

BIG FISH IN SMALL PONDS

China's subnational diplomacy in Europe

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MAIN FINDINGS AND RECOMMENDATIONS

- **Largely bypassing EU institutions and national governments, China has steadily expanded its ties at the subnational level**, striking up partnerships with countless regions and cities. This has led to increased Chinese investment, research and development (R&D) cooperation, and political and cultural exchanges. Regions and cities in Europe have predominantly welcomed and benefited from Beijing's increased subnational interest and activities.
- **While in Europe subnational governance is primarily decentralized, with regions and cities acting autonomously, China's provinces and cities are part of a highly centralized and unitary system.** This puts European subnational actors at a disadvantage when facing Chinese counterparts.
- **China uses the subnational level to increase its influence, advance its strategic economic and political interests.** In this context, European subnational actors that hope to benefit from Chinese investments, R&D cooperation, and cultural exchanges also face risks with regard to growing economic dependency, industrial espionage, technology transfer, and increasing political pressure and disinformation.
- **These risks are compounded by Europe's several weak spots** when it comes to subnational relations with China. There is a lack of oversight, coordination, strategic orientation, and often China competence.
- **European cities and regions have employed different approaches** when it comes to dealing with China's growing international ambitions and proactive subnational diplomacy. Some have continued doing business as usual, some have ended their relationships with Chinese counterparts or pushed back on controversial issues.
- **Governments and the European Commission can pursue a range of recommendations**, in order to promote their interests vis-à-vis China, while limiting Chinese subversive influence and geostrategic interests. These include, amongst others:
 - **putting in place monitoring mechanisms** to have an overview on subnational activities
 - **improving coordination within city and regional administrations as well as between the different federal levels** to promote unity when dealing with China's subnational diplomacy
 - **developing a best-practice handbook** for European regions and cities on China's subnational diplomacy
 - **developing European and national support structures** assisting regional governments and city administrations in dealing with various Chinese requests.

1. CHINA-EUROPE RELATIONS - LOOKING BEYOND THE CAPITALS

China is pursuing an ambitious subnational foreign policy towards Europe. Largely bypassing EU institutions and national governments, it has steadily expanded its ties at the subnational level. China has struck up partnerships with countless regions and cities, increasing investment, research and development cooperation, and political and cultural exchanges.

This has traditionally been met with great enthusiasm by European regions and cities because China can offer a lot of opportunities. These range from economic investments, trade ties and the promotion of infrastructure construction, boosting economic growth and employment opportunities, to cooperation in science and technology as well as the promotion of youth and cultural ties, furthering people-to-people exchanges, friendly relations and cross-cultural understanding. There are tangible benefits, opportunities and legitimate interests for European subnational entities to engage with China and deepen relations and vice-versa.

Simultaneously, however, the risks surrounding China's subnational diplomacy are often overlooked. These can range from industrial espionage and involuntary technology transfer to illegitimate influence operations, disinformation, and other forms of political subversion.

There is a fundamental lack of research when it comes to analyzing China's subnational diplomacy towards Europe. Most analyzes focus on relations between China and individual countries or between China and the EU in general, with European regions and cities often being disregarded. This is a mistake.

China certainly sees Europe's regions and cities as relevant. As its geopolitical ambitions have grown under President Xi Jinping, its subnational diplomacy has undergone a fundamental shift. China has become more proactive, engaging more (and particularly smaller) European cities and regions, as well as more assertive. The latter have become supplementary gateways for Beijing to increasingly pursue geostrategic interests. In this context, China's subnational diplomacy in Europe is particularly relevant.

This report analyzes China's subnational diplomacy towards Europe. It provides an overview of the development of their subnational relations and highlights China's interests in engaging with Europe's regions and cities. It showcases how some European regions have dealt with the challenges that China poses and identifies major weak spots of European subnational actors.

There is a fundamental lack of research for analyzing China's subnational diplomacy towards Europe

This paper is based on information from a survey on China's subnational diplomacy towards Germany (published in more detail in a German-language MERICS China Monitor). It included interviews with more than 50 subnational actors, as well as a workshop with representatives of regional and city administrations from EU member states such as Finland, Germany, Hungary, Italy, Lithuania, Poland, Spain, and Sweden, which took place in June 2021 in the context of the MERICS-ECFR European Caucus on China and was supported by the Heinrich-Böll-Stiftung.

2. SUBNATIONAL RELATIONS BETWEEN CHINA AND EUROPE ARE GROWING

Over the years, subnational relations between China and Europe have significantly grown. There are countless regional and city partnerships, intense business ties, and academic and cultural exchanges. According to one study, the five largest EU member states (Germany, France, Italy, Spain, Poland) have a total of 146 partnerships with China at the level of regional authorities such as the German *Länder* or the Polish Voivodeships.¹ In Austria, seven out of nine regions have a partnership with a Chinese province, while in France twelve out of 18 regions even maintain representative offices in China.²

The five largest EU member states have more than 140 partnerships with China at the regional level

Equally, many European cities maintain partnerships with Chinese counterparts. The intensity differs among EU member states. The development of these subnational ties can broadly be divided into three phases.

The first phase, starting in the 1980s, was defined by Deng Xiaoping's opening and reform era, which led to the creation of special economic zones in coastal China that sought engagement with foreign partners. The first European regional and city partnerships with China were established in this period.³

The second phase began in 2001 with China's accession to the World Trade Organization. This led to renewed European subnational interest with hopes of benefiting from China's growing economic market. During this time, national bilateral ties with China were also intensified, facilitating subnational exchanges. In addition, the EU's enlargement in 2004 also increased the interest of subnational actors in China in engaging with Central and Eastern Europe and vice versa. Last but not least, the first subnational exchange was established between China and the European Commission, such as the EU-China Dialogue on regional policy in 2005, which led to annual discussions on regional and urban policy.⁴

The third, current phase began in 2012 as Xi Jinping came to power. Two key developments define it. First, China, the European Commission, and an increasing number of EU member states promoted more and deeper subnational ties. For example:

- Germany established an urbanization partnership with China and the Polish-China Regional Forum was launched to provide a space for exchange between the two countries' cities, regions, and provinces.
- The EU-China Urbanization Partnership was set up in 2012, which connects European and Chinese mayors and convenes an annual EU-China Mayor's Forum. Twelve cooperation agreements were signed between European and Chinese cities at the 2013 forum.⁵
- In 2010, the Chinese European Training on Regional and Urban Policy (CETREGIO) program was established with the goal of decentralizing EU-China relations, which gathered momentum in the following years.⁶ In the period 2010-2014, it brought 220 Chinese officials from all 31 provinces in touch with more than 45 regions from 17 EU Member States. In 2014 alone, this program led to 15 memoranda of understanding between Polish, Italian, Austrian, German, and Chinese regional and local governments.⁷
- China was also selected as a key country in the EU's "World Cities" program, a program that facilitates EU-Third Country cooperation on urban and regional development. Under this program cities were paired – such as Wuhan-Barcelona, Chengdu-Dublin, Guangzhou-Lyon, Shantou-Andalucía – to cooperate on different issues.⁸

- China also launched the China and Central and Eastern European Countries Mayors Forum in 2017, which brought together mayors, deputy mayors, and representatives from more than 50 cities from 17 Central and Eastern European countries and their counterparts from 11 provinces and 34 cities across China.⁹

Second, Beijing has also proactively advanced its ambitious subnational diplomacy. In a Policy Paper on the European Union, China has expressed its desire to “deepen subnational cooperation... [and] deepen practical cooperation among Chinese and European provinces and municipalities, between cities and industrial parks, and between cities and enterprises”.¹⁰

In this context, Chinese regions and cities actively approach their European counterparts to build relations. For example, a Dutch municipality reports having received at least 100 requests for partnerships within one year.¹¹ Today, Chinese cities have more than 2,600 sister cities around the world.

China has also used the Belt and Road Initiative (BRI) launched in 2013 as an economic tool of attraction at the subnational level. Under this framework, Chinese cities have built ties with more than 700 cities in the world.¹² Many European regions and cities have been attracted to the BRI in the hopes of gaining economic benefits from it.

In line with China’s growing international ambitions, the third phase has also been characterized by a more determined and proactive subnational foreign policy. Numerous European regional and city officials report that a fundamental shift has taken place, with China becoming more forceful, pushing harder for its interests, and being less willing to compromise.

3. ASYMMETRY DEFINES CHINA-EUROPE SUBNATIONAL RELATIONS

There is a clear asymmetry that favors China when it comes to cooperation with Europe at the subnational level. It is characterized by four elements.

First, Chinese cities and regions are much larger than their European counterparts and therefore have greater resources at their disposal, including more staff to engage in subnational diplomacy.

Second, China can play its highly centralized system against Europe’s more decentralized one. Its foreign policy is largely centralized and unitary. The Chinese People’s Association for Friendship with Foreign Countries (CPAFFC) and the China Council for Promotion of International Trade are largely responsible for organizing international relations at the local level. Chinese cities have to receive approval from the CPAFFC before they enter into a partnership. As such, they are streamlined into a centralized Chinese foreign policy.

In addition, there is a mismatch in access channels. While Chinese actors freely engage with a variety of subnational actors in Europe ranging from business agencies, local and regional governments, local universities and schools, European counterparts are unable to do so and are required to go through centralized Chinese channels. European subnational engagement with China is highly controlled, while Chinese subnational engagement with Europe is unchecked.

Chinese subnational engagement with Europe is unchecked

Third, Chinese subnational diplomacy brings together a wide array of stakeholders ranging from government institutions and industrial companies to cultural groups and the diaspora. All of these actors are to some extent beholden to the Chinese Communist Party (CCP) state and its interests. Under China's state capitalism, many firms are state-owned, and their CEOs appointed by the CCP. Even privately owned Chinese firms have CCP elements in their organizations.¹³ Furthermore, citizens and organizations are legally required to cooperate with and comply with requests from state intelligence bodies. Therefore, there is always the possibility that they can be induced into promoting certain state interests.

By no means, however, should this possibility lead to the belief that behind every Chinese citizen, student or organization lies the Chinese party-state. It does, however, stand in stark contrast to the situation in Europe where such actors do not necessarily face such pressures and where cities and regions act independently from one another.

Fourth, there is a mismatch in interests. While Chinese cities and regions engage in subnational diplomacy to also advance state interests, their European counterparts are primarily concerned with their own subnational interests.¹⁴

Chinese cities and regions engage in subnational diplomacy to advance state interests

4. CHINA PURSUES ITS NATIONAL INTERESTS ON THE SUBNATIONAL LEVEL

The subnational dimension holds a lot of promise for China. This is another arena where it can pursue its national interests, which include the advance of its economic and political interests as well as soft power.

China wants to expand its economic footprint in Europe and gain technological benefits.

It has overtaken the United States to become the EU's biggest trading partner and stepped up its foreign direct investment in Europe over the years. Chinese investments have ranged from taking over high-tech companies to investing in infrastructure, such as ports and railways.

Numerous Chinese strategies, ranging from the Made in China 2025 strategy to the 14th Five-Year Plan, highlight the need for achieving technological leadership. China aims to become a technological leader by 2035 and the world's leader in science and innovation by 2050. In this context, cooperating with Europe's high-tech ecosystem, investing in valuable European companies, and partnering with European universities is of particular interest.

China engages European regions and cities to advance its political agenda. It defends its interests when it comes to issues it considers to be domestic or national security issues, such as Taiwan, Hong Kong, Xinjiang, Falun Gong, or Tibet. These are interests that it diligently monitors. China has vigorously pushed back against subnational actors that wish to become active on these issues. Germany's domestic intelligence agency has noted China's increasing fight against groups it considers standing in opposition to the CCP.¹⁵

China also uses the subnational level to promote its soft power and its image. Xi Jinping has stressed the need to tell China's "story" in a positive way and to improve its image abroad.¹⁶ In his speech at the 60th anniversary of the CPAFFC in 2014, Xi highlighted the importance of city diplomacy and the need to use such exchanges to "spread China's message, share China's story."¹⁷ In this context, China uses subnational relations to advance its discursive power, projecting a positive image of itself with the aim to foster greater sympathy. To pursue all these interests, China employs a range of tools in its subnational diplomacy.

4.1 Means to pursue economic and technological interests

- **Strengthening economic ties via foreign direct investment and the BRI:** Chinese companies have steadily increased their economic presence in Europe in a variety of ways. They have invested in companies and have engaged in mergers and acquisitions (M&As). China has also used the BRI to strike up economic partnerships with regions and cities and to boost its economic attraction. CPAFFC President Li Xiaolin has said that “friendship city relations have become one of the important channels to implement the BRI.”¹⁸

The BRI has been well received at the subnational level in Europe. Many cities and regions are eager to engage with it in the hopes that it will provide them with economic benefits. Cities such as Marseille, Rotterdam, or Duisburg have aimed to become a BRI hub in Europe.

The BRI has been well received at the subnational level in Europe

China has been able to increase its economic presence and particularly advance ownership of the logistics infrastructure. Besides numerous freight railway lines and airports, Chinese state-owned enterprises have stakes in at least 16 terminals in 13 different European ports.¹⁹ Chinese-owned infrastructure in Europe, however, could also be used for espionage purposes. There have been warnings that a Chinese facility at the Jade-Weser port, which lies in the vicinity of Germany’s navy, could be used for military intelligence, while Belgium’s intelligence services have warned that the Alibaba logistics center in Liège carries espionage risks as it could give China access to sensitive, restricted areas at the local airport.²⁰

- **Becoming part of Europe’s digital ecosystem via smart-city partnerships:** In the context of the BRI, the Chinese government and Chinese tech companies promote smart-city solutions and have approached numerous European regions and cities in this regard. Foreign Minister Wang Yi raised the issue of smart-city cooperation at an event in Brussels in 2019, and smart cities have also been put on the agenda of the 17+1 format, which connects China with many Central and Eastern European countries.²¹

Cities in Germany, Malta, Serbia, and the United Kingdom have all established smart-city projects with Chinese companies. In the United Kingdom, smart-city surveillance systems from Hikvision have been installed in Bath, London, and Glasgow. In German cities such as Rüsselsheim am Main, Gelsenkirchen, and Duisburg, contracts have been awarded to Chinese companies to implement smart-city solutions ranging from smart lighting to e-government, and in Italy and Spain drones produced by DJI have been used in different municipalities.²²

Chinese tech companies benefit economically from selling their products and services to European subnational entities. This can also give them access to valuable government and citizen data. Regional and city governments are increasingly confronted with the security and geopolitical risks that smart-city partnerships can entail. The United Kingdom’s national intelligence community has warned local governments entering into smart-city contracts with Chinese companies about risks of espionage or cyberattacks, which has led to city councils canceling planned deals.

- **Gaining business and industrial intelligence through delegations:** Regular visits by business delegations are part of China’s subnational diplomatic toolbox. Numerous European city officials have highlighted that they regularly receive Chinese requests for receiving delegations, which include requests for visiting specific companies. During such visits, Chinese actors gain greater insights into a company’s business model and they view, and in several cases even photograph, the production processes in factories. This carries the risk of industrial espionage and provides Chinese businesses with intelligence that can be used in relation to M&As, as they gain more information about certain companies, their business models, technologies and future prospects.
- **Using academic exchanges and research cooperation to gain technological advantages.** China has a great interest in tapping Europe’s know-how and technology. It does so, for example, by striking research partnerships with universities and running talent-recruitment programs. According to a report by the Australian Strategic Policy Institute, “more than 80 percent of talent-recruitment programs are run at the subnational level and may attract as many as seven times more scientists than the national programs”. The report identifies 57 “talent-recruitment stations” in Germany and more than 40 each in the UK and France.²³
- **Employing European consultancies for Chinese economic interests:** Chinese cities have employed European consultancies to advance subnational economic exchanges, provide fora for discussions, and help them gain insights into businesses. One example is the Sino-German Industrial City Alliance, which, among other things, organizes events on economic issues, and is managed by a German consultancy. However, on several occasions, German city officials and business agencies have also been asked in the framework of this alliance to share data and information on local businesses. This too could lead to enhanced intelligence, potentially useful for M&A.

China has a great interest in tapping Europe’s know-how and technology

4.2 Means to pursue political interests

- **Putting political pressure on subnational actors:** Chinese diplomats regularly criticize European local-government officials if they get involved on issues such as Taiwan or Tibet. This can take different forms. When Prague raised the possibility of eliminating the “One China policy” from its sister-city agreement with Beijing, China reacted by canceling a tour by the Prague Philharmonic Orchestra.²⁴ In the end, Beijing canceled its partnership with Prague, after the latter approved one with Taipei.

Other similar cases have also raised eyebrows. One mayor in Germany was asked to visit the Chinese ambassador and apologize after the Tibet flag was raised in the town hall. Other mayors have only received written letters of complaints for doing so. In other cases, European cities have been asked to stop inviting Taiwan’s representatives to diplomatic receptions or to prevent demonstrations by Falun Gong adherents. There have also been incidents where regional ministers have been asked to change their travel itineraries and speeches in China to suit the authorities’ preferences.

In the United States, similar Chinese activity has been documented, ranging from a Chinese diplomat in Houston threatening the Mississippi Governor with the cancellation of a Chinese investment deal if he traveled to Taiwan, to the PRC’s Consul General in New York sending a letter calling on state lawmakers to “avoid engaging in any official contact with Taiwan, including sending congratulatory messages to the elected, introducing bills and proclamations for the election, sending officials and representatives to attend the inauguration ceremony, and inviting officials in Taiwan to visit the United States.”²⁵

- **Using Chinese actors to protect political interests:** China also leverages its business, university, student, and diaspora networks to defend issues of national importance. According to regional officials, international trade fairs in European regions and cities have been asked not to invite Taiwanese participants or risk bearing the consequences of doing so. In one case, a Chinese university cancelled its student-exchange program with a German university due to the fact that the city of Weimar, where the latter is based, awarded a human-rights prize to the Uyghur activist Ilham Tohti.

Beijing has also increasingly activated Chinese student networks to advance political goals.²⁶ In Germany, there have been cases where Chinese students have asked professors to apologize if they recognize Taiwan as a separate country in their lectures. Prof. Jean-Philippe Béja from the French university Sciences Po states that “since three or four years, Chinese students, often Communist youth cadres, come to disturb our conferences. They are probably sent by the [Chinese] embassy. Others do it to be positively recognized by [Chinese] authorities.”²⁷

The Chinese diaspora in Europe can also be a source mobilized by Chinese authorities to spread China’s narrative, counter demonstrations on sensitive issues such as Hong Kong, and spy on Chinese ethnic minorities.²⁸ Finland offers a good example in this context. The Finland Association for Promoting Peaceful Reunification of China brings Chinese expats together to study speeches of Xi Jinping and demonstrate against Hong Kong democracy activists in Helsinki. Its chairman, Zhu Hailun, is known to be in frequent exchange with Chinese embassy staff. The organization also supports Chinese expats participating in local politics, with its vice-chair, Jenni Chen, having held a seat on the Vantaa city council.²⁹ There have also reportedly been cases of Chinese expats in Germany and Sweden spying on the Uyghur and Tibet communities.³⁰

The Chinese diaspora in Europe can also be a source mobilized by Chinese authorities to spread China’s narrative

- **Winning over political influencers to advance Chinese interests:** Chinese nationals have contacted individuals with relevant political and economic networks via platforms such as LinkedIn to recruit them and win them over to help promote a positive image of China. Politicians, with their wide party networks, are particularly able to open doors for China on the subnational level. While this is all part and parcel of regular public diplomacy – as any other country engages in – it does strengthen Beijing’s influence and it is difficult to gauge where public diplomacy ends, and more subversive influence policies begin.

4.3 Means to promote China’s image and gain narrative dominance

- **Public diplomacy and media promotion:** Chinese diplomats actively engage in public diplomacy. They participate in public events in locations such as local community places or Chinese tea houses and restaurants, where they promote the BRI and the image of China as a benevolent international power that stands in contrast to the United States. Since the start of the coronavirus pandemic, China has also pursued a forceful mask diplomacy at the subnational level, offering cities and regions medical supplies. These offers of support have, however, at times been tied to publicity events such as photo ops.

China has also been particularly active when it comes to advancing its narrative in Western media. It has struck partnerships with different news outlets and TV stations in order to promote a positive image of itself. It has done so, for example, with German broadcasting groups and smaller regional TV stations.³¹ Within these, only positive content about China is broadcast while topics of concern are not addressed.

- **Promoting influence and soft power through Confucius Institutes:** China has built a wide range of Confucius Institutes in Europe, which it uses to expand its influence, soft power and portray itself in a positive light by, for example, advertising Chinese culture. The Confucius Institutes have come under increasing pressure. Several universities have distanced themselves from them and decided to no longer host them on their premises. This in turn has at times created friction between universities and city or regional governments, as the latter, worried about potential repercussions with China, for example, have asked universities to maintain ties to Confucius Institutes.
- **Sports as further tools of influence:** China has established joint sporting events at the subnational level but withdraws from them as soon as its core interests are touched upon. This was the case at the football games between China's under-20s team against German Regional League teams in 2017 at which Tibet flags were waved.³²

5. HOW EU INSTITUTIONS, REGIONS, AND CITIES MANAGE CHINA'S NEW SUBNATIONAL DIPLOMACY

In discussions with different representatives from European regional governments and city administrations, it has become clear that Europe's subnational actors have taken different approaches in dealing with the increasing challenge that China's subnational diplomacy poses. Overall, four approaches can be discerned:

- **Continuing with business as usual:** A majority of cities and regions have continued subnational relations with China without any changes in approach. Almost all representatives interviewed for this research say that China's behavior has significantly changed, and that it has become more domineering, less willing to compromise, and almost exclusively focused on promoting its own interests. Yet, in spite of this, many cities and regions have not reevaluated or altered their approach. This is due to different factors, including the absence of guidance on how to approach China's new subnational influence strategy as well as concerns that addressing the change in China's behavior could have detrimental effects, such as losing access to the Chinese market or foreign direct investment.
- **Pushing back:** In some cases, cities have made a point of challenging China on its human-rights record and international ambitions. In response to plans to establish a Chinese university in Budapest, the city's liberal mayor has given some streets new names such as Free Hong Kong Road. Prague has strengthened its subnational ties to Taipei and openly questioned the "One China" policy and called for the deletion of this reference in its now-ended sister-city partnership with Beijing.
- **Ending sister-city partnerships:** In Sweden several cities have ended their partnerships with Chinese counterparts due to the deteriorating political relations and China's growing aggressiveness on the international stage. Gothenburg has ended its partnership with Shanghai while Linköping, Luleå, and Västerås have severed their ties respectively with Guangzhou, Xi'an, and Jinan. In the Netherlands, Arnhem has recently ended its partnership with Wuhan, citing China's human-rights violations in Xinjiang as a reason.
- **Increasing internal coordination to manage China's subnational diplomacy:** Some countries and subnational actors have put in place new coordination policies and best practices to manage China's proactive subnational foreign policy. Germany has established regular coordination rounds between the federal and *Länder* governments.

Few cities have reevaluated or altered their approach

The Netherlands actively mentions in its China Strategy that “local and provincial authorities increasingly feel the need for coordination with central government about the opportunities and challenges posed by cooperation with China.” As such, the Dutch government plans to increase staff at the Netherlands Enterprise Agency (RVO) to provide strategic and practical advice to local authorities.³³ Scotland has likewise increased coordination and put into place a questionnaire guide to help city officials deal with Chinese requests.

6. WEAK SPOTS AT THE SUBNATIONAL LEVEL IN EUROPE

The EU institutions do not have a well-defined strategy for dealing with China’s subnational diplomacy. In the last decade, the European Commission has put into place different urbanization partnerships and training programs to enhance exchanges between European and Chinese regions and cities. This has strengthened subnational relations and given Beijing greater direct access to European cities and regions, without providing the European side with the necessary guidance and support on how to deal with the risks associated with Chinese subnational diplomacy.

Likewise, the European Committee of the Regions (CoR), a consultative institution composed of local and regional leaders, has not discussed the issue of China in its assembly. In spite of the fact that China poses an immense challenge to many European cities and regions, there have been no resolutions or position papers on China from the CoR, and none of its working groups and committees currently deal proactively with China.

Subnational relations with Europe have provided China with an additional opportunity to advance its strategic economic and political interests. Overall, Beijing’s clearly defined interests, strategy, and streamlined approach with different actors playing different roles stands in stark contrast to the approach of Europe’s regions and cities.

Several weak points can be identified at the subnational level in Europe.

- **Lacking monitoring of Chinese activities at the subnational level:** Oversight and information are lacking when it comes to Chinese activity at the subnational level. There are no comprehensive databases, public resources, or monitoring mechanisms that list in detail all of the subnational partnerships that have been established. National governments are also often unaware of the extent of subnational cooperation with China.

Oversight and information are lacking when it comes to Chinese activity at the subnational level

Regional and city governments, as well as local actors such as universities and businesses, mostly engage with Chinese counterparts autonomously and according to their own interests. It is therefore difficult to be aware of the full extent of Chinese activities at the subnational level. In Austria, Germany and Italy even individual city districts have struck up their own relationships with Chinese authorities, often without the overall city administration being informed.

- **Lacking coordination:** Subnational relations with China are often not coordinated. In some cases, the business unit of a city administration will engage China without the international-relations unit being in the loop. Many regional governments do not have effective coordination mechanisms to manage their relationship with China either. There have even been occasions when regional ministers have travelled to China as part of delegations without their colleagues knowing about this. Poor coordination puts China in a favorable position and allows it to play different parts of city and regional governments against one another, as several officials report.

- **Lacking strategy on dealing with China:** Guidance and strategy on how to deal with China is often lacking. Many cities and regions do not have a strategy or formal policy for engaging China and securing their interests while limiting Chinese attempts at influence. They are also unsure how to engage China in the context of rising geopolitical tensions: Should they diversify or double down on China? How should they respond to Chinese criticism?

Many officials interviewed mentioned that cooperation with China has become more difficult since Xi Jinping came to power and that they are unsure about how to deal with this situation. In its China Strategy, the Dutch government, for example, notes that Dutch local and provincial authorities are “sometimes quite quick to make concessions in dealings with China. As a result, they may sometimes run a risk or miss opportunities.”³⁴

- **Underdeveloped China competence:** City and regional governments do not always have China expertise to draw on when they engage with their Chinese counterparts. Language and cultural barriers, as well as a lack of understanding of China’s political system and politics, lead to insecurity and uncertainty when it comes to officials dealing with the country.

7. POLICY RECOMMENDATIONS: INCREASE MONITORING, IMPROVE COORDINATION, BOOST CHINA COMPETENCE

Subnational relations with China provide Europe with opportunities but also come with risks attached. This is, among other things, a consequence of the mismatch between the diverging systems and interests that meet on this level: a highly centralized state with geo-strategic interests and strategies on one side, and a decentralized system with a range of autonomous actors with local interests on the other.

European regions and cities should increase their monitoring of Chinese activities, improve their internal coordination mechanisms, and boost their China competence.

The following recommendations should be considered:

- **Investing in more research on China’s subnational diplomacy:** There is very limited research analyzing China’s subnational diplomacy in Europe. Remediating this is necessary to gain more insights into and map the extent of Chinese subnational activities, stakeholders, and interests. It is particularly important in this context to also be better able to distinguish between legitimate public diplomacy on the subnational level and illegitimate subversive activities.
- **Putting in place a monitoring system regarding subnational activities:** There is no single database that provides an overview of all subnational partnerships and relations between Europe and China. It is therefore impossible to get a comprehensive picture. The German section of the Council of European Municipalities and Regions (CEMR) has put into place a database in which officials can enter sister-city partnerships. It gives a broad idea on the extent of subnational relations in Germany – since this is done on a voluntary basis, however, not all partnerships are highlighted.

The Netherlands, on the other hand, has proactively dealt with this issue asking its municipalities association to list all partnerships with China. Other countries could do the

same. This would be extremely useful in order to collect the information, which ultimately could be amalgamated into a Europe-wide database. The Council of European Municipalities and Regions could be tasked with maintaining such a database.

- **Improving coordination mechanisms within subnational entities and between the subnational and national levels:** European subnational actors must learn to coordinate their relations with China better to prevent it from engaging in divide-and-rule tactics. A good example comes from Hamburg, which has adopted a policy that every request from China should be pooled and shared across the administration and then receive a single response. The city also has different working groups on China that meet regularly. Coordination between national and local authorities should also be improved. National authorities should provide subnational actors with more information and suggestions on how to position themselves with regards to international issues such as Taiwan or Hong Kong.

European subnational actors must learn to coordinate their relations with China better

In its China strategy, the Dutch government, for example, states that it will “arrange for more information sharing and coordination between central government and local and provincial authorities through more frequent contacts and extra capacity at the Netherlands Enterprise Agency (RVO) to give advice on visits by Chinese delegations.”³⁵ While in Germany, regular roundtables between the regional state chancelleries and the foreign ministry have been established.

- **Providing European cities and regions with fora for debates on China:** City and regional officials express a great interest in exchanging views on how to manage subnational relations with China. The European Committee of the Regions, as the institution responsible for making subnational actors’ voices heard, should discuss the issue of China in its assembly and committees. It could also establish a working group on malign foreign influence with the goal of preparing a position paper by the CoR. Likewise, the European Commission, through the EU representations in the member states, could organize China debates bringing city and regional officials together. The CEMR could also act as a forum for debate as could equivalent national associations.

Municipalities could also form groups at the national or European level to discuss their China policy and learn from each other. In Finland, for example, the C21 network, which brings together the 21 largest Finnish cities, has launched a working group to share experience and map out the state of cooperation with China.³⁶

- **Developing a best-practice handbook on how to deal with specific Chinese requests and Chinese subnational diplomacy at large:** A lot of European cities and regions are faced with similar challenges when it comes to China’s subnational diplomacy. In many instances, they are also unsure about how to deal with certain requests.

The government of Scotland has, for example, developed a catalogue of questions that regional and city authorities can ask their Chinese counterparts to gauge the seriousness of their requests and to evaluate whether proposals have sufficient value for them. Likewise, the Netherlands has developed guidelines for how to deal with subnational diplomacy. A handbook of best practices would be useful in providing city and regional officials with instruments and tools for assessing Chinese proposals and dealing with them adequately.

- **Strengthening China competences at the subnational level via training and support structures:** Many city and regional officials do not receive the training and skills development needed to deal with Chinese subnational diplomacy. Training programs should be established to ensure they are up to the task. Administrative schools and universities that prepare the next generation of civil servants, should have a course on malign foreign influence and interference.

The European Commission could also create a China training program for subnational officials – this would increase the know-how and capacity of European subnational actors to deal with China adequately. In addition, competency networks could be established, providing European regional and city authorities with support in their dealings with China.

The Dutch government has put into place a China Knowledge Network within the Ministry of Foreign Affairs to help local governments. Other countries could do the same, with the European Commission providing support and bringing the different entities together in a loose network. European diplomats no longer in active service abroad could be part of this network, offering their advisory services and experience to Europe’s subnational actors.

- **European regions and cities should develop China strategies:** For many subnational actors, China is an increasingly important and unavoidable player. In order to shape relations with it according to their interests and needs, they should put into place China strategies. As an example, the German state of Baden-Württemberg has announced its intention to develop an East Asia strategy.

Subnational actors should put China strategies into place

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