

➤ China and Europe: Opportunities or Dangers?

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Just when parts of the European integration project seem to be in significant amounts of trouble, Chinese leaders are beginning to open their eyes to the need for more in-depth cooperation with both the Union itself and with individual European countries. After years of relative neglect, when China's main priorities have been the United States, the eastern Asian region, and the main developing economies (roughly in that order), Europe is now coming into fashion for discussion in Beijing, both as opportunity and threat. There are two main reasons for this. The first is that the global financial crisis of 2008 and the recession that followed have shown how dependent the Chinese economy is on European markets. The second reason is that some Chinese analysts have begun believing that Europe, in spite of its internal instability, may serve as a genuine balancer in international affairs during a period of US decline, helping smooth the transition to a more multipolar world. There are both possibilities and challenges in these perceptions, but there is little doubt that for some time at least China's interest in Europe will be at an all-time high.

CHINA AND THE EUROPEAN UNION

While the first generation of Chinese revolutionaries looked to Europe for inspiration, the post-revolutionary generation has been looking to the United States. Those who concentrate on the rivalry that now exists for power and influence between the two powers tend to forget how deeply China has been influenced by the United States over the past generation. Ideas, technologies, and products have tended to come from across the Pacific – the routes to Europe have been much less trafficked. Analysts in Beijing have – correctly, it seems – described Sino-American ties as a love-hate relationship: just as Americans like to take credit for introducing capitalist markets to China, they also fear the purposes to which the Chinese are putting their new-found wealth. And just as the Chinese prefer American products and view the United States as much more 'advanced' than any other part of the world, they also resent the US role in East Asia and its 'hegemonic' approach to world politics.

Europe has, until quite recently, lagged far behind in the developing Chinese consciousness about the outside world. In the 1980s the countries of the European Community (with Britain as a partial exception) were mainly important to China to the degree that they were willing to confront the Soviets and export technology to China. In the 1990s, as China's remarkable economic transformation took off, Europe's market significance increased, but not its political relevance. In the decade that has just ended, economic relations have become crucial and the institutionalisation of political and diplomatic contacts has improved, but Europe is still not seen as relevant for the bigger picture in China's foreign relations. Even on a good day, the Chinese Foreign Ministry spends more than twice the hours and the manpower on dealing with Southeast Asia than it does with Europe. 'In diplomatic terms,' a top Chinese diplomat recently confirmed, 'the EU is about as important for China as is Australia.'¹

¹ For an overview from a Chinese perspective, see Guan Chengyuan, ed., *Lingjilijie du Oumeng: wajiaoguan de qianyan baogao* [Studying the EU Up Front], (2009).

Part of the Chinese difficulty in interacting with Europe has been the remarkable slowness with which Beijing has caught on to the centrality of the EU in European and world politics. Despite having inherited an empire, the Chinese leadership believes in nation-states, not unions or federalism. Far too often Beijing has come up short by interpreting the EU simply as a vehicle for the interests of the key states, and not as an integrationist project. In diplomatic terms, China has had some small-scale success with its consistent attempts at dealing with individual states rather than the Union as such. But it has failed on big issues, such as trade and environmental policies, where the EU has become more integrated and more consistent. (Much the same pattern can be seen with regard to Beijing's policy towards the Association of Southeast Asian Nations – ASEAN–, where China has had state-to-state influence on minor matters, but has failed disastrously in understanding basic ASEAN cohesion on trade and security matters).²

The lack of a more comprehensive reorientation in the Chinese approach to Europe is also influenced by Beijing's view of the continent as a zone of instability after the Cold War ended. The images created by the fall of Communism in Eastern Europe and, especially, of the wars in Yugoslavia, still loom large in China, both among the leadership, as well as the general public. The extraordinary lack of specific knowledge even at higher levels in China about smaller European countries and their international and EU role, plays into this sense of shakiness and unpredictability. In this sense, the sovereign debt crises of 2011 play into a pattern already set by the past.³

The increasing Chinese concentration on Germany does not help, either, in a broader policymaking sense. Though the Chinese often attach great significance to the fact that roughly half of EU exports to China are German in origin, Germany does not have the influence on the Union's foreign policy-making towards the outside world that Beijing often expects. In Europe, as we know, being bigger, richer, and more populous does not necessarily translate into the kind of foreign policy prowess that the Chinese expect. Looking at Chinese policymaking in a wider context, this parochial misapprehension is in many ways a symbol of how difficult it has been for Beijing to develop a more sophisticated foreign policy towards Europe.⁴

Although Europe as a whole is doing better in terms of knowledge about China than vice-versa, neither of the two sides show any of the well-developed mutual comprehension that exists between China and the United States. Without significant improvement in this regard, both through contacts between policymakers and within academia, it is unlikely that the issues in the Sino-European relationship that are dealt with below will move towards a more broad-based resolution. Both sides need to realise that for closer relations to develop, more knowledge – much beyond the pro forma – is essential.

ECONOMIC ISSUES

At present, the economic interaction between Europe and China is by far the most important aspect of the relationship. Since 2004 the European Union has been China's largest trading partner, and overall economic relations have been expanding rapidly. EU foreign direct investment in China is at an all-time high, reaching €17.7 billion in 2011, and EU exports to China are growing faster than its imports.⁵ Chinese investments in Europe have grown rapidly, tripling 2009 and 2011 to €7.4 billion, across an increasingly wide range of sectors.⁶ The sovereign debt crises have led China to invest in European bonds, both for political and economic reasons. Nonetheless, even these investments are fewer and further apart than Eurozone governments would like to see.⁷

² I am grateful to the LSE's Marie-Julie Chenard for discussions of this matter.

³ Natalia Chaban, Martin Holland, and Peter Ryan, eds., *The EU through the eyes of Asia*, (2007).

⁴ Massimiliano Andretta and Nicole Doerr, 'Imagining Europe: Internal and External Non-State Actors at the European Crossroads,' *European Foreign Affairs Review* 12(3) (2007), 385-400.

⁵ <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>

⁶ Kenneth Rapoza, 'Chinese Companies Inching Into Europe', *Forbes* 10/6/2012.

⁷ See Bernadette Andreosso-O'Callaghan and Francoise Nicolas, 'Complimentarity and Rivalry in EU-China Economic Relations in the Twenty-First Century,' *European Foreign Affairs Review* 12, 13-38.

The present situation provides Europe with great opportunities in its economic relations with China. European products have substantial market potential in China, and the Chinese have the funds needed to invest in Europe. But the EU needs to prove that it is capable of developing a trade policy that responds to the present situation. As François Godement has correctly argued, the Union should respond to China's interest-driven economic policy with an interest-driven policy of its own. It should demand access on equal terms for European companies in bidding for large public projects in China; it should attempt to stimulate Chinese investment to where it is needed in Europe; and it should work with the emerging economies (and not just the United States) in developing trade policy with regard to China.⁸

In order to be successful, such a realistic approach to dealing with China's growing economic influence will depend on the development of the necessary instruments and on a high degree of inner cohesion. Europe today seems to be found wanting in both respects. Chinese observers marvel over the fact that the Eurozone is dependent on bonds issued by the various governments rather than by the European Central Bank. They know, of course, that Europe would be in a much stronger position vis-a-vis China if there were Eurobonds covering the whole common currency area (and they also suspect that some of the current crises could thereby have been ameliorated, if not avoided). Beijing also benefits from the lack of coordination between member states and between them and Union officials on issues related to China. Although steps have been taken to improve the EU's international coherence on Asian matters, the current set of crises within the EU structure will not help in creating a more coherent and coordinated EU policy.

In addition to realistic aims, however, the EU also needs to grasp what is the deeper background for Chinese policies on trade and investment. The Chinese Communist Party (CCP) needs to deliver growth in order to stay in power. In order to do so, it must have access to foreign markets, of which the EU at the moment is the largest. But the CCP does not want to be seen as giving up political positions in the process of acquiring what it needs. On the contrary, the EU needs to be prepared for a China that does not always act in strict conformity with its immediate economic aims, as the country has shown in its recent relations with ASEAN and the Southeast Asian region. Issues concerning human rights, the environment, and especially its relationship to the United States in international organizations, may all affect China's economic policies. As a result, it is important to have enough knowledge to be able to identify China's political preoccupations and – if need be – turn them to Europe's advantage with regard to trade and investment.

As history often shows, the challenge for a realistic economic policy will be handling the middle-term perspective, five years or so down the road. As China's economic power grows, so will its appetite for getting political concessions in return for economic cooperation. But such policies will not necessarily be something that China gains from. On the contrary, one of China's bigger problems will be how to integrate its immediate interests with its growing global power in Europe and elsewhere.

HUMAN RIGHTS

Current European policy on human rights in China is in a shambles. Instead of having a positive effect in China, it is seen by the CCP and its critics as inconsistent and self-serving, neither of which are far from the truth. In practice, the EU is split down the middle on how to deal with the issue, with France and Germany having given up its public criticism of China's human rights violations in the late 1990s in favor of 'quiet diplomacy'. Other European countries are taking the lack of elementary rights in China seriously, but are proceeding in a largely uncoordinated manner.⁹

⁸ See, for instance, François Godement and Jonas Parelló-Plesner, *The Scramble for Europe*, European Council on Foreign Relations Brief, 2011. http://www.ecfr.eu/page/-/ECFR37_Scramble_For_Europe_AW_v4.pdf.

⁹ For a general overview of the human rights issue, see Jing Men and Giuseppe Balducci (eds.), *Prospects and Challenges for Eu-China Relations in the 21st Century: The Partnership and Cooperation Agreement*, (2010).

In practice, member states are very happy to leave the heavy lifting on human rights issues with regard to China to the common EU institutions. In spite of efforts made recently by the European External Action Service (EEAS), there is neither the capacity nor the power within that department to deal with both policy development and coordination. Instead, a further harmonisation between EEAS and the human rights units in the Council Secretariat and the European Commission's China desk is needed to present a viable policy and help convince member states to adopt it.

The political core of such a policy must be that all member states should speak with one voice on the Chinese government's violations of international norms and of its own laws. Such practices have not disappeared with the overall strengthening of the Chinese legal system that has taken place over the past several years. If the EU is not seen as being consistent and honest on the issue, it will be very easy for Beijing to conclude that its government's lack of respect for citizens' rights is a matter of no consequence as far as its relations with Europe are concerned. Such a mistaken conclusion will necessarily lead to further difficulties in the European-Chinese relationship at a later stage.

ARMS EMBARGO

The arms embargo that the EU imposed on China after the Tian'anmen events of 1989 has become an embarrassing example of the EU's political impotence. While the embargo had a political effect in the 1990s, it is very doubtful whether that is the case today. On the contrary, it has come to undermine parts of the EU's political leverage with regard to China, having become a prime exhibit in the CCP's domestic presentation of the outside world's hostility. Because of the different positions taken by member states, however, it has been impossible for the EU to achieve what Cathy Ashton has suggested – namely, to remove the embargo in return for the deepening of cooperation with China on security issues, including those that relate to China's policies towards its neighbours in Korea and Southeast Asia, and its policies on Taiwan.¹⁰

The most important link that the EU could make to such a lifting of the embargo would be Chinese compliance with international efforts to prevent Iran from becoming a nuclear weapons power. Although China's support of Iran is not in itself at this stage crucial for the Iranian nuclear program, such a change in Chinese policies would send a very strong signal to the regime in Teheran. And even if it would slow down rather than end Iran's efforts, it would still give EU external policies a new relevance, both in the Middle East and in East Asia.

Removing the embargo would also be a way for the EU to get out from the shadow of the United States on its China policy. This is no aim in itself – on the contrary, US-European cooperation with regard to many China-related issues is important and wise. But the sense that has developed over the past five years – that individual European governments are keeping the embargo in place first and foremost to please the United States – is unhealthy. Americans and Europeans can only truly cooperate on China if each acts out of political conviction rather than expediency.

At present, the embargo does not serve Europe's own security interests. Europe does not want to see a closer Sino-Russian partnership on advanced weapons' systems, which seems to be in the making in part because of the US and European embargos. Between 1991 and 2010, over 90 percent of the heavy conventional weapons imported into China came from Russia, as the EU embargo created a windfall for Russian companies.

¹⁰ For an excellent overview of the arms embargo issue, see Nicola Casarini, *Remaking Global Order: The Evolution of Europe-China Relations and Its Implications for East Asia and the United States*, (2009).

With the modernization of China's defence industry one of the main goals of the PRC's new five-year plan, Beijing is set to increase its imports of state of the art equipment.¹¹ While nobody believes that China will turn to European arms manufacturers for imports immediately after the embargo comes to an end, such a decision would at least prevent Russia from getting unnatural advantages in terms of its arms industry.

CLIMATE CHANGE

EU leaders know that if Europe's global position is going to become more significant, they need to play a leading role on key issues, such as climate change policies. They also know that dealing with China is currently the main arena within this sector, and it will remain so, as long as the United States remain gridlocked internally. In spite of its lack of leadership during the Copenhagen summit, the EU has real opportunities to influence China on environmental issues, both in technological, as well as policy terms. What remains to be seen is whether European leaders are willing to invest enough in their direct relations with China on this issue in order to make use of its advantages.¹²

While still being the world's largest polluter, China has come a long way in realising the need for energy efficiency and a reduced use of fossil fuels. The new five year plan from 2011 sees sustainable growth as a real priority, and the potential for working with Europe – and European companies – in furthering this aim will be seen by Beijing as very large indeed. In technological terms, the European shift towards decarbonisation has now led to China looking much more to Europe than to the United States for the means to further its own goals.

There are, of course, significant difficulties in the relationship between the two in this field as well. China will not give up its main polluting energy production or industries, as long as the United States is not willing to reach reasonable and comprehensive international deals. The EU is rightly critical of Chinese double-talk, in which it pledges long-term support for lofty international aims, while opening new coal power stations every day. Also, the EU still has internal problems with support for some of the aims that the Union has already signed up for.

Even so, climate change policy is an almost unique field in which Sino-European cooperation may lead the way towards broader international deals. While the US position shows how impotent the Americans have become on some global issues, Beijing and Brussels are increasingly leaning in similar directions, both in terms of their view of the current situation and on at least some of the remedies. There is reason to believe that further progress may be made in direct talks over the next two years, unless other bilateral issues get in the way. And if European negotiators dealing with China (and to a lesser degree, India) are able to arrive at measures that will later become binding targets for multilateral solutions, then some of the experience of the EU as an integrationist project will have come to use on a global scale.

¹¹ Richard Rousseau, 'The Tortuous Sino-Russian Arms Trade', CESRAN Analysis 8/6/2012. http://cesran.org/index.php?option=com_content&view=article&id=1462%3Athe-tortuous-sino-russian-arms-trade&catid=57%3Aruussiaeurasiaanalysis&Itemid=312&lang=en

¹² For an overview of the issues, see Constantin Holzer and Haibin Zhang, 'The Potentials and Limits of China-Eu Cooperation on Climate Change and Energy Security,' *Asia Europe Journal* 6(2), (2008), 217-227.

CONCLUSIONS AND UNCERTAINTIES

Some of the development of the relationship between China and Europe will be not be decided by either of the two. A key role in Sino-European relations over the next decade will – perhaps ironically – be played by the United States. How Washington behaves towards both regions during a time in which its political leadership will be tested, and its relative economic position weakened, will be of crucial importance for the future. But American behavior will also define much of the room for maneuver between the two other main poles in world politics. If the United States attempts to reassert its hegemony in Europe in wake of the economic crisis, the institutions of the EU may be further weakened, and differences within the Union – including on foreign policy – exacerbated. If, on the contrary, leaders in Washington will try to build more cooperative relations with the EU as an institution, both on economic and political issues – and avoid any whiff of protectionism, currency wars, and limiting access to technology, as the situation currently stands in light of the crisis – then a more coherent European approach to the rise of China may be expected.

Internal factors will, of course, also play key roles. How the sovereign debt crises in Europe are solved will set some of the pattern of interaction with China for the next decade or more, especially given the Chinese predilection for viewing the continent as a crisis zone. The solution to the Chinese government's problems with a lack of internal political legitimacy will also be crucial. If the CCP allows a gradual introduction of political pluralism and participation, then its interaction with Europe will be much easier to develop in the medium term. While these obstacles are key to the future, however, neither of them should stand in the way for the kind of deepening interaction that the two sides need over the coming decade both in political and economic terms.

The global shift in wealth and power from west to east seems at the moment to be happening faster than most experts believed only a year ago. For Europe, even more than for the United States, such a change is an immense challenge to its future prosperity and stability. The solution will be found in developing, on a global scale, the knowledge in terms of growth and technology that Europe has accumulated over generations. But for such an approach to be fully implemented, the EU will need a much larger direct engagement with China, and with other emerging economies, than it has had up to now. ■