



Ministry of Foreign Affairs

# The Netherlands & China: a new balance

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## The Netherlands & China: a new balance

China is playing an increasingly important role on the world stage. It has grown into the second-largest economy in the world<sup>1</sup> and a major player in the field of technology. Self-assured and ambitious, China is asserting itself in all aspects of the international order. Developments in China also affect the Netherlands, and this calls for a rebalancing of our bilateral relationship.

The government's position on China is both constructive and critical. It seeks to pursue cooperation on the basis of shared interests, with due regard for ideological differences. The government is committed to upholding and protecting Dutch democracy governed by the rule of law, our open society and economy, and our security. It makes sense that China is claiming its place in the world, but the government believes that it should do so fairly, on a level playing field and in accordance with internationally agreed rules. The Netherlands seeks to work with China on issues like climate change and energy, the SDGs, fighting epidemics, the circular economy and sustainability, eldercare, agri-food and logistics/transport. But we must also be mindful of security issues (including those concerning economic security), cyberespionage, undesirable influencing, and our own norms and values. In short, the government will take advantage of opportunities whenever possible and safeguard its interests whenever necessary.

The Netherlands cannot achieve its goals alone. Our preference is to act in concert with the EU. We also rely on our like-minded partners in North America, Asia and Oceania. In addition, we need to work with the other countries of the Kingdom and various parties within the Netherlands. The government will invest in knowledge about China, in raising awareness and in more intensive information-sharing within central government and between central government, subnational authorities, the countries of the Kingdom, the private sector, knowledge institutions and the EU.

*Below, the various policy areas relevant to our relations with China are discussed in more detail.*

<sup>1</sup> That is, compared with other countries. Taken collectively, the economy of the EU-28 is the second largest in the world (after the US) and thus larger than the Chinese economy.

### 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 Dutch companies and institutions many opportunities. 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 is not a market economy or a democracy founded on the rule of law as we are accustomed to. The government wishes to address unfair trading practices and will strive for more balance and more reciprocity in its 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 investment risks are manageable.

### 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 US, but it is approaching the collective expenditure of the EU member states. This is something 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.

### 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 Chinese Communist Party (CCP) and the Netherlands disagree 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 CCP is calling into question the universality of human rights, and not without some success. Finally, Dutch nationals and people in the Netherlands can also be affected by China's actions in this regard. The last two levels merit additional attention. Furthermore, the Netherlands will continue working to maintain the international legal order.

### Climate change, raw materials and energy

China was instrumental in establishing the climate goals laid down in the Paris Agreement, and its participation is 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 both for companies and for the climate and the environment. At the same time it is important to be vigilant of risks like technological leaks.

### Development cooperation

China has lifted over 800 million of its own people out of poverty. Other developing countries see China and its development model as an appealing example. European countries do not always view Chinese development cooperation as such. Europe invests more in developing countries than China, but China's influence is on the rise. The Netherlands would like to raise awareness about China's role in developing countries, work with China on SDGs and sustainability, address the issue of debt sustainability and push for a fairer loan policy on the part of international financial institutions (IFIs), and deploy the comparative advantages of Europe in developing countries (especially in Africa) in a more deliberate fashion.

### 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.

### 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 main 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.

### 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, while their foreign policy remains a matter for the Kingdom. Because China links economic and foreign policy, effective cooperation within the Kingdom is needed with regard to relations with China. In cases where China is looking to invest in other parts of the Kingdom, the government has therefore agreed to work with the other Kingdom countries from the outset and share expertise.

### 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 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.

