



THE EU AND THE WORLD: CHALLENGES AND TRENDS

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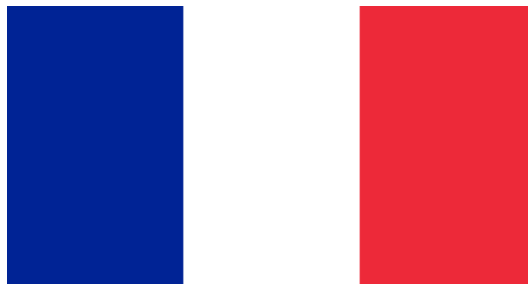
The EU and China: an unavoidable cooperation

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Introduction

China and the EU are two of the most important international actors of the 21st century. The EU has a population of 0.5 billion and its single market is the largest economy of the world. China is the world's third largest economy with a population of 1.3 billion. China's biggest trading partner is the EU and China is the second largest trading partner of the EU after the USA. However, China is growing faster in terms of population and economy and there is a shift in the balance of power towards the eastern hemisphere as has been shown at the Copenhagen climate change conference.

With the collapse of the Eastern bloc, the bipolar world order also came to an end and is currently being replaced by a multipolar world system. In this new world order China plays a key role and together with the EU it will have a great impact on the resolution of the problems of the 21st century. Both the EU and the USA have reached a significant level of trade and financial interdependence with China which gives the latter a strong political and economic influence on global affairs.

Thus, the EU should establish an effective strategic relationship with China and acknowledge it as the strong and realist global power it has become. It is for common benefit that the EU and China establish a long-term cooperative partnership based on trust and mutual respect.

I. EU-China relations

Diplomatic relations were established between the EU and the Peoples' Republic of China in 1975 and are currently governed by the 1985 EU-China Trade and Cooperation Agreement in which they grant each other with the most-favoured nation status. Political dialogue on issues of common concern started in 1994 and was upgraded with the arrangement to hold EU-China summits regularly in 1998. The dialogue was further updated by an exchange of letters in 2002 which gives the legal basis of the current political cooperation. The institutional framework now is broad, comprising high level annual meetings.¹

However, the creation of the partnership does not go smoothly. From 2005 on, apart from the failure to lift the arms embargo and the textile disputes, the EU is experiencing a growing trade deficit in its trade with China and thus facing a growing political pressure from its member states to reshape its policy toward China. In 2008, a High Level Economic and Trade Dialogue Mechanism was initiated in order to improve cooperation and in order to counterweight the growing political pressure from Europe. Currently, the EU-China relations are at a difficult point and a deliberate joint effort is needed in order to deal with the problematic issues and to establish a stable, mutually beneficial relationship on the long run.

¹ http://eeas.europa.eu/china/index_en.htm

II. Problems and suggestions

II/A. Arms embargo issue

After the brutal repression of the demonstrators calling for democracy in Tiananmen Square in June 1989, the EU imposed an arms embargo on China as a symbolic sanction to show concern about human rights. The possibility of lifting the embargo has been discussed in the EU since 2003 and the European leaders, in an oral statement, promised to China to solve this problem by 2005. However, as a result of the interference by the USA, developments moved towards another direction. The complexity of the issue lies in the fact that the US supports Taiwan and if ever “European equipment helped kill American men and women in conflict that would not be good for the (transatlantic) relationship.”² Washington thus urged the EU to maintain the arms embargo and threatened to put an end to the American military technology transfer to Europe. The embargo is still on, and even though China asked again in 2010 to remove it, the EU is not planning to do so.

The embargo is a sensitive issue in EU-China relations, and helped establishing mistrust in European diplomacy to deliver a promise. In China’s eyes, the EU is a weak partner in comparison with the US which still exercises a great influence on Europe.

Consequently, the EU must, in the future, avoid policy setbacks and public division which only contributes to weaken its credibility. The EU should also coordinate its future proposals for the lifting of the embargo with the US and Japan and other partners who have a strategic interest in the region. The EU should define a clear process and transparent conditions for the removal of the embargo and should only lift it if conditions regarding the protection of human rights and regional security are sufficiently improved and especially if the military threat to Taiwan is removed.

II/B. Human rights issues

Three of the most important values of the EU are democracy, rule of law and respect for human rights. Accordingly, the EU has put a great emphasis on a structured human rights dialogue with China and has provided support for a transition to an open society based on the rule of law and the respect of fundamental rights.

The EU-China human rights dialogue was set up in 1995 and is held every six months and covers a great variety of human rights issues. The Commission is also involved actively as a member of the troika in the promotion of human rights through various programs. As a result, China has made significant progress during the last decades in this field, but development as far as political and civil right are concerned is still slow. The Communist party, in power since 1949, tolerates no opposition and centralizes the state, military and media. Furthermore, China is still undermining the efforts of the UN by blocking Security Council resolutions aiming to condemn human rights offenders.

² US Deputy Secretary of State Robert Zoellick

Consequently, the EU should continue to promote its core values and demonstrate a higher unity and consistency when dealing with human rights in order to send a clear message to China. Instead of public declarations the EU should actively promote civil society projects which have a higher potential to lead to results. If the EU-China human rights dialogue does not lead to significant changes, member states should use the United Nations as a channel to promote the protection of human rights.

II/C. China and the EU or China and the member states

The individual action of some, mainly large member states often undermines the credibility of the EU's actions. For example, the EU has called several times for the respect of the religious and cultural freedom of Tibetan people but the EU's position on Tibet is not cohesive because of the individual actions of some member states. For instance, at the Beijing Olympic Games, member states adopted different position as to the attendance of the opening ceremony. Some decided not to attend as a symbolic way to express their disagreement with the violent crackdown on Tibetan protesters. Another instance is the meeting of then French president Nicolas Sarkozy with the Dalai Lama during the French presidency of the EU which resulted in the cancellation of the EU-China yearly summit in November 2008.

These differences undermine the view of the EU as a cohesive strategic partner and encourage China to benefit from them by using the divide-and-rule policy. The European Council on Foreign Relations, a pan-European think tank, stated that Beijing actively exploits divisions between member states and "treats its relationship with the EU as a game of chess".

Consequently, it is time for the EU to speak with one voice on foreign issues and diffuse a united image towards China through its High Representative for Foreign Affairs. The member states should refrain from individual actions and decide the issues on which they should represent a united front. The EU has to be united, consistent and firm in areas of vital interest in order to achieve its goals regardless of whether it is on issues of human rights, trade, climate change, or something else.

II/D. Trade and investment issues

Trade and investment have traditionally been the heart of the EU-China relationship. They were the reason for the original 1985 agreement and they remain a main feature of the relationship today. Trade between China and the EU has augmented radically in recent years, and China is now one of the most important challenges for EU trade policy. China has become one of the world's largest economies and is now the EU's second biggest trading partner and the biggest source of imports, while the EU is China's largest trading partner as the following data shows:

Trade in goods

- EU exports to China: € 136.2 billion
- EU imports from China: € 292.1 billion

Trade in services

- EU exports to China: €22.3 billion
- EU imports from China: €16.3 billion

Foreign Direct Investment

- EU investment into China: €4.9 billion
- Chinese investment into the EU: €0.9 billion

(All figures for 2011)³

The EU's imports from China are mainly industrial goods while the EU's exports to China are mostly transport equipment, chemicals, machinery and miscellaneous manufactured goods. As a result of the high level of interdependence of the two economies, Chinese economy would be in a serious trouble if the EU shut its market to Chinese products. The EU would also suffer the same level of damage economically if its trade with China were interrupted.

Nevertheless, many issues are beclouding the economic relationship between both countries. Among those must be mentioned non-tariff barriers to trade as the main hinder to market access for the EU and the protection of intellectual property rights (IPR) often consciously trespassed by China. Although China's legal framework for intellectual property protection had been generally aligned to WTO criteria, much still has to be done to improve enforcement. The EU tried to hold a systematic dialogue with China on intellectual property rights in which the EU raised instances of specific concern and also the wider question of the crucial role a sound IPR system had in an economy.

From the side of the European Union, the behavior facing the textile dispute of 2005 showed that Europe was also likely to adopt protectionist's measures. The sharp increase in Chinese textile exports to the EU in the first quarter of 2005 led to verbal demands from about half of the 25 member states to set limits immediately on Chinese textile imports.

Consequently, China is a crucial and strategic trading and investment partner for the EU and its importance will only rise in the future. China has the objective of being recognized as a market economy by the EU however, China is not meeting many of the existing obligations. The EU should thus exercise some influence on China so that it opens its market in order to fulfill its WTO treaty obligations, provide sufficient level of protection of intellectual property rights and address non-tariff barriers. The EU should not grant market economy status to China unless it meets these requirements.

³ Source: European Commission Directorate-General for Trade, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>

II/E. Climate change issues

While climate change has become an important issue for the European Union, China is still reluctant to accept international norms in this field. It can easily be explained by the fact that China is the world's largest emitter of greenhouse gases. Its participation in global agreements about climate change combat is therefore vital. Nevertheless, China remains reluctant to compromise on economic growth to handle a problem which, in its view, is attributable to the western industrialized world. However, in recent years, China has taken important steps to address climate change with a great emphasis on energy efficiency.

The EU and China does cooperate widely on climate change issues. The EU-China Partnership on Climate Change was agreed on at the 8th EU-China Summit under the UK presidency in September 2005. It offers a high-level political framework in order to reinforce cooperation by setting out new actions to tackle climate change. This partnership is complemented by the Kyoto Protocol and the UN Framework Convention on Climate Change. Its aim is to strengthen cooperation and dialogue on climate change and to promote sustainable development. However, China still does not give the important place it should to climate change issues.

Consequently, the EU should set an example on carbon emission cuts which is not only the interest of the member states but that of the whole world. The EU has to reassess its negotiating strategy in order to take part in the negotiations as a strong global player rather than only as a spectator. Particularly, the EU should make a main effort to persuade China about the necessity of a fully effective international system of verification and monitoring of the commitments China entered into.

II/F. Institutional structures and challenges

The EU is not a state but a supranational regional organization composed of 27 member states and has a tendency to be enlarged even further. The Union has several different features from that of a sovereign state and this institutional framework makes bilateral cooperation quite complicated from the point of view of China. For economic issues, China knows to whom to talk to and with whom to work out an agreement: in negotiations about economic or trade issues China has to address to the Director General of Trade of the European Commission which represents the whole Union. However, for other issues, such as military or political questions, the situation is more problematic and it is not entirely clear to China to whom to address. The case of the European arms embargo issue for example falls into the domain of Common Foreign and Security Policy that needs the approval of all the member states of the Union.

Each individual member state, however small or big it is, has an important say in the final decision of the Council of the European Union. However, different member states can have different national interests and different political positions concerning their policy towards China. For instance, at the time when the arms embargo was introduced, the European Community consisted of only twelve members. Now with the twenty-seven member states, it will not be easy to achieve consensus among all of them on lifting the ban.

Consequently, the complex and developing structure of the European institutions may be difficult to follow and to understand by outsider countries. While it is not possible for the EU to change its institutions radically, its leaders should bare these problems in mind when dealing with foreign countries. A better tuning between the various institutions of the Union would be desirable.

Conclusion

The EU should agree on a coherent China strategy which has to combine elements from trade, climate change and foreign policy in order to be successful and has to provide possibilities for linkages and interest-based trade-offs. As we have seen, the EU-China relations cover a broad range of complex and very different issues which are not easy to affiliate within one simple strategy.

Thus, Europe needs to define clearly its priorities in the strategic partnership and match them with the Chinese interests. This definition of the priorities and the strategy as a whole has to be led by the High Representative Catherine Ashton, in the name of the Union as a whole. The Presidency of the Council can also play a role in activating the debate among the Member States as well as linking it particularly specific issues such as trade or human rights policies.

Furthermore, the EU must bear in mind, that internal EU policy changes have an impact on their overall China strategy. A single EU-China strategy will most probably not replace the bilateral relationship between China and individual member states but will continue to exist in parallel. That is why the EU and its members should better coordinate in order to avoid undermining each other. A better cohesion of their actions is required in order to affirm Europe as a firm and stable actor in the international field. The economic interdependence of China and the EU constitutes an important bargaining point.

As a result of changes in international relations and in political and economic developments, the EU and China has become strongly interdependent. It is thus the mutual interest of both sides to establish a genuine and smooth European-Chinese partnership, which may not be exempted from difficulties, but should be maintained and developed with the objective of mutual benefits.

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