have no further comments to make.

Competing Interests: No competing interests were disclosed.

We confirm that we have read this submission and believe that we have an appropriate level of expertise to confirm that it is of an acceptable scientific standard.

Version 1

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Mark Bryan F. Manantan
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This article is written in a very concise, persuasive, and comprehensive manner. The use of the institutional, values-based, and realpolitisik approach allows the article to evaluate the many dimensions of the EU-China relations with respect to Huawei. I am just a bit concerned with the
lack and often implied discussion of “cyber technology” in the article. It would be good to have it established at the very start of the article to give readers a sense of what the authors meant by cyber technology. Authors can do a literature review or advance their own definition based on existing empirical data. Another route pursuing is using the term digital technology or digital infrastructure to refer to 5G instead.

Is the topic of the essay discussed accurately in the context of the current literature?
Yes

Is the work clearly and cogently presented?
Yes

Is the argument persuasive and supported by appropriate evidence?
Yes

Does the essay contribute to the cultural, historical, social understanding of the field?
Partly

Competing Interests: No competing interests were disclosed.

Reviewer Expertise: Cybersecurity, cyber diplomacy, information warfare, foreign policy, Southeast Asia, Indo-Pacific

I confirm that I have read this submission and believe that I have an appropriate level of expertise to confirm that it is of an acceptable scientific standard.

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The piece titled “Cyber technology and the European Union's gestaltian approach to China” offers an insightful analysis of the EU's recent cyber technology policies, with regard to China. The gestaltian approach in analyzing the EU’s behavior toward China is one of the appealing contributions of this paper. The tripartite evaluation of EU norms, values, and realpolitik innovatively maps out the bloc's rationalization of its decisions.
However, we find that some arguments can be pushed further. Also, some statements need proper context:

- In the explanation for the Comprehensive Agreement Investment, there should be a deeper examination of the reasons why it was halted. The article mentioned that “the process has been stalled while Chinese sanctions are in place.” It would be beneficial to disclose why “sanctions” were imposed by China in the first place and the role of the US can't be negligible in this respect.

- At the end of the piece, it mentions the “uncomfortable fact” that the United States stores 92% of the world’s data. However, the EU is still most suspicious with regard to 5G technologies developed by China. What could be the reason for the EU to have this significant distrust of China? What are the possible rational sources of this distrust?

- The “virtuous signaling” argument needs to be reexamined. The piece mentions that the body seeks to signal that the EU is a conglomerate. But this is being undermined by the realpolitik dimension. For example, Macron's effort is seen as a way to put France at the center of the EU's position on China. In addition, Germany is seeking to balance its domestic industry with the country's commitment to EU unity. While the “virtuous signaling” argument implies the EU's strong normative capabilities, the realpolitik argument considerably erodes this supposed capacity of the EU.

- The connection between the EU's gestaltian approach to China and the possibility of exploitation by domestic and global actors needs to be clarified with more empirical examples, apart from the case of some CEECs.

- This is a very minor point; some isolated sentences should be integrated with the paragraphs. This would lead to more cohesive reading of the article.

**Is the topic of the essay discussed accurately in the context of the current literature?**
Yes

**Is the work clearly and cogently presented?**
Yes

**Is the argument persuasive and supported by appropriate evidence?**
Partly

**Does the essay contribute to the cultural, historical, social understanding of the field?**
Yes

**Competing Interests:** No competing interests were disclosed.

We confirm that we have read this submission and believe that we have an appropriate level of expertise to confirm that it is of an acceptable scientific standard, however we have significant reservations, as outlined above.