



Ministry of Foreign Affairs

The Netherlands and China: a new balance



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The Netherlands and China: a new balance

Disclaimer: in the event of differences between this translation and the original Dutch text, the latter should be considered authoritative

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Introduction



Bilateral relations between the Netherlands and China are wide-ranging and intensive. China offers the Netherlands substantial opportunities. It is the Netherlands' largest trading partner in Asia and accounts for exports worth €11 billion. Many Dutch companies have operations in China. Almost all Dutch universities collaborate with Chinese institutions, and thousands of Chinese students come to the Netherlands to study. In addition, more and more Chinese tourists are visiting the Netherlands. At the same time, the rough edges of China's growing influence, such as its impact on security and human rights, must not be overlooked.

Much has happened since the Netherlands and China concluded their Open and Pragmatic Partnership for Comprehensive Cooperation in 2014¹ and since the adoption of the last policy memorandum on China in 2013.² In recent years China has taken a more assertive stance across the full breadth of its international activities. Whereas the Dutch aim in 2013 was to ensure that China had a stake in the existing international order, it is apparent that China has managed in the meantime to successfully influence existing international institutions and develop alternatives. The question is no longer how the Netherlands can benefit from China's development and how we can further integrate China into the existing international order; now it is much more what China's rise means for our own place in Europe and in the world. We must determine our stance in an international order that is itself undergoing rapid change, partly due to China. This requires modifying Dutch policy on China.

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Needless to say, relations with China, with its increasing influence on almost all aspects of international life, remain important for the Netherlands. This is illustrated by the many ministerial visits in both directions, by trade and other missions, and by various partnerships. The Dutch embassy in Beijing and our four consulates-general and six Business Support Offices in China form the Netherlands' largest mission network in a single country. All Dutch ministries and various government agencies and implementing organisations have dealings with China.

The Dutch government seeks to work with China on the basis of mutual interests, while allowing for ideological differences. Opportunities should be seized wherever possible, but there should also be greater awareness of issues of security (including economic security), cyber espionage and undesirable influence. The government stands firmly for protection of the rule of law, security and the open economy and society in the Netherlands. It will act if the openness of the Dutch economy and society is threatened or undermined. Our openness means that we have to carefully consider whether the benefits of taking advantage of opportunities outweigh the need to protect our security, our earnings potential and values such as the rule of law and human rights. In this policy document, the government outlines the new balance it envisages in its relations with China.

1 Dutch central government, 'Joint Statement between the People's Republic of China and the Kingdom of the Netherlands on the Establishment of an Open and Pragmatic Partnership for Comprehensive Cooperation' (24 March 2014), Government.nl.

2 'Dutch Policy on China: Investing in Values and Business', 2013.



Netherlands – China relations in figures

Population (in thousands)³

- 512,711
- 17,036
- 1,409,517



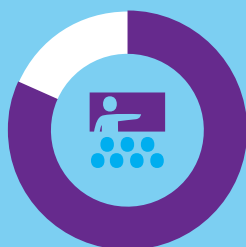
Tourists and nationality (2018)⁹

- 334,000
(Chinese to
the Netherlands)
- 77,000
(Dutch tourists
to China)



International Students (2017-2018)⁸

- 4,475
(Chinese students
in NL)
- approx. 1,000
(Dutch students
in China)



Total migrants⁷

- 33,860 (Chinese to
the Netherlands)
- 4,306 (Dutch
migrants
to China)



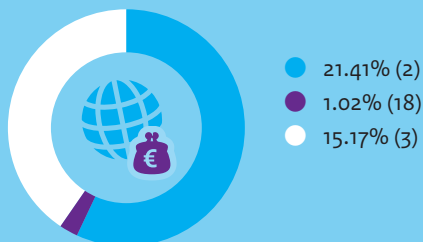
³ CBS en Europese Commissie (2017) 'Countries and regions' <http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>

⁴ World Bank, Gross Domestic Product Ranking 2017 (2017), <https://datacatalog.worldbank.org/dataset/gdp-ranking>

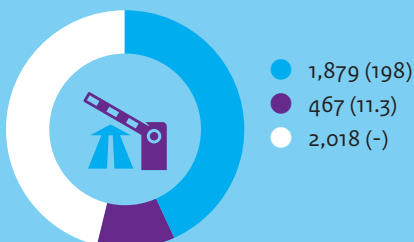
⁵ CBS en Europese Commissie (2017) 'China-EU International trade in goods statistics' https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU_-_international_trade_in_goods_statistics



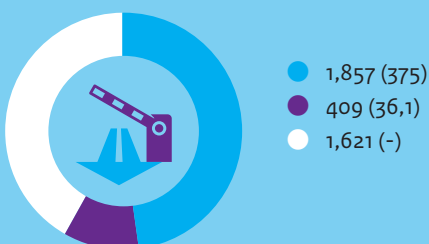
GDP share of global economy (position)⁴



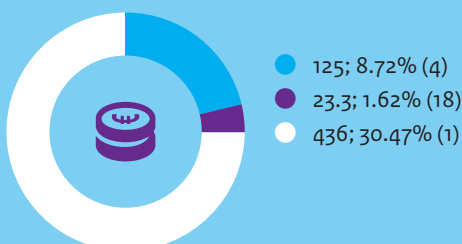
Total goods exported (to China) in billions of euros⁵



Total goods imported (from China) in billions of euros⁵



World share of outward foreign direct investment in billions of \$ (position)⁶



6 UNCTAD, World Investment Report 2018 (2018), p. 48, https://unctad.org/en/PublicationsLibrary/wir2018_en.pdf

7 Statistics Netherlands (CBS) 'Bevolking; geslacht, leeftijd en nationaliteit op 1 januari' (Population: sex, age and nationality on 1 January) (2018), <https://statline.cbs.nl/Statweb/publication/?DM=SLNL&PA=03743>

8 Nuffic <https://www.nuffic.nl/en/subjects/countries-of-origin/>

<https://www.wilweg.nl/landen/china>

9 NBTC Holland Marketing (2019), Correspondence

Organisation of the report

This policy document is based on discussions within Dutch central government and talks with over a hundred outside experts. It consists of three parts. The first part describes worldwide trends and China's role in them. The second part considers the government's aims, based on Dutch foreign policy objectives,¹⁰ and how these aims are to be achieved. The topics dealt with in this connection are: (1) sustainable trade and investment, (2) peace, security and stability, (3) values, human rights and the international legal order, (4) climate and (5) development cooperation. This part of the document also deals with the various forms of partnership. A properly functioning multilateral system and an effective EU are crucial for the Netherlands. Cooperation between the countries that make up the Kingdom of the Netherlands is also relevant to relations with China. Finally, our bilateral policy is shaped by a variety of players and is strengthened by close contact between central government, municipalities, provinces, the private sector, academia, and cultural and civil society organisations. In describing the various forms of partnership, our emphasis is on maintaining and/or strengthening them. The third part draws conclusions about a number of issues, including opportunities for cooperation, the challenges which the Netherlands will face in seizing them and what the government can do to meet these challenges.

Geopolitical, security-related and economic shifts¹¹

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The Netherlands is in many ways a safe country with a strong international economic position. It is no accident that we have continuously ranked in the top 10 most competitive economies since 2005.¹² However, the world around us is not standing still. As noted in the Integrated International Security Strategy 2018-2022 and the policy document 'Investing in Global Prospects', the Netherlands is affected by a number of global trends.

We are seeing a multipolar world order emerge as a result of shifts in geopolitical and economic power. Traditional American leadership is not what it used to be, while other established great powers such as Russia and China are taking a more assertive stance. Like China, India is economically on the rise, while the relative economic importance of the EU and the US is declining. While economies have become increasingly intertwined in global value chains, protectionism and concerns about economic security are on the rise.

¹⁰ The document takes a pragmatic approach to government-wide foreign policy objectives, recasting them so that each addresses a major aspect of relations with China. Various foreign policy objectives relate to development cooperation, and a separate chapter is devoted to this important part of our policy. The objective concerning consular services and Dutch values and interests has been split; values and human rights have been merged, and consular and international cultural policy has been included in the chapter on players in the bilateral relations with China. The objective of reinforced development frameworks has been renamed 'the multilateral system'. The social progress objective, in which education plays an important role, is now called 'players in the bilateral relationship with China'. Separate chapters are devoted to climate change and to cooperation between the countries that make up the Kingdom of the Netherlands.

¹¹ This section is based on trends described in existing thematic policy documents such as the Integrated International Security Strategy 2018-2022 entitled 'Working Worldwide for the Security of the Netherlands', and the 2018 foreign trade and development cooperation policy document entitled 'Investing in Global Prospects'.

¹² World Economic Forum Competitiveness Index (2017), referred to in 'Investing in Global Prospects'.

Ideological tensions are emerging between East and West, conservatives and progressives, autocracy and democracy. Multilateralism (e.g. dispute resolution mechanisms such as those in the WTO) is under pressure, and ad hoc coalitions are increasingly replacing traditional groupings.

Accelerated technological and digital developments, for instance in the field of artificial intelligence, are changing the economy and society. While this can spur innovation, enterprise and new forms of international cooperation, it also raises concerns about security (including digital security), privacy, access to data and reliable information. Digitalisation is reducing the importance of geographic location: products and services can be sold directly on online platforms to buyers on the other side of the world. Accelerated technological development also plays a role in the balance of power between countries and can be an element of hybrid warfare, which can include the use of modern influencing methods. These economic, internal market-related and security issues are also becoming increasingly important within the EU as it searches for a unified approach, partly in order to enhance the effectiveness of its external policy.

Many studies point to the growing interconnectedness of external and internal security. The increasing instability and insecurity around Europe and the Caribbean part of the Kingdom entail risks.

Human activity has intensified to such an extent worldwide that it exceeds the earth's carrying capacity. Climate change and environmental degradation are the result. Raw materials, energy and drinking water are becoming scarcer. The effects of climate change are already being felt worldwide and will only increase in the coming decades.

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Successful poverty reduction and burgeoning development go hand in hand with inequalities in the distribution of opportunities and incomes. For many decades, there was growing respect for and observance of human rights in almost every part of the world, but this trend appears to have halted and, if anything, the situation seems to be deteriorating.

China plays an important role in the changing world

China was the world's largest economy until the end of the 19th century and has set itself the goal of recapturing this position. Inevitably, the rise of China is also causing friction with other international players, including the United States and the EU. Broad support exists in the US for the more competitive approach to China adopted by the present US administration. Both Democrats and Republicans are concerned about how China operates economically and politically and how it is expanding its power and influence. The EU, too, is adopting a more assertive stance, as is apparent from the fact that its 2016 'Elements for a New EU Strategy on China' has been supplemented by the Joint Communication 'EU-China – A Strategic Outlook', in preparation for the EU-China Summit in April.¹³

¹³ European Commission and High Representative of the Union for Foreign Affairs and Security Policy, Joint Communication to the European Parliament, the European Council and the Council; 'EU-China – A Strategic Outlook' (2019).

Two different models are in competition: the open Western model, which also serves as the basis for the Netherlands, and the closed Chinese model, which benefits from Western openness (transfer of knowledge and technology) while restricting access to the Chinese market. There is a clash of values in areas such as liberty, human rights, democracy and the rule of law.

The Netherlands is of course part of the EU, and the US is a major ally both within NATO and in many other areas. We share the framework of Western values and, from a Chinese perspective, are generally viewed as part of a Western, transatlantic bloc. Although in practice we are in many ways closer to the US than to China, we always make our own considerations and strive for broad and close relations with China.

China chooses not to form alliances, but it certainly makes its influence felt, mostly in Asia but also in Africa and other parts of the world.

The economic and people-to-people ties between Japan and China are extensive, but Sino-Japanese political relations are tense. The reasons for this are historical (the Second World War), strategic (China's adoption of a more assertive stance versus Japan's security alliance with the US) and economic (the long-term effects of Chinese economic influence are causing Japan concern).

China and Japan also have a territorial dispute over the Senkaku/Diaoyu Islands.

Japan and India have found common ground, together with the US and Australia, in an alternative to the Sinocentric order, namely the Free and Open Indo-Pacific (FOIP).

India, like China, is a rapidly rising power, and the two countries are competing with each other. Their relationship is tense, due in part to competing territorial claims and Indian concerns about Chinese investments in neighbouring countries and the dependencies this creates. Border tensions can quickly flare up.

Moscow and Beijing find common ground in their critical attitude towards the West, but have not formed an alliance. China does not follow the Russian anti-Western agenda in all respects, partly because of its economic ties with the EU and the US. However, ties between China and Russia have been tightened in recent years, including military ties.

Technology is a factor in the competition for global power

The 'classic' situation described above, in which an existing world power finds itself being challenged, is causing more uncertainty and an increased risk of conflict. The situation is unfolding in new circumstances, with China already anticipating the next technological revolution. Artificial intelligence, 5G, nanotechnology and quantum technology, 3D printing, robotics, semiconductors/lithography, battery technology and so forth will be decisive factors in this regard, and China has expressed the ambition of becoming world leader in these areas by 2025. As the technological revolution has now become a factor in the competition for global power, the outcome may also determine how technology will change our world. Technology is, after all, a means to an end, rather than an end in itself. Its use can promote freedom, but also limit it.

Artificial intelligence

In 2017,¹⁴ China set itself the target of becoming the world leader in artificial intelligence (AI). China aspires to reach the level of its main competitors by 2020, overtake them in some areas by 2025 and to be world leader in all areas of AI by 2030, ranging from research and development to ethical and other standards. China is thus taking up the challenge of competing with the US and the EU. The US is currently the world leader in AI start-ups and patents. The EU is at the forefront of research, but lags behind when it comes to investments. In December 2018 the European Commission launched an action plan to promote the development and use of AI in the EU. The plan states that major investments are needed if the EU is to avoid losing the AI race with China and the US once and for all.

AI developments in the US, the EU and China differ. The US invests in basic research, but leaves the rest to the market. China provides state aid and pursues clear aims, but has no ethical guidelines in place for market players. The EU regulates access to consumer data and is drafting ethics guidelines, based on fundamental values as laid down in the EU Treaties and the Charter of Fundamental Rights. The Netherlands is actively involved in this. The next few years will be decisive in determining whether these guidelines will be implemented and whether their example is followed worldwide.

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Brief description of China

China has experienced unprecedented economic and social development since the announcement of reforms and the opening up of the market in 1978. Its share of the global economy grew from 1.5% in 1978 to 15% in 2017. Gross national income per capita is now 40 times higher, and more than 800 million people have been lifted out of poverty. China achieved all Millennium Development Goals (MDGs) in 2015, which has had a great impact on MDG results worldwide.

¹⁴ State Council, 'Notice of the State Council issuing the New Generation Artificial Intelligence Development Plan' (2017), <https://flia.org/wp-content/uploads/2017/07/A-New-Generation-of-Artificial-Intelligence-Development-Plan-1.pdf>.

Taiwan

The government in Beijing has taken a tougher stance towards Taiwan since the Democratic Progressive Party won the elections there in 2016. Beijing is trying to further isolate Taiwan internationally, and describes the reunification of Taiwan with the 'motherland' as an essential condition for achieving the great revival of the Chinese nation which it seeks. It does not rule out military intervention to achieve that reunification.

The Netherlands, like all other countries that maintain diplomatic relations with China, has a one-China policy, under which it recognises the government of the People's Republic of China (in Beijing) as China's only legitimate government. Therefore the Netherlands does not maintain diplomatic relations with Taiwan. However, it does have good economic, cultural and scientific ties with Taiwan, which are promoted through the Netherlands Trade and Investment Office. The Netherlands is alert to attempts by China to restrict the scope that exists within the framework of the one-China policy for maintaining good relations with Taiwan, since this would harm Dutch economic and other interests. The Netherlands is Taiwan's second-largest trading partner in Europe, with a trading volume in excess of €7 billion a year and potential for further growth.

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Hong Kong and Macau

Hong Kong and Macau are Special Administrative Regions within the People's Republic of China to which the 'One Country, Two Systems' formula applies. As a result, these cities have a high degree of autonomy, including an independent judiciary, the rule of law, civil liberties, an open market economy, little corruption, and their own currency and tax system. These characteristics are major incentives for international companies, including Dutch firms, to choose Hong Kong as a business location in Asia and as a base for doing business on the Chinese mainland. The central government in Beijing is responsible for foreign policy and defence. As China has put ever more emphasis on the 'One Country' part of the formula in recent years, this has put pressure on the autonomy of Hong Kong and Macau and the unique characteristics of these cities, including the investment climate.

Central role of the CPC

China is governed by two parallel and closely interlinked structures: the Communist Party of China (CPC) and the government. All major decisions in China are made by the CPC, which is the more powerful and authoritative of the two. Xi Jinping is general secretary of the CPC and chairman of the Central Military Commission. He is also president of the People's Republic of China. Since the constitution was amended in 2018, the limit of two terms of office for the president has been removed.

Although the CPC organs and the legislature, executive and judiciary are separate in name, the CPC is omnipresent. The justice system is on an equal footing with other bureaucratic entities and is not independent of them as in a system where the principle of the separation of powers applies. Moreover, laws are by definition subordinate to the interests of the state, and their main purpose is to preserve the socialist system under the leadership of the CPC.

The vast majority of elected officials and judges are also party members. The same is true of university administrators, the members of official civil society organisations and the directors of state-owned companies as well as many private companies, including listed multinationals. Besides their management position, these leaders are also responsible for the political direction of their organisation. This means, for example, that universities or companies are not solely motivated by scientific or economic considerations, but also by government and CPC policies, to a much greater extent than would be the case in the Netherlands. This has always been the case, but under President Xi Jinping increasing emphasis is being put on the leading role of the Party, especially in all those parts of society that do not have the appearance of party organs. The concentration of power in the party has far-reaching consequences, including a significant decline in the space for civil society.

China's goals and ambitions

It is apparent from Chinese policy documents that China's goals are, in brief: (1) further economic development and transformation from a manufacturing economy to a knowledge economy that is largely independent of foreign knowledge and technology, and (2) maintenance of internal stability under the leadership of the CPC. China has also set itself the goal of achieving a 'relatively prosperous society' by 2021 (the year in which the CPC will celebrate its centenary) and a 'great modern socialist country that is prosperous, strong, democratic, culturally developed and harmonious' by 2049 (the centenary of the People's Republic). It is worth noting that 'democratic' does not mean that the position of the party is open to discussion, but rather that it is considered by definition to represent the interests of the Chinese people. That will be the realisation of the Chinese Dream - Xi Jinping's vision of the 'great revival of the Chinese nation' and the restoration of China's global standing. China is already clearly hard at work on the latter ambition. Over the past five years, the country has portrayed itself as leading the way in globalisation, free trade, climate protection and the multilateral system. At the same time, China is increasingly expressing its own vision and objectives in multilateral forums through concepts taken from the CPC's 'vocabulary list' that embody these objectives, such as 'win-win solutions' and 'mutually beneficial cooperation'. This is done in resolutions and declarations as well as in bilateral memorandums of understanding (MoUs). Another well-known concept is the 'community of shared future for mankind', which China promotes internationally. In this concept, economic rights are paramount; individual rights are secondary to the collective; there is little room for civil society and countries do not interfere in each other's political systems or human rights situations – in other words, a new international order in which China no longer deviates from the norm. The widely discussed Belt and Road Initiative (BRI) is mentioned in the CPC's constitution as an important means of achieving that 'community of shared future for mankind'.

Current Dutch policy on connectivity and the Belt and Road Initiative

The Belt and Road Initiative (BRI) is a large-scale Chinese project designed to promote connectivity ('new Silk Roads') between continents and their adjacent seas. This goal is being pursued, for example, by building roads, railways, ports and airports, facilitating investment and trade, promoting financial cooperation, and fostering cultural exchanges and direct people-to-people contacts. China is also working on a digital version of this initiative in areas such as internet technology and online banking.

The Netherlands considers connectivity important and therefore endorses the EU strategy on 'Connecting Europe and Asia'. This strategy emphasises the importance of all aspects of sustainability, including the tax-related, financial and social implications, and a focus on the environment. The Netherlands and China have common ground in pursuing connectivity, as long as it is sustainable and compatible with the EU's parameters and offers tangible opportunities and projects for both parties. In that spirit, the Netherlands has concluded an MoU with China on cooperation (by companies) in third markets. This does not mention specific initiatives relating to connections or connectivity, but it does record agreement on issues such as sustainability and non-discriminatory procurement. Commercially, the BRI can offer Dutch companies logistical and other opportunities and additional transport options (for example, with the development of rail connections) and, by opening up relatively undeveloped areas, it can also offer economic opportunities outside the immediate BRI hotspots. As regards Dutch involvement in this initiative, the government will monitor both the Netherlands' own competitive position and China's strategic aims. There will also be continued scrutiny of Chinese influence in countries along the 'New Silk Road' and on Dutch and European infrastructure, for example from the perspective of economic security (see also part II, chapter 2, paragraph 2.1.3).

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China as a partner

Although China likes to talk about friendly relations, it chooses not to form alliances. Clearly, the ideological gap between China and Western countries is exceedingly wide. CPC documents openly refer to Western countries as 'anti-China forces' which are out to overthrow the socialist system out of envy of China's economic development. By definition, this world view sets limits to the nature of relations between China and a country like the Netherlands. It also means that there is relatively little that the Netherlands can do (or refrain from doing) to 'stay friends' with China. It is therefore important to seek cooperation based on shared interests, without having to deny the existence of ideological differences.

China's domestic challenges

China's rapid economic rise has also led to domestic challenges such as environmental pollution and high income inequality and other forms of inequality between both individuals and regions. In the absence of reforms, the relative extent, complexity and growth of lending in China will pose an increasing risk to Chinese financial stability. China also faces major demographic challenges due to a rapidly ageing society and internal labour migration. The shift in the ratio between productive and non-productive groups is expected to have a major impact on the Chinese economy. China's international activities can be better understood in the light of these challenges. For example, the New Silk Roads will help export Chinese overcapacity and promote economic development in China's underdeveloped regions. Only time will tell whether the Chinese leadership will succeed in meeting these challenges and manage to avoid economic and other problems. Significant policy reforms in China are required to ensure lasting economic growth and social progress. The leap from a middle-income to a high-income country will undoubtedly be more difficult than the leap made by China over the past 40 years from a low-income to a middle-income country.

The changing world requires strong EU action

As the above analysis shows, achievements of importance to the Netherlands, such as free trade and a rules-based multilateral order, can no longer be taken for granted. Owing to the Netherlands' small size and the changing nature of today's multipolar world, Dutch interests can only be vigorously promoted within a larger framework: the EU. For the Netherlands the changing world order first of all requires unity within the EU. The Netherlands must also make greater allowance for the new geopolitical power dynamic. As described in the 'State of the European Union 2019'¹⁵ and EU publications,¹⁶ the EU and the Netherlands will need to take account of how major international players are combining economic and political interests, and will have to develop a coherent response. The EU has its own interests on the world stage, on which it encounters China and the US as the largest and most influential players. The Netherlands is taking active steps to achieve unity within the EU on an increasing number of themes in order to enhance the EU's effectiveness. Clearly, this is not easy owing to divergent national interests among member states and China's influence. However, Europe can certainly achieve results in such areas as external and internal security threats, climate change and, above all, economic development and economic security. Strong and strategic EU action at geopolitical and geo-economic level is crucial for the Netherlands.

¹⁵ 'State of the European Union 2019', Parliamentary Paper (25 January 2019), <https://www.government.nl/documents/parliamentary-documents/2019/02/04/state-of-the-european-union-2019>.

¹⁶ European Commission and High Representative of the Union for Foreign Affairs and Security Policy, Joint Communication to the European Parliament, the European Council and the Council, 'EU-China – A Strategic Outlook' (2019).



Focus on foreign policy objectives: themes and forms of cooperation





Sustainable trade and investment

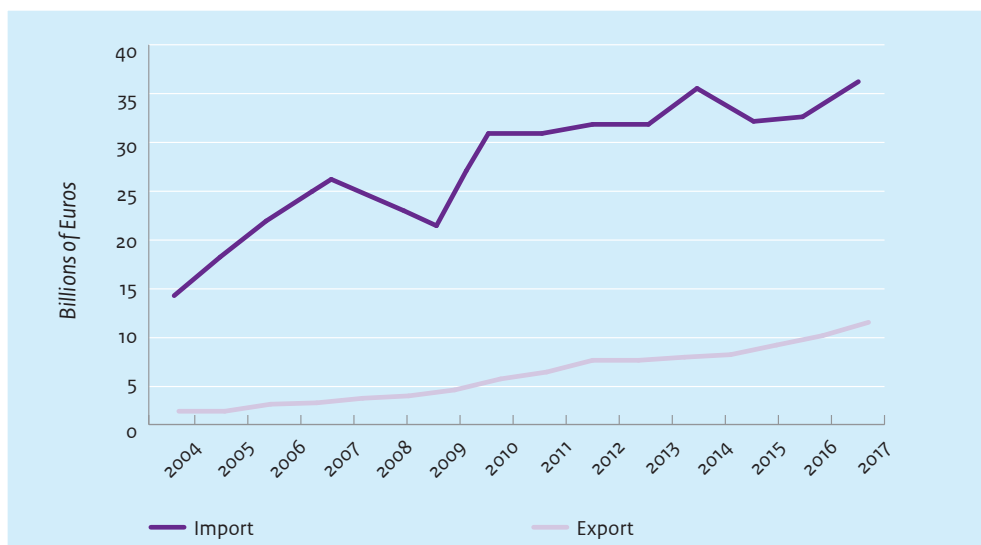
China is one of the Netherlands' key trading and investment partners. Its rapidly growing markets, big R&D budgets, large pool of talent and high-quality knowledge infrastructure offer many opportunities to Dutch companies and institutions. This is why it is important to work together on the basis of shared interests and seize opportunities when they arise. The Dutch government can open doors in that regard. At the same time, we have to acknowledge that China does not have a market economy and is not a state founded on the rule of law as we know it. The Dutch government wishes to address unfair trade practices and will strive for more balance and more reciprocity in trade relations with China. When it comes to certain key technologies and critical raw materials, we do not want to become dependent on China. Furthermore, we seek to protect intellectual property, prevent unwanted technology transfer and ensure that investment risks are manageable.

China's economic rise and its integration into global value chains has had a largely positive effect on the growth of the world economy and has been of undeniable benefit to the Dutch economy. Our prosperity is inextricably linked to our international earning capacity. Thanks in part to our commercial spirit and capacity for innovation and to partnership between the government, businesses and knowledge institutions, we earn a third of our income abroad, and 2.2 million jobs are linked to international trade. Although China's share of Dutch exports and investment is still relatively modest, it is growing rapidly.

Sino-Dutch economic relations in figures

Over 1,000 Dutch subsidiaries operate in China and around 520 Chinese subsidiaries operate in the Netherlands. Export of goods to China grew from €1 billion to over €11 billion between 2001 and 2017. This is 2.4% of total Dutch goods exports. Over the same period imports from China rose from €9 billion to over €36 billion. This represents 8.8% of total import of Dutch goods. Dutch exports of services to China amounted to €2.4 billion in 2017; this is 1.2% of total Dutch services exports. Imports of services from China amounted to €3.6 billion in 2017; this is 2% of total import of Dutch services.¹⁷ Dutch foreign direct investment (FDI) in China grew by €10 billion, to nearly €27 billion, between 2012 and 2017. Over the same period, Chinese direct investment in the Netherlands grew from €3 billion to €29 billion in 2017. Although this is an almost tenfold increase, the Chinese share of total investment in the Netherlands is still modest: 0.7%.¹⁸

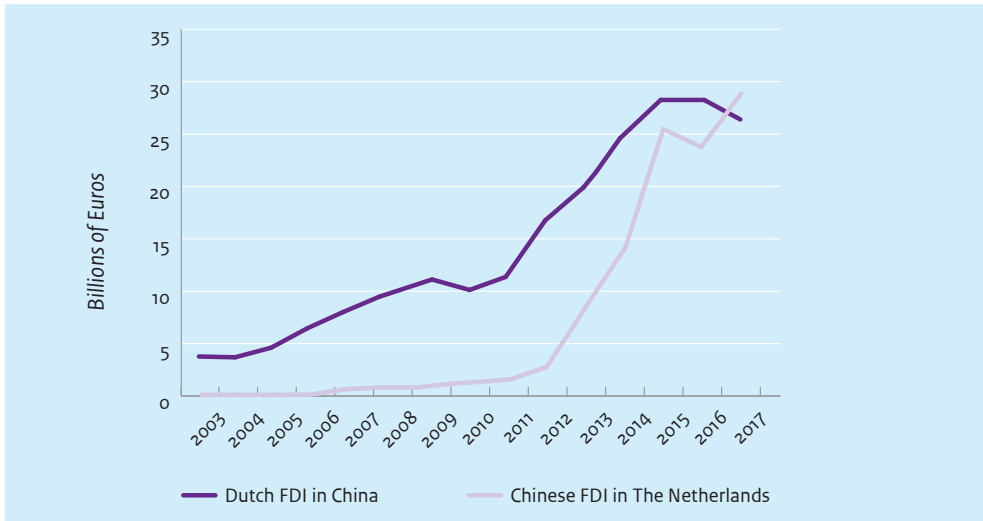
Import/export figures The Netherlands - China



¹⁷ Statistics Netherlands (CBS) StatLine, 'International Trade: Imports and exports of services by country' (2019).

¹⁸ De Nederlandsche Bank (2017). The figures include special financial institutions and exclude FDI from Hong Kong.

Direct investments (FDI) The Netherlands - China



China's economy was primarily complementary to that of the West in the 1980s and 1990s: Western businesses and consumers benefited from China's relatively cheap labour and products and a wider range of choice. In the past 20 years, however, China has evolved into a strong competitor and major player in the field of technology. China's R&D budget increased almost tenfold in the period 2001-2017, reaching \$410 billion in 2017. The amount invested in R&D in the EU in that same year was \$350 billion.¹⁹ China is the world's largest R&D country in terms of the number of published scientific articles and patent applications. Twice as many patent applications are filed in China as in the US, and almost ten times as many as in Europe. Although the vast majority of patent applications in China are only national and still lag behind in terms of quality, the huge increase is indicative of a transition to a knowledge-intensive economy focused on technological innovation.

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Competition is good in as much as it helps to cut costs and boost technological progress, but that applies only if everyone plays the game in the same way and abides by the rules. And this does not always happen. For instance, China is guilty of trade practices that distort the level playing field and restrict market access.²⁰ Examples include undesirable state aid and forced and improper technology transfer.²¹ There are also concerns about how China deals with the environment, human rights, rights at work and privacy. For example, the rapid rise of digital platforms is posing a major challenge to enforcing EU legislation on data, privacy and product safety. Guaranteeing the rights of consumers, employees, entrepreneurs and the general public is crucial. Finally, there may sometimes be questionable geopolitical motives behind China's economic expansion. Its investments in physical infrastructure and high-tech sectors abroad are one example.

¹⁹ OECD, 'Gross domestic spending on R&D' (indicator) (2019). doi: 10.1787/d8bo68b4-en.

²⁰ Motion by MPs Bente Becker and Mustafa Amhaouch on combating China's unfair trade practices (2018), Motion #21501-02-1882.

²¹ This is the conclusion of a survey by the European Chamber of Commerce: the business community complains that it is encountering more and more regulatory obstacles when doing business with China, and that more than half of the companies feel compelled to transfer technology.

Dutch companies and sectors each experience the extent and seriousness of the problems in their own way. For example, the high-tech industry and the transport equipment sector mainly cite the risk of knowledge leaks, while building contractors are concerned about Chinese state-aided competitors. Nonetheless, the mood among Dutch businesses is still largely positive, partly due to China's fast-growing domestic market, substantial R&D budgets, large pool of talent and high-quality knowledge infrastructure. Collaboration with China on the basis of shared interests is useful, for example, in achieving the UN's Sustainable Development Goals (SDGs). The Netherlands can for instance help China make its food chain more sustainable. It can suggest innovative solutions designed to minimise waste generation during food production, the emission of harmful substances, and losses of raw materials and end products. This is in line with the Dutch vision of circular agriculture.

1.1.1 China's aims for trade and investment

In search of a sustainable, future-proof growth model

In recent decades China has grown to be the world's second-largest economy.²² This success is due to institutional reforms that have facilitated entrepreneurship, in combination with low wages, infrastructure investment, the stimulation of exports and a financial sector that provides credit without many conditions. However, China's economic growth is levelling off, wages are rising and domestic issues such as ageing and the environment require the full attention of policymakers. China is urgently searching for a sustainable, future-proof model that relies more on domestic consumption and high-quality growth. China has set itself the goal of becoming one of the world's most innovative countries by 2030. It seeks to be the leading self-sufficient science and technology superpower by 2049. Two initiatives are a particularly striking means towards this end: the Belt and Road Initiative (BRI; see also I Introduction) and the Made in China 2025 Programme (MiC2025).

China aims to become a technological superpower

The MiC2025 Programme, which gives priority to ten sectors of the economy, is intended to ensure that China can make major technological advances between now and 2025.²³ To this end, China seeks to become largely independent of the West and is following a sophisticated and assertive strategy. This involves a combination of large-scale government investment in R&D, acquisitions of foreign high-tech companies and provision of access to the Chinese market in exchange for technology transfer. Nor does China shy away from large-scale use of aggressive digital tactics to gain access to knowledge and technology. MiC2025 aims not only to stimulate innovation, but also to control the production process and secure supply chains. For this purpose, China is formulating requirements and standards on quality and sustainability. Its goal is to ensure that by 2025 70% of products from the ten strategic sectors are made in China.

22 At country level; the economy of the EU-28 as a whole is larger than that of China.

23 The sectors concerned are new information technology, automated machine tools and industrial robots, aerospace equipment, maritime equipment, modern railway equipment, new energy vehicles, power supply equipment, agricultural machinery, new materials and biopharmaceutical and advanced medical products.

Some qualification of the Chinese strategy is in order, however. Although apparently coherent and comprehensive, it entails a high risk of economic inefficiency. This is illustrated by Chinese ghost towns and a gas pipeline between China and Myanmar running at just a third of capacity. The delay in implementing MiC2025 shows that the writing is on the wall; the Chinese authorities are already talking of MiC2035. The geopolitical return on China's investment is still uncertain as well. In the meantime, China's mountain of debt is growing, and its credit arrangements pose a risk to its financial and hence economic stability.

1.1.2 Unfair trade practices

After protracted negotiations, China joined the WTO as a developing country in 2001 under strict conditions. Its accession was expected to bring about reforms and open up its economy. If we were to take stock now, it is apparent that these expectations have not always been fulfilled. In practice, China still shields its market in all kinds of ways through informal rules and local content requirements. Nor is there by any means always a level playing field. This also applies to Chinese operations in third markets.

Limited market access and difficulties of protecting intellectual property (IP)

Market access in China is limited by all kinds of local content requirements, such as the obligation to enter into a joint venture with a local firm or appoint Chinese directors. China also discriminates against foreign firms when granting permits, and its opaque procurement procedures make it hard for them to win public contracts.²⁴ Protecting and enforcing IP is also difficult in China. Tackling these practices through litigation is time-consuming and lacks transparency. The EU and the US have also already filed various complaints at the WTO. Although China often complies with court judgments in theory, things tend to turn out differently in practice. China recently announced reforms to open up markets still further, but these often prove to be slow and selective. Examples are the lifting of the joint venture requirement in the insurance market and the admission of Dutch veal to the Chinese market.

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Disruption of the level playing field in both China and third markets

The Chinese authorities are closely involved in Chinese businesses, both state-owned and private. This disrupts the level playing field in various ways. Whereas the EU imposes strict requirements on state aid, private Chinese companies have easy access to cheap financing and subsidies. China accounts for one third of all public export credit provision worldwide.²⁵ It seems unlikely that these practices will end in the near future. As can be seen from its position paper on WTO reform, China would rather focus its efforts on reducing the agricultural export subsidies of developed countries than on reducing industrial subsidies and state-owned enterprises. Other factors disrupting the level playing field are China's dumping practices and its status as a developing country within the

²⁴ China has not acceded to the WTO Agreement on Government Procurement (GPA).

²⁵ China's provision of public export credit outside the applicable international frameworks (the Arrangement on Officially Supported Export Credits) is equivalent to the provision of a prohibited subsidy under the WTO Agreement on Subsidies and Countervailing Measures (ASCM). As negotiations with China within the framework of the International Working Group on Export Credits (IWG) have been unsuccessful since their inception in 2012, China will also continue to circumvent international agreements designed to secure a level playing field for Dutch and other exporters of capital goods.

WTO.²⁶ China has indicated that it does not wish to give up its status as a developing country, which entitles it to special and differentiated treatment. Dutch companies are expected to adhere to the OECD guidelines on employment, human rights, supply chain responsibility, the environment and consumer protection, which often do not apply to Chinese companies. Although China has tightened its environmental legislation, enforcement is inadequate and foreign firms seem subject to stricter control. China is also becoming increasingly assertive when it comes to the development and adoption of technical product standards, for example for 5G within the International Telecommunications Union. A country or trade bloc that succeeds in defining international technical standards can give its own economy a major competitive advantage.

1.1.3 Central control and the intertwining of politics and economics

China has a centrally controlled economy which involves the close intertwining of political and military power on the one hand and economic and technological development on the other. In situations where China considers that its geopolitical interests outweigh its economic interests, unilateral dependence, for example in the field of rare earth metals and key technologies, may pose a strategic risk. As the civilian and military sectors are often closely intertwined in China, the export of strategic goods to China requires particularly careful consideration. It is difficult to exclude in advance the possibility that goods originally intended for civilian use might also be used for military purposes, particularly in the case of high-tech products. Vigilance is also required where foreign investments affect our national and economic security. Unilateral strategic dependence that might cause social disruption must be prevented. Examples would be foreign interference that affects the functioning of our democratic legal order or jeopardises the continuity of vital services.²⁷

1.2 Aims

On the basis of the above analysis, the government has formulated the following aims:

- To increase our international earning and innovation capacity:
 - the Dutch authorities will encourage sustainable and inclusive trade and investment with China and cooperation in those areas of technology and innovation where the mutual benefits are greatest. This will involve weighing up the opportunities and risks;

²⁶ China's status as a market economy is relevant here. Although China did not immediately receive market economy status (MES), it was expected that it would rapidly evolve into a market economy along Western lines. That is reflected in the agreements made at that time about China's acquisition of MES. These agreements mean that formally MES status can no longer be withheld, although in reality no free market economy exists in China. This legal issue is important because anti-dumping and anti-subsidy laws apply differently to market economies.

²⁷ Parliamentary Paper, 30821 no. 22, 'Tussen naïviteit en paranoia: nationale veiligheidsbelangen bij buitenlandse overnames en investeringen in vitale sectoren' (Between naivety and paranoia: national security interests in cases of foreign takeovers and investments in vital sectors) (24 June 2014), p. 17.

- the Dutch authorities will tackle unfair trade practices, including in third markets, striving in this way for greater balance and reciprocity in trade relations with China. Points for attention in this regard are the competitive position of Dutch businesses and the need to prevent undesirable unilateral dependence on China;
- for the sake of our national security, the risks posed by Chinese activities in the Dutch economy, such as investments, will be identified, analysed and managed in a timely manner.

1.3 How will we do this?

1.3.1 By increasing our international earning and innovation capacity

China remains an important trading and cooperation partner, but China does not have a market economy and is not a state founded on the rule of law as we know it in Europe. We therefore need a combination of offensive and defensive measures in accordance with the government's aims in the field of trade and investment, as described in the policy document 'Investing in Global Prospects' and the annexe setting out the government's trade agenda.²⁸ The trade agenda's aims are a strong multilateral trade and investment system, a level playing field, good access to global markets, a favourable business climate and international cooperation on knowledge and technology based on shared interests.

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Strengthening the domestic market and the EU single market

To strengthen our international earning and innovation capacity, we must first strengthen our own market and competitiveness. To this end it is essential for the EU and the Netherlands to continue investing in knowledge and innovation. The government advocates a balanced European industrial policy and a raw materials policy oriented towards a circular economy that focuses on developing key technologies and easing social transitions, such as digitalisation and enhancing sustainability, in the framework of the Sustainable Development Goals (SDGs). In addition, the EU should continue to defend its capacity to create and make smarter use of standards and work closely with like-minded countries to this end. Europe can also become a leader in regulating digital platforms.

Increasing access to the Chinese market

Further increasing access to the Chinese market is necessary in order to capitalise on the opportunities it presents. The EU's aim is to conclude an investment agreement with China. Consideration must also be given to gaining access to each other's public procurement markets, on a basis of reciprocity and transparency. China is one of the top nine markets for which the Netherlands is formulating a multiyear marketing strategy, focusing on the top sectors, key technologies and SDGs. The embassy in Beijing, the consulates-general and the Netherlands Business Support Offices (NBSOs) provide assistance to Dutch companies and knowledge institutions in entering the Chinese market. This is facilitated by closer cooperation with the Dutch Tax and Customs Administration.

²⁸ Parliamentary Paper 34 952(1), 'Investing in Global Prospects', foreign trade and development cooperation policy document (18 March 2019) & Parliamentary Paper 34952-30, Annexe setting out the government's trade agenda (19 November 2018).

Stepping up international pressure on China to tackle unfair trade practices

Unfair trading practices should be tackled first of all by bringing international pressure to bear on China. This can be done through the WTO and the EU and in cooperation with like-minded countries, so as to urge China to conform with international rules where it has not yet done so. For example, the EU believes that China does not comply with WTO rules on IP, as foreign patent holders are treated less favourably than their Chinese counterparts. Therefore it seeks to press more strongly for WTO dispute settlement. Enforcement of intellectual property rights will be raised in multilateral forums such as the WTO and the World Intellectual Property Organization (WIPO). As the current WTO rules do too little to counter China's unfair trade practices, the Netherlands seeks to work through the EU (and together with Japan, the US and other like-minded countries) to close gaps in the WTO rules. The Netherlands also feels that a specific timetable should be agreed for phasing out China's status as a developing country within the WTO and related forums. Furthermore, the government supports stricter enforcement and more effective dissemination of existing standards such as the OECD standards and guidelines on anti-corruption, state-owned companies and corporate social responsibility and European legislation on data, privacy and product safety. The Netherlands takes the view that China, as a responsible player, should also conform with these agreements. Finally, the government will seek multilateral solutions in cases where China disrupts the global market by creating overcapacity and by dumping. For example, it will raise the issue of Chinese dumping in the G20 Global Forum on Steel Excess Capacity.

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Protecting our domestic market and the EU single market

As multilateral negotiations tend to be extremely difficult and slow, it is necessary to consider what additional measures could be taken to improve the protection of the European and Dutch markets, reduce unilateral strategic dependency on China and create a more level playing field. For example, the government will explore to what extent adjustments to aspects of EU competition law and the state aid framework could create a more level playing field both within and outside the EU.

The Netherlands would also support the use of trade defence measures if it can be established that China is not complying with WTO rules and is dumping goods on the European market. Imports may be taxed if it can be shown that they are being sold at below cost price. If the negotiations with China in the International Working Group on Export Credits (IWG) fail to achieve results, European exporters will have to become competitive in relation to China. This will require a relaxation of the financial conditions binding on EU member states and others (unlike China) under the Arrangement on Officially Supported Export Credits. The government intends to free up more capacity for tackling cyberespionage, including advising the business community on how to combat it. This advice will also cover the broader field of IP violations.

New governance structure for security and the economy

The shifting world order and growing state involvement in the economy make it necessary to strike a good balance between protecting against unfair competition from outside and being able to do business freely, both within and outside the EU. In striking this balance, safeguarding national security interests related to economic activities is of major importance. This is expressed in the credo ‘open where possible, protective where necessary’. Measures that restrict trade and investment must be carefully designed and take account of the various interests involved. That is why a new ministerial committee and a civil service committee have been established to pursue a congruent policy in cases where economic and security interests have to be weighed in conjunction at national, European and international level. In addition, the Netherlands will invest in streamlining and strengthening the arrangements for gathering knowledge and information about China. An information and contact point will also be established in consultation with businesses, provincial authorities and municipalities to deal with providing information to the private sector and foster awareness of risks when doing business with China, for example with regard to cybersecurity.

1.3.2 By making national security risks manageable

Besides creating opportunities, trade and investment can also pose risks to national security. Measures can be taken to make these risks manageable.

Taking a stricter line on applications for licences for the export of strategic and dual-use goods

Civilian technology is increasingly being used for military purposes. The framework for assessing applications for licences for the export of strategic and dual-use goods should therefore be evaluated to decide whether it is needs tightening. The Netherlands is working closely on this with like-minded countries on a case-by-case basis.

Managing risks related to investments and acquisitions

The government's approach to increasing resilience to state-based threats was set out in the letter to parliament on countering state-based threats.²⁹ The measures described in the letter are actor-neutral and therefore also apply to state-driven investments by Chinese companies. For example, an Economic Security Task Force has been set up to discuss specific cases under the chairmanship of the National Coordinator for Security and Counterterrorism (NCTV). One subject currently high on the Task Force agenda is 5G telecommunication networks. Legislation is already in place in the Netherlands to protect private sector businesses. These include private legal protection structures, sectoral legislation, contractual agreements, the Enterprise Division (of Amsterdam Court of Appeal) and the designation of positions requiring security clearance. The government is in the process of evaluating and tightening up current legislation to allow better use to be made of it. At European level, efforts are being made to further strengthen the cooperation mechanism and framework for the screening of foreign investments by individual member states in the light of national security interests and public policy. Within this European framework, the government is working on designing a national investment screening mechanism. This will be an instrument of last resort for dealing with national security risks, which can be customised as required. Advance analyses of vital Dutch sectors have been carried out to determine whether additional measures are needed for their protection. These have shown that these sectors are generally well protected, for example because the businesses in question are wholly or partly owned by government bodies. However, they have also revealed the existence of a gap in the range of instruments for the telecommunications sector. The government has therefore introduced draft legislation – the Telecommunications (Restriction of Controlling Interests) Bill (WOZT) – to prevent undesirable controlling interests in the telecommunications sector.

²⁹ Letter to the President of the House of Representatives 30821 no. 72, 'Tegengaan statelijke dreigingen' (Countering state-based threats), 18 April 2019.



2

**Peace, security
and stability**

Over the past decade, China has quietly become a major economic power, with rapidly expanding military potential and an increasingly assertive, self-assured posture. For the time being, China's defence expenditure is below that of the United States, but it is approaching the collective expenditure of the EU member states. This is something which the Netherlands must take account of, as a member of both NATO and the EU. China has a variety of means at its disposal to achieve its strategic goals. Its pursuit of these goals could impact our own security. Issues like espionage (including cyberespionage), undesirable influencing and economic security demand our attention. National security risks posed by China will be made manageable.

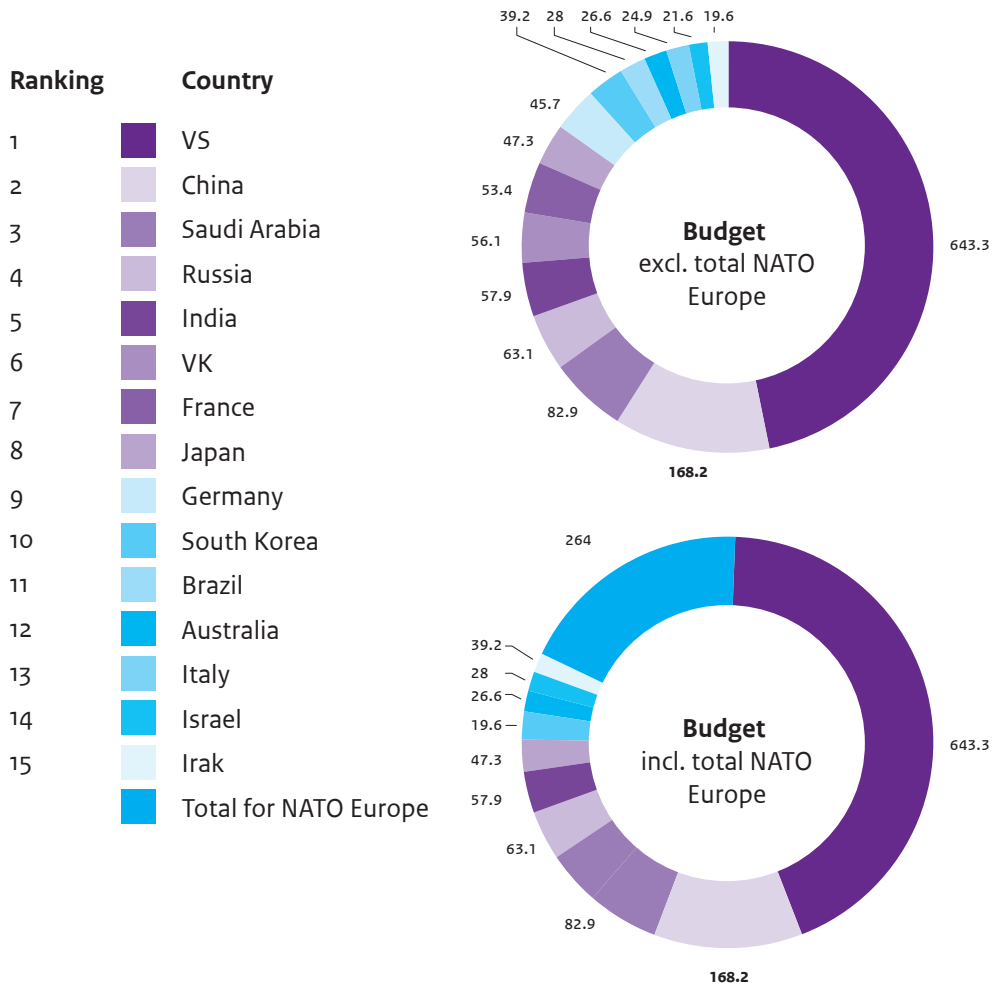
2.1.1 Rapid increase in China's military capability

China has dramatically raised its defence spending, from \$14 billion in 2000 to around \$168.2 billion in 2018.³⁰ Although it still spends much less than the US, it now comes close to the aggregate spending of the EU member states (excluding the UK). During this period, China's defence industry has evolved from specialising in copying foreign technology, mainly Soviet-era Russian equipment, into an industry capable to a great extent of independently developing and producing a wide arsenal of advanced weapon systems. The Chinese defence industry also actively sells these weapons on the export market.³¹

³⁰ <http://www.iiss.org/blogs/military-balance/2019/02/european-nato-defence-spending-up>.

³¹ Netherlands Defence Intelligence and Security Service (MIVD), 'Vooruitziend vermogen voor vrede en veiligheid' (A forward-looking peace and security capability), MIVD 2018 annual report (30 April 2019), p. 20.

Top defence budgets for 2018³² (in USD billions), including the total of all European NATO spending



³² <https://www.iiss.org/blogs/military-balance/2019/02/european-nato-defence-spending-up>

In its efforts to modernise its armed forces through these expenditures, China has concentrated on developing its anti-access/area denial capabilities. It now has modern surface ships, submarines, ballistic and other anti-ship missiles, long-range air defence systems and offensive air capabilities designed to keep a potential enemy at an ever greater distance from the Chinese mainland. China has also invested in developing the expeditionary capability of its armed forces, enabling them to operate for longer and further away from home. An example is China's first overseas military base, which was opened in Djibouti in 2017.

Besides modernising and expanding its conventional capabilities, China has invested heavily in upgrading and expanding its nuclear capacity in recent years. According to China, its national nuclear arsenal is intended exclusively for self-defence, and it has a no-first-use policy. Although China is not in the same league as the US and Russia in terms of numbers of nuclear weapons, both the latter two countries and the region are concerned and are adjusting their conventional and nuclear arms policies accordingly. To date, China has not been involved in nuclear arms control initiatives. Because of these concerns and the lack of transparency about its nuclear arsenal, it is important that China does participate in such initiatives.

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China is also investing in the militarisation of space and has an active military space programme. A complicating factor is that a strict separation between civilian and military capabilities is possible only in theory, since space technology can be used for both purposes. In its 2018 annual report, the MIVD states that China, as in previous years, made significant progress with its space programme in 2018, and is likely to take the lead in developing hypersonic weapons.³³ China is expected to achieve parity with the West sooner than the Russian Federation will.

China is a cyber-superpower. China's 2015 white paper on military strategy calls cyber technology a 'critical security domain' and indicates that the development of its cyber capabilities must be accelerated. China is therefore investing in artificial intelligence, quantum technology, robotics and human resources. Its cyber capability can be deployed anywhere in the world to promote Chinese interests.

China's conventional capabilities do not pose a direct threat to the Netherlands or the other countries of the Kingdom in the short or medium term. However, its substantial investment in developing its expeditionary capabilities enable it to use military means in support of its interests in its own region. This may have consequences for international shipping routes in the region (see 2.1.2). While the nuclear threat and the weaponisation of space are not directly aimed at the Netherlands or the rest of the Kingdom, they do constitute a potential threat to international peace and security. Chinese cyber capabilities directly impact our national security (see 2.1.3).

33 MIVD (30 April 2019), op. cit., p. 19-21.

2.1.2 China is becoming more active and assertive

China is becoming more and more involved in regional and global issues. This is a logical consequence of its new position in the world and its growing international interests. In some cases China is collaborating with other countries and respecting international agreements, but in others it is not.

China has been participating in UN peace missions since 2013 and thus gaining international experience. It is making an increasing contribution to funding UN peace missions in Africa (up from 3% in 2013 to 10.25% in 2018) and supplies more soldiers than any of the other four permanent members of the UN Security Council. China seems willing to play a greater role in the missions, while seeking to exclude human rights and political processes from their mandates.

China is adopting an increasingly assertive posture in international non-proliferation and disarmament forums (e.g. the Non-Proliferation Treaty, the Disarmament Conference and the Organisation for the Prohibition of Chemical Weapons) and the UN Security Council. In the past China invariably left the initiative to Russia, which is not averse to being obstructionist. China still does that at times, sometimes by emphasising the importance of decision-making by consensus. At other times, however, it sides openly with Russia. China aspires to membership of all export control regimes.

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In recent years China has also continued to create artificial islands in the South China Sea³⁴ and build facilities on them. This has met with opposition from neighbouring countries with overlapping territorial claims. China has disregarded a ruling on this by the Permanent Court of Arbitration in July 2016. China could gain control of the main international shipping routes in the region, legally (as border changes bring shipping routes within China's territorial waters), militarily (through the deployment of military capabilities) and by civilian means (the purchase of port facilities). This could have consequences for international shipping routes, which are crucial to the Dutch economy in ensuring 'flow security'. Outside its own region, China is becoming more militarily active, for example in Africa. Examples include military partnerships, a base in Djibouti and increasing arms sales.

On the Kingdom's Caribbean periphery, China has some political but predominantly economic interests in South America. Its focus in Central America and the Caribbean is primarily political (see also 8.1). At present, it has hardly any military presence, but this is growing. China can also have an impact on security issues in the region owing to the position it takes in – and towards – countries. Venezuela is an example.

³⁴ MIVD, MIVD 2016 Annual Report (24 April 2017), pp. 13-14 and MIVD, MIVD 2017 Annual Report (26 April 2018), p. 27.

China is increasingly exercising its influence in the countries bordering the EU. It does this mainly through trade and investment, in areas like infrastructure and energy. One way in which China competes is by offering credit on favourable terms. This is causing concerns about over-indebtedness and its possible impact on stability. Moreover, China overtook the United States in mid-2017 as the world's largest importer of crude oil, a large proportion of which comes from the Gulf. China also has a relatively limited but growing military presence in the Middle East and North Africa region.

2.1.3 China's hybrid influence on Dutch national security

China has many resources at its disposal to achieve its strategic goals. In using them it can also affect our security.

Traditional and digital espionage

In its 2018 annual report, the Dutch General Intelligence and Security Service (AIVD) states that a growing number of countries are engaging in political and/or economic espionage and that China is one such country. In its previous report the AIVD³⁵ noted that 'We have also identified attempts at recruitment and the targeted collection by China of specific information on financial, economic and political subjects.' One of the instruments used for this purpose is social media: 'A state actor can approach or contact persons of interest directly using the data obtained on employers or sectors, or on the basis of someone's business contacts on social media such as LinkedIn. [...] Such undesirable, covert activities also fall, for example, within China's broad strategy for boosting its economic, scientific and military power as fast as possible.'

Despite the good relations between our countries, China poses a substantial cyber threat to the Netherlands. Chinese digital espionage attacks are mainly aimed at acquiring innovative technologies, but China is also keen to obtain advance knowledge of foreign investments and mergers and acquisitions involving Chinese companies, particularly state-owned ones.

The AIVD³⁶ reports that China is interested in Dutch companies that are active in the fields of high-tech systems, energy, maritime technology and life sciences and health. This espionage harms Dutch companies economically and may adversely affect Dutch competitiveness and employment. International defence companies too must take account of Chinese interest in military goods, partial products and dual-use goods (capable of being used for civilian and military applications). The MIVD³⁷ reports that Chinese intelligence services are actively gathering military intelligence in the Netherlands and that China's cyber programmes also focus companies that supply our defence organisation.

35 AIVD, AIVD 2017 Annual Report (6 March 2018), p. 8.

36 AIVD 2018 Annual Report (2 April 2019), p. 9.

37 MIVD 2018 Annual Report, op. cit., p. 35.

The intelligence services³⁸ note that China's espionage programme also targets universities and research institutes, and that Dutch innovations can also fall into foreign hands in the course of legitimate partnerships between knowledge institutions. They also point out that Dutch businesses and knowledge institutions seem to be insufficiently aware of economic security risks and lack resilience.

Finally, China tries to obtain relevant political information, for example about Dutch positions on international issues and decision-making on investment strategies.

Undesirable influencing

China has various ways of trying to make the world more 'China-friendly', for example by muting critical voices. In doing so, it tends to focus on sectors such as politics and government, the media, academia and Chinese overseas communities. China employs a coordinated mix of open and covert methods, using a wide range of actors, including businesspeople, diplomats, students and intelligence officers. The AIVD³⁹ notes that there are states, including China, which attempt to influence opinions and publications about their own country through educational and knowledge institutions. The risk here is that this could create a dependency, for example when research is funded by the country concerned or focuses on developments in that country and necessitates travel to it. Something similar applies to journalists. For example, the authorities may threaten to withhold work permits if journalists' publications are unwelcome. The AIVD also reports that there are states, including China, that are prepared to influence and pressure their nationals and former nationals who have emigrated. Some groups are targeted because they disseminate information displeasing to China. Other groups, by contrast, actively support the aims of the Communist Party of China (CPC). The aim of influencing strategies is to control how people speak, think and act in relation to China. China's influencing activities have undesirable effects because they undermine fundamental Dutch and Western values, such as freedom of expression and other basic freedoms.

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Economic activities that pose a risk to national security

Partly because economics and politics are so interconnected in China, it is important to be aware of Chinese economic activities that can pose a risk to national security. Three types of Dutch interests are at play here: (1) the Netherlands' interest in preventing strategic dependencies where they pose a threat to national security and the functioning of the democratic legal order; (2) our interest in ensuring the integrity and exclusivity of Dutch knowledge and information, such as state secrets and know-how about vital processes; and (3) our interest in ensuring the continuity and integrity of vital processes and services.

³⁸ MIVD 2018 Annual Report, op. cit., p. 16 and AIVD 2018 Annual Report, op. cit., p. 9.

³⁹ AIVD 2018 Annual Report, op. cit., p. 10.

Vigilance is important since the Netherlands is largely dependent on support by private sector companies in ensuring the continuity and availability of all or virtually all vital processes, for example through the supply of equipment, goods, services, knowledge and expertise. Moreover, Chinese companies – through legislation and/or party cells within their management – can be used by the state to serve national interests. For more information, see also chapter 1 on the balance between promoting economic prosperity and safeguarding national security.

Growth of criminal contacts

Experience shows that closer contacts can also result in a growth of criminal contacts. The increase in trading activities between China and Europe/the Netherlands as a result of the Belt and Road Initiative (BRI) or the EU Strategy on Connecting Europe and Asia is expected to cause an increase in transport-related crime. This is not a phenomenon confined to China, but because of China's size it has more impact than normal. In line with goal 10 ('tackling cross-border crime') of the Integrated International Security Strategy, the Netherlands will continue and, where necessary, intensify contacts and cooperation with China in tackling cross-border crime and illegal migration. We are also doing this through the EU and, where possible and necessary, in a multilateral context. Points for attention here are the applicable (privacy) legislation and human rights.

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2.2 Aims

On the basis of this analysis, the government has formulated the following aims:

- to ensure that Dutch government decisions on the protection of our country integrally reflect China's military rise, goals and vision;⁴⁰
- to apply to China the broad approach it has adopted to enhancing Dutch resilience to possible threats, including hybrid threats, from state actors. Digital and other espionage will be a special focus in this approach.

⁴⁰ On that point, see the Integrated International Security Strategy (14 May 2018).

Comprehensive approach to state-based threats

State actors have a wide range of instruments at their disposal, which may or may not be used in concert with one another, to promote their own interests. Examples include espionage (particularly economic espionage), foreign interference through the diaspora, cyberattacks, deploying economic resources, creating strategic and technological dependencies, influencing democratic processes, spreading disinformation and thwarting decision-making in international forums. To foster resilience to such threats, the government has presented a comprehensive approach. This includes improving the provision of information and fostering awareness. Moreover, the approach will focus in the period ahead on the themes of preventing undesirable foreign interference through the diaspora, protecting democratic processes and institutions and safeguarding economic security.⁴¹

2.3 How will we do this?

By enhancing national security together with NATO allies and EU member states, taking into account China's military rise, goals and vision

Together with NATO allies and EU member states, the government is monitoring China's military development. Longer-term threats are being addressed by Dutch policy and by our commitment to remaining firmly embedded within NATO and the EU. To avoid unintentionally helping China to acquire new military know-how, the government intends to make even clearer agreements about sensitive industries, set clearer limits on the transfer of dual-use technology, and define even more clearly in what situations military and other cooperation with China is desirable.

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By making national security risks manageable, raising awareness and working with partners

Broadly speaking, the government will take the following actions to improve our approach to tackling state-based threats: introduce a standard procedure, enhance the gathering and sharing of information, raise awareness, increase knowledge, focus on defence measures, link the economy with security, improve digital security and foster international cooperation.

⁴¹ See also Letter to parliament 30821 no. 72, 'Tegengaan statelijke dreigingen' (Countering state-based threats), 18 April 2019; Parliamentary Paper 30 821 no. 42, Letter to parliament from the Minister of Justice and Security and the Minister of the Interior and Kingdom Relations on undesirable foreign interference (20 March 2018), and goals 4 (clear international norms for cyber activities), 6 (forceful cyber deterrence), 8 (societal resilience to hostile foreign interference) and 9 (safeguarding economic security) of the Integrated International Security Strategy (14 May 2018).

In the case of China, Dutch government will redouble its efforts to gather information about Chinese influence on national security and use it to raise awareness among appropriate target groups. Security cooperation will take place, in principle, through the EU and with like-minded partners. The government will call China to account on security issues, where necessary in cooperation with the EU and like-minded partners. The Netherlands will mainly discuss the subject of counterterrorism collaboration with China in multilateral forums, having due regard for the fundamental principles of Dutch democracy based on the rule of law and hence for fundamental human rights.

Cybersecurity measures have been announced in the Netherlands as part of the International Cyber Strategy and the National Cybersecurity Agenda (NCSA, 2018), for purposes including raising awareness. The NCSA⁴² is the government's programme for ensuring digital security in the Netherlands. This approach is designed, among other things, to combat malicious cyber activities by state actors. For example, investments are being made to strengthen the resilience of digital processes and create a more robust infrastructure. Steps are also being taken to strengthen digital defences in order to respond to the increased digital threat and large-scale cyber incidents that threaten national security.⁴³

The government also emphasises the importance of international collaboration on this matter and is calling for closer cooperation. The use of diplomatic tools (e.g. to address the problem of identifying perpetrators), as envisaged in the EU Cyber Diplomacy Toolbox, could be considered. A system of cyber sanctions is also being completed, following the European Council of 18 October 2018.

42 House of Representatives, 2017–2018, 26 643, no. 536.

43 The House of Representatives has received a letter about the progress of the Dutch cybersecurity approach as set out in the NCSA. This letter also discusses the 2019 National Cybersecurity Assessment (CSBN 2019).



Values

Our system of values is under pressure around the world. This is due in part to a more assertive China which is enjoying the support of an ever growing group of countries. The Communist Party of China (CPC) and the Netherlands have diverging views mainly when it comes to freedom, particularly individual freedoms. China's view of human rights exerts an influence on three levels: in China itself, in the Netherlands and multilaterally. The human rights situation in China is deteriorating on multiple fronts. At multilateral level the CPC is calling into question the universality of human rights, and seemingly not without some success. Finally, Dutch nationals and people in the Netherlands can also be affected by China's actions. The last two levels merit additional attention. Furthermore, the Netherlands will work to maintain the international legal order, as it always has.

3.1.1 Values in general

Our values are not a given

Many Dutch people identify with values such as freedom, equality and solidarity, which form the foundation of our society.⁴⁴ These values are reflected in a political system based on democracy and the rule of law, and in a foreign policy aimed at promoting the international legal order and human rights. In this system the rights, freedoms and responsibilities of the individual are central. Dutch political values are congruent with European and Western values and are largely anchored in universal standards such as the Universal Declaration of Human Rights. However, our system of values is under pressure around the world. This is due in part to a more assertive China which is enjoying the support of an ever growing group of countries. Countries like the Netherlands find themselves on the defensive in upholding their values. Even within the EU, not everyone attaches the same importance to political values. This weakens us in our dealings with China.

The CPC has other values; the same words do not always reflect the same values

Values held by the Communist Party of China (CPC) include the historic inevitability of its leadership, the increased prosperity of its people, the great rejuvenation of the Chinese nation, and Sinocentric plurilateralism (within which groups of countries work together in different combinations under China's leadership). The CPC has twelve 'socialist core values', which are subdivided into national values (prosperity, democracy, civility and harmony), social values (freedom, equality, justice and the rule of law) and individual values (patriotism, dedication, integrity and friendship). Concepts such as democracy, freedom and the rule of law have a different meaning in China than in the Netherlands. It is important to distinguish between the CPC and the Chinese people. In diplomatic relations we have to deal with the values of the Party, which are fundamentally different from those of our Western democracy. The value system of ordinary Chinese is not necessarily the same as the CPC's.

The CPC is promoting its own values ever more actively

In China the CPC protects its values by restricting access to foreign ideas, actors and capital. Internationally, it promotes its value system through the Confucius Institutes and other cultural centres. It is only logical that China is trying to promote a more positive image. The Netherlands does this too. The difference is that the organisations concerned not only present a certain image of China; they also try to prevent others from drawing public attention to less flattering aspects of the CPC's policy by cooperating with and pressuring local partners or by financing events. China is also successful in promoting the use of terms at multilateral level that reflect its own value system. The type of values that are accepted worldwide is important for an open country such as the Netherlands. If the global definition of human rights changes, this may affect how others treat our rights.

⁴⁴ As described in the brochure 'Core Values of Dutch Society' published by the Ministry of Social Affairs and Employment on 20 February 2014.

Differing values, especially in relation to individual freedom

Despite the differences, values on which China and the Netherlands can agree do exist. Examples are prosperity and equality, although our exact interpretation differs. However, we clash when it comes to individual freedom, e.g. rights such as freedom of expression, religion and belief, as well as protection of personal data, press freedom and academic freedom. For China, these individual rights are subordinated to the collective interest. This is not the case for the Netherlands. For us, individual fundamental rights are paramount, and the central authority is constrained by checks and balances designed to protect individuals.

3.1.2 Human rights

The Netherlands promotes human rights as an integral part of its foreign policy, in the belief that this not only benefits individual wellbeing but also leads to a more stable, prosperous world. For a long time, Dutch human rights policy in relation to China focused mainly on China itself. But China is becoming more active abroad both multilaterally and bilaterally, which is directly affecting Dutch interests. Other policy areas too are becoming increasingly intertwined with human rights. For example, technology can both foster and restrict human rights, and the outcome of global technological competition therefore has an important bearing on them.

The human rights situation in China

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The human rights situation in China is deteriorating on multiple fronts. A particularly troubling example is the rights of Uighur Muslims and other minorities in Xinjiang province in the northwest of the country. Civil and political rights in particular, such as religious and cultural freedoms, are under pressure. Space for civil society is being constrained. Human rights defenders are hindered in their work or even convicted of crimes. The Netherlands regularly calls China to account for this through bilateral and multilateral channels. In China's Policy Paper on the European Union, the CPC states as follows: 'The European side should view China's human rights conditions in an objective and fair manner and refrain from interfering in China's internal affairs and judicial sovereignty in the name of human rights.'

China is actively attempting to change international principles

At multilateral level, the CPC is systematically trying to limit the universality of human rights by shifting the focus to economic rights and promoting the principle of sovereignty: individual rights are seen as less important and countries should not interfere in each other's 'internal affairs'. The CPC is having increasing success with this approach in multilateral forums, for example in the Human Rights Council in Geneva.

The Chinese vision of human rights has consequences for the Netherlands

Restrictions on fundamental freedoms do not stop at China's borders. Uighurs living in the Netherlands, including Dutch citizens, report that family members in Xinjiang are missing, and they feel pressured by the Chinese authorities to share personal information. Dutch companies wishing to comply with Chinese law are obliged to share sensitive customer data. Some researchers and foreign correspondents indicate that a degree of self-censorship facilitates their work with and in China. As these examples show, the Chinese vision of human rights has consequences for Dutch nationals.

3.1.3 International legal order

Both the CPC and the Dutch authorities state that they seek to promote the international legal order. At the same time, both are pursuing their own interests. Dutch objectives coincide with maintaining and continuing to improve the system, including upholding the values that go with it, such as an independent judiciary, equality of parties in legal proceedings, and so forth. As a major power, China is able to achieve its objectives in other ways, for example bilaterally. It stresses the freedom of countries to choose their own form of government. The historic inevitability of the CPC's leadership is hard to reconcile with an independent judiciary that makes decisions that directly concern the CPC. At its meetings the CPC emphasises that China should not simply copy foreign models and methods, and should certainly not follow the Western path of constitutional government, separation of powers and an independent judiciary. China is therefore cautious about legal conflict resolution and binding agreements. That makes enforcing rules within the multilateral system more complicated, while the very effectiveness of the system hinges on the enforcement of agreements.

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3.2 Aims

On the basis of this analysis, the government has formulated the following aims:

- to maintain universal standards (in particular, the Universal Declaration of Human Rights) and international agreements (in particular, the international legal order and its underlying principles, such as an independent judiciary), as they have now been called into question by China;
- to act on the basis of Dutch values when dealing with China. The Netherlands will communicate and, where necessary, defend these values. In doing so, it will take into account China's wide-ranging efforts to promote its own values both abroad (in the Netherlands and at multilateral level) and in China.

3.3 How will we do this?

The Netherlands attaches great importance to upholding its values. As freedom is under particular pressure in Dutch relations with China, that must be seen as a core interest. To uphold Dutch values, including human rights, the international legal order and that order's underlying principles, it is important to take action at the following three levels.

In dealings with China: continue to defend human rights and the international legal order

The Netherlands actively communicates its values. Human rights will remain an important part of the Dutch relationship with China. The government will raise the situation in China where appropriate, preferably at EU level but also bilaterally and at the UN, both publicly and through quiet diplomacy. The government will also continue supporting civil society in China. Closer contact will be sought with other European capitals to consider what instruments can best be used to reach a clearer European position more quickly in a given situation. The government believes that the EU, in keeping with European fundamental values, should work to achieve worldwide respect for universal human rights. Maintaining the international legal order also remains a priority for the government. In the dialogue with China, the Netherlands also seeks to identify common values and build on values that are of importance to both countries.

In the Netherlands: by enhancing resilience and raising awareness

Infringements of Dutch values that entail violation of Dutch norms are unacceptable. The government will enhance the resilience of Dutch nationals and communities of foreign origin in the Netherlands that may be confronted by such infringements. If foreign interference is detected, the coordinated approach set out in the letter to parliament of 16 March 2018 from the Ministers of Justice & Security and of the Interior & Kingdom Relations on foreign interference (Parliamentary Paper 30 821 no. 42) will apply.

The government seeks to raise awareness about differences in values between the Netherlands and China and about China's motives, actions and aims in this regard. One way it does this is through critical, public debate, which is in itself a major achievement of open societies such as the Netherlands. Here too, incidentally, we seek to work with our EU partners, like-minded countries and others.

At multilateral level: by defending universal values and communicating them more compellingly

At multilateral level, there will be a stronger focus on defending our values in general and universal human rights in particular. For example, the government will continue its efforts to prevent China's use of ideological language in texts challenging the universality and indivisibility of human rights, and to clarify undefined terms by reference to existing UN legal terminology. To achieve this, it will work through the EU and with like-minded partners. The Netherlands also seeks to make a more compelling case for Europe's values, including human rights and principles of the international legal order, for use in its dealings not only with China but also and above all with countries elsewhere in the world. After all, these countries also discuss values in forums such as the UN General Assembly and Human Rights Council.



Climate, raw materials and energy

China was instrumental in establishing the climate goals laid down in the Paris Agreement, and its participation will be vital if these goals are to be achieved. Climate adaptation, in particular, is a major challenge on which China and the Netherlands can join forces. Working together on energy (including renewable energy), the circular economy, sustainable mobility and environmental technology creates opportunities for companies and for climate and environmental policy. At the same time it is important to be vigilant about risks such as technology leaks.

4.1.1 Climate

China was instrumental in establishing the climate goals laid down in the Paris Agreement, and its participation will be vital if these goals are to be achieved. It emits more CO₂ than any other country in the world, and it is the world's largest consumer of coal. The potential environmental and climate gain is therefore huge. However, China's goals are not that ambitious, partly because it invokes its status as a developing country. China's Nationally Determined Contribution (NDC) submitted under the Paris Agreement stipulates that greenhouse gas emissions will peak in 2030 and fall thereafter, and that by 2030 carbon intensity per unit of GDP will have fallen by 60-65% compared with 2005. Both goals are expected to be achieved before 2030. To become climate neutral, China must drastically reduce its use of coal. Continued development of renewable energy – China has set itself a target of 20% renewable energy by 2030 – can play a role in this. Climate adaptation, in particular, is a major challenge on which China and the Netherlands can join forces. After all, China is already experiencing the effects of climate change. Alongside domestic measures, China could also play a greater role in promoting international climate adaptation. China's upscaling capacity is also of great importance in achieving climate goals. Owing to the large numbers of solar panels, electric cars and, shortly, hydrogen electrolyzers it produces, Chinese costs per unit are falling sharply, potentially making these alternative technologies cost-effective. However, the trade-off between opportunities (for the climate) and risks (e.g. unwanted technology transfer) remains a consideration (see also chapter 1).

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4.1.2 Raw materials

As one of the world's largest importers of oil, gas and coal, China influences the global market for raw materials and fuels. Domestic policy, such as the switch from coal to gas, influences supply security and price developments elsewhere, including the Netherlands. China is the world's largest producer and user of metals. For example, it accounts for almost 95% of global production of rare earth metals (which are needed for the energy transition). To meet its own demand, China is active in the mining sector in many countries, particularly in Africa. By acquiring mines in the DRC and elsewhere, it has obtained a dominant global position in the production, processing and supply of cobalt, a crucial component of batteries in electric cars and therefore an important raw material for the energy transition. China is taking action to combat mining-related evils such as environmental pollution, child labour and human rights abuses. For example, the Chinese Chamber of Commerce for the mining industry (CCCCM) has produced guidelines for its members that are almost identical to the OECD's Guidelines for Multinational Enterprises. In a world where competition for scarce raw materials (including the critical raw materials needed for the energy transition, innovation and key technologies) is set to increase, the circular economy offers a solution by ensuring a more secure supply. China's ambitions in this area provide opportunities for both the environment and Dutch businesses. Strategic cooperation with China on the circular economy would also help improve market conditions for Dutch leaders in that field.

4.1.3 Renewable energy

China is the world's largest investor in renewable energy and its role as a global player in this field is, if anything, expected to increase. New technology can be applied on a large scale in China. The country is going to speed up the roll-out of offshore wind projects, and there are opportunities in the fields of hydrogen and renewable energy storage technology. China is therefore attractive for Dutch energy companies with expertise in this field. It is also a major investor in sustainable mobility. As the transport sector accounts for a large proportion of global emissions, cooperation with China is attractive for Dutch businesses and important in meeting the climate goals.

Sustainable urban development

Both China and the Netherlands are having to cope with rapid urbanisation, which is having a serious impact on the environment and public health. Dutch spatial planning and urbanisation policy has proved to be a source of inspiration for Chinese policymakers. China's efforts are now in turn inspiring Dutch policymakers. Sharing knowledge about inclusive and sustainable urban development will remain important in the future.

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4.2 Aims

On the basis of this analysis, the government has formulated the following aims:

- to encourage China to take on a leading role in implementing the Paris Agreement and to adopt more ambitious national goals, and to promote collaboration on climate adaptation;
- to continue and expand cooperation with China on climate change, renewable energy, the circular economy, sustainable mobility and environmental technology;
- to secure and strengthen Dutch access to crucial, responsibly extracted raw materials by expanding Dutch and European cooperation with China on responsible raw materials supply chains wherever possible;
- to remain aware at all times of the need to strike a balance between opportunities and challenges (such as preventing technology leaks).

4.3 How will we do this?

By encouraging China to take on a leading role on climate change

Together with partners within the EU, the government will continue to focus on encouraging China to take on a leading role on climate change. The government will pursue its dialogue with China on China's national climate goals, including the implementation of specific measures. To this end, the Netherlands is providing technical assistance. The government seeks to step up cooperation with China on climate-related matters in multilateral forums like the UN, with the aim of inducing China to submit a much more ambitious Nationally Determined Contribution in 2020. This will help raise global climate ambitions, as part of our government-wide climate campaign. Wherever possible and expedient, the Netherlands will involve China in moving forward with international action on climate adaptation, for example through the Global Commission on Adaptation.

By continuing cooperation on renewable energy, the circular economy and sustainable mobility

The Netherlands seeks to strengthen global energy governance by supporting China's more active involvement in multilateral energy forums. Cooperation between the Netherlands and China on the sustainable use of energy sources and environmental technology will be continued. To become less dependent on foreign – particularly Chinese – raw materials, the Netherlands will advocate in the EU for an industrial and raw materials policy based on the circular economy, and increase circular use of raw materials through public-private partnerships within the European Innovation Partnership on Raw Materials. The government seeks to work with China on a strategy to reduce greenhouse gas emissions from shipping, aviation and road transport. The Netherlands and the EU will also urge China to make the Belt and Road Initiative more sustainable by anticipating the consequences of climate change when designing, constructing and using infrastructure.

By safeguarding Dutch access to responsibly extracted crucial raw materials

Dutch access to raw materials that are important for the energy transition, innovation and key technologies needs to be monitored. To become less dependent on foreign – including Chinese – raw materials, the Netherlands will advocate in the EU for an industrial and raw materials policy based on the circular economy, and increase circular use of raw materials through public-private partnerships within the European Innovation Partnership on Raw Materials. As China also has an ambitious policy on the circular use of raw materials, this provides opportunities for the environment and for Dutch and other businesses. Strategic cooperation with China on the circular economy would also help improve market conditions for leading Dutch businesses in that field.

By supporting Dutch business through identifying opportunities and risks

The government will support the business community by promoting Dutch environmental and energy policy, such as the approach to maintaining offshore wind farms, in dealings with China. Through its trade instruments the government provides support for businesses with promising initiatives in the field of sustainable energy and the circular economy. This involves weighing up opportunities and risks (as described in chapter 1). The government will investigate opportunities for Dutch businesses to support China with emissions trading. The government also expects Dutch businesses to adhere to the international frameworks for corporate social responsibility⁴⁵ by identifying and tackling human rights abuses and environmental pollution in their supply chains. The Netherlands is working with China in the UN and the OECD to increase transparency in the mining industry and its supply chain. Once the Dutch Strategic Platform has been established, the Netherlands will use it to promote responsible mining and raw materials chains.

⁴⁵ The Netherlands has committed itself to the UN Guiding Principles of Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises as a normative framework for corporate social responsibility, and the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, which elaborate on the OECD guidelines.

5



Development cooperation

China has lifted over 800 million of its people out of poverty. For this reason other developing countries see China and its development model as an attractive example. Chinese development cooperation is not always congruent with the European conception. Europe invests more in developing countries than China, but China's influence is on the rise. The Netherlands seeks to raise awareness about China's role in developing countries, work with China on SDGs and sustainability, address the issue of debt sustainability, push for the adoption of a fairer loan policy by international financial institutions (IFIs), and make more intelligent use in developing countries (especially in Africa) of Europe's comparative advantages.

5.1 China and development cooperation

According to the World Bank, China has lifted more than 800 million people⁴⁶ out of extreme poverty in its country since the end of the 20th century. In 1981 88% of people in China still lived below the poverty line; in 2012 only 6.5% of them did.⁴⁷ For this reason, many developing countries see China and its development model as an attractive example. This plays a major role in the political and economic relations these countries have with China. This applies, for example, to Africa, the continent on which Dutch development cooperation focuses.

Chinese development cooperation is not always congruent with the European conception

It is hard to obtain clear information about the funding of Chinese operations in developing countries, because it is not always made public and because China's definition of development finance differs from that of Western donors under OECD-DAC rules. What is generally true is that Chinese aid and trade are closely linked: what China calls 'aid' usually consists of economic projects financed by loans, often soft loans, and carried out by Chinese companies. Much of China's development finance consists of commercial loans from Chinese banks. In addition, over 90% of China's development finance is provided bilaterally, with only a limited part taking the form of grants.⁴⁸

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China's interest in raw materials

China's operations in developing countries are partly motivated by self-interest, for example its desire to secure its economic interests and its need for raw materials. It has invested heavily in African countries that are rich in raw materials, and raw materials account for the lion's share of its imports from Africa: 95% in 2017.⁴⁹ Raw materials can be brought to China through the ports that are being built as part of the Belt and Road Initiative. China is involved in funding the construction of new ports and inland infrastructure along the entire coastline of the African continent.⁵⁰

Chinese development cooperation has advantages and disadvantages

China is boosting Africa's development, for example through infrastructure construction, investment and job creation. Companies that create employment follow in the wake of government, and Chinese investments in infrastructure have contributed to economic growth in various developing countries.⁵¹ Even countries with poor credit ratings can obtain loans and investments from China, as well as hard currency through raw materials exports.

46 The World Bank (8 April 2019), 'The World Bank in China', <https://www.worldbank.org/en/country/china/overview>.

47 Measured as the percentage of people living on or under the poverty threshold of \$1.90 a day in 2011 (in PPP terms).

48 Becky Carter, 'A Literature Review on China's Aid' (2017), K4D Helpdesk Report, Brighton, UK: Institute of Development Studies.

49 ITC (2018) 'Trade Map: list of products imported by China'. <https://www.trademap.org>.

50 Breuer, J. (2017) 'Two Belts, One Road?: The Role of Africa in China's Belt & Road Initiative', Blickwechsel, July 2017, Stiftung Asienhaus.

51 Bradley Parks, 'Will Chinese Development Projects Pave the Way for Inclusive Growth?', Brookings: Future Development (11 September 2018). <https://www.brookings.edu/blog/future-development/2018/09/11/will-chinese-development-projects-pave-the-way-to-inclusive-growth/>.

Chinese loans account for much⁵² – or sometimes even most⁵³ – of the debt of some African countries. These countries have difficulty repaying them. A number of post-HIPC countries are once again in acute difficulties because of an unsustainable debt burden. According to the IMF, China has more loans outstanding in these countries than the World Bank, the Paris Club members and the regional development banks combined. Ten years ago, China's share of their indebtedness was still negligible.⁵⁴ As China is not transparent about its loans, other investors cannot properly estimate countries' debt burden and may be reluctant to grant loans. By contrast, China does have information about loans granted by other lenders, as it is an ad hoc participant in the Paris Club. As far as is known, China sets few if any conditions with regard to good governance for its loans in Africa (\$86 billion, 2004-2014). Almost 30% of the loans (\$29 billion) are estimated to be backed by collateral in the form of commodities.⁵⁵ Tied aid and loans from China limit the full potential of African countries' development through their productive sectors.

Europe has invested more in developing countries, but China's influence is growing

Europe is still Africa's main partner, especially in regard to economy and trade, sustainable development and security. For example, in 2016 the EU was Africa's largest export market (€116 billion, 35% of African exports, compared with just 11% to China). In 2015, Europe's FDI stocks in Africa totalled €310 billion, compared with €35 billion of FDI stocks for China. However, Chinese influence in Africa is growing as a result of the coordinated deployment of diplomatic, financial, economic and military instruments. Nonetheless, it is not possible to speak of 'Africa' as a whole. African countries are different, as is the local relationship with and between the EU and China. The extent of an African country's economic significance for China and the EU seems to play a role in this.⁵⁶

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The close intertwining of the Chinese state and business community creates an uneven playing field, as stated in sections 1.1.2 and 1.3.1. The Chinese authorities have ample funds, and state aid ensures that companies can focus on long-term objectives, with less need for short-term returns. What those long-term objectives are is not always clear.

52 Cameroon, Ethiopia, Ghana, Mozambique, Sudan and Zimbabwe.

53 Djibouti, Congo-Brazzaville and Zambia.

54 IMF (2018), 'Figure 1.17. Rising Vulnerabilities and More Complex Creditor Composition', in Global Financial Stability Report April 2018: A Bumpy Road Ahead.

55 George Friedman & Xander Snyder, 'How China Benefits from African Debt' (28 January 2018), Mauldin Economics <https://www.mauldineconomics.com/this-week-in-geopolitics/how-china-benefits-from-african-debt>.

56 Sven Grim & Christina Hackenesch, 'China in Africa: What Challenges for a Reforming EU Development Policy? Illustrations from Country Cases', Development Policy Review 35 (4), 2016.

African countries are taken with China's business-like attitude and its assertion that it acts with respect for sovereignty. It also sets fewer conditions for sustainability, good governance and human rights. As Chinese companies omit these safeguards and benefit from state aid and financial guarantees, they are often more flexible and able to deliver faster than their European counterparts. This gives them a competitive advantage.

China positions itself as a model for other countries, and particularly for developing countries. By adopting the profile of leader of the developing countries, China can claim more influence in multilateral structures 'on behalf of' this group. African countries regularly prove willing to support China politically.

5.2 Aims

The Dutch government's development cooperation aims are, in brief, to prevent conflict and instability, promote sustainable and inclusive growth and reduce poverty and social inequality,⁵⁷ particularly in the Sahel and the Horn of Africa,⁵⁸ with the SDGs serving as the basic framework. Gender equality and women's empowerment are a cross-cutting objective.

On the basis of the above analysis, the government has formulated the following aims:

- to invest in better mutual understanding and more up-to-date knowledge of Chinese activities related to development cooperation, including their impact on the SDGs and on particular countries, especially in Africa;
- to work with China (through the EU) on SDGs and sustainability;
- to address the issue of debt sustainability and press for the adoption of a fair lending policy by international financial institutions;
- to make more intelligent use in developing countries (especially in Africa) of Europe's comparative advantages.

⁵⁷ Dutch policy on foreign trade and development cooperation has four long-term objectives: (1) preventing conflict and instability, (2) reducing poverty and social inequality, (3) promoting sustainable and inclusive growth and climate action worldwide, (4) enhancing the Netherlands' international earning capacity. Objective (3) is dealt with partially – and objective (4) fully – in the chapter on sustainable and inclusive growth.

⁵⁸ The Middle East and North Africa (MENA) also belong on this list, but in this region the Netherlands' emphasis is mainly on preventing conflict and instability. The MENA region is dealt with in section 2.1.2.

5.3 How will we do this?

By raising awareness of China's role in developing countries

The government will work to promote greater understanding of China's role in developing countries and its influence on the achievement of the SDGs. The knowledge network to be set up (see conclusion) will examine China's aims, particularly in Africa. Naturally, discussions will also be held with Chinese parties and with the Dutch missions in the countries concerned. The information obtained will be shared with appropriate interested parties both within and outside Dutch central government.

By working with China on SDGs and sustainability

To achieve its aims relating to China and development cooperation, the government works primarily through the EU. The government supports the EU's aim, as set out in the Joint Communication 'EU-China – A Strategic Outlook' (2019),⁵⁹ of working with China to achieve the Sustainable Development Goals (SDGs). Dialogue and the search for synergy are key means towards this end.

Together with its partners, the EU seeks to continue to promote stability, sustainable economic development and respect for good governance, and sees opportunities for trilateral cooperation and positive engagement with China.⁶⁰ The government supports this approach. The Netherlands already engages in limited trilateral cooperation with China on sustainability. Possible follow-up actions will depend on what is learned from this initial cooperation.

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As regards sustainability, the government sees opportunities for cooperation with China both bilaterally and through the EU. The Netherlands will investigate the potential for involving China more in formulating international agreements and legislation. Concerns to bear in mind are the risks of 'greenwashing' and the leakage of Dutch technology to China.

Sustainability also plays a role in infrastructure, which can foster growth and jobs and thus economic development. The government is focusing on high-quality, sustainable infrastructure, including through cooperation within international financial institutions (IFIs) and the EU. The EU-China Connectivity Platform and the EU strategy on Connecting Europe and Asia are good ways to address sustainability across the board: attention to the environment and to social, fiscal and financial sustainability. This will also have a positive effect on stability.

⁵⁹ European Commission and High Representative of the Union for Foreign Affairs and Security Policy, Joint Communication to the European Parliament, the European Council and the Council, 'EU-China – A Strategic Outlook' (2019).

⁶⁰ Idem.

By promoting debt sustainability and a fair lending policy on the part of IFIs

Like the EU, the government attaches great importance to transparency and debt sustainability. The Netherlands will therefore work to strengthen the Paris Club by encouraging it to adopt clear conditions for participating countries; they may join discussions on the problems of a particular country only if they share information about the outstanding debts in that country. In other forums too, the government is working to introduce high standards for sustainable lending by creditor countries. It is studying whether the provision of technical assistance to developing countries with debts and risk assessment should be increased.

The Netherlands will use its existing partnerships with China, for example in IFI constituencies, to discuss differing views on conditions for development finance and lending standards. Such discussions could for example take place in the constituencies in the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IDB). The Dutch shareholding in the Asian Infrastructure Investment Bank (AIIB) also offers opportunities for such a discussion.

As with other upper-middle income countries, China's position as a recipient of financing from international financial institutions sits uncomfortably with its role as a donor and lender. The government regards China chiefly as a donor, lender and major power. The Netherlands therefore believes that new IFI activities in upper-middle income countries should have a clear focus (e.g. graduation of loans and/or contributions to global public goods such as climate and/or a strong catalytic or demonstration effect). At the IBRD the interest surcharge for upper-middle income countries, including China, has been increased. This extra income could benefit poorer countries. Similar agreements have been made within the Asian Development Bank. The Netherlands supports the plan to gradually reduce the World Bank's loans to China in the next few years.

By making more intelligent use in developing countries (especially in Africa) of Europe's comparative advantages

The government is working through the EU to strengthen the European narrative and adopt a more effective approach to European diplomatic engagement in Africa, bearing the broad relationship in mind. The EU is also an important channel for the Netherlands to promote international norms and standards as well as peace and security in Africa. The Netherlands is working to ensure an even better EU alternative to Chinese aid.



The multilateral system

Within the multilateral system China is assuming a more active and assertive role and expanding its influence. China takes part in this system, changing it from the inside out while also creating alternative institutions. To maintain our prosperity and security, the Netherlands has an interest in upholding the current system and its associated values. Together with its partners, the government will therefore take action in cases where China's activities run counter to these interests. We warmly welcome Chinese efforts to resolve global problems.

6.1 China's role in the multilateral system

Within the multilateral system China is clearly assuming a more active and assertive role and expanding its influence. This can have a positive effect in cases where China takes constructive steps (such as making a greater contribution to climate action and the stabilisation of countries through UN missions), but it also has a negative impact, in particular on UN human rights policy, trade policy and multilateral debt forums (see chapter 5). To maintain our prosperity and security, the Netherlands has an interest in maintaining the current system, including its associated values. China retains a preference for bilateral relationships, and seems to use the multilateral system more selectively, as a way of achieving specific goals. China's approach is to engage all multilateral forums simultaneously.

China is participating in and benefiting from the multilateral system

As China will soon be contributing 10% of UN's budget, it has become a major player in the institution, where all the world's countries are represented with one vote. The multilateral financial system offers China predictability and stability.

By tendering for IFI-funded projects, China wins an above-average number of orders for its companies and, as a middle-income country, is able to borrow at a relatively low cost. As a global power, China itself is also heavily involved in making loans as part of the Belt and Road Initiative. In its Policy Paper on the European Union (December 2018), China confirms that its 'status as the world's biggest developing country remains unchanged'. It is therefore playing a dual role worldwide, as both a foreign investor and a recipient middle-income country.

China is changing the multilateral system from within

It is only logical that a more powerful China should have a greater say within the multilateral system. However, this does not always work out well for a country like the Netherlands. For example, by introducing new language and concepts in UN documents, China is trying to change or weaken existing norms and legitimise Chinese projects such as the BRI (see part I, Brief description of China). It is doing this mainly through socioeconomic bodies such as UNIDO. To this end, China mobilises votes, often within the G77, and builds on ideological agreement, trade and investment relationships, aid relationships, diplomatic interaction and so forth. Western and pro-Western members are less successful in forming coalitions, partly due to reduced cohesion within the group. In the meantime, the UN is focusing more on China and seems increasingly willing to embrace the BRI: almost all UN institutions have signed a BRI MoU with China. In this way, Chinese interests and initiatives are getting a UN seal of approval.

China is establishing alternative institutions and initiatives

China is setting up alternative multilateral organisations and initiatives that provide it with more options and greater negotiating space. After all, possible alternative structures play a role in decisions on China's influence in existing institutions. An example of an alternative institution is the Asian Infrastructure Investment Bank (AIIB), of which the Netherlands and a large number of other

EU countries are members. The Belt and Road Initiative (see the introduction, Brief description of China) is another such initiative. Owing to China's emphasis on initiatives of this kind and American restraint, the relationship between the US and China is also having a knock-on effect at multilateral level.

6.2 Aims

On the basis of this analysis, the government has formulated the following aim: to promote an effective multilateral system that serves our interests and upholds our values as well as possible. This involves:

- collaborating wherever possible with China to strengthen the multilateral system;
- protecting the multilateral system and Dutch interests by taking action, where necessary and together with partners, preferably within the EU, and by working to ensure that China adopts a more balanced position within the multilateral system.

6.3 How will we do this?

By working with China, wherever possible, to strengthen the multilateral system

The government welcomes China's positive pronouncements about the importance of multilateralism. It also welcomes China's efforts to resolve global issues within the multilateral system, and in particular the constructive role it is playing in climate policy and its participation in UN peace operations. The government will seek cooperation through the WTO and within the UN.

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Where necessary, by protecting the multilateral system and Dutch interests and working to give China a more balanced position within the multilateral system

China's rhetoric about the importance of multilateralism is not always consistent with how it acts. When China does not comply with rules or agreements, and when its actions in multilateral organisations conflict with Dutch and/or European interests (for example in relation to human rights, changing use of language, trade and debt), the Netherlands will respond accordingly. This requires close coordination with European and other like-minded partners in the international forums concerned, such as the UN (UN Security Council), the boards of the IFIs and the WTO. The Netherlands will also work with its partners to give China a position within the IFIs that strikes a balance between responsibilities and benefits (see also 5.3 on promoting a fair lending policy on the part of IFIs).

The Netherlands will continue to urge the US to participate more wholeheartedly in the multilateral system; without the US, the EU and its partners have less impact. The Netherlands also remains committed to strengthening the parts of the multilateral system that serve Dutch and EU interests, for example through WTO reforms.



European cooperation

With the emergence of a multipolar world, the EU is only becoming more important to the Netherlands. Dutch policy on China falls under the umbrella of the EU's China policy and is complementary to it. The government sees the EU as the primary channel for its relations with China. The EU's China policy depends for its success on EU cohesion, which the Netherlands is working actively to strengthen.

7.1 Geopolitical changes require an effective and united EU approach

The European Union is feeling the impact of geopolitical changes and the emergence of a multipolar world. It is no accident that European government leaders decided in March 2019 that the single market must be deepened and strengthened and that the EU needs an assertive industrial policy to maintain its economic might. Besides introducing European foreign investment screening, the EU is studying how its legislation can better address the distortive effects of foreign state ownership and state-led investment in the internal market. European leaders are aware that the next technological revolution is imminent, and they are thus striving for a competitive, secure and inclusive digital economy, with high ethical standards and a special emphasis on artificial intelligence and the handling and protection of data. This European policy will have consequences for relations with China.

The EU has been China's largest trading partner for 14 years in a row, and China is the EU's second largest trading partner, after the US. The EU-China 2020 Strategic Agenda for Cooperation (2013) is the most authoritative common document agreed by the EU and China. Annual EU-China Summits are continuing to develop the relationship. In its Policy Paper on the European Union (December 2018), China emphasises that it regards respect, equality and the one-China principle as the most important political foundations of EU-China relations. China is clear about the main difficulties in its relations with the EU: official contacts with Taiwan, visits by the Dalai Lama, the arms embargo and high-tech export controls. The EU too would like to change things in the relationship, as described for example in the Joint Communication 'EU-China: A Strategic Outlook' of March 2019,⁶¹ in preparation for the EU-China Summit in April.⁶² For example, the EU wants to build a more balanced and reciprocal economic relationship with China by reducing subsidies and forced technology transfer and concluding a bilateral investment treaty. It seeks to protect the interests of member states by addressing national security risks, for example by means of a sanctions regime to counter cyberattacks.

The 2016 China strategy remains the basis of EU policy towards China, but the EU has now become more realistic and assertive. Strong EU action requires an effective and united approach, and that remains a challenge. This is evident, for example, from the fact that individual member states have concluded MoUs with China related to the Belt and Road Initiative. The '17+1 initiative' can also be viewed in this light. This is a partnership between 12 EU member states and 5 non-EU member states⁶³ from Central and Eastern Europe on the one hand and China on the other.⁶⁴ As a result of this initiative, these European countries are now getting the political attention from Chinese leaders they did not previously have. Participating European countries hope to benefit from the initiative mainly in terms of investment and trade. It should be noted that strengthening the single market could help

61 <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>

62 <https://www.consilium.europa.eu/en/press/press-releases/2019/04/09/joint-statement-of-the-21st-eu-china-summit/>

63 See also China-related questions in the memorandum relating to the report on the approval of the Protocol to the North Atlantic Treaty on the Accession of the Republic of North Macedonia, done at Brussels on 6 February 2019 (Parliamentary Papers II, 35 180), May 2019.

64 Besides China, the 17+1 are 12 EU member states (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia and, since 12 April 2019, Greece) and 5 non-EU member states (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia).

in this regard as well. Deepening and strengthening the single market enhances the competitiveness of the EU and its member states, thereby helping to establish a more equal economic relationship between them and China. The 17+1 initiative is one factor that can make it more difficult to reach consensus within the Union on relations with China across the board. However, consensus on specific issues, more coherent EU management and a broad approach at the level of government leaders are necessary. After all, given the evident expedience and necessity of working with China, one thing is clear: if Europe does not participate in decision-making, it will be subject to the decisions of others – and this applies to the Netherlands as well. An effective and self-assured EU is therefore vital for the Netherlands and a precondition for a more strategic approach to China.

7.2 Aims

On the basis of this analysis, the government has formulated the following aim: to work to ensure effective and united European action towards China, so that Dutch interests and objectives (which largely match those of the EU) are embedded in a broader framework. The Netherlands will seek to achieve this by:

- promoting integrated EU action towards China based on the EU-China strategy and related documents;
- enhancing EU cohesion and decisiveness with regard to China;
- strengthening the member states' ownership of EU policy on China;
- working via the EU to address specific topics.

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7.3 How will we do this?

By promoting integrated EU action towards China based on the EU-China strategy and related documents

The government advocates an integrated vision and approach, in accordance with the 2016 EU-China strategy. It believes that the action points on China presented by the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy in their Joint Communication of March 2019 provide useful tools for shaping the EU's relationship with China (although the Netherlands currently has reservations about the action point involving the promotion of reciprocity in public procurement). Not only should the EU be more aware of China's strategic approach and long-term thinking; it should also focus more on its own long-term strategy.

By enhancing EU cohesion and decisiveness with regard to China

A decisive and effective European policy on China is totally dependent on EU cohesion, and the Netherlands supports the EU in its efforts to enhance this. This involves linking networks, strengthening intra-European coordination and improving the provision of information to member states. The ideas set out in this year's State of the European Union to promote the effectiveness of the Union on the world stage also have implications for the EU's China policy. If joint action fails on important points, the Netherlands will seek to establish a leading group within the EU to take

the first steps. Together with like-minded member states, the government will make greater use of its bilateral contacts with those member states that block decision-making on China, so as to preserve EU unity. It will also involve the EU in the preparation of major bilateral events between the Netherlands and China.

The government has asked the Advisory Council on International Affairs (AIV) to draft a report on how EU action towards China could be strengthened and what role the Netherlands could play in this. This report was published in June 2019.

By strengthening the member states' ownership of EU policy on China

The government will work to strengthen member states' ownership of EU policy, for example by encouraging better preparation of summits and more frequent high-level discussions. The Netherlands would support the idea of an EU dialogue with the US on China. This would necessitate coordination of the member states' input.

By working through the EU to address specific themes

In relation to China, the government is specifically focusing on the following areas at European level: a) Trade and investment, especially a level international playing field (and agreement on an EU-China investment treaty), with the EU acting as an independent economic and political bloc in concluding agreements with China. This would include agreements on intellectual property, technology transfer, market access and product standards and safety (e.g. in the field of e-commerce). The government takes a constructive stance in the debate on the international competitiveness of European businesses, but has no wish to undermine the European principles of competition that have brought us so much prosperity. b) Implementation of the Paris climate agreement; China's leadership role in implementing that agreement. c) Continuing focus on the human rights situation, in particular the deteriorating situation of the Uighurs in China and beyond. d) The international legal order, for example in relation to cyberspace and the readmission agreement with China. The European Commission has a mandate from the member states to use EU visa policy as a lever to secure China's cooperation on returns. The Netherlands supports the Commission on this.



Cooperation within the Kingdom

The Kingdom of the Netherlands comprises the countries of the Netherlands, Aruba, Curaçao and St Maarten, and the public bodies Bonaire, St Eustatius and Saba (which are part of the country of the Netherlands). The Caribbean countries of the Kingdom are economically autonomous, but their foreign policy is a Kingdom affair. Because China links economic and foreign policy, effective cooperation within the Kingdom is needed with regard to relations with China. The government has therefore agreed that the countries of the Kingdom will work together on investments from the outset and share expertise.

8.1 Geopolitical and economic consequences for the countries of the Kingdom

8.1.1 Geopolitical consequences

China's interests in South American countries such as Venezuela are both economic and political. In the case of Central America and the Caribbean, its presence is not so much economically as politically motivated, namely by the goals of reducing Taiwan's influence, gaining a foothold on the southern border of the US and acquiring supporters in international organisations. China's military presence in the area is limited but growing. An interest at the interface of politics and economics is ensuring transport connectivity, for example free passage through the Panama Canal and control over the transport of oil (through controlled refineries) to China. China's activities in what the US regards as its backyard were for a long time extremely cautious and hardly encountered any American objections. That changed at the end of 2018 when the US warned the countries of Central America and the Caribbean about China's growing influence.

8.1.2 Economic consequences

In general, Chinese investments pose specific challenges for small island states. Owing to the often small size of their economies, even a modest Chinese investment has a major impact, possibly resulting in relatively high debts in the case of infrastructure projects financed by loans. Chinese loans are very attractive to the Caribbean island states because they have only limited scope for obtaining loans on favourable terms from the US, the EU or IFIs. It is also hard for small island states to match China's expertise and knowledge on negotiating (and other areas). The Caribbean parts of the Kingdom of the Netherlands are also of interest to China. The current governments of the Kingdom's Caribbean countries are aware of these challenges. They are economically autonomous, but a foreign investment can also have consequences for the Kingdom as a whole or its foreign relations. Once that is the case, an investment also becomes a matter for the Kingdom.

8.2 Aims

On the basis of this analysis, the government has formulated the following aims:

- to stay well-informed about China's growing influence in the Caribbean and the surrounding area, and about the US response, due to the possible implications for the Caribbean part of the Kingdom.
- to promote mutual cooperation within the Kingdom, with due regard for the fact that the separation of economics and foreign policy that exists within the Kingdom does not apply to China.
- to seek to prevent opaque contracts from being concluded with 'unknown' parties in the Caribbean parts of the Kingdom with regard to vital, strategic sectors, and avoid the creation of an irresponsible debt burden.

8.3 How will we do this?

By ensuring that sufficient information is available about China in the Caribbean

One of the aims of the knowledge network to be established (see conclusion) will be to obtain information about Chinese involvement in the Caribbean. Our missions in this region and the Caribbean countries of the Kingdom will be important sources of information.

By working together from the outset in relation to potential investments

It has been agreed with the Caribbean countries of the Kingdom that the Dutch government should be involved at an early stage in investments that pose a potential security or other risk, as well as in investments where other interests of the Kingdom may be at stake.

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By sharing expertise

Dutch central government, including the network of diplomatic missions, will provide the Caribbean parts of the Kingdom with assistance and expertise concerning negotiations, interpreting the foreign policy and other intentions of third countries, legal matters and risk assessments.



Players in the bilateral relationship with China and cooperation within the Netherlands

Dutch-Chinese relations are shaped in part by knowledge institutions, artists, cultural institutions and local authorities. The Chinese state's influence on Chinese players is greater than that of the Dutch government on their equivalents in the Netherlands. It is important for Dutch institutions to be aware of this in their dealings with China and strike a balance between opportunities and possible drawbacks, such as unwanted technology transfer. Dutch provinces and municipalities increasingly feel the need to coordinate with central government, and the government is keen to respond to that need.

9.1 Bilateral relations with China are shaped by many different stakeholders

Virtually all parts of central government are involved in international cooperation with China and in maintaining bilateral relations between our countries. The present document outlines the frameworks within which the government strives to optimally serve Dutch interests in relation to China. However, Dutch-Chinese relations are also shaped by contacts and partnerships between stakeholders in both countries that operate fairly autonomously and are not necessarily bound by government policy (at least in the Netherlands). This applies, for example, to knowledge institutions, artists and cultural institutions, as well as to local authorities and individuals who travel back and forth. They too play an important role in relations with China. Naturally, this also applies to the business community, the focus of chapter 1.

9.1.1 Knowledge institutions

China is raising its profile as the knowledge powerhouse of the future, backing up its ambitions by making major investments in higher education, partly through international partnerships. It is important for Dutch universities and institutions of higher professional education to keep pace with this development and continue their partnerships with China. The Netherlands is therefore working to ensure close cooperation with China on education and research, thereby maximising the benefits of its partnerships while at the same time paying sufficient attention to resolving problems and addressing concerns.

Cooperation between Dutch and Chinese knowledge institutions is still on the increase. Academic cooperation with China is of interest to the Netherlands because it enables the Netherlands to attract top students and researchers. Moreover, China has financial resources to build good research facilities, and exchanges take place between the knowledge institutions of the Chinese and Dutch authorities, for example between their bodies for policy analysis and assessment. At the same time, certain types of research are possible in China but not in the Netherlands.

However, China is not motivated solely by the scientific value of academic partnerships. It also sees them as ways of acquiring important information and technologies. Chinese institutions are generally better informed than their Dutch counterparts about their potential partners and have a better idea of what they want to get out of a partnership. This creates a risk of unwanted knowledge transfer from the Netherlands to China in areas that are of fundamental importance to the Netherlands, or that have serious consequences for the protection of Dutch or universal values or for economic or national security.

Examples include big data research and new technologies with possible dual-use applications such as artificial intelligence, quantum technology, lithography, semiconductors and photonics. As Dutch knowledge institutions have an open and transparent culture, they are not always sufficiently aware of the risks that the provision of knowledge and facilities can entail, such as unwanted knowledge transfer.

The degree of access which Dutch and Chinese knowledge institutions have to each other's research and facilities is unequal. For example, the Chinese do not share data that is regarded as 'politically sensitive' with Dutch institutions. Similarly, little or no information about Chinese ethics committees is available to Dutch institutions. This is a problem, because Dutch and Chinese institutions involved in partnerships can have widely differing views on academic integrity and ethics.

Chinese students and researchers are welcome in the Netherlands, but a possible consequence of their growing number is that subjects that are sensitive for China become more difficult to discuss, thereby compromising academic freedom. The number of Dutch students going to China is not growing very fast, despite the fact that more and more courses there are given in English and that more and more Chinese scholarships are becoming available. Chinese restrictions on work placement opportunities for foreign students may play a role in this.

Strategic planning on academic partnerships with China is largely decentralised in the Netherlands. Whereas the Chinese authorities exercise control through financial and – just as importantly – political power and personal contacts, there is virtually no central coordination in the Netherlands.

For some years now Dutch secondary schools have been able to offer Chinese language and culture as a school examination subject. The idea behind this is that the Netherlands benefits from good relations with China and that knowledge of the Chinese language and understanding of Chinese culture and customs are essential for this purpose. In the 2017-2018 school year, Chinese language and culture were taught at 70 schools in the Netherlands, with a total of 170 pupils taking a school exam at 15 of these schools. Some schools use the services of the Confucius Institutes⁶⁵ in the Netherlands to teach these subjects. Although this may improve the quality of the teaching and have financial benefits, it requires extra vigilance against possible one-sided knowledge transfers and undesirable influence.

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Bioscience and health

China has been designated as a focus country for the Netherlands in the field of life sciences and health. It is a major producer of medicines and the raw materials used to produce them. For example, half of the raw materials for antibiotics come from China. Good relations with China are important for the Dutch Health Care Inspectorate since it is responsible for monitoring the quality of Dutch healthcare. E-health and innovative policy are evolving at an exceptional pace in China, and this can inspire the Netherlands to improve efficiency and cut costs. China has shown interest in the high standard of Dutch eldercare. As the elderly are active in China up to an advanced age, this may in turn provide guidance for the Dutch care system.

⁶⁵ Reply of Dutch Minister of Education, Culture and Science Ingrid van Engelshoven to questions from MPs Michel Rog and Harry van der Molen, Proceedings of the House of Representatives 2018-2019, Appendix to the Proceedings, 2160, 4 April 2019.

9.1.2 Cultural and creative sector

International learning, experimentation and excellence are increasingly essential to Dutch creative industries and cultural institutions if they are to develop professionally, artistically and financially. The opportunities that China offers have not escaped the notice of the Dutch cultural sector. For example, China is one of the top five export countries for Dutch pop music, with a total export value of over €201 million in 2017.⁶⁶ Other cultural sectors are also showing a positive trend. In 2017, China was in sixth place for presentations and exchanges of Dutch art, creativity and heritage abroad⁶⁷ and has been designated a focus country in the 2017-2020 International Cultural Policy.⁶⁸ China's growing role as a regional and international springboard and the explosive growth of a middle class interested in art and culture have induced the Dutch cultural sector to become increasingly active in China, where it has become adept at finding its way around. However, government contacts (for example, through diplomatic missions) remain important. Dutch and Chinese creative industries have been working closely together for many years. This is particularly true of museums, musicians, DJs, publishers and urban planners. These collaborations are bearing fruit and contributing to a positive image of the Netherlands and to engagement on the Chinese side. It is important to clearly identify not only the opportunities provided by cooperation with China but also the possible drawbacks. There are some differences at work in the cultural exchanges between the Netherlands and China. The most important is the influence of the Chinese state on both the content and the direction of the cultural sector, not only directly through state institutions but also through the private sector. The Chinese authorities take the view that culture should promote socialist core values. One of the instruments used by China to achieve this is censorship of artistic expression, including the work of foreign artists. The limits that China imposes can be at odds with Dutch artistic freedom.

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9.1.3 Local and provincial authorities

Many Dutch cities and provinces have ties with their counterparts in China. The emphasis is on economic cooperation. Some partnerships also include cultural exchanges or the exchange of information about how to address societal challenges. A number of Dutch cities and provinces have put their cooperation with Chinese partners on a formal footing, for example in the form of 'twinning'. Local and provincial authorities in the Netherlands operate autonomously, but appear increasingly to feel the need for coordination with central government about the opportunities and challenges posed by cooperation with China. The government is keen to respond to that need. In this way, a joint assessment can be made of the opportunities presented by China's Policy Paper on the European Union (December 2018), which expresses a desire to deepen practical cooperation between Chinese and European provinces and municipalities, between cities and industrial estates, and between cities and companies.

66 Survey carried out by Perfect & More for Buma Cultuur (in Dutch) (<https://www.bumacultuur.nl/exportwaarde-nederlandse-popmuziek-boven-de-ezoo-miljoen/>).

67 DutchCulture, 'Buitengaats 2017' (23 July 2018) (<https://dutchculture.nl/nl/nieuws/buitengaats-2017>).

68 International Cultural Policy Framework 2017-2020 (4 May 2016) (<https://www.Rijksoverheid.nl/documenten/beleidsnota-s/2016/05/04/beleidskader-internationaal-cultuurbeleid-2017-2020> (in Dutch; English summary at <https://www.government.nl/topics/international-cultural-cooperation/international-cultural-policy-framework>).

9.1.4 Sport

Cooperation on sport is steadily expanding. As the hosts of the 2022 Winter Olympics, the Chinese authorities are looking to draw on Dutch knowledge and experience, particularly on long-distance skating. The Dutch are also viewed as a useful contact in the world of football, largely because of their technical knowledge, and Dutch top clubs and individual trainers collaborate with Chinese partners. The Partners in Business football programme provides a good basis for expanding such partnerships.

9.1.5 Individuals

There are 33,860 Chinese nationals living in the Netherlands, and 334,000 Chinese tourists visited the country in 2018.⁶⁹ Over 4,000 Dutch people live in China, and the country was visited by 77,000 Dutch tourists in 2018.⁷⁰ The Dutch authorities provide the usual consular services to Dutch nationals living in or travelling to China.⁷¹ These services remain untrammelled by political considerations or other aspects of foreign policy. Consular cooperation is sought with all partners worldwide and is separate from other bilateral relations.⁷² The Netherlands considers it important for China to deal with Dutch nationals on the same basis, and assumes that the Chinese authorities will treat Dutch people (and other foreigners) fairly and in keeping with international standards (in China, in the Netherlands and elsewhere).

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9.2 Aims

On the basis of this analysis, the government has formulated the following aim:

- The Dutch authorities will facilitate the exchange of information and coordination with and between knowledge institutions, cultural institutions and local and provincial authorities. The purpose is to ensure that Dutch contacts with China are better coordinated and take account of each other's responsibilities, while maintaining the balance between opportunities and risks in the short and long term.
- The Dutch authorities will seek to continue educational and research partnerships with China, and trust that Dutch participants will manage to strike a balance between opportunities and risks. Concerns to bear in mind are preventing unwanted knowledge and technology transfer, safeguarding academic freedom and ensuring balanced mobility back and forth.
- The Dutch authorities support the internationalisation of Dutch creative industries and the Dutch cultural sector so that they are able to evolve and raise the Netherlands' profile among Chinese target groups. In this light, there is a need for reliable information about opportunities and possible drawbacks. The central government will draw on the added value of cooperation at local level for bilateral relations by enhancing its coordination with local and provincial authorities.

69 Statistics Netherlands (CBS), 'Bevolking; geslacht, leeftijd en nationaliteit op 1 januari' (Population; gender, age and nationality on 1 January) (2018) (<https://statline.cbs.nl/StatWeb/publication/?DM=SLNL&PA=03743>) and Netherlands Board of Tourism and Conventions (NBTC), 'Minder groei internationale toeristen in Nederland 2018' (Slower growth in number of foreign tourists in the Netherlands in 2018) (29 January 2019) (<https://statline.cbs.nl/StatWeb/publication/?DM=SLNL&PA=03743>).

70 NBTC Holland Marketing correspondence (2019).

71 For an overview, see e.g. Ministry of Foreign Affairs, 'Trends in Consular Affairs' (30 November 2018), p. 12.

72 Idem.

9.3 How will we do this?

By arranging for better information-sharing and coordination with Dutch players in the bilateral relationship with China

Players involved in the bilateral relationship with China increasingly feel the need to be better informed about China's policies and intentions, and to have closer coordination with other Dutch players. To this end, central government will establish structures for better information-sharing and more coordination. Government findings and policy will be communicated more frequently and actively to other players. The network of contacts in government and with other players will also be strengthened. Contacts are also being sought with the business community.

By putting educational, scientific and cultural partnerships between the Netherlands and China on a more balanced footing

Central government is working with Dutch knowledge institutions to bring about a cultural transformation in cooperation with China, with greater awareness of potential risks and a better balance between 'getting' and 'giving'. Executive boards are being involved in this process, and cooperation and the exchange of information between institutions is being encouraged. Both the authorities and the education world need clear guidelines on academic freedom, scientific integrity and ethics that can be used in contacts with Chinese students and researchers, as well as protocols to prevent unwanted knowledge and technology transfers. The government is currently exploring various options to prevent intentional unwanted technology transfers and to strengthen supervision of students and researchers from high-risk countries, for example by altering the current vetting policy for foreign students/researchers.⁷³ In addition, more will be done to promote awareness.

73 Letter to parliament of 14 March 2019 on closer supervision of students and researchers from high-risk countries.

Courses on Chinese language and culture in secondary schools in the Netherlands can help increase knowledge of China. However, an important precondition is that the knowledge communicated is objective. In a general sense, the basic values of Dutch democratic society should be central to education at schools for children of compulsory school age, and this should be monitored by the Inspectorate of Education.⁷⁴

The internationalisation of Dutch creative industries will involve not only the provision of adequate information about opportunities but also consideration of possible drawbacks. The development of the new 2021-2024 framework for international cultural policy will take into account the new balance in relations with China.

By arranging for more information-sharing and coordination between central government and local and provincial authorities

The general remarks above about balance and coordination naturally also apply to the local and provincial authorities. The government will invest in creating extra capacity at the Netherlands Enterprise Agency (RVO) in order to give strategic and practical advice on the many visits of Chinese delegations and stakeholders to the Netherlands and vice versa; local and provincial authorities can also benefit from this. The Association of Netherlands Municipalities (VNG) is working with central government to examine the possibility of setting up a China working group for exchanges between local and regional authorities. Central government will organise gatherings with local and provincial authorities to exchange information.

⁷⁴ Reply of Dutch Minister of Education, Culture and Science Ingrid van Engelshoven to questions from MPs Michel Rog and Harry van der Molen, Proceedings of the House of Representatives 2018-2019, Appendix to the Proceedings, 2160, 4 April 2019.

A blurred background image showing a person's hand holding a smartphone, with other people and vertical structures visible in the background.

III

Conclusion



China has shown much more confidence on the world stage in the past few years. It has become the world's second-largest economy and a major player in the field of technology. It now acts in a self-assured and ambitious way in all areas of the international arena. It makes clear that it seeks to actively help shape a world order that will better serve its own interests and values. These interests and values do not always correspond with those of the Netherlands. For example, it still shields its own market in a wide variety of ways.

Another important fact to consider is that China is already hard at work on the next technological revolution. Fields like artificial intelligence, 5G, lithography, semiconductors and nano and quantum technology will be decisive, and in those areas China has set the goal of being the world leader by 2025. It is currently unclear how the relationships between the major powers will evolve and how this will impact the changing world order. China's relative importance in the world seems likely to continue to grow, but that trend may also change.

In any event, its emergence is inevitably causing friction with other countries, including the United States and the EU. These developments also affect the Netherlands. After all, home and abroad are closely interwoven. China is one of the Netherlands' major trading and investment partners. Its rapidly growing markets, big R&D budgets, large pool of talent and high-quality knowledge infrastructure offer Dutch companies and knowledge institutions a wealth of opportunities. To take advantage of these opportunities, the Netherlands must work to open doors in China and encourage cooperation based on shared interests. Progress on important issues such as climate change is impossible without China. At the same time, the Netherlands must be aware of the challenges presented by China. Although China does not pose a military threat to the Netherlands in the short term, we must safeguard our economic and cyber security. The human rights situation in China remains a cause for concern, and becomes all the more tangible when Dutch people or people in the Netherlands are affected by it. All this means that China should be high on the Dutch agenda.

This China policy memorandum is the government's response to developments in the relationship with China and the ambitions that China has now formulated more explicitly. The Netherlands should not to be naive about these developments; by the same token it should not become obsessed with them either.

The Dutch government is constructively critical of China. It seeks to work with China on the basis of shared interests. At the same time, it wants to make the Netherlands more resilient to the risks to which China is exposing us. It is only logical for China to claim its place in the world, but the government believes that this should occur in a fair manner, on a level playing field and according to internationally agreed rules. We must guard against unilateral strategic dependencies and not accept actions that put European and Dutch companies at a competitive disadvantage. This requires a new approach: open where possible, protective where necessary, and based to a greater extent on reciprocity. This is something the Netherlands cannot accomplish on its own. We prefer to work through the European Union, of which we are a member state. We also need our like-minded partners in North America, Asia and Oceania. Within the Netherlands itself, the various players in the relationship with China must work together more closely.

Cooperation on the basis of shared interests

China is a major Dutch trading and investment partner, accounting for exports worth €11 billion. China and the Netherlands have shared interests in several areas. Positive cooperation based on those interests is valuable. It creates economic opportunities and helps point the way towards solutions to global challenges such as climate change. The Netherlands can also learn from China in a growing number of areas.

Opportunities for cooperation

The Netherlands seeks to work with China on the basis of shared interests, both bilaterally and multilaterally (through the EU and otherwise). This concerns issues such as climate change and energy, the SDGs, fighting epidemics, the circular economy and sustainability, eldercare, agri-food and logistics/transport. This cooperation will be supported by, for example, visits at a high political level and trade and other missions. Support will also be provided through central government in general and the diplomatic mission network in China in particular.

At the same time, China has ambitions and interests that impinge directly on the Netherlands and the rest of Europe. These involve real threats that can affect national security and corporate interests, such as intellectual property. China is also creating opportunities that it can use positively or negatively, such as the acquisition of infrastructure, including vital infrastructure. The country remains relatively opaque and has different values, and its words and actions do not in our experience always correspond. We must therefore make risks manageable. The trade-off between opportunities and threats is not only a matter of economics versus security. As regards economics, short-term opportunities must be weighed against our future earning capacity. The preservation of our values is also extremely important. In cooperation with China, it has proved difficult, for example, to uphold freedom of expression and respect for property and data privacy.

The Dutch government will therefore take oversight measures, where possible through the EU or via multilateral agreements.

Standing up for Dutch interests

The government understands that China wants to claim its place in the world, but believes that this should occur in a fair manner, on a level playing field and according to internationally agreed rules. This applies not only to China but also to other countries. To prevent countries from harming Dutch interests, the government is making use of existing and future legislation. Examples of this are European and Dutch investment screening,⁷⁵ the Telecommunications (Restriction of Controlling Interests) Bill,⁷⁶ stricter supervision of unwanted technology transfer via students and researchers from high-risk countries,⁷⁷ and a broad, comprehensive approach designed to make the Netherlands more resilient to state-based threats.⁷⁸ Nederland weerbaarder te maken tegen statelijke dreiging.⁷⁹

International cooperation

This document concerns not only the Netherlands' relationship with China, but also global changes taking place as a result of China's rise. China likes to focus on bilateral relations, for example with the Netherlands. Although the Netherlands strives for equality in this relationship, we remain the smaller partner (like almost all of China's bilateral partners). Through its bilateral relationships, China also brings influence to bear at multilateral level with a view to changing international agreements and giving its own ideas the status of international norms, while also sometimes trying to weaken multilateral forums. China is winning more and more support from other countries. International standards that the Netherlands supports (the international legal order, universal human rights and so forth) may be changed as a result. As China's importance is increasing, this is to some extent a natural development, but that does not mean that it is in the Dutch interest. The Netherlands has a major interest in a well-functioning international world order based on clear multilateral agreements and transparent dispute settlement procedures. Multilateral forums such as the WTO, OECD and WIPO play an important role in this. For a long time international agreements from which the Netherlands benefits could be taken for granted, but now it is clear that they must be actively defended. Nonetheless, this should not prevent the Netherlands from working with China in international forums where this is possible, for example on climate change and on stabilising countries through UN peace missions.

75 Letter to parliament, 30821 no. 72, 'Tegengaan statelijke dreigingen' (Countering state-based threats), 18 April 2019.

76 Letter to parliament concerning the Telecommunications (Restriction of Controlling Interests) Bill, WJZ/19052605, 5 March 2019.

77 Letter to parliament concerning closer supervision of students and researchers from high-risk countries, BZDOC-348254057, 14 March 2019

78 Letter to parliament, 30821 no. 72, 'Tegengaan statelijke dreigingen', 18 April 2019, op. cit.

79 Kamerbrief 30821 nr.72 'Tegengaan statelijke dreigingen', 18 april 2019

Cooperation with like-minded partners in Europe, North America, Asia and Oceania is crucial. The Netherlands shares a value framework with them that is based on democracy, respect for human rights and international law. As regards those aspects of relations with China that go beyond a bilateral framework, the government sees the EU as the preferred channel. In its relationship with China, the Netherlands also keeps a close eye on Dutch actions that could have consequences for our relationship with the US and vice versa. Together with its NATO allies, the Netherlands monitors the development of Chinese military capabilities and safeguards our security. The Netherlands puts China on the agenda in discussions with like-minded countries and works in concert with them. Together with these countries, the Netherlands is working to hone and communicate a positive narrative to third countries about Western achievements and values. Through collaboration with countries such as Australia and New Zealand, which have particularly close relationships with China, the government gains more insight into the possible consequences of greater Chinese influence and of different policy options. Finally, the government is working to ensure close cooperation within the Kingdom in dealing with potential investments that pose a possible security risk in the Caribbean parts of the Kingdom and with other interests of the Kingdom.

The Netherlands and the EU

The emergence of a multipolar world is making an effective and self-assured EU ever more important for the Netherlands. Dutch policy on China comes under the umbrella of and complements the EU's policy. The government advocates an integrated vision and approach, in keeping with the 2016 EU-China strategy and the Joint Communication 'EU-China: a Strategic Outlook' of March 2019. The Netherlands has already initiated an EU network of China policy officers at the foreign ministries in European capitals, and is working to ensure that the subject of China is discussed and joint action taken more often and more effectively at all levels within the EU, including that of government leaders. The introduction of qualified majority voting for specific subjects as proposed by the European Commission may be of assistance here. If joint action on important points is unsuccessful, the Netherlands will seek to establish a leading group within the EU to take appropriate steps. The Netherlands, together with like-minded member states, will seek to strengthen EU cohesion by bilaterally calling member states that block decisions on China to account.

Cooperation within the Netherlands

A great deal is said and written about China. Some Dutch people are very critical, while others are mainly interested in seizing opportunities. It is important to continue basing our actions on facts, knowledge and nuances, not on gut feelings.

A realistic assessment of Dutch influence teaches us that we must largely accept the consequences of global power shifts and adapt to them. Drafting a five-year plan has no added value. However, it is important to keep an eye on the long term. China does that too, after all, and we want to avoid being confronted with *faits accomplis*. Unfortunately, there are no quick and simple answers.

First and foremost, the central government must therefore be better equipped to monitor and interpret developments related to China, translate them into comprehensive policies and implement these policies. The Netherlands must therefore invest in knowledge and capacity at all levels, starting with central government. Over a period of years the government will accordingly invest in building a China knowledge network linked to central government.

Knowledge

Through a knowledge network now being established, China experts from various disciplines will be able to help central government to gain a better understanding of China's motives, policy and vision, so as to develop more effective policies and provide better advice to civil society partners. The knowledge network will also be given the task of assisting the authorities in promoting long-term thinking on China.

The real power in China lies with the Communist Party of China (CPC), and its influence is not limited to the government sector. The loyalty of CPC members inside and outside government, and inside and outside China, is supposed to be first and foremost to the party. Chinese implementing organisations, knowledge institutions, civil society organisations and companies are therefore not as independent as in the Netherlands. This lack of independence can pose a risk to Dutch companies, local and provincial authorities and knowledge and cultural institutions if they are insufficiently aware of it. In various discussions that took place in the preparation of this report, it became apparent that Dutch organisations are sometimes quite quick to make concessions in dealings with China. As a result, they may sometimes run a risk or miss opportunities. The government seeks to make companies, local and provincial authorities and knowledge and cultural institutions more aware of the opportunities and challenges that China presents. They will then be better placed to critically assess their own interests and means of furthering them.

Raising awareness

The government will invest in creating extra capacity at the Netherlands Enterprise Agency (RVO) for the provision of strategic and practical advice on the many visits by Dutch and Chinese delegations and stakeholders to each other's country. The Dutch Ministries of Education, Culture & Science and of Foreign Affairs will continue to work with knowledge institutions to develop effective instruments that enable their staff to balance opportunities and risks in their cooperation with China. Measures to strengthen the Dutch embassy's capacity in this area may also be helpful.

The concentration of power in the CPC means that China is increasingly pursuing a centralised policy. As a result, China is very well placed to assess issues in relation to each other that may strike an outsider as unrelated. In China, politics, economics, security and values are increasingly intertwined, as are different levels of cooperation. By contrast, decision-making in the Netherlands is often theme-based and decentralised. This difference in approach has consequences for the effectiveness of Dutch activities in relation to China. On its own, the Netherlands cannot change China. What we can do, however, is change, inform and organise ourselves.

Cooperation

China policy will be raised to a higher level, in terms of both substance and its place within the organisational hierarchy. A China task force is to be set up within central government, including the government ministries most closely involved and the network of diplomatic missions. The existence of the task force will make it possible to link issues, maintain contact with US networks (with a view to the interaction between major powers) and make decisions on where the Netherlands should direct its efforts, in keeping with its importance and influence. The knowledge network described above and the China task force will be connected to ensure effective knowledge building and take due account of long-term interests. The task force will regularly consult with other parts of central government, local and provincial authorities, the countries within the Kingdom, the EU, the business community and the academic world. Besides information exchange, this will also involve cooperation and consultation on shared interests and responsibilities.

Summary of actions by theme

Sustainable trade and investment

- Enhance our international earning and innovation capacity:
 - Strengthen our own market, for example by investing in knowledge and innovation aimed at developing key technologies and easing social transitions in the framework of the SDGs and defending our capacity for creating standards.
 - Increase our access to the Chinese market by working to conclude an investment treaty with China, promote reciprocity and transparency in public procurement contracts and formulate a multiyear marketing strategy.
 - Step up international pressure on China (through the WTO, WIPO and the EU and in cooperation with like-minded countries) to tackle unfair trade practices such as inadequate protection of intellectual property and unwanted technology transfer. Also focus on closing gaps in WTO rules and more effectively disseminate information about existing standards and norms.
 - Protect our own market by tackling cyberespionage and exploring to what extent adjustments to aspects of EU competition law and the state aid framework and the use of trade defence measures and export credits could create a more level playing field.
- Introduce a new governance structure that allows for weighing economic, political and security interests in conjunction, foster awareness and improve the provision of information to companies.
 - Make national security risks manageable.
 - More strictly assess applications for licences for the export of strategic and dual-use goods.
 - Manage risks related to investments and acquisitions by taking the measures described in the letter to parliament on countering state-based threats, for example further developing an investment screening mechanism, making better use of current legislation and strengthening the European investment screening framework.

Peace, security and stability

- Taking into account China's rise, goals and vision as a military power, enhance the Netherlands' security, for example by working with NATO allies and EU member states to monitor and, where necessary, address China's military development, and by avoiding unintentionally helping China with knowledge and technology transfers.
- Limit risks to national security and vital infrastructure and make them manageable, for example by investigating and tackling them, gathering information about Chinese influence on national security and using it to raise awareness, and working with partners to call China to account and deal with cyber threats, for example by means of the National Cyber Security Agenda and the International Cyber Strategy

Values

- In dealings with China: continue to defend human rights and the international legal order, for example by raising the issue of human rights in China and working to reach European positions more quickly, and by supporting civil society and identifying and building on values we share with China.
- In the Netherlands: increase the resilience of Dutch nationals and communities of foreign origin to hostile foreign interference; raise awareness about differences in values and about China's motives, actions and aims with regard to values.
- At multilateral level: defend universal values and communicate a more compelling case for them, especially with countries elsewhere in the world.

Climate, raw materials and energy

- Promote China taking on a leading global role on climate change and induce it to raise its national climate targets, for example by providing technical assistance and stepping up cooperation with China in multilateral forums. Involve China in climate adaptation, for example through the Global Commission on Adaptation.
- Continue cooperating with China on energy (including renewable energy), the circular economy, environmental technology and sustainable mobility.
- Ensure Dutch access to responsibly extracted crucial raw materials and reduce dependence on them by promoting circular use.
- Support Dutch businesses in seizing opportunities in fields such as renewable energy and the circular economy, while also weighing risks such as unwanted technology transfer and human rights violations and environmental pollution in supply chains.

Development cooperation

- Promote knowledge and awareness of China's role in developing countries and its influence on the achievement of the SDGs, especially in Africa, for example through the knowledge network now being established (see the text box on knowledge).
- Work with China on the SDGs and sustainability through the EU and, particularly on sustainability, possibly through bilateral cooperation as well. Support possible trilateral partnerships between the EU, China and a third country, paying special attention to sustainable infrastructure.
- Promote debt sustainability, for example by strengthening the Paris Club by encouraging it to adopt clear standards on transparency and the sharing of information with participating countries. Promote a fair lending policy by international financial institutions towards upper-middle income countries such as China.
- Use Europe's comparative advantages in a more intelligent way in developing countries (especially in Africa).

The multilateral system

- Wherever possible, work with China, for example through the WTO, WIPO and at the UN, to solve global problems within the multilateral system and enhance the system's relevance.
- Where necessary, protect the multilateral system and Dutch interests and work with our partners to bring about a more balanced position of China within the multilateral system.

European cooperation

- Promote integrated EU action towards China based on the EU-China strategy and related documents, taking account of long-term strategy.
- Enhance EU cohesion and decisiveness with regard to China, for example by improving the provision of information to member states and involving the EU in major bilateral events. If joint action is unsuccessful, the Netherlands will seek to take steps with a leading group of the EU member states.
- Strengthen member states' ownership of EU policy on China, for example by putting China more frequently on the agenda of meetings of EU member states.
- Focus on trade and investment through the EU (especially a level international playing field and an investment treaty, intellectual property protection, technology transfer and market access), implementation of the Paris climate change agreement, human rights, the international legal order and a readmission agreement with China.

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Cooperation within the Kingdom

- Ensure that sufficient information about China is available in the Caribbean parts of the Kingdom, for example through the knowledge network now being established (see the text box on knowledge).
- Work together from the outset in cases where investments involve a potential security or other risk.
- Share expertise, for example regarding legal issues and risk assessments.

Players in the bilateral relationship with China and cooperation within the Netherlands

- Arrange for better information-sharing and coordination with Dutch players in the bilateral relationship with China through increased networking and closer contacts.
- Put the educational, scientific and cultural partnerships between the Netherlands and China on a more balanced footing, among other things by raising awareness not only of opportunities but also of possible drawbacks, and by incorporating safeguards where necessary. For example, the government is exploring options for preventing unwanted technology transfer, e.g. for example by adjusting the vetting policy for foreign students/researchers from certain countries.
- 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.

Colophon

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