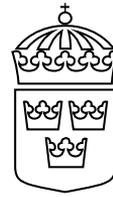


# Government Communication

## 2019/20:18



## Approach to matters relating to China

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The Government submits this Communication to the Riksdag.

Stockholm, 26 September 2019

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## Main content of the Communication

In this Communication, the Government outlines Sweden's relations with China and the Government's approach to matters relating to China. It does so in light of China's growing influence in the world and the new implications, opportunities and challenges this brings.

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# 1 Summary and introduction

The rise of China is one of the greatest global changes since the fall of the Berlin Wall. Today, China has a global presence and growing influence, which presents a number of new implications for Sweden and the EU. China's development presents both opportunities and challenges that concern an increasing number of the Government's policy areas. How China develops, and how its ties to the rest of the world develop, will have repercussions for Sweden and for developments in Europe. The economy and trade are affected, along with foreign, security and defence policy, the environment and climate, Sweden as an innovation and knowledge nation, Sweden's neighbourhood, and multilateral cooperation.

The Government's approach to China is holistic, taking the benefit to Swedish society as its focal point while safeguarding Sweden's security in all relevant areas. This approach is based on the 2016 EU Strategy on China and describes how it is implemented nationally. It is of key importance to Sweden that the EU pursues a common and clear policy on China. It is through the EU that Sweden can achieve the greatest impact. Joint action at the EU level on, for example, trade policy, environment and climate issues and respect for human rights is a strength. Our policy towards China is therefore formulated together with other EU Member States and in close dialogue with other like-minded countries. The Government adheres to the EU Strategy, which establishes that we must stay true to our own values and interests in our relations with China.

This Communication outlines the Government's views on China's development and the repercussions this development has for Sweden. It considers a number of areas that are crucial to Sweden, based on the opportunities and challenges that have arisen and on Sweden's interests. It describes bilateral relations between Sweden and China.

Enhanced action on matters relating to China requires strengthened knowledge and increased dialogue between government agencies, business and civil society. The Communication concludes that engagement will require investment in knowledge-enhancing measures. The Government will thus begin work on establishing a national knowledge centre on China.

## 2 China today

China today is a major power. It is a permanent member of the United Nations Security Council and has the second-largest defence spending in the world. It is the world's largest trading nation, and the largest trading partner of the most other countries. Its interests and influence extend to all four corners of the globe, and concern more and more areas of international cooperation.

Since China opened up in 1978, the country has undergone very extensive economic development. At that time, the centrally controlled economy had stagnated, development was low, and China was isolated and

poor. Four out of five Chinese people lived in rural areas. Economic reform resulted in rapidly rising wages and productivity improvements, prompting China's transformation from an agricultural society to an industrial nation. Today, three out of five Chinese people live in urban areas, and this development has enabled better living standards for several hundred million people in terms of health, education, social security, etc.

From a GDP of USD 150 billion in 1978, in 2010 China overtook Japan as the world's second-largest economy and in 2017 its GDP had reached USD 12.2 trillion. Measured in purchasing power parity, China is now the world's largest economy and, according to forecasts, in around 2030 China could become the world's largest economy in nominal terms, too. Today, China accounts for 15 per cent of total global GDP, and has accounted for 40 per cent of global growth since 2008.

### *China's system of government*

In practice, China is a one-party state without general and free elections. The state apparatus is permeated by the Communist Party. Political opposition is not permitted, and since General Secretary of the Communist Party Xi Jinping assumed office in 2012, the Party's power and Xi Jinping's position have been strengthened considerably. The judicial system is not independent, and the Party is expanding its control over all parts of society. Human rights such as general freedom of opinion, expression, the press, association, demonstration and religion are restricted. The media are used to control opinion, and civil society space has shrunk. Chinese law provides equal rights for women and men in many respects. In practice, however, considerable challenges to gender equality remain.

The situation of minorities, particularly Muslim Uighurs, in Xinjiang is very serious. A large number of people have been forced into 're-education camps', and restrictions on religion and freedom of movement are particularly prevalent. Disproportionately tough penalties for crimes against national security remain more common in cases concerning minorities, particularly in Xinjiang and Tibet. The number of people executed each year is a state secret, but is estimated at around two thousand, which is the highest in the world.

The Chinese justice system is sometimes exploited in conflicts with other countries, with foreign nationals in China being subjected to threats, various forms of pressure and even arrest. There are cases of forced public 'confessions'. There are also cases where Chinese agents have arrested both Chinese nationals and non-nationals abroad and illegally taken them to China. In certain cases, China does not fully respect international agreements on consular access, among other things.

### *Economy hallmarked by state involvement*

The Party's continuing rule is largely built on the ability to deliver economic growth and increasing prosperity. The economy has developed, as illustrated for example by the emergence of a number of major global enterprises. There is considerable state involvement in the Chinese

economy and there are problems with transparency and poor intellectual property protection. China became a member of the World Trade Organisation (WTO) in 2001, and shortcomings remain in its implementation of the WTO regulatory framework, for example with respect to openness.

Access to the Chinese market for Swedish and other foreign enterprises is restricted in a number of respects, for example through a requirement of joint ownership with a Chinese company, and because certain sectors are closed to foreign ownership. Restrictions in market access have negative effects on global markets and challenge the innovation and intellectual property law systems. China also defines itself in the WTO as a developing country, which entitles it to special conditions under the WTO Agreements ('special and differential treatment'). The EU regularly lodges complaints about lack of market access in China, and distorted competition caused by state involvement in the country's economy.

### *Growing global influence*

Three factors determine the direction of China's ties with the rest of the world. Firstly, the Communist Party steers foreign policy from a starting point rooted in its view of national self-interest. Secondly, China's growing economic and political resources give the country increasing international significance. Thirdly, China's increasing ties to the rest of the world mean that it has growing interests to safeguard.

The Communist Party's need to deliver economic growth and increasing prosperity also determines self-interest in foreign policy. The 19th Party Congress in 2017 established a goal for China to become a great modern socialist country by 2049, the hundredth anniversary of the founding of the People's Republic. The modernisation of the country's armed forces is due to be completed by 2035, and by 2049 the armed forces are to be world-class.

With its growing economic weight, China has increasing global interests to protect. China is the world's largest importer of energy and of a number of raw materials, such as iron and copper. China's importance as an investor, lender and aid donor is growing. China pursues an active policy in Asia and the Pacific region, and with respect to other parts of the world, such as Africa and Latin America. In recent years, China has stepped up its engagement in the UN and the multilateral system. China particularly seeks influence in areas such as trade, human rights, migration, non-proliferation, agriculture and food, but also cyberspace, climate negotiations, anti-terrorism and the 2030 Agenda. In the UN Security Council, China tends to emphasise states' sovereignty and the principle of non-interference.

China expresses general support for international law, but acts selectively, particularly in relation to issues that China regards as its core interests. China has not recognised the compulsory jurisdiction of the International Court of Justice, by virtue of which states can acknowledge the ICJ's jurisdiction in advance in all disputes. Nor has China allowed full access to international bodies scrutinising human rights. China did not participate in the South China Sea Arbitration with the Philippines, citing

its view that the International Court of Arbitration did not have jurisdiction. The Court's award found that China's claims were not supported by international law, and that the construction of artificial islands contravened the United Nations Convention on the Law of the Sea. China has rejected the ruling.

China is challenging international human rights efforts to an ever-increasing extent. Messages about the importance of "mutual respect" and "constructive cooperation" rather than accountability and the individual as a rights holder are attractive to many UN Member States, who are often under political and economic pressure from China. China has also exerted itself in the UN General Assembly, where, among other things, it seeks to restrict funding of the UN system's work for human rights. Chinese influence impacts norms, standards, definitions and rhetoric. In the longer term, this threatens human rights and the structures created to ensure that they are respected.

### *Climate and environment*

China is the world's single largest emitter of carbon dioxide and currently accounts for around 27 per cent of global carbon dioxide emissions. The volume of emissions is increasing. The country suffers serious problems linked to air pollution, water safety and other environmental impacts. In recent years, China has been the largest source of plastic in the oceans. Coal is still its largest energy source. New power stations are being built, and coal power plants are exported.

At the same time, China has a key role in the area of climate change, and without China's participation the goals of the Paris Agreement will not be achievable. In China, there is increasing awareness among the population of environmental impacts on health, and measures have been taken to reduce air pollution, which also synergises with climate action.

Demands are being made of China –by the EU and others – that it peak its emissions before 2030 and that drastic reductions in line with the Paris Agreement must be ensured. China is making major investments in climate technologies and digitisation technologies, as well as climate and green financing. It is a world leader in solar cell production and an important partner in global environmental cooperation in areas such as the oceans, climate change, chemicals and biodiversity.

### *The Belt and Road Initiative*

The Belt and Road Initiative (BRI), a cornerstone of China's foreign policy, is an overarching framework of projects in a wide range of areas, primarily transport infrastructure, but also telecommunications and energy supply. At the core is a number of land and sea corridors to link together Asia and Europe. The BRI also encompasses research and education exchange, industrial development, health, and development cooperation. As part of the BRI, China has also launched the terms 'Polar Silk Road' and 'Digital Silk Road'. According to analysts, since 2013 the BRI has encompassed around 2 200 contracts worth a total of USD 1.12 trillion. At the same time, the BRI is a part of China's ambition to shape the

international system to suit its own aims, and to strengthen its own global influence. The BRI's broad approach means that it is presented as a priority in several multilateral contexts.

Chinese investments can help meet the global demand for investments in infrastructure. At the same time, there are clear examples of China using the BRI as a way to export its industrial overcapacity, and of alternatives from the country in question and other countries being out-competed by attractive financing solutions that combine aid and export credits and are sometimes accompanied by requirements of political services in return from recipient countries. Recently, a number of BRI projects have attracted attention because they have driven the recipient countries into unsustainable debt. Projects have also contributed to environmentally and socially unsustainable investments, as well as political dependence. Within the EU, a number of Member States have received investments under the BRI flag, and in April 2019, Italy became the first G7 country to sign a cooperation agreement with China.

### *China as an aid donor*

China is becoming more and more prominent in the international financial institutions, while remaining an active borrower from the development banks. In creating the Asian Infrastructure Investment Bank (AIIB), China has set up a multilateral organisation in which China is the largest owner, and has made efforts to follow best practice in the governance of international financial institutions. China has also become a major aid donor and lender to the development banks' low-income funds.

The importance of aid as a foreign policy instrument has grown in China. A new agency, the China International Development Cooperation Agency (CIDCA), has been established to manage the growing aid volumes. Through its aid, China has gained increased influence in many developing countries, most of them in Africa.

Chinese aid differs from that of traditional aid actors, primarily in that it does not follow the Paris Declaration on Aid Effectiveness. China remains outside the global regulatory framework for aid and trade financing that originates from the OECD. Furthermore, China does not distinguish between different forms of aid, and does not publish statistics, either about recipients or aid volumes. The extent to which aid is tied to deliveries from Chinese companies is not reported either.

Aid initiatives are often linked to the BRI. China does not make the same demands as older aid donors in terms of human rights, democratic institutions, gender equality, free procurement processes or institution-building, for example, which is seen as an advantage by some recipient countries' governments. However, there is criticism of the fact that China's own economic interests steer cooperation to an excessive extent, that recipient countries are placed in unsustainable debt, that recipient countries are selected based on their energy and raw material assets and their suitability as BRI partners, and that recipient countries' own development agendas are sidelined.

In a short space of time, China has become a key global player in research, innovation and technological development, and is a central actor in digital development around the world. In terms of development, in key technological areas China is in many cases close to developed economies, and in some sectors is ahead of them. China has overtaken the EU on research and development spending as a percentage of GDP, for example. In space development, too, China is well advanced, serving both civil and military interests. The rapid technological advances are a result of comprehensive investments and state engagement, underpinned by programmes such as ‘Made in China 2025’, an industrial modernisation strategy. China has also successfully transferred technologies and know-how from foreign companies. Strategic acquisitions of foreign companies with cutting-edge technologies have been significant in this development.

Major investments have been made in the life sciences, including basic biomedical research, clinical treatment research, the building of biobanks and the development of biotechnologies and medical technologies. Internationally strong, competitive education, research and innovation environments are well established.

Access to extensive amounts of data in combination with both supercomputer capacities and artificial intelligence (AI) algorithms could, in the long term, give China a strategic advantage in key technological areas. China may also come to play a significant role in shaping the standards for the technology of tomorrow. It is still dependent on access to foreign input goods, such as semi-conductors. China is striving to secure dominant global access to rare earth metals, which are of major importance in the production of high-tech products. China’s position in the area may affect the prospects of companies in other countries developing and producing batteries, IT and communications equipment, military equipment and other products.

The fifth generation of mobile telephony will be crucial for society’s future communication needs. A number of countries have taken measures to ensure the security of 5G expansion, and several have issued restrictions on equipment from certain Chinese suppliers, in light of concerns over these companies’ links to, or obligation to cooperate with, the Chinese authorities.

China’s leadership is striving for China to be a world leader in AI technology. China is one of the countries investing major resources in militarising AI through the development of autonomous weapons systems. In the UN negotiations on the Inhumane Weapons Convention in Geneva, China is one of the countries opposing a legally binding international ban on the development and use of such weapons. AI is considered crucial to developing global military and economic strength, and major investments are being made in building up China’s own capabilities. Systems are being trialled in ‘smart cities’, where AI is part of surveillance systems. AI is used in the ‘social credit’ system currently being rolled out, which may have a negative impact on human rights, not least the right to privacy.

## *China's military capabilities*

At USD 250 billion in 2018, China's defence budget is currently the second-largest in the world. It is more than four times Russia's budget, and almost half of the United States budget. In terms of conventional operational capabilities and experience of war, China is estimated to be far behind the United States. Major investments are being made to modernise ground force capabilities. Space and cyber capabilities are particular priorities. Moreover, China aims to become a major maritime power, which involves building up the country's military sea power. For more than ten years, China has participated in the international efforts to combat piracy off the coast of Somalia. The armed forces have been reformed, with increased investment in protecting interests abroad. China's first foreign military base was inaugurated in 2017 in Djibouti.

One important element of the development of China's armed forces and strengthening of its capabilities is the fusion of civilian and military activities. The Chinese State wants to create a cohesive structure, with research, public authorities and the business sector closely tied to the armed forces so that civilian resources can be used for military purposes. It is not possible to draw a clear line between military and civilian. This also applies to academic exchange with other countries, where the Chinese State places individuals at universities and higher education institutions for the purposes of using their knowledge for military ends. The Chinese National Intelligence Law, which establishes that Chinese companies and citizens must assist in intelligence activities, reinforces the civil-military fusion. Using this Law, China can get individual companies and people to act in a coordinated way with a view to strengthening military capabilities and promoting the country's political and economic ambitions.

## *China in Sweden's neighbourhood*

The relationship between China and the US is more confrontational than it has been for a long time. Chinese representatives have stated that the country is prepared for military conflict with the US in the event of any threat to what China considers its core interests, for example Taiwan. Tensions between China and the US could have far-reaching global consequences, and could affect cooperation between Europe and the United States, as well as cooperation between Europe and China.

China's relationship with Russia is developing, although it is associated with uncertainty. The relationship is bound together by a common interest in changing the international system to the advantage of their respective countries, which has led to stronger diplomatic ties and increased trade. Russia currently accounts for 12 per cent of China's oil imports. Russia is more dependent on China than vice versa. Russia has also fostered security policy and military cooperation with China. This was clearly demonstrated by China's participation in Russia's Vostok military exercise in 2018. China also took part in Russia's Joint Sea military exercise in the Baltic Sea in 2017.

China has had observer status in the Arctic Council since 2013, and has a presence in the Arctic via investments in Russia, Iceland and Greenland,

for example. Since the accession of the Republic of China in 1925, China has been a party to the Svalbard Treaty. China has described itself as a “near-Arctic state” with interests in the areas of resource extraction, climate and environment, infrastructure and research cooperation, and it has demonstrated that it wants greater influence in the Arctic. In line with China’s ambition to be a major maritime power, investments linked to the BRI are being made along the Northern Sea Route, which could considerably shorten transport times between Asia and Europe and at the same time reduce China’s dependence on the Strait of Malacca as a transport route.

There is uncertainty surrounding developments in China in the medium and long term. China has ambitions to increase its global influence. At the same time, China is facing a number of internal challenges that have to be addressed. China has a political system that is not constructed to resolve internal conflicts. The country is grappling with concerns such as industrial overcapacity, high domestic debt, a state-controlled market, widespread corruption, major environmental problems and an ageing population. Given China’s size, developments in the country have global repercussions.

### 3 Sweden’s relations with China

Sweden’s relations with China date back to the 18th century and the Swedish East India Company’s activities. Sweden recognised the People’s Republic of China in 1950 and became the first western country to establish diplomatic relations with the new China. During China’s isolation, up to 1978, contact and trade were limited. Since then, exchanges have increased considerably.

China is now Sweden’s largest trading partner in Asia, and eighth-largest trading partner in terms of trade in goods. In 2018, Sweden’s goods exports to China totalled SEK 67 billion and imports from China totalled SEK 78 billion. Around 10 000 Swedish companies trade with China, and more than 600 Swedish companies are established in the country, several of which have been established there for a long time. Swedish companies operating in China had production worth more than SEK 300 billion in 2018. The majority of these companies have enjoyed good profitability and see continued good prospects. For many of these companies, their presence in China is of central importance for development, production and contact with a rapidly growing and dynamic market. At the same time, foreign and Chinese companies have not been given equal opportunities to operate. Sweden and the EU have therefore emphasised the importance of a level playing field for companies in China and internationally. China has been able to benefit from its status as a developing country in several contexts, despite being a world leader in many sectors. This has been evident in Sweden when, in the context of international postal cooperation, China has been able to send certain types of postal items to Sweden at subsidised prices.

The number of companies in Sweden with Chinese majority-ownership totalled 114 in 2018, which corresponds to 0.8 per cent of all foreign-owned companies in Sweden. Additionally, there is a significant number of companies in Sweden whose principal is a Chinese citizen. Chinese investments have contributed to creating and maintaining a large number of jobs in Sweden. An estimated 25 000 people work in Chinese-owned companies, operating in sectors such as the automotive industry, logistics and transport, the entertainment industry, IT and pharmaceuticals. Around 20 000 of these work for Volvo Cars. Chinese direct investment in Sweden totalled just under SEK 36 billion in 2018, an increase of 186 per cent on 2017, due primarily to Geely's SEK 31 billion investment in AB Volvo.

There is Chinese interest in Swedish societal solutions, technology, innovation and research, as illustrated by the large number of Chinese delegations received every year. Interagency cooperation is growing and, in official contacts, ties have been broadened considerably in areas such as the environment and sustainable urban development, corporate social responsibility (CSR), green industries and public administration. Dialogue is conducted in areas such as CSR, energy efficiency, road safety, innovation, renewable energy, sustainable forestry and agriculture, and health care. Collaboration also takes place in areas such as trade and customs simplification and space issues. Of around 50 agreements at the intergovernmental level, half have been entered into since 2010. Sweden and China hold regular bilateral discussions and joint committee meetings on trade and economics. As part of the Government's export strategy, Team Sweden China was formed in 2017 to strengthen collaboration between Swedish actors promoting exports, investment and the image of Sweden in China. Limited military exchanges were initiated in 2001, consisting of annual high-level exchanges. A cooperation agreement in the area of health care has been in place since 2006.

For more than a decade, Sweden has had a unique bilateral cooperation agreement with China on CSR, which acts as a platform to discuss standards in the areas of human rights, working conditions and corruption in a business perspective. This CSR cooperation aims to secure the status of Swedish companies, provides competitive advantages and has generated good contacts with the Chinese authorities. The Swedish CSR centre in Beijing ensures that Swedish companies continue to receive support and advice on these issues.

The Swedish Security Service and foreign intelligence agencies have stated that China is actively engaged in intelligence collection in Sweden. According to the Swedish Security Service, China's extensive activities are pursued through human intelligence and technical intelligence collection, e.g. electronic attacks. The Swedish Security Service has also stated that Sweden is in the Chinese sphere of interest in terms of strategic investments and acquisitions, and business and academic cooperation. In light of international experience and reports from the Swedish Security Service and foreign defence intelligence agencies, the Government can conclude that China is attempting in various ways to obtain intelligence about technological developments in various sectors and about Sweden's operational capabilities and defence planning. In recent years, there have been instances of Swedish companies developing technologies with both civilian and military applications being acquired by Chinese companies.

Chinese intelligence activities also target Chinese refugees and organisations working for Tibet, Xinjiang and Taiwan, for example, and political decision-making. China occasionally attempts to counteract the exercise of freedom of expression and assembly in Sweden with respect to issues relating to China.

Sweden's bilateral development cooperation with China was discontinued in 2013, but support is still given to the Raoul Wallenberg Institute for educational activities concerning human rights. In the area of environment and climate change, Sweden has supported capacity-building activities, and several joint Chinese-Swedish initiatives in the areas of environment and climate change, CSR and health originate from projects financed by the Swedish International Development Cooperation Agency (Sida). Sweden gives support to the China Council for International Cooperation on Environment and Development, which advises the Chinese Government on environmental issues.

The number of Chinese tourists and travellers coming to Sweden is increasing. In 2018, Chinese citizens accounted for 349 000 hotel nights in Sweden, making China the ninth-largest country of origin. In 2017, 5 672 Chinese citizens applied for residence permits in Sweden on various grounds. A recurrent concern associated with the migration flows from China to Europe is the incidence of illegal immigration.

At present, Sweden has relatively under-developed research cooperation with China, although many Swedish actors cooperate with China at different levels. Of around 600 000 Chinese citizens studying abroad, 2 671 came to Sweden for the 2017/18 academic year. The number of Chinese students declined in 2011 when tuition fees were introduced in Sweden, but numbers have begun to increase again in recent years and Chinese students remain the largest student group from outside Europe. In addition to the introduction of tuition fees, the decline is due in part to the fact that Chinese students generally favour an education in English-speaking countries. The long processing times in the Swedish admissions system are a challenge, as are the limited opportunities for foreign students to gain work experience in Sweden.

Sweden has a memorandum of understanding with China that aims to promote cultural exchange in the areas of film, the performing arts, literature, libraries and cultural heritage, and to stimulate exchange of specialists and exhibitions. The China Cultural Center has been established in Stockholm.

Sweden's relations with China are adversely affected by a number of bilateral problems. One of these is the case of detained Swedish citizen Gui Minhai, in which, despite demands from the Swedish Government, the Chinese authorities refuse to fulfil China's obligations under international consular agreements, and refuse to heed Sweden's demands for Gui's release. The case has attracted international attention, and Sweden's demands are shared by the EU and a number of other countries.

## 4 The EU – a cornerstone of Sweden’s policy on China

The Government’s approach to China takes its cue from the 2016 EU Strategy on China. The strategy establishes that the EU is to engage with China in areas where we have common interests, such as economy and trade, environment and health. The EU will also demand more of China regarding the rule of law, democracy and human rights, market access and the rules-based multilateral international order. The strategy confirms that the EU adheres to the ‘One China’ policy, that the EU commits to maintaining strong links with Hong Kong and Macau and promoting respect for the ‘one country, two systems’ principle, and that the EU will continue to develop its relations with Taiwan. Sweden contributed actively to the development of the joint strategy on China.

As China’s global influence has grown, discussions in the EU have intensified concerning investments in sensitive technologies, and the risks to multilateral cooperation. This impacts on discussions on the competitiveness of European businesses, and which methods should be chosen to promote their growth. Issues concerning strategic autonomy, relaxed competition law, stronger protective mechanisms and major investments in strategic technologies are raised in these discussions, in addition to traditional strengths such as effective competition, open trade and a well-functioning single market. This debate will affect the industrial policy strategy that the European Council has asked the European Commission to present by the end of 2019. In March 2019, the European Commission and the High Representative for Foreign Affairs and Security Policy adopted a joint communication entitled ‘EU-China – A strategic outlook’. The communication is based on the EU Strategy, and notes that the balance of challenges and opportunities presented by China has shifted in light of the country’s growing influence and its ambitions to become a leading global power. China can no longer be regarded as a developing country; it is a key global actor and leading technological power. This requires a flexible and pragmatic approach enabling a principled defence of the EU’s interests and shared values. The communication also states that the EU should therefore deepen its engagement with China to promote common interests, while seeking a more balanced and reciprocal economic relationship. There are also areas where the EU needs to adapt to changing economic realities by strengthening its competition policy. The communication establishes that all EU Member States have a responsibility to maintain and contribute to unity. Consistency with EU law must be ensured in all cooperation with China, both bilaterally and within sub-regional cooperation frameworks.

Following the Tiananmen Square massacre in Beijing in 1989, the EU imposed an arms embargo on China. This embargo is still in force.

## 5 The Government's approach to China

China's development, whatever its direction, impacts the world, the EU and Sweden in virtually every area. Many global challenges can only be solved in cooperation with China. The Government supports a broad dialogue with China. Sweden's ability to influence is based on measures taken in our country, and on cooperation primarily in the EU and rules-based international cooperation grounded in international law. Against this background, the Government presents its integrated approach to the work it undertakes on matters relating to China.

The Government will be guided by the following principles:

- Always build on the interests and values of Sweden and the EU as a whole in dealings with China.
- Harness the opportunities that China's development offers and manage the challenges the country presents us with, including by developing legislation when necessary.
- Increase collaboration on matters relating to China within and between the public sector, business and civil society.
- Promote stronger EU cooperation in matters relating to China, especially in security and defence policy, trade, technology, innovation and digital transformation, climate and environment, multilateral cooperation and human rights.
- Increase knowledge of conditions in China.

In view of the last point above, the Government will initiate work to examine how best to achieve knowledge enhancement, including through the establishment of a Swedish knowledge centre on China.

In the continuing work in specific areas, the Government intends to adopt the approach outlined below.

### 5.1 Security and defence policy

The importance of China to global security is growing. The country's strategic interests extend to Europe; its activities in different areas must be treated with due attention.

- Sweden's national security interests, defined in the national security strategy and through the security and defence policy, must guide every aspect of Sweden's relations with China that has a bearing on Sweden's security. Regarding collaboration that occurs between Swedish and Chinese actors, it is essential to consider the risks that such collaboration may pose from a national security and defence perspective; this applies equally to business and innovation investments, technological cooperation, academic exchange and research, and other forms of cooperation between Chinese and Swedish actors.

- The Government will strive to ensure that the EU and like-minded countries cooperate and act together on the security and defence challenges that China's increased global influence entails. This is particularly relevant to transatlantic cooperation.
- The Government will engage with the Chinese defence forces within the framework of UN peacekeeping operations and otherwise maintain military contacts that lie within the boundaries set by the EU arms embargo and other regulations, and that are in Sweden's interests.
- The Government and relevant agencies need to lift knowledge and enhance the analysis of China from the perspective of European and transatlantic security. This also applies to China's geopolitical goals, including the influence China is establishing through the BRI. Deepening military cooperation between China and Russia requires increased attention, especially in Sweden's neighbourhood, including the Arctic.

## 5.2 Trade and economics

China is increasingly important for Sweden's growth and Swedish jobs. The Government intends to develop Sweden's economic ties with China, including through increased exports and investment. The Government will continue to engage in dialogue with China about modernising the multilateral trade system; it will do so with a view to protecting free trade and in light of China's actions that challenge the trade system on which Swedish exports are dependent.

- The Government will be a driving force for ambitious EU negotiations of agreements that facilitate trade and secure market access and a level playing field for Swedish companies. Intellectual property rights violations, forced technology transfers, WTO-incompatible state subsidies and other unfair practices need to be addressed.
- The Government will push for the EU to involve China in reforming the WTO. China's use of special and differential treatment in the WTO needs to align with the country's level of development.
- Business and trade promotion, and the promotion of Sweden in China must be developed in cooperation with the business community and other relevant actors, including Team Sweden China, and in accordance with the Government's new export strategy. Sustainability, innovation and CSR are important areas of cooperation. In the bilateral dialogue, the Government will highlight the trade barriers Swedish companies face in China. Individual companies can find themselves in situations where political tensions impact their operations; this calls for increased state support in the dialogue with Chinese representatives.

An inquiry has been set up to present proposals for the design of a framework for screening foreign investments that may threaten security and public order, in accordance with the EU regulation on the screening of foreign direct investments.

Chinese investments in infrastructure in other countries can contribute to the achievement of the 2030 Agenda and the Paris Agreement. It is crucial that investments are transparent, economically, environmentally and socially sustainable, and in accordance with international law and international standards.

- The EU Strategy on Connecting Europe and Asia will be put into practice. A dialogue will begin with China to discuss how the strategy can integrate with China's international investments. The EU will uphold international standards.
- The Government takes a favourable view of the participation of Swedish companies in China's infrastructure projects in third countries that are procured transparently and without discrimination, sustainably and in accordance with international law and international standards.

### 5.3 Climate and environmental issues

China's climate and environmental problems have a global impact. At the same time, the country has abundant resources, technology and international influence that can contribute to tackling the global climate and environmental challenges. It is vital that China strengthens its national and international action in this area.

- The Government supports the EU making greater climate and environment demands of China. This includes China peaking its emissions before 2030 and subsequently reducing its emissions drastically in line with the Paris Agreement, and assuming full responsibility commensurate with the country's level of development. China needs to contribute more to the multilateral work on regulations and make greater financial contributions, both bilaterally and to climate funds, particularly the Green Climate Fund. Other areas in which greater demands should be made include sustainable production, sustainable mining and infrastructure investments.
- The Government will seek dialogue and cooperation with China on policy development and research in areas including renewable energy, sustainable water and ocean governance, reduced greenhouse gas emissions and pollution, sustainable management of chemicals and waste, sustainable consumption and resource use, and biodiversity. Sweden has valuable experience and Swedish companies and agencies have key technologies and expertise.

## 5.4 China as a multilateral actor

China is an active and influential multilateral actor and an indispensable partner in the response to global challenges. At the same time, China often acts in a non-transparent manner and in certain areas strives to introduce norms and values that risk undermining the rules-based international order. China's approach to international law is selective.

- The Government will help ensure that China – as far as possible and where appropriate – engages in multilateral and plurilateral cooperation.
- Sweden, primarily through the EU and in collaboration with like-minded partners, will demand of China that it abide by its international law obligations and that it take responsibility for rules-based multilateral cooperation and action in accordance with international law. The Government will safeguard the accepted norms and values of the rules-based international order.
- The Government will work to ensure that dialogue and practical cooperation between Sweden and China on UN issues are expanded and deepened within areas that offer conditions for forward-looking cooperation. Possible issues include peacebuilding, peacekeeping, gender equality efforts, development financing, UN reforms, the 2030 Agenda, and climate and security. The Government will also seek dialogue in areas where Sweden and China hold different positions.
- As a starting point, China should no longer be considered a developing country. Given its level of development, the country should reduce its role as a borrower from the development banks for the benefit of poorer countries, and be encouraged to make greater financial contributions to both multilateral development banks and the UN system.

## 5.5 Human rights

The Swedish Government's report on human rights, democracy and the rule of law in China, published in June 2019, confirms that the civil and political rights situation is serious.

- In interactions with Chinese government representatives, the Government will raise the issue of the serious human rights situation in China in a clear and consistent manner.
- The Government will continue to work for a strong and common EU approach, as the most effective instrument in the dialogue with China. The Government supports the regular dialogue on human rights that the EU holds with China.
- The Government – in cooperation with the EU and like-minded partners – will work to ensure that the human rights situation in

China is highlighted in relevant multilateral contexts. The Government will also promote strengthened cooperation in the EU and with like-minded partners to counter attempts to undermine multilateral cooperation on human rights. The Government will stand up for accepted norms and language.

## 5.6 China as a development actor

China's international development cooperation is extensive and growing. The country has expressed a desire for experience exchange and increased cooperation on development aid. It is essential that China endorse the Paris Declaration and the principles of aid and development effectiveness, cooperate with OECD/DAC and comply with the ODA criteria.

- The Government is willing to initiate a dialogue and experience exchange with the China International Development Cooperation Agency (CIDCA). The Government will encourage China to take part in local donor coordination and to increase its interaction and dialogue with OECD/DAC and its members; it will emphasise the importance of Chinese support not contributing to unsustainable debt burdens and encourage China to take part in the work of the Global Partnership for Effective Development Cooperation.
- The Government supports the EU's ambition to strengthen and deepen dialogue with China aimed at the effective achievement of the UN Sustainable Development Goals of the 2030 Agenda.

## 5.7 Technology, innovation and digital transformation

Access to the market, technology and innovation in China is becoming increasingly important for Swedish companies and to finding solutions to different challenges facing our society and the world. At the same time, there are risks and challenges associated with China in the area of innovation; these include inadequate protection of intellectual property rights, industrial espionage, military-civil fusion, inadequate protection of personal privacy and China's emphasis on the State's responsibility for internet security and control. Sweden needs sound knowledge of these conditions and the trade-offs that may arise.

- The Government will press for China to take part in international multilateral cooperation on standardisation, transparency and ethics in technology, innovation and intellectual property rights.
- The Government intends to seek cooperation with China in innovation and entrepreneurship, including in the form of policy dialogue and collaboration between relevant agencies, research

actors and business, particularly on sustainability and common global challenges.

- Collaboration between Swedish government agencies, business and research institutions should be developed on issues concerning technology, innovation and digital transformation and China.
- Cooperation in the EU needs to be enhanced on issues concerning technology, innovation and digital transformation and China, both to strengthen European competitiveness and to promote relevant European interests.
- The Government will protect and promote international law in cyberspace and existing models of internet governance built on multiparty collaboration rather than state control.
- Exchanges with China on space issues are conducted in accordance with the Government's space strategy and relevant laws and provisions.

## 5.8 Research and education

It is important for Sweden to have access to advanced education, research and innovation environments in China. It is also essential that Swedish companies establish a presence there, and that awareness of Sweden as a knowledge and innovation nation is high. Chinese students, researchers and innovators make valuable contributions to Swedish universities, higher education institutions and companies in Sweden. In this area, cooperation with China involves particular challenges in relation to ethics, academic freedom and intellectual property protection, and to links to China's military sector regarding, for example, the possibility of transferred technologies being used for military purposes. The Swedish Foundation for International Cooperation in Research and Higher Education (STINT) and other institutions contribute to strengthening the strategies, activities and networks of Swedish higher education institutions with regard to China.

- Responsibility for cooperation with China in research and education, for gathering relevant knowledge and for addressing the challenges that arise lies with higher education institutions and the research-intensive business sector. The Government underlines the value of cooperation in the area and collaboration with other Swedish agencies.
- The Government is working to ensure that Swedish researchers and students enjoy good prospects for study in, and exchanges with, China.
- Through the innovation and research office at the Swedish Embassy in Beijing, the Government conducts long-term and strategic promotion of Swedish innovation, research and higher education.

## 5.9 Culture and media

Culture and international cultural ties play a prominent role in building relations with other countries and contribute to the promotion of both democracy and trade. Cultural exchanges and people-to-people links with China are therefore important. The Government will continue to stimulate exchanges using our own values as the point of departure.

- Important to our cultural exchanges with China are our national cultural policy objectives, the promotion of long-term and mutual cultural interactions and exchanges, diversity of cultural expressions and the strengthening of Sweden's image abroad. The Government will always stand up for freedom of expression and artistic freedom in cultural exchanges with China.
- Emphasis should be placed on activities that strengthen Sweden's core values and matters of mutual interest. The cultural institutions and Sweden's Counsellors for Cultural Affairs at missions abroad will continue to play an important role, including through expert exchanges and network promotion.

## 6 The work ahead

The EU is our most important foreign policy arena and a strong and united EU is crucial in relations with China. The Government will work to ensure that China's development and relations with China are taken into account in all relevant parts of EU work. This applies to policy areas such as security and defence policy, trade, technology, innovation and digital transformation, climate and environment, multilateral cooperation and human rights.

The Government sees a need to strengthen the combined expertise brought to the work on matters relating to China. Coordination on matters concerning Sweden's relations with China needs to be enhanced. Networks with relevant counterparts primarily in the EU need to be strengthened. Relations with China should also be actively considered in other bilateral and multilateral cooperation. Sweden's missions abroad play a key role in monitoring China's growing global presence.

The Government also sees a need for investing in knowledge of China throughout our society. The Government will work to increase collaboration and information-sharing on China, for example between agencies, between national and local levels, within the EU, and with business, academia, trade union organisations and civil society. The Government is initiating efforts to clarify how improved acquisition of knowledge can best be achieved, how current expertise on China in Sweden can be better coordinated and strengthened, and how this approach can gain broader support. This work includes preparing for the establishment of a national research-based knowledge centre on China.

This approach is intended as the start of, and basis for, a broader discussion on China, which the Government sees a need for in Sweden. A broader knowledge base on China could, for example, make it easier for Team Sweden China to develop more strategic promotion with clearer focus areas, goals, ambition and resources. China, Sweden and the world do not stand still. Sweden's approach will therefore need to be regularly adjusted and adapted to changing circumstances.

## Ministry for Foreign Affairs

Extract from the minutes of the Government meeting on 26 September 2019

Present: Prime Minister Löfven, chair, and Ministers Lövin, Johansson, Hallengren, Hultqvist, Andersson, Bolund, Damberg, Shekarabi, Ygeman, Dahlgren, Nilsson, Ernkran, Nordmark

Rapporteur: Minister Hans Dahlgren

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The Government adopts Communication Approach to matters relating to China