



College of Europe
Collège d'Europe



DEPARTMENT OF **EU INTERNATIONAL
RELATIONS AND DIPLOMACY STUDIES**

InBev-Baillet Latour Chair of
European Union-China Relations



Issue 1, 2011

EU-China Observer

www.coleurope.eu



**InBev-Baillet Latour Chair of
European Union-China Relations**



Table of contents

1. THE EVOLUTION OF CHINA'S POSITION IN THE CLIMATE NEGOTIATIONS
Pietro De Matteis 2

2. THE EU, CHINA AND NEW TRANSPORT ROUTES ON THE TOP OF THE WORLD
Malgorzata Smieszek 10

3. BOOK REVIEW – CHINA, EUROPE AND INTERNATIONAL SECURITY. INTERESTS,
ROLES, AND PROSPECTS.
Bram Buijs..... 16

InBev-Baillet Latour Chair of EU-China Relations, College of Europe,
Department of EU International Relations and Diplomacy Studies, Dijver 11,
BE-8000 Bruges, Fax +32-50-477250, www.coleurope.eu

Professor Jing Men: jing.men@coleurope.eu, Tel. +32-50-477258
Benjamin Barton: benjamin.barton@coleurope.eu, Tel. +32-50-477257

Views expressed in the EU China Observer are those of the authors only
and do not necessarily reflect positions of either the editors or the College
of Europe.



THE EVOLUTION OF CHINA'S POSITION IN THE CLIMATE NEGOTIATIONS

Pietro De Matteis*

This article underlines how China's position has changed over the past two decades with regard to global climate change negotiations. China has had a major role in the development of the current climate change regime and is among the countries that have most benefited from it, mainly because it is the largest beneficiary from the Clean Development Mechanism (CDM).

The creation of this regime has given China the opportunity to strengthen its position in international fora, by obtaining a leadership position among developing countries and by contributing to improving its image of a responsible stakeholder. As the upcoming pages will underline, China's negotiating position has evolved over the years: it has become more assertive, given China's greater economic and political power, as well as more flexible. This is particularly true with regards to the application of its principles of "non-interference" and "national sovereignty," which needs to be balanced with the benefits that China has obtained from joining the climate change regime.

China's negotiating position

Chinese environmental degradation is not a new concern. It could be traced back to the time of the "great leap forward," and, more recently, to the effects of its export-led economy – with the vast upsurge in the delocalisation of industries and companies to China significantly increasing the country's pollution levels.¹ To make matters worse, the country remains heavily reliant on coal for its energy supply, a condition that is expected to persist for the foreseeable future.²

Furthermore, when taking into consideration both China's CO₂ emission levels³ and the fact that China is often referred to as the "factory of the world," it becomes clear that its environmental challenges are global in scope, which provides the PRC with a key position in international negotiations. Clearly no world solution can be effective without China's backing, as "[a] country of the size of China is both part of the problem and the solution."⁴

* Mr Pietro De Matteis is a Ph.D. candidate from the University of Cambridge.

¹ In 2005, 1.7 billion tonnes of China's carbon-dioxide output were attributable to the export sector. See Derrick Sutter, "Europe's green delusion", *China Dialogue* (中外对话), 2010.

² International Energy Agency, "CO₂ Emissions from Fuel Combustions: Highlights", *IEA Statistics*, 2010.

³ China has become the world's major polluter. See Roger Harrabin, "China now top carbon polluter", *BBC News*, 2008, <http://news.bbc.co.uk/2/hi/7347638.stm> and IEA, *World Energy Outlook 2007*, 2007, p. 6.

⁴ European Commission, *EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy*, COM(2001) 265, Brussels, 2001.

InBev-Baillet Latour Chair of European Union-China Relations



Chinese diplomatic relevance in the fields of environment and climate change was already reflected during the negotiations in the late 1980s and early 1990s on the Montreal Protocol. Then, together with India, the PRC framed its discourse around three key issues: the West's responsibility for current environmental damage, China's right to tackle more pressing issues such as poverty and hunger, and the need to receive funding and technology to cooperate in the new multilateral framework.⁵ However, it was only after the success of the Montreal negotiations that China became fully aware of its negotiating potential. A further key date was that of September 1992, when the developing nations gathered in Beijing to prepare their position for the Earth Summit and agreed upon the "Beijing Declaration." This milestone document asserted that:

Poverty, underdevelopment and overpopulation are the main causes of environmental degradation; the developed countries have the main responsibility for the environmental problems facing the world; the developing countries have the right to develop.⁶

These words not only underlined the West's historical responsibility for today's environmental problems, but also backed developing countries' claims with regards to their own right to develop. By agreeing on a similar phrasing in Beijing, China further demonstrated that it intended to be considered as a developing nation, and that at the same time, it was also willing to assume leadership for other developing countries in international negotiations.

These arguments, thanks to China's continuous activism, were further reformulated during the 1992 Earth Summit, by the "common but differentiated responsibility" principle. It was later included in the UN climate change discourse and has significantly influenced international negotiation as one of the core principles of the two-track climate negotiations. More precisely, the principle of "common but differentiated responsibility" has determined a shift towards a system that gives developing countries (and China) the prerogative to ask for preferential agreements on technology transfer and funding, in order to both comply with international climate agreements and justify eventual requests for IPR protection waivers, while avoiding any sort of internationally binding commitment. As Wen Jiabao noted: "Developing countries should, with the financial and technological support of developed countries, do what they can to mitigate greenhouse gas emissions and adapt to climate change in light of their national conditions."⁷

This was possible thanks to the fact that China, by leading the G77 and using a developing country rhetoric, managed to label itself as a member of

⁵ On the Montreal Protocol, see: Michael Oksenberg and Elizabeth Economy, "China's Accession to and Implementation of International Environmental Accords 1978-95", in *Engaging countries: strengthening compliance with international environmental accords*, Edith Brown Weiss and Harold K. Jacobson (eds.), Cambridge, MA; London: MIT Press, 1998.

⁶ Gørild Heggelund, Steinar Andresen and Sun Ying, "Performance of the GEF in China: Achievements and Challenges as seen by the Chinese", in *46th ISA Conference Hawaii*, 2005.

⁷ Wen Jiabao, "Premier expresses China's sincerity at UN climate conference", *Xinhuanet* — 新华网, 18 December 2009, http://news.xinhuanet.com/english/2009-12/18/content_12668001.htm.

InBev-Baillet Latour Chair of European Union-China Relations



this group and thus benefit from investments and transfer of know-how at conditions usually reserved to much poorer nations, in what could be defined a “lead and hide” strategy. The dichotomy “developed vs. developing” countries, on which the above mentioned strategy was built upon, was one of the three main elements that have been object to strict coordination among the G77 countries, in parallel with the support for the two-track negotiation system and the principle of “common but differentiated responsibilities.”⁸ This further proves that China’s status as a developing country, and the protection of the prerogatives connected to it, are cornerstones of its current foreign policy.

However, it is increasingly difficult to reconcile the fact that China is (or pretends to be) both a global power and a developing country – fallen victim to the West. Both the then Swedish President of the European Council Frederik Reinfeldt and the US Secretary of State Hillary Clinton stated that the BASIC countries should no longer be considered as “poor countries”⁹ and that China could no longer “hide behind the status of developing nation.”¹⁰

Despite the fact that Yu Qingtai, China’s Special Representative for Climate Change, has underlined on various occasions that China shares “common goals and common destiny” with third world countries,¹¹ doubts over the Chinese level of development are nevertheless rapidly mounting among the world’s poorest nations. In Copenhagen, for instance, behind the initial unity of intentions of the G77+China grouping, clear division arose by the end, as the major emerging economies, and China *in primis*, manifested increasingly different priorities compared to those of the smaller island states or the least developed nations. For instance, Ricardo Lagos, the former Chilean President and Special Advisor on climate change to UN Secretary-General Ban Ki-moon, said: “You did not have the G20 ten years ago. China and India are part of the G20 and they should share part of the responsibility now.”¹²

A clear difference in the world’s least developed countries and China’s respective priorities materialised in Copenhagen. In December 2009, China not only agreed to cap its temperature rise at 2°C above pre-industrial levels – instead of the 1.5°C put forward by the small island nations – but also impeded developed countries from pledging an 80% reduction of emissions by 2050.¹³ By then, China will no longer be a “developing country” and

⁸ See: Ambassador Zhang Yan, “Bonding At Copenhagen Cemented India-China Relations”, 2010, <http://www.outlookindia.com/article.aspx?263645> and “To seal a deal, we need justice”, *China Dialogue - 中外对话*, 2009.

⁹ Phillips Leigh, “Stalemate in Copenhagen as climate talks enter final stretch”, *EUObserver*, 17 December 2009, <http://euobserver.com/9/29175>.

¹⁰ Euractiv.com and Reuters, “Kyoto pact in the balance in UN climate endgame”, *Euractiv.com*, 18 December 2009, <http://www.euractiv.com/en/climate-change/kyoto-pact-balance-un-climate-endgame/article-188467>.

¹¹ Duncan Freeman and Jonathan Holslag, “Climate for Cooperation: The EU, China and Climate Change”, *BICCS Report*, Brussels: BICCS, 2009.

¹² Euractiv.com and Reuters, *op. cit.*

¹³ John Vidal and Jonathan Watts, “Copenhagen: The last-ditch drama that saved the deal from collapse”, *The Guardian*, 20 December 2009, <http://www.guardian.co.uk/environment/2009/dec/20/copenhagen-climate-global-warming>.

InBev-Baillet Latour Chair of European Union-China Relations



Chinese CO₂ emissions per capita will have reached the sum of those of the EU and India put together.¹⁴ This highlights China's "conflict of interest" between its domestic and foreign policy priorities, namely, economic development and political stability versus its attempts to cast a positive international image of a responsible stakeholder, accommodating to the needs of its fellow developing countries.

Some Chinese commentators have attributed these new divisions among developing countries to the influence of Western powers, claiming that the latter were conspiring to split their unity.¹⁵ There are elements that justify such a view, given, for instance, that Todd Stern, the US Special Envoy for Climate Change, argued that the funds to tackle climate change should primarily be made available to the poorest countries and not to advanced emerging economies such as China.¹⁶ However, in spite of whoever should be responsible for this divergence among the G77+China grouping – be it the Western powers or the structural differences among the emerging countries and the poorest underdeveloped nations – it will be increasingly difficult for China to create a common front against developed countries in the coming years. In 1992, when the "Beijing Declaration" was signed, China was a much poorer country than it is today and its needs were much closer to those of other developing countries. Should divergences become sharper, China would find itself very much weakened in its bargaining position, as it would no longer be able to shy away from international scrutiny by claiming its "developing country status." This consideration explains China's continued attempts to coordinate the positions of both the G77+China grouping and the BASIC countries ahead of the various summits, including the COP16. A good example of this was China's decision to host a week of talks in Tianjin, in October 2010, arguably in the hope of avoiding being pressured by both the developed and the least developed countries during the official negotiations in Cancun.¹⁷

From Kyoto to Copenhagen

The differences between the Copenhagen Accord and the Kyoto Protocol (KP) stand out firmly. While the former is a detailed legal text, the latter is a declaration of principles that the Conference of the Parties merely "took note" of, much to the disappointment of the majority of the international community, with the exception, amongst others, of China. The PRC is generally reported to have considered it rather as a success¹⁸ despite the

¹⁴ Prayas, *Factsheet: Tons per Capita CO₂e (2020)*, 2010, <http://www.prayas-pune.org/>.

¹⁵ See: Jonathan Watts, Damian Carrington and Suzanne Goldenberg, "China's fears of rich nation 'climate conspiracy' at Copenhagen revealed", *The Guardian*, 11 February 2010, <http://www.guardian.co.uk/environment/2009/dec/20/copenhagen-climate-summit-china-reaction>.

¹⁶ The Green Leap Forward (绿跃进), "A Stern Warning?: No Money for China — No Problem", in *The Green Leap Forward* (绿跃进 (ed.)), 2009, <http://greenleapforward.com/2009/12/10/a-stern-warning-no-money-for-china-no-problem/>.

¹⁷ Benjian Xin et al., "Climate policies after Copenhagen", in *China Analysis*, Science Po Paris: Asia Center (ECFR), 2010, p. 4.

¹⁸ Jonathan Watts, "Copenhagen summit: China's quiet satisfaction at tough tactics and goalless draw", *The Guardian*, 20 December 2009,

InBev-Baillet Latour Chair of European Union-China Relations



fact that some Chinese scholars, as well as the Chinese press, accused the West for the partial disarray surrounding the talks.¹⁹ China's positive overall view of COP15 is understandable in so far as it managed to uphold its position, and to limit any change away from the current two-track system, based on the UNFCCC and the KP. China's preference was to maintain the current system which has not hindered its stunning economic growth and which has allowed it to attract investment and renewable technologies, for instance, through the CDM, to increase its relevance on the world stage while leaving "the bill" to be paid by those bearing the "historical responsibility": the West.

Another controversial issue discussed at Copenhagen was the measuring, reporting and verification (MRV) mechanism that should be applied in the eventual agreement. The KP has a very strong compliance committee, composed of a "Facilitative Branch" and an "Enforcement Branch" which has jurisdiction over the legally binding and target-related commitments. Such an arrangement was possible largely because it was strongly backed by developing countries,²⁰ in light of the fact that the KP was designed to be exclusively binding to Annex I countries (i.e. developed nations). This point was defended by China during the negotiations.²¹ The situation was very different in Copenhagen, where the positions on the MRV were far from unanimous. Resisting pressure from the EU and, in particular from the US, China opposed any sort of international monitoring (even for its non-binding commitments), justifying itself on the grounds that it would infringe its national sovereignty and that it would violate the principle of common but differentiated responsibility, as noted by Premier Wen Jiabao in person.²² He Yafei, the Chinese Vice Foreign Minister, has often underlined China's refusal to accept international monitoring on the grounds that: "There would be a monitoring and verification regime inside China, which is legally binding in China."²³ In the last hours of the COP15, China eventually accepted a slightly stricter form of MRV for Non-Annex I Parties, which involved domestic MRV and reporting via the publication of national communications produced every two years.²⁴

All in all, despite the intrinsically low level of legalisation developed during the Copenhagen Accord, the value of the COP15 is, in principle, still significant if only because it paved the way for several improvements in Cancun. China politically endorsed the 2°C cap in global temperature increase from pre-industrial levels, a target later included in the UN legal

<http://www.guardian.co.uk/environment/2009/dec/20/copenhagen-climate-summit-china-reaction>.

¹⁹ On this point see: "Europe feels left out in cold on climate deal", in *China Daily* — 中国日报, 2010, http://www.chinadaily.com.cn/world/2009-12/22/content_9212959.htm.

²⁰ Olav Schram Stokke, Jon Hovi and Geir Ulfstein, *Implementing the climate regime: international compliance*, London and Sterling, VA: Earthscan, 2005, pp. 19-27.

²¹ UNFCCC, *Procedures and Mechanisms Relating to the Compliance under the Kyoto Protocol: Submission from the Parties*, 2000, Bonn: UNFCCC.

²² "Premier Wen: China's climate action not subject to international monitoring", *Xinhuanet* — 新华网, 2009, http://news.xinhuanet.com/english/2009-12/18/content_12664134.htm.

²³ *Ibid.*

²⁴ The Conference of the Parties, *Copenhagen Accord*, Copenhagen, 2009.

InBev-Baillet Latour Chair of European Union-China Relations



framework by the COP16. The Copenhagen Accord also benefited from China's political support because on the one hand it promises to set-up a "fast-start" fund for the poorest developing countries, later strengthened as a "Green Climate Fund" and, on the other hand, it motivated China to begin softening its stance on MRV measures. Moreover, the Copenhagen summit is important as it permitted other "paradigm shifts." Firstly, COP15 reassessed the position of the members of the G77+China grouping *vis-à-vis* one another, which may have significant implications for future negotiations, beyond just the field of environmental policy and climate change. Secondly, major developing countries in COP15, such as China and Brazil, made unilateral commitments for mitigation and adaptation – they implicitly accepted the responsibility of what was previously exclusively considered a "Western" problem. Thirdly, it gave the US, the world's second largest polluter, the opportunity to regain centre stage in the climate negotiations, and provided it with the opportunity to try to reframe its contribution with regards to a global agreement, that would include both the US and China. Finally, the Copenhagen Summit sparked a debate on the format of the climate negotiations, which in the future, might occur not only within the official UN frameworks, but also in smaller groupings and parallel fora.

The Post-Copenhagen Era

By far, there has been no agreement on what should replace the KP, which expires in 2012. Most developing countries, and China, have called for a second Kyoto commitment period based on the same conditions, and have claimed that developed countries are attempting to "kill" the KP by proposing adjustments. In contrast to Japan, Canada and Australia – who openly opposed the continuation of the KP at the Cancun summit – the EU, in order to break the deadlock, has shown to be increasingly willing to back a second commitment period.²⁵ Nonetheless, as Commissioner Hedegaard outlined, this can only be achieved on two conditions: by reframing the principle of "common but differentiated responsibility" which China holds so dearly; and by arguing that all major economies need to show commitment.²⁶ In Cancun, China also made some important strategic shifts which were indispensable to achieving the final agreement: it accepted to bind its unilateral commitments to a UN resolution, it agreed to discuss "peak emissions" in the run-up to COP17 in Durban, and it even accepted to reconsider the 1.5°C target, instead of the current 2°C target.²⁷ The Convention decision agreed to establish an international system for providing MRV procedures for both developed and developing countries. The Subsidiary Body on Implementation was tasked to consider parties' mitigation efforts through "international assessments" for developed countries and

²⁵ IISD Reporting Services, *Earth Negotiations Bulletin*, in *COP16*, Winipeg and Geneva: IISD and ICTSD, 2010. ICTSD, "Cancun Delivers After All, but Trade Issues Prove Too Difficult", *Bridges Trade BioRes*, 10(22), 2010.

²⁶ Andrew Willis, "EU sets sights on extending current climate deal at Cancun", *EUObserver*, 15 October 2010, <http://euobserver.com/9/31049/?rk=1>.

²⁷ ICTSD, *op. cit.*; Andrew Willis, "Cancun climate deal restores faith in UN process", *EUObserver*, 12 December 2010, <http://euobserver.com/9/31482/?rk=1>.

InBev-Baillet Latour Chair of European Union-China Relations



through a “non-intrusive, non-punitive, and respectful of national sovereignty” process of “international consultations and analysis” for developing countries.²⁸

Despite the careful wording, this represents a major shift in China’s negotiating position, especially if we consider that all these decisions may strongly affect China’s policy-making autonomy. Nonetheless, these decisions are also in line with the process of legalisation already observed in recent years. On the one hand, the climate change regime has become increasingly legalised, and on the other hand, China, to protect the benefits it obtains from the current regime, has become more open to making compromises on its national sovereignty and non-interference principles. China’s shift in its negotiating position can be interpreted as its desire to make compromises with regard to the continuation of the KP, which, as aforementioned, China has largely benefited from. At the same time, the PRC and developing countries have gained, more generally, in terms of discretionary power, insofar as the Green Climate Fund will be designed by a Transitional Committee composed of a majority of developing nations. In addition, they may also play a bigger role on technology-related issues, as a new Technology Mechanism has been set up to promote technology development and transfer.²⁹

As previously noted, the COP16 was built largely upon the Copenhagen Accord but resulted in a binding decision under the UNFCCC framework, thereby restoring some confidence in the UN process. At the same time, the fact that the US – the second largest polluter in absolute terms after China – is still not a member of the KP, in addition to the fact that the Obama administration currently lacks the political support to take on further commitments, creates major uncertainties on the post-2012 climate change regime. What is certain, however, is that since the Copenhagen Summit in 2009, the effectiveness of the UNFCCC has been put into question, and with it, the image of the COPs as the most appropriate fora to carry out negotiations, despite their large membership and ultimate legitimacy. In the past, China showed reticence in using smaller frameworks to deal with climate change, as this would limit the bargaining power it accumulated through its membership of large coalitions such as the G77+China grouping. Indeed, some Chinese officials became more open on this point, noting that, in principle, China is willing to use smaller fora such as the G20 to tackle this issue, even if at a later stage the issue should be dealt within a wider UN framework.³⁰ This position was later confirmed in October 2010 by Xie Zhenhua, China’s Chief Negotiator on Climate Change during the Climate Talks in Tianjin, when he noted that “China is for full consultation in the UN framework but we are not against smaller consultations” with respect to the principles of openness, transparency and full consultation.³¹ China’s change

²⁸ Pew Center on Global Climate Change, *Summary of COP 16 and CMP 6 prepared by the Pew Center on Global Climate Change*, Cancun: Pew Center, 2010.

²⁹ *Ibid.*

³⁰ Personal conversation with Chinese officials at the Chinese Mission to the EU, Brussels, April 2010.

³¹ Zhenhua Xie, *Press Conference*, UN Climate Talks in Tianjin, 2010.



InBev-Baillet Latour Chair of European Union-China Relations



in position can be explained by looking at what happened in Copenhagen. Despite China's efforts to tackle climate change, by setting its emission intensity target, it obtained a much colder welcome than it had expected and it was thereafter trapped in a public diplomacy battle. This battle saw it losing face internationally because of its unwillingness to be bound by international commitments and by its reticence to accept MRV measures. To avoid that the same situation would occur again, Xie Zhenhua proposed in Tianjin that issues such as MRV, the claims of small islands or the status of developing countries "should not be put forward at international occasions" but rather be dealt with in smaller fora³² as these issues would risk dividing the previously united front constructed by "developing countries," which would contribute to projecting the image of China as an inflexible and non-cooperative party in the climate change negotiations.

Concluding remarks

This article analysed some of the changes registered in China's climate change negotiating position over the past two decades, which has become both more assertive and more flexible. This is arguably the result of China's increasing international influence on the world stage, as well as China's apparent satisfaction of the benefits it has derived from joining the climate change regime.

The KP, and climate change related issues, have become important elements of China's diplomacy. Despite its initial reticence, China is increasingly engaged in the attempts to break the deadlock. This is best demonstrated by the fact that it has progressively eased its opposition to MRV measures for Non-Annex I countries. At the same time, China's growing economic might could question its role as a leader of the developing world, especially in light of the fact that its interests are increasingly aligned with those of developed nations rather than those of developing ones, as it was the case during the Copenhagen negotiations.

³² *Ibid.*



THE EU, CHINA AND NEW TRANSPORTATION ROUTES ON THE TOP OF THE WORLD

Malgorzata Smieszek*

With the recent events in Egypt, unrest sweeping the country and protests leading to the resignation of President Hosni Mubarak, the world's attention has been once again drawn to the Middle East. Fears about potential disruptions of access through the Suez Canal¹ have caused an increase in oil prices, with the cost of a barrel surpassing the US\$100 mark for the first time in last two years. With 8% of the world's seaborne trade passing through the Canal in 2009,² it comes as no surprise that the turmoil around the passage has had a strong impact on commodity prices, thus presenting a challenge to the safe delivery of goods and raw materials.

The aim of this article is to have a closer look at the potential of new transport routes between China and the EU through the Northeast Passage along the Russian Northern coast. The opening of the Arctic Ocean in the summer months presents yet another opportunity for cooperation between both actors, who have increasingly paid attention to developments in the High North. However, to ensure safe transportation in and through the Arctic, the shipping industry still has to overcome a number of important challenges, the main one of which is surviving the Arctic's harsh climate. The article first looks at the correlation between the strategic role of international shipping and the importance of trade exchanges between the EU and China. Secondly, it describes the on-going changes in the Arctic Ocean, their commercial implications and, to date, the respective interests of the EU and China in the region. Finally, it concludes by looking at the challenges that must be overcome in order to enhance transport operations and trade via the High North.

International shipping

Currently, around 90% of world trade³ is transported by the international shipping industry. Events such as the recent uprising in Egypt not only have long-term implications for the political situation in the region, but also affect global markets in the short-term, due to concerns about punctuality.

Apart from recent developments in the Middle East, a more direct threat for shipping is piracy, which has mainly affected maritime transportation between the Mediterranean and the Indian Ocean. Around

* Ms. Malgorzata Smieszek is a graduate from the European Interdisciplinary Studies programme at the College of Europe, Natolin, Charles Darwin Promotion 2009-2010.

¹ The 192-km canal is the shortest route between the East and the West, when compared to the route around the Cape of Good Hope.

² See, Suez Canal Authority, *Saving Distance via the Suez Canal*, 2008, <http://www.suezcanal.gov.eg/sc.aspx?show=11>.

³ See, Shipping Facts, *Shipping and World Trade – Overview*, <http://www.marisec.org/shippingfacts/worldtrade/index.php>.

InBev-Baillet Latour Chair of European Union-China Relations



twenty thousand ships cross the Gulf of Aden annually, making this one of the world's most vital waterways – linking Asian, European and American markets together. However, it is also known for its acts of piracy that have mostly resulted from Somalia's failed state, with its government having almost no control over its territory. Incidents of piracy and armed robbery against ships, particularly in the Gulf of Aden and along the coast of Somalia – with pirates now able to operate for longer periods of time, further at sea – presently represents one of the maritime industry's most pressing concerns. Even in waters previously considered as safe, the increased risk of hijacking has also forced a significant rise in insurance premiums so as to cover the potential loss of goods and ransom payments, in case of marine kidnapping.⁴ In sum, due to the costs of ransoms, insurance, re-routing ships, security equipment, naval forces, prosecutions against pirates, anti-pirate organizations and the loss of regional trading opportunities, the Cost of Piracy Project estimated that the total cost of piracy, in 2010, was comprised between US\$7 and US\$12 billion.⁵

With the shipping industry having to face such significant costs and commercial implications, the need for securing maritime transport and finding safer future trade and transport routes becomes ever more pressing, particularly for two of the world's most important trading partners.

EU-China trade relations

Not only is the People's Republic of China the world's fastest-growing and second largest economy after the United States, it is also the world's most important exporter – and second largest importer – of goods and commodities.⁶ For the EU, China is now its second major trading partner behind the US and its largest source of imports. Simultaneously, the EU is China's first trading partner and, after Japan, its second source of imports.⁷ Whereas in 2009, the EU exported €81.7 billion worth of goods to China, it imported almost €215 billion worth of mainly industrial and miscellaneous manufactured products from China.⁸ China accounts for about 11% of world trade in goods, and this includes its vast export of finished consumer goods to the EU.⁹ With its export-led growth and strong reliance on foreign trade, "[n]early half of China's gross domestic product (GDP) is thought to be dependent on shipping."¹⁰ For the EU, almost 90% of its external freight trade is

⁴ "The Gulf of Aden was classified as a 'war risk area' by Lloyds Market Association (LMA) Joint War Committee in May 2008, and is therefore subject to these specific insurance premiums. (...) [T]otal excess costs of insurance due to Somali piracy are between \$460 million and \$3.2 billion per year". See Oceans Beyond Piracy, *Economic Cost of Piracy Report*, http://oceansbeyondpiracy.org/documents/The_Economic_Cost_of_Piracy_Summary.pdf, p.1.

⁵ *Ibid.*, p. 2.

⁶ See, WTO, *China Statistics*, October 2010, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=CN>.

⁷ See, European Commission (DG Trade), *EU Bilateral Trade with China*, January 2011, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf.

⁸ See, European Commission (DG Trade), *EU-China trade in facts and figures*, June 2010, http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144591.pdf.

⁹ *Ibid.*

¹⁰ Linda Jakobson, "China prepares for an ice-free Arctic", *SIPRI Insights on Peace and Security*, No. 2010/1, March 2010, p. 5; after Gao Weijie, Executive Vice President of COSCO Group, who in his speech "Development Strategy of Chinese Shipping Company under the Multilateral

InBev-Baillet Latour Chair of European Union-China Relations



seaborne,¹¹ with European companies owning 41% of the world's total shipping fleet (in dead weight tonnage, dwt).¹² For both the EU and China, maritime transport also constitutes an important element of their respective energy strategies, in terms of the diversification of routes and energy sources.¹³

The Arctic

Due to these two developments in particular – shipping routes and access to energy resources, countries started paying increasing attention to the Arctic region. Even though the shipping industry recently suffered a certain decline owing to the financial crisis, it has generally benefited from an expansion, mainly because of the rapid growth in global demand for oil and other raw materials. With the melting of the ice caps in the Arctic Ocean, the region's attractiveness and commercial potential have been further brought to the fore, not only because it provides new transit routes for shipping, but also because of the increased potential it offers for accessing reserves of energy resources. According to the US Geopolitical Survey (USGS), published in June 2008, High North resources account for about 22% of the world's undiscovered, technically recoverable resources, which includes 13% of undiscovered oil, 30% of undiscovered natural gas and 20% of undiscovered natural gas liquids, with most of them located offshore.¹⁴ Despite the fact that these estimates still have to be confirmed and that technological challenges need to be overcome, the sheer potential size of the Arctic reserves has caught the attention of the major players on the global energy market.

Whereas access to Arctic energy resources remains a longer-term question, thus going beyond the scope of this paper, the current and projected decrease of Arctic sea ice represents a significant potential for increasing shipping both in and throughout the region. Compared to the 20,000 kms that corresponds to the shipping distance from Shanghai to Hamburg – that circulates via the Strait of Malacca and the Suez Canal – the Northern Sea Route – which runs from the Bering Strait in the East, along

Framework of WTO" at the International Maritime Forum, 30 October 2003, stated that "[w]ith 46% of GDP's contributions led by foreign trades and 85% of imports and exports trades being closely linked with ocean shipping industry, international maritime industry has actually stood out as one of the key industries in China [...]". See, Gao Weijie, *Development Strategy of Chinese Shipping Company under the Multilateral Framework of WTO*, 30 October 2003, <http://www.cosco.com/en/pic/forum/654923323232.pdf>, pp. 1-2.

¹¹ See, European Commission, *Maritime Transport – What do we want to achieve?*, February 2011, http://ec.europa.eu/transport/maritime/index_en.htm.

¹² European Commission, Communication from the Commission to the European Parliament, the Council of the European Union, the European Economic and Social Committee and the Committee of the Regions, *Strategic goals and recommendations for the EU's maritime transport policy until 2018*, COM(2009) 8 final, Brussels, 21 January 2009, p. 2.

¹³ "As its oil import dependence grows from 50 percent today to 80 percent in 2030, China will eventually have to import as much as the EU". IEA, *World Energy Outlook 2007*, www.iea.org, in Frank Umbach, "EU-China energy relations and geopolitics: the challenges for cooperation", in M. Parvizeh Amineh and Yang Guang (eds.), *The Globalization of Energy. China and the European Union*, Brill, 2010, p. 46.

¹⁴ US Geological Survey (USGS), *90 Billion Barrels of Oil and 1,670 Trillion Cubic Feet of Natural Gas Assessed in the Arctic*, 23 July 2008, <http://www.usgs.gov/newsroom/article.asp?ID=1980>.

InBev-Baillet Latour Chair of European Union-China Relations



Russia's Northern coastline to Novaya Zemlya in the West – is 6,400 kms shorter in distance and offers savings up to 40% when travelling from Northeast Asia to Northern Europe and the North-Western coast of the North American continent.¹⁵ In September 2009, two Russian vessels, the *Beluga Fraternity* and *Beluga Foresight*, successfully transited the Northeast Passage (previously used name for the Northern Sea Route), thus saving the company up to US\$300,000 per ship, in terms of time and fuel costs.¹⁶ In 2010, thanks to the strong cooperation between, on the one hand, Norwegian and Danish shipping companies, and on the other hand, the Russian maritime authorities, the first non-Russian bulk carrier and heavy ice-classed *MV Nordic Barents*, transported iron ore from the Norwegian port of Kirkenes to China and 4-5 similar voyages are planned for 2011.¹⁷

The EU and China in the High North

Arctic potential has been recognised both by the EU and China. These two actors share certain similarities in this regard. Even though three EU member states are Arctic States (Denmark/Greenland, Finland and Sweden), neither the EU nor China are littoral Arctic states and both are awaiting to obtain permanent observers status¹⁸ at the Arctic Council – the main intergovernmental forum on cooperation among Arctic States.¹⁹ Moreover, they both utilise the 1982 United Nations Convention on the Law of the Sea (UNCLOS) as the basis to solving potential disputes over maritime resources and uses of the ocean and continental shelf. However, the EU does “not preclude work[ing] on further developing some of the frameworks,”²⁰ whereas China is of the opinion that “these laws need to be refined [...] to ensure a balance of coastal countries’ interests and the common interests of the international community,”²¹ so as to better reflect the impact of climate change, the melting of the ice caps and particular Arctic features.

Until recently, China's growing interest in the Arctic region was particularly visible in the field of climate change research and environmental studies. The Chinese Arctic Yellow River Station was established in Ny-Ålesund in 2003²² and Chinese researchers actively took part in the International Polar

¹⁵ International Northern Sea Route Programme, *INSROP Overview*, <http://www.fni.no/insrop/>.

¹⁶ “Global Warming reopens the Northeast Passage”, *Time*, 17 September 2009, <http://www.time.com/time/world/article/0,8599,1924410,00.html>.

¹⁷ “Iron ore to break ice towards China”, *BarentsObserver.com*, 27 January 2011, <http://www.barentsobserver.com/index.php?id=4877686&xxforcedir=1&noredir=1>; “‘MV Nordic Barents’ makes historical voyage”, *BarentsObserver.com*, 26 August 2010, <http://www.barentsobserver.com/mv-nordic-barents-makes-historic-voyage.4812338-16175.html>.

¹⁸ On 29 April 2009, the European Commission's application to receive the status of permanent observer to the Arctic Council was put on hold until 2011 by Canada, in response to the EU's ban on the imports of seal products. “Arctic Council rejects EU's observer application”, *EUObserver.com*, 30 April 2009, <http://euobserver.com/9/28043>.

¹⁹ For more information on the Arctic Council, see <http://arctic-council.org/article/about>.

²⁰ European Commission, *op. cit.*, 2009, p. 10.

²¹ “China's perspective on Arctic matters”, *Shijie Zhishi*, vol. 55, no. 15, 2009 (author's translation), in Linda Jakobson, *op. cit.*, p. 10.

²² International Arctic Systems for Observing the Atmosphere, *Ny-Ålesund*, http://iasoa.org/iasoa/index.php?option=com_content&task=view&id=82&Itemid=120.

InBev-Baillet Latour Chair of European Union-China Relations



Year (2007-2008). Moreover, China has already undertaken Arctic expeditions and has further expanded its activities by building a new high-tech polar research icebreaker that should be operational by 2013.²³ It has also been paying increasing attention to both the commercial implications of the decreasing quantity of Arctic sea ice and to the consequent perspective of shortened shipping routes to Europe and North America.

This approach corresponds very well with the EU's attitude, which takes great interest in developing new major trade routes. Similarly, the EU conducts extensive polar research within its Framework Programmes, including the Aurora Borealis research icebreaker project and DAMOCLES (Developing Arctic Modeling and Observing Capabilities for Long-term Environmental Studies) which represented the most important contribution to the International Polar Year (2007-2008), with total funding amounting to €30 million.²⁴ One of the project's aims is to better understand the impact of climate change on the Arctic's natural environment and to provide more precise weather and maritime forecasts – indispensable factors for any future envisaged shipping activities through the Arctic Ocean. As the Northern Sea Route will permit for savings in time, fuel consumption and operating costs, it also presents considerable challenges to the shipping industry which have to be overcome before business is carried out on a larger scale.

A survey conducted between September 2007 and October 2008, among Asian, European and North American shipping companies, revealed that only 11 out of 34 firms would consider further developing their activities in the region, with container carriers demonstrating more caution than bulk carriers towards possible transport routes in the High North.²⁵ However, these numbers may increase in the future, in accordance with the potential for natural resource exploitation in the region. According to the Arctic Marine Shipping Assessment (AMSA), the Northern Sea Route could open for regular seaborne trade from 2025 onwards.²⁶ To ensure the safety and efficiency of Arctic marine shipping and to thus raise commercial interest, weather and maritime forecasting, surveillance and navigation capabilities combined with ice shipping technologies have to be improved and further developed. Moreover, emergency response management and rescue capabilities need to be enhanced, in conjunction with the construction of the necessary infrastructure along the Russian coast.

²³ Linda Jakobson, *op.cit.*, pp. 3-4.

²⁴ For more information on "DAMOCLES", see : DAMOCLES, *Peppering the Arctic with measuring instruments*, 29 November 2007, http://www.damocles-eu.org/about_damocles/Peppering_the_Arctic_with_measuring_instruments_395.shtml.

²⁵ Frédéric Lasserre, "High North Shipping: Myths and Realities", in Sven G. Holtsmark and Brooke A. Smith-Windsor (eds.), *Security Prospects in the High North. Geostrategic Thaw or Freeze?*, Rome: NATO Defense College, 2009, pp. 197-198.

²⁶ Arctic Marine Shipping Assessment, "Scenario Narratives Report: The Future of Arctic Marine Navigation", *Global Business Network*, in Ola M. Johannessen and Lasse H. Pettersson, "Arctic climate and shipping", in Rose Gottemoeller and Rolf Tamnes (eds.), *High North, High Stakes. Security, Energy, Transport, Environment*, Bergen: Fagbokforlaget, 2008, p. 109.



InBev-Baillet Latour Chair of European Union-China Relations



Conclusions

International shipping's crucial role in the functioning of the global economy signifies that it is a necessity that the full exploitation of new transit routes and shipping capacities is dealt with as an issue of the utmost importance. This reality is compounded by the political instability and the increasing threat of piracy that has occurred around the main straits – a fact that has pushed further the quest for new navigable sea lanes. At the same time, the decrease in Arctic sea ice resulting from climatic changes, has opened new pathways in the High North and offers the opportunity for the gradual introduction of commercial shipping in the region. Due to their extensive mutual trade relations, both the EU and China have economic interests in developing transport routes along the Northern Russian coast. It would allow for savings in time, fuel consumption and operational costs whilst protecting vessels from acts of piracy that is increasingly disturbing shipping routes along traditional sea ways. However, to raise the maritime industry's interest in the Arctic region, increased safety has to be ensured. To this end, the EU and China should enhance their cooperation in the field of research, develop information exchanges and contribute to the creation of reliable monitoring and forecasting systems to ensure safe and efficient maritime operations in the perilous waters of the Arctic Ocean. Additionally, even with the current pace of climate change and global warming, Northern routes will be open for passage only in the summer months and still cargo vessels will need to be certified under the "ice class" standard, thus further raising their production costs. Last but not least, Russia's role cannot be forgotten with regard to the chartering of its icebreakers, as well as its excessive toll charges and authorisation, necessary for any ship willing to sail through its exclusive economic zone.

Future development of shipping and transport in the High North will depend on the above listed elements. As Linda Jakobson states "[w]hile the melting of the Arctic ice could create tension, the new opportunities that will arise as a result of an ice-free Arctic could deepen cooperation."²⁷ Both the EU and China have clear interests in the region, but to fully benefit from the High North's economic potential, more focus should be placed on cooperation in crucial research domains, as a basis for the Arctic region's sustainable development.

²⁷ Linda Jakobson, *op.cit.*, p. 13.



BOOK REVIEW

Frans-Paul van der Putten and Chu Shulong (eds.), *China, Europe and International Security. Interests, Roles, and Prospects*, Abingdon: Routledge Asian Security Studies, 2011, 216pp, US\$130, Hardback.

Bram Buijs*

This new edited volume by Routledge brings together fourteen authors balanced evenly between Europe and China. The book aims to contribute to the debate on Europe and China as international security actors by focusing on three questions. First, how do Europe and China view each other's security roles, also taking into account their relationships with other parties such as the United States (US) and Russia? Second, in which direction is the bilateral security relationship developing? Third, how are China's and Europe's changing roles affecting international security?

The eloquent introduction outlines several key themes in contemporary research on the role of Europe and China in international security. The first theme is the security aspect in Sino-European relations, which is still quite underdeveloped in relation to economic and political ties. Central topics in this debate are the European arms embargo on China, as well as the issue of Taiwan and technological cooperation. A second strand of research concerns the changing role of both China and the EU in the broader political order and their ideas – and consequent impact – on global governance and multilateralism. Roughly half of all chapters follow-up on these two themes and discuss shifts in the international power relations and perspectives on security affairs, whereas the other half consists of detailed case studies.

One important observation made in the book from the outset is that there exists quite some uncertainty about where the EU is headed with regard to its role in international relations. Conflicting views exist among scholars, in particular on whether Europe is a “declining” or “emerging” power in international security. Such contrasting assessments also appear in the book at various chapters and depend to a large extent on the importance attached to soft power and the “normative” role of the EU.

The issue is analysed in a very balanced and thoughtful manner in Zhang Yanbing's chapter, in which he praises Europe's soft power and maintains that this quality is held in high esteem by China, even though “in the hard power aspect European countries are in relative decline.” According to him, Europe still plays a powerful role in “agenda-setting and initiation,” for instance in the legitimisation of environmentalism as a non-conventional security threat – a theme further explored by Wang Bo, who devotes a large part of the subsequent chapter to analysing fruitful Sino-European cooperation in the fields of energy and climate change. Wang Bo argues that in the traditional security field, much could also be gained from

* Bram Buijs is a Researcher at the Clingendael International Energy Programme.

InBev-Baillet Latour Chair of European Union-China Relations



more intensive interaction, as the Chinese military is currently still “one of the most isolated sectors in China.”

Strikingly, the European contributors to the volume seem much less assured of the EU’s growing role in international security. Frans-Paul van der Putten and Susanne Kamerling note with concern that “China is increasingly regarded by Washington as an indispensable partner to manage international security,” whereas “[d]ue to the collapse of the Soviet Union and the economic rise of Asia, Europe itself no longer has the unique strategic value that it had for the US during the twentieth century.” May Britt-Stumbaum also argues that even though China and Europe are both “emerging actors” in international security, the main challenge for Europe will be how to find a complementary role to positively influence the China-US relationship.

In what is one of the best chapters of the book, Gudrun Wacker addresses this challenge for Europe in a very clear and critical manner. Lamenting the tendency for “declaratory and symbolic” policy, she notes the very limited involvement of the EU in many of the global security hotspots, especially in East Asia. Although the EU and member states “have been trying to contribute to transformation and modernisation in China, (...) they have no contingency planning should these processes lead to a less desirable outcome.” Or, in the words of Zhang Yanbing: “with the renaissance of *realpolitik* thinking in the region, the EU faces the simple challenge of being taken seriously.”

One of the book’s stronger points is that different perspectives are explored on concepts such as global governance, multilateralism and multipolarity. As May Britt-Stumbaum remarks, China and the EU use “almost identical terminology” if the necessity for international security cooperation and multilateralism is concerned, but use quite “different connotations.” How this works out in practice is illustrated for instance by Janka Oertel. She discusses Chinese and European involvement in UN peacekeeping missions and observes that in comparison to the wider European norm-based approach, China favours a more conservative interpretation concerning the scope and legitimacy of peacekeeping missions, stressing essential conditions such as host nation consent, neutrality and the use of force merely for self-defence. Interesting thoughts on the future of multilateralism and the characteristics of a multipolar world are also presented by Xuan Xingzhang and Yang Xiaoping’s chapter on hegemonic cycles and by Feng Feng’s chapter on Russia-China-Europe relations, although the latter at times seems overly idealistic when it comes to analysing the three parties’ proclaimed preference for multilateralism.

The volume’s different case studies represent a very valuable overall contribution. A fascinating analysis of the EU-China cooperation on satellite technology by means of the Galileo project and the debate on the Chinese indigenous *Beidou* (Compass) programme is presented by Nicola Casarini. The chapter by Willem van Kemenade provides a gripping historical account of the bilateral diplomatic interactions surrounding the Iranian nuclear issue, while Frans-Paul van der Putten and Susanne Kamerling discuss China’s ground-breaking maritime mission to combat Somali piracy in the Gulf of



InBev-Baillet Latour Chair of
European Union-China Relations



Aden, allowing for this unprecedented cooperative interaction at an operational level between European and Chinese military forces.

Overall, the volume has certainly taken an interesting and refreshing perspective by looking at China, Europe and international security without explicitly including the US in every analytical framework. This sets it apart from other publications, such as the recent book *US-China-EU Relations: Managing the New World Order*, also published in the Routledge Asian Security Studies series (and reviewed in the *EU-China Observer*, Issue 5, 2010). Although the US' influence looms in the background, the book offers some new insights and analysis of various cases where Sino-European interaction on international security affairs might eventually play a larger role in the future.