

EU-CHINA OBSERVER

DEPARTMENT OF EU INTERNATIONAL RELATIONS AND DIPLOMACY STUDIES



"EXCHANGING IDEAS
ON EU-CHINA RELATIONS:
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College of Europe
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DEPARTMENT OF EU INTERNATIONAL
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Baillet-Latour Chair of
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GLOBAL RESET? EUROPE AND CHINA IN AN AGE OF UNPREDICTABILITY

GEOFFREY HARRIS

Introduction

There is no doubt that Donald Trump has shaken up American politics and that his election has put global relationships into a state of flux. Both Europe and China are struggling to come to grips with a new reality. Unpredictability is, at least for the moment, the order of the day. In this article attention is concentrated on the main changes expected in US relations with China and Europe respectively. Infolding developments will have profound implications for the development of EU-China relations.

From Obama to Trump: continuity as well as change

Trump won power by rejecting previous orthodoxies. On taking office told the world that he will always “put America first.” As Elizabeth Lynch wrote in February for Foreign Policy, Trump may be best seen as America’s Chairman Mao, a revolutionary ideologue. It is, she wrote: the disarray and the upending of society that appeals to the U.S. President. ‘If you don’t destroy, you can’t construct’ was a favourite saying of Mao as he took China down the pointless and profoundly self-destructive path of a continuous revolution. Understanding that aspect of Trump is important in figuring out how to deal with his presidency. Appealing to economic logic when he calls for a 20 percent tariff on Mexican goods and calling on American values when he institutes a ban on Muslim immigration is not going to resonate with him.¹

In economic policy, the new President is putting the emphasis on increasing growth in the US economy through reduced taxes, cuts in Government expenditure, reform of

financial services and investment in infrastructure. This has led to a stock market boom but whether this is just another bubble (as before 2008) remains to be seen. In fact, Trump inherited a relatively positive situation as compared with the financial crisis which faced President Obama eight years ago.

In trade policy, the President has abandoned an already negotiated Trans-Pacific Partnership (TPP) and given the impression that he will give priority to a trade deal with post-Brexit Britain rather than pursuing a Trans-Atlantic Trade and Investment Partnership (TTIP).

In security policy, the President has announced increased defence spending combined with reductions in money spent via the State Department and others via the exercise of “soft power.” The US seems set to become less insistent on promoting democracy and human rights. The possibility of improving relations with Russia has been announced but it is far too soon to judge if such a reset is possible. In the meantime the US is insisting that its allies contribute much more to their own defence.

It is, however, still fair to ask how much has really changed?

The previous Administration maintained a strong commitment to working within the UN and the WTO. It also tried to cooperate as closely as possible with Europe on security and economic policy. President Obama did not always seem to have a lot of faith in the European Union and there

were tensions with European leaders over policy in Ukraine and Syria. Controversies on US intelligence activities exploded after the Snowden revelations and the ambitious goal of the TTIP, in reality, remained elusive. On the other hand, NATO remained sure of itself and its role in a period of Russian adventurism and was taken aback by suggestions by Trump that it had become obsolete.

Abandoning multilateralism, challenging globalisation

In international affairs, it is most notable how under Donald Trump bilateral relationships are now being treated by the US as more important than multilateral commitments. For example, a trade strategy document presented by the Trump Administration to Congress at the beginning of March 2017 stated explicitly that "it is time for a more aggressive approach."²

The document followed up on the anti-globalization rhetoric of the election campaign in which both Trump and Senator Bernie Sanders who was himself challenging the political mainstream from a left-wing perspective attacked US trade policy and spoke up in unusual political language for Americans, emphasising the need to defend the 'working class.'

President Obama had spoken out against Brexit but Trump foresaw the possibility of the UK voting to leave the EU and was ready to seize the initiative on this issue after the votes in Britain had been counted. He quickly pointed out his own foresight in correctly predicting the results of the vote: I felt it wouldn't stay together and again I think that's what's happening in the United States (...). It's not staying together. It's a really positive force taking place. They want to take their country back. The people want their country back. We don't want to lose our jobs, our borders.³

Abandonment of Unipolar vision of US leadership

President Trump told the US Congress on February 21st 2017 that "my job is not to represent the world. My job is to represent the United States of America."⁴ He underlined that America respected the right of each country to choose its own path, even if democracy is best.

His apparent readiness to soften of US policy towards Russia contrasts with the aggressive language he has used about China. The fact that the two countries share a rejection of American power and work closely together on many issues does not seem to have influenced his approach to the international situation he faced on coming

to power. Allies in Europe, especially those geographically close to Russia are unclear and concerned at where any new US-Russia relationship will leave them.

Mixed or changing messages are unusually frequent and there are constant reports of disputes within the Trump team especially over trade policy. It has been notable that Rex Tillerson, the new Secretary of State has been playing a very modest role in policy making leaving diplomats struggling to get a clear view of the direction of policy

Reset with Russia coming up?

In the run up to the November election, another leader was also looking to challenge Obama and his apparent successor, Hillary Clinton. President Putin had long argued that the US should abandon its support for democracy promotion which he perceived as a threat to his own regime and the cause of trouble in Europe's neighbourhood from Ukraine to Syria. Russia, like China, regretted allowing the UN to authorise military action in Libya, leading in effect to regime change. By the end of the Obama Administration Russia seemed to have gained the initiative building relations up with traditional US allies like Turkey and Egypt. It is in this context that the potential warming of US-Russia relations has caused concern in Europe and consternation in the US with the US President seemingly unwilling to criticise the Russian President whilst allowing his officials to do so.

Giving up on Trade Policy as a means to protect US and European leadership

During Obama's second term, a Transatlantic Trade and Investment Partnership (TTIP) became the main project for Europe to pursue with the US. Negotiations moved forward rather slowly but had been expected to pick up again once Hillary Clinton entered the White House. TTIP was less controversial in the US than in Europe where many in civil society and on the left of the political spectrum saw it as a project overly favourable to big business, in particular to US corporate interests.

The TTIP project was part of a global strategy of the US in which Europe was just one element. TTIP could have been, it was argued, a confirmation of the ability of the US and Europe to shape events and to cement the relationship as the Cold War faded in the collective memory. Some even saw TTIP as an "economic NATO."⁵

Zbigniew Brzezinski explicitly placed the TTIP project in the context of China's growing economic and military power

arguing, in Bratislava in April 2013, that the success of the project could not only revise trans-Atlantic relations but also create a new geopolitical equilibrium:

It can create additional trans-Atlantic bonds ... it can shape a new balance between the Pacific and the Atlantic oceanic regions, while at the same time generating, in the west a new vitality, more security and greater cohesion.⁶

The failure of Obama to achieve either a TPP or a TTIP seems, therefore, like good news for Moscow and, in particular, Beijing.

Impact of Trump's policies on the EU and China

Even during the Obama years, Europe was constantly looking for reassurance from the US that the alliance still mattered. As the Ukraine crisis developed after 2013, the US felt that once again Europe was not acting as an effective international actor but the sanctions on Russia after its annexation of Crimea showed that the alliance could still pursue common security objectives. The uncertainty as to the kind of relationship the US now seeks with Russia has, however, left alive doubts around trans-Atlantic relations. Deliberately ignoring the EU role in trade negotiations, the US has called for bilateral US-Germany negotiations to reduce the trade surplus that Germany has at the moment. In May, the US President will attend a NATO summit in Brussels and a G7 Summit in Italy. Brussels also is waiting for a sign that the US is ready for a summit with the EU which is obliged to hope that a transatlantic relationship based on common values can survive in the Trump era. At the same time, it is impossible to ignore the extent to which anti-EU parties have felt legitimised and potentially empowered by the election of Donald Trump who seems to share their views on the EU and their respectful approach towards Vladimir Putin.

The EU would be ready to breathe life back into the TTIP negotiations but it will have difficulty standing beside the US if the rhetoric of Trump and his trade adviser Navarro really threatens the world economy.

It is not unusual for US Presidential candidates to talk tough language about China and it remains to be seen if a difference emerges between what Trump says and what he does. So far, the rhetoric has not been followed up. After appearing to tell the President of Taiwan that he might abandon the "One China Policy" Trump told the President of China that this was not in fact the case.

At the time the TTIP talks were launched in 2013, many in China claimed that with TPP and TTIP following along the military pivot to Asia, the US was trying to enlist its allies in

Asia and Europe in an economic "encirclement operation."⁷ The rush to abandon the TPP confirmed the abandonment of the Obama trade agenda but it remains unclear how aggressively the US will really fight with China over trade, currency and investment issues.

In effect, Donald Trump has abandoned Obama's grand trade strategy but remains committed to increasing US security presence in Asia and to reassuring allies concerned at China's claims in the South China Sea. A major test to US security policy is emerging as a result of the deliberately provocative nuclear tests carried out by North Korea. US measures to protect South Korea are questioned by China as bringing the risk of a clash with the DPRK.⁸

Relations between Europe, China and the US have never been structured as a trilateral relationship but their interaction will be decisive not only in terms of how globalization develops but also in terms of the economic outlook which provides the background to domestic politics. The US and the EU pursue separate bilateral relations with China whilst, at least until now, seeing each other as their primary partner in international affairs. All three participate in global economic governance via the G-20.

The Obama administration's "pivot" to Asia was sometimes perceived with anxiety in both Europe and China but for different reasons. China felt threatened by an expanded US military presence in its region. Europe feared the possible

EUROPE WAS CONSTANTLY LOOKING FOR REASSURANCE FROM THE US THAT THE ALLIANCE STILL MATTERED.

consequences of reduced US attention to its security concerns, at least before the Ukraine crisis of 2013. Under Trump these fears may be confirmed and there would be difficulties in developing a common EU/US approach to dealing with China. This would have been a logical approach.

For the moment, at least, it does indeed appear that, on global economics, Trump is a revolutionary ideologue. This is confirmed by key White House appointments. Steve Bannon, his chief strategist, has long developed a close relationship with anti-EU parties across Europe and famously brought together Nigel Farage and Donald Trump during the early days of the transition after 9 November.

In some ways, particularly for the global economy, Bannon seems less dangerous for Europe and Asia than the President's key adviser on trade matters. Robert Colville recently asked whether Peter Navarro is "the most dangerous man in the world." He pointed out that Navarro is the author of books such as *Death by China*, *The Coming China Wars* and that his basic idea is that "countries such as China, Japan and Germany have rigged the trade system against the US. Their large export surpluses are the result of currency manipulation and other underhand tricks".⁹

Perception can create reality. Bracketing Germany and China together and using equally provocative language about two such different countries is likely to create a political momentum that Washington is unable to influence.

For one thing China shares Germany's long term support for the idea of European integration. Indeed, China under Chairman Mao already took a positive view of European political and economic integration. This was a visionary approach by Mao and distinguished his view from that of the USSR which always dismissed the EU project as just part of the Cold War. The fact that Trump and Putin seem so disdainful of the EU is therefore all the more remarkable.

The approach of Europe towards China could not be more different than that of the new US administration.

The EU participates in regional fora along with China and the possibility of EU cooperation with the Belt & Road regional infrastructure development plan is under active consideration. China supports the Juncker programme for investment in jobs and growth in Europe, whereas the EU supported the Chinese initiative for the Asian Infrastructure Investment Bank (AIIB) at a time when the US was pushing a boycott.

As Federica Mogherini put it in June 2016: "The European Union and China already cooperate on so much: we work together on the global and political issues of our times, such as Iran, Syria, Afghanistan, migration and climate change."¹⁰

Not sharing the same values, China and the EU are not allies; yet they are not enemies on the road to conflict either. For example, they both support the recent Iran nuclear deal which is now in doubt in Washington. The EU follows security issues in Asia but has no direct military involvement. The Trump administration's hostility to the Paris



Agreement on Climate Change also puts it at odds with both Europe and China.

Concerns remain, however, that China is backtracking on progress towards economic reform and transparency for investors. In March 2017, the President of the European Chamber of Commerce in China stated that instead of moving ahead with the progressive market-based reforms announced at the Third Plenum in 2013, state planners are unfortunately falling back on the old approach of top-down decision making," said. "This poses serious problems, not only for European business but also for much of China's private sector and the wider economy."¹¹

The EU will, therefore, also be looking for reassurance from China that their economic relationship can move forward in spite of the controversies over specific trade issues.

Concluding remarks

There has been much speculation that China and Europe could cooperate in saving globalisation and avoiding trade

wars, but much will depend on how Europe's leaders and voters respond to the new context. Indeed, just as China was the shadow behind the Obama era trade policies so now Trump is overshadowing European politics in a way that could bring China and Europe closer together in their need to advance global economic growth.

As the EU faces a series of existential challenges it is urgently awaiting reassurance from Washington on economic and security issues. These will be looked for in concrete terms beyond the warm words now being used. Unless Trump abandons his planned aggressive approach to trade issues he is likely to poison relations with Europe and lose support for maintaining the US pivot to Asia. At a time of such uncertainty predictions are pointless but it is certainly quite conceivable that US policies will lead Europe and China into a deepening of their cooperation. ☺

¹ E. Lynch, "America's Mao Zedong", Foreign Policy, 1 February 2017, retrieved 10 February 2017, <http://foreignpolicy.com/2017/02/01/americas-mao-zedong-trump-chaos-is-de- liberate/> ² Office of the United States Trade Representative, "2017 Trade Policy Agenda and 2016 Annual Report of the President of the United States on the Trade Agreements Program", 2017, retrieved 10 February 2017 <https://ustr.gov/sites/default/files/files/reports/2017/AnnualReport/AnnualReport2017.pdf> ³ A. Kirkland, "Trump Blames Obama For Brexit Vote, Says He Predicted It", TPM, 24 June 2016, retrieved 5 February 2017 <http://talkingpointsmemo.com/livewire/trump-blames-obama-brexit-takes-credit> ⁴ The White House, "Remarks by President Trump in Joint Address to Congress", 28 February 2017, retrieved 2 March 2017 <https://www.whitehouse.gov/the-press-office/2017/02/28/ remarks-president-trump-joint-address-congress> ⁵ P. Ames, "Will TTIP be an 'economic NATO'", POLITICO, 17 September 2015, retrieved 12 March 2017, <http://www.politico.eu/ article/will-ttip-be-an-economic-nato/> ⁶ Z. Brzezinski, "Keynote at GLOBSEC 2013", 18 April 2013, retrieved 1 March 2017 <https://www.csis.org/analysis/dr-zbigniew-brzezinski-keynote-globsec-2013> ⁷ As William Grimes of Boston University put it in 2012, "It is understandable that Chinese may see the TPP as a strategy of encirclement. The need for governments in both the US and Japan to please skeptical publics means that the prospects for the successful conclusion of the TPP are remote". See W. Grimes, "Messy TPP process no reason for China to fear", Global Times, 10 October 2012, retrieved 12 March 2017, <http://www.globaltimes.cn/content/737335.shtml> ⁸ See "China calls for calm on North Korea U.N. suspension call", Reuters, 1 March 2017, retrieved 14 March 2017, <http://www.reuters.com/article/us-northkorea-malaysia-kim-china-idUSKBN16830W> ⁹ R. Colvile, "Is this the most dangerous man in the world?", CAPX, 28 February 2017, retrieved 1 March 2017 <https://capx.co/is-this-the-most-dangerous-man-in-the-world/?omhide=true> ¹⁰ European Commission, "The European Union sets its sights high on ambitions with China", 22 June 2016, retrieved 22 February 2017 http://europa.eu/rapid/press-release_IP-16-2259_en.htm ¹¹ European Union Chamber of Commerce in China, "European Chamber Report Cautions Against the Negative Aspects of China Manufacturing 2025", 7 March 2017, retrieved 10 March 2017 <http://www.eurochamber.com.cn/en/press-releases/2532>



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BIO

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EU-CHINA RELATIONS AND THE TRUMP ADMINISTRATION: A DOOMED FUTURE?

HANG YUAN

Introduction

The United States (US) President Donald Trump came into power on 22 January 2017. Although new US presidents are often in the spotlight, President Trump seems to have received a great deal of attention for his controversial remarks on US domestic and foreign policy during his campaign. Furthermore, in its first month the Trump Administration has already demonstrated a determination to bring about changes that are viewed by many as undoing Obama's policy and as anti-establishment in general. So the big question is: what impact will the Trump Administration have for the world?

This contribution focuses on the relevance of US policies for EU-China relations. Specifically, it tries to explore the implications of the Trump Administration for EU-China relations. Through the lens of examining the 'US factor' and counterbalancing factors in EU-China relations, it argues that as the Trump government's desire to change the game will face strong constraints, Washington may not easily shape a doomed negative future for EU-China relations.

The 'US factor' and the changing landscape: a framework

CEU-China relations have undergone ups and downs due to various factors in recent decades. How to understand the EU-China 'strategic partnership' is a question that has been subject to debate.¹ The factors influencing this relationship include, but are not limited to, the differences between the two sides and the international situation.² As one of the most powerful world players, the US may influence EU-China relations in various ways.³ Moreover, the US factor and other factors in EU-China relations are interrelated.

The US factor could be seen as having two levels: the international system level and the agency level. At the system level, for decades the US has shaped international order through various international arrangements led by the West and underpinned by NATO. In a sense, the US shapes the international atmosphere and its allies' foreign policy thinking. The EU's policy towards China is no exception.⁴

Through frequent meetings including those of NATO and the G7, the US often coordinates its allies' China policy by setting baselines in high politics including geopolitics and security. In their dealings with China, the EU does share a great deal of common ground with the US, including cultural background, values and norms as well as the common interest of the West. And while the EU may develop its own China policy, it is unlikely the EU seeks to move too far away from the general western stance toward China.

At agent level, the US may also directly influence both the EU and China respectively. One way is by imposing more direct pressure on the EU on specific issues related to China. For instance, in 2004 when France and Germany supported an improvement in China-Europe relations, the EU agreed to review its 15-year embargo on selling arms to China. However, Washington warned Brussels off relaxing its arms embargo on China.⁵ Among other factors, the pressure from Washington to uphold the embargo is one of the most notable factors resulting in a weapons export ban to China until today. This is a typical case of US intervention in EU-China relations on specific issues.

Meanwhile, the impact of the US on EU-China relations may be mediated and/or modified by the changing landscape of EU-China relations. First, the EU member states'

China policy may differ due to their national ties with the latter.⁶ For instance, despite the Obama Administration's warning against membership of the China-led Asian Infrastructure Investment Bank (AIIB), France, Germany and even the UK have joined. Second, despite NATO, the independence of the EU's approach towards China is also evident. One early example is the EU's constructive engagement with China in early 2000s, which differs from the containment policy of the Bush Administration. Another example is the EU's supportive stance toward decisions of its member states such as France and Germany to join the AIIB.⁷ The third factor is China's growing influence and strong support for multilateralism and globalisation. Although the EU and China may differ on many specific issues, they share views on promoting multilateralism and global governance in a multipolar world where the current multilateral arrangements should play central roles.⁸ In this sense, if the US moves too far towards hegemonic unilateralism, a strong EU-China relationship may play a rectifying role. Fourth, the world is continually changing, with more developing and emerging countries attempting to shape international relations. While the EU is addressing economic recovery, terrorist threats, immigration/refugee crises and geopolitical pressure, emerging markets are busy networking towards the world stage centre. China's initiatives such as the Belt & Road (B&R) are gaining support from many developing economies.

Therefore, the interrelations between the US factor and these four counterbalancing factors/elements may provide us with a lens or framework to examine EU-China relations.

In this sense, examining the implications of the Trump Administration for EU-China relations requires that we look at how the Trump government may change the current configuration of these factors. Before doing so, we will first survey the Trump Administration's foreign policy.

The Trump Administration's foreign policy

Before moving to the analysis of the Trump Administration's foreign policy in general and EU-China relations in particular, here are several caveats. First, it is important to notice the incoherence of Trump's remarks on specific issues. Second, his discourse as a candidate is not to be

taken as the discourse of a US President. Third, his personal remarks on specific issues are not to be taken to reflect the official outlook or policy of his government. Fourth, his term only began in January 2017. Thus it may be too early to provide a comprehensive and thorough analysis of President Trump's foreign policy portfolio. Instead, this paper only tries to draw some tentative insights, which may still look subjective.

The Trump Administration claims to follow an 'America First' foreign policy, with a focus on American interests and national security, emphasising 'peace through strength'.

Although many US governments have based their foreign policy on American interests, the Trump government attaches great significance to reorienting its resources to

meet domestic needs. This inward looking attitude is reflected in Trump's remarks such as 'the US cannot afford to be the world's police; let NATO allies pay'.⁹ Washington is now seeking to have their allies share more responsibility in military spending and security capacity. Trump has also criticised multilateral trade arrangements such as the WTO for not serving the interests of 'All Americans'.

This government claims

to fight for 'fair but tough trade deals' and has already withdrawn Trans-Pacific Partnership (TPP).¹⁰ In addition, Washington is apparently not ready to play an active role in promoting global governance in fields such as climate change. Therefore, the Trump government is likely to lean towards unilateralism, a label that was more closely linked to President Bush Jr. than to Obama.

Although President Trump has not systematically issued policy directly on EU-China relations, his team have made some remarks on the EU and China. Trump's praise for Brexit and negative remarks about NATO, the EU and Germany before his inauguration as US president sent out signals of Euroscepticism and shocked many Europeans who would support European unity and strong transatlantic partnership.¹¹ Trump's success has also encouraged populist parties in France, Germany and other EU member states. Furthermore, Trump's clear pro-Russia stance had made Europeans wary about the potential improvement of US-Russia relations.

THE INTERRELATIONS BETWEEN THE US FACTOR AND THESE FOUR COUNTERBALANCING FACTORS/ELEMENTS MAY PROVIDE US WITH A LENS OR FRAMEWORK TO EXAMINE EU-CHINA RELATIONS.

Similarly, Trump's rhetoric attacking China irritated many Chinese. He blamed China for many problems facing the US and the world, from 'unfair' trade to regional security and global warming. Moreover, the recent stances and actions of his team on China's core interests, including issues linked to Taiwan and the South China Sea have already rattled many Chinese.¹² Obviously the Chinese are vigilantly looking for signs of any potential rash decisions of the Trump Administration that may affect China's core interest, including sovereignty and territorial integrity.

Therefore, Trump has already sparked a number of uncertainties, misunderstandings, shocks, fears and worries among people outside the US, including America's European allies and broader global audience.

Doomed future?

Back to our framework for analysing EU-China relations, we will see how the Trump Administration may change the configurations of the US factor and other factors/elements at the system and agent levels.

At system level, Trump's rhetorical attack on globalisation, current multilateral arrangements and broader international order is disturbing the global atmosphere and arousing wide resistance within and outside the US. For instance, Trump's unfavourable stance on the EU, transatlantic alliance and broader international order are not welcome by European leaders. Federica Mogherini, the EU foreign affairs chief, has argued that the world needs 'a principled global security provider, for a superpower that believes in multilateralism and cooperation' and that 'Europe will be more and more an indispensable power'.¹³ Under growing pressure from European allies, the Trump Administration has recently altered its discourse on NATO and Europe, by reassuring transatlantic allies of its support for NATO and Europe and vowing to 'hold Russia accountable'.¹⁴ Although whether Europeans could finally encourage US foreign policy towards multilateralism remains to be seen, the EU is demonstrating its determination to assume more responsibility. Thus, the Trump Administration is not so much changing the international order and European foreign policy as awakening the awareness of its European allies to safeguard the established order.

At agent level, while the ways in which the Trump government may directly influence specific issues involving EU-China relations remains to be seen, it is facing constraints from both the EU and China. The constraints on Washington's wish to depart from the established

international order and widely enshrined norms including multilateralism exist at both the EU and China side. For instance, at multilateral events such as the 2016 G20 Summit in Hangzhou, the 2016 Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting in Peru and Davos 2017, the Chinese government sent clear signals to the world that despite setbacks and difficulties, China will continue

THE CHINESE GOVERNMENT SENT CLEAR SIGNALS TO THE WORLD THAT CHINA WILL CONTINUE TO SUPPORT FREE TRADE, GLOBALISATION AND ECONOMIC OPENNESS.

to support free trade, globalisation and economic openness, and that there is 'no winner in trade war'.¹⁵ Beijing is apparently not seeking confrontation with Washington, emphasising that 'both [have] a responsibility to safeguard world peace and stability, and promote global development and prosperity'.¹⁶ Instead, Beijing is urging Washington to strengthen pragmatic cooperation to push forward the China-US relations.¹⁷ Beijing seemingly has great patience when it comes to bringing Washington back to the path of dialogue and cooperation.

Finally, the four factors/elements balancing the US factor in our framework remain robust. First, Europeans and Chinese apparently find more common ground to enhance their relations thanks to the Trump shock. Key EU member states such as Germany, France and Italy have recently expressed their expectation to further advance their bilateral ties with China to promote world peace and security as well as common interests in areas including trade and climate change.¹⁸ Second, when transatlantic allies differ on NATO military spending, the EU tends to stress the significance of its relations with China. Federica Mogherini said, '[u]nder the current international situation, strengthening cooperation between the EU and China becomes more important than ever before'.¹⁹ Third, Trump's 'America First' stance gives Beijing the opportunity to show the world that China is a defender of globalisation, free trade and multilateralism. Fourth, China's initiatives including the OBOR and the AIIB have recently attracted more developing economies from Asia, Europe, and Africa to begin bilateral and multilateral economic cooperation. China is expected to further promote international connectedness and

globalisation in 2017 when it hosts a series of important summits, including the International Cooperation Summit Forum on OBOR and BRICS Summit.

Conclusion

This article explores the implications of the Trump Administration for EU-China relations through the lens of the interrelations between the US factor and other elements/constraints. The findings indicate that Washington is unlikely to bring the whole world around to the so-call

'America First' direction. Although the US remains a hegemonic superpower in many ways, it is faced with strong counterbalancing influences from other players in favour of multilateralism, cooperation and win-win solutions. If the US moves closer towards hegemonic unilateralism and further away from worldwide aspirations for peace and cooperation, the EU and China may forge a stronger relationship to rectify this. Even in the era of the Trump Administration, EU-China relations are not necessarily doomed to have a gloomy future. ☺

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THE CLIMATE TRIANGLE: GLOBAL GOVERNANCE, NATIONAL POLICY AND THE ECONOMIC IMPERATIVE

Duncan Freeman

Introduction

The conclusion and ratification of the Paris Agreement in 2016 has been hailed as a significant, if not sufficient, step on the path to halting anthropogenic climate change. The Paris Agreement has been ratified by parties representing the requisite number of governments and level of CO2 emissions to bring it into force. However, the agreement faces an apparent threat following the election of Donald Trump as US president. Both during the election campaign and after Trump has expressed skepticism concerning anthropogenic causes of climate change,¹ threatened to withdraw from the Paris Agreement² and to reverse domestic policies in areas such as support for renewable energy and to favour fossil fuels instead.³ The question therefore arises of whether the Paris Agreement and global climate change mitigation efforts can survive the potential defection of one of its most important signatories, which is also one of the biggest carbon emitters. Despite the actions taken by the Trump Administration following his inauguration, some leading figures working on the issue remain optimistic that action to deal with climate change will continue. For instance, Patricia Espinosa, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC), has insisted that action on climate change is unstoppable, regardless of the actions of the US.⁴ One of the most important determinants of whether action is indeed unstoppable will be the reaction of the EU and China, both separately and together, to policy changes in the US. Their continued commitment not just to the Paris Agreement, but to their domestic policy actions, will be central to global climate change outcomes, but will also have impacts even in the US itself.

The Paris Agreement depends first on the acceptance by governments of the science of anthropogenic climate change and the need for action to counter its effects. But the success of the agreement will be achieved largely by decarbonisation of economies through adoption of technological solutions brought into effect through Nationally Determined Commitments (NDC). Underlying the conclusion of the Paris Agreement is widespread acceptance of the additional argument that climate action is beneficial not just for the climate, but also for the economy. The idea that not only is decarbonisation necessary to avoid the catastrophic effects of climate change but also good for business has become a widely accepted, though not unanimous, view. In addition to rejection of the science of climate change on which the Paris Agreement is based, the position of Trump Administration is a reassertion of the belief that climate policy is a cost, exemplified by his famous claim that, "The concept of global warming was created by and for the Chinese in order to make U.S. manufacturing non-competitive".⁵ The pursuit of climate policy increasingly follows the economic as well as scientific logic.

A key feature of the Paris Agreement is that the governance framework is global, but it is rooted in voluntary national policy commitments. Thus, the Paris Agreement is not just a political commitment to a system of global governance, but depends primarily on national economic or industrial policy and also on actions of companies based on business interests. The NDCs are policy commitments that are national and are taken by governments in the framework of the global Paris Agreement. However, they are also taken in the context of technology, trade, investment and markets that are not

purely national but are increasingly globalised. Hence, the Paris Agreement itself is only one element of a complex context in which political defection at the member party level may not necessarily have a fundamental impact on the wider framework of multiple national climate policies and actions that includes subnational government authorities and economic actors.

This paper considers the possible impact of defection from the Paris Agreement. It argues that the outcome of any defection from the Paris Agreement by the US will be determined in large part not by the defector but by the actions of the EU and China. Whether the EU and China act in concert or not, they have the capacity to impact global outcomes and in other parties. Both have reiterated their commitment to the Paris Agreement, but the formal adherence to the overall structure may be less important than action in meeting their own domestic policy commitments on energy and emissions. The EU and China together make up significant share of the global CO2 emissions, energy demand and production, including fossil fuels and their alternatives, but, more importantly, they are also major actors in industrial sectors such as renewables and electric vehicles.

Paris Agreement and Emissions

The Paris Agreement manages to do what the previous efforts to extend the Kyoto Protocol failed to achieve and represents a coalescence of views among governments on how to manage climate change. While the Paris Agreement required the acquiescence of many governments, the major emitters and economic powers were vital. Although they started from widely divergent positions in Copenhagen, the EU, China and the US managed to come to agreement in Paris. The resulting NDCs are not legally binding targets, and are not sufficient to actually meet the requirements to restrict global temperature rises to the level needed to prevent catastrophe, but they nevertheless do commit governments to action which is specified by their national commitments. According to the UNFCCC, the NDCs will make a difference to projected trajectories for CO2 emissions, even if they are still not sufficient to meet the 2 degrees target.⁶ Climate Action Tracker, which has assessed the potential impact on CO2 emissions of all NDCs submitted, gives those from the EU, US and China only a medium rating, and argues that greater commitment is needed from them.⁷

The trend of emissions in the EU, China and US has a major global impact. This is especially the case for those from China, which is now the largest CO2 emitter. In recent years there has been a slowdown in the increase in global CO2 emissions which can in large part be explained by the slower rise in

China's emissions, and is the result of changes in China's economy and energy mix.⁸ While for many years the increase in CO2 emissions was closely associated with GDP growth, the two have now been decoupled.⁹ Emissions from the US have also been declining, primarily as a result of reduced coal consumption as energy production relies increasingly on gas, and renewables expand as a share of new installations.¹⁰ In recent years, EU emissions have also been declining but the trend was reversed in 2015, mainly due to an increase in natural gas consumption used in power generation and heating.¹¹ All models for future trends in emissions show the importance of the EU, China and the US, and also other major emitters such as India. Both in the short and long-term, the emissions of these three will continue to determine global outcomes.

The Paris Agreement required the ratification of 55 countries representing 55 percent of global emissions for it to enter into effect, and it has been ratified by 134 countries representing over 80 percent of emissions, including the EU, China and the US. As the major CO2 emitters, the three have a key role to play. So far, the response of both the EU and China has been to reaffirm their commitment to the Paris Agreement, and neither have shown any signs of weakening in this regard. The US is a single signatory, and accounts for 17.89 percent of CO2 emissions.¹² Regardless of the position of the US, as was the case for its previous withdrawal from the Kyoto Protocol under President George W Bush, the Paris Agreement is unlikely to collapse as a result of US defection unless other significant emitters follow. The commitments of the EU and China, with 12.1 percent and 20.9 percent of emissions, will continue and their domestic policies will remain in place. It is therefore unlikely that in itself political defection of the US, no matter how important it may be, will bring an end to the Paris Agreement and the commitment of other parties. The more important question will be what real effect any change in US policy will have, both domestically and globally.

Green Growth

Regardless of continued US commitment to the Paris Agreement, Donald Trump has indicated that he believes that efforts to reduce carbon emissions, by for instance promoting renewables, are a cost to the US economy. Not only does Trump reject the science of climate change, but also the premise that a shift to the green economy can be a driver of economic growth and employment. Economic growth in the US will be driven by cheap fossil fuels, including coal, and it is these rather than renewables that should be supported.

The economic argument underlies the acceptance by many governments of the Paris Agreement. While skeptics have

attacked climate science, they have also argued that mitigation action is an economic cost that undermines business competitiveness. Even amongst those who accept the science of climate change, mitigation has in the past been considered an economic cost. The Stern Review published in 2006, which framed the economic argument for adopting climate policy, argued that the short-term cost of action was worth paying to prevent the far greater long-term costs of inaction.¹³ In recent years, the idea of green growth has gained influence and acceptance. In this view, tackling environmental and climate issues are no longer considered as a cost but as a positive driver of economic development. The view has

THE VIABILITY OF MITIGATION THROUGH ADOPTION OF RENEWABLE ENERGY SOLUTIONS WILL DEPEND ON ITS CURRENT AND FUTURE ECONOMIC COSTS, AND BY SOME MEASURES RENEWABLES ARE ALREADY COMPETITIVE WITH FOSSIL FUELS.

been espoused by influential international institutions such as the Organisation for Economic Cooperation and Development (OECD).¹⁴ The International Finance Corporation, the private finance arm of the World Bank, has endorsed the idea.¹⁵ The idea that climate change policy can be positive for growth is now advocated by many business groups.¹⁶

The idea of green growth was also recognised even by the US government. President Obama's Climate Change Action Plan incorporated this view of the positive economic potential of climate change action. Thus Obama administration asserted that, "Thanks in part to the Administration's success in doubling America's use of wind, solar, and geothermal energy and in establishing the toughest fuel economy standards in our history, we are creating new jobs, building new industries, and reducing dangerous carbon pollution which contributes to climate change".¹⁷

The EU has also incorporated this thinking into its view of economic policy. An example of this is the Agenda 2020 adopted in 2010, which included elements of a green growth thinking in a wider growth strategy.¹⁸ The climate and energy framework incorporated the idea of decarbonisation as a pos-

itive contributor to economic growth, and stated that, "there is a need to continue to drive progress towards a low-carbon economy which ensures competitive and affordable energy for all consumers, creates new opportunities for growth and jobs and provides greater security of energy supplies and reduced import dependence for the Union as a whole".¹⁹

In contrast to the EU and US, the Chinese government was an early adopter of the idea that climate change mitigation could be a driver of economic growth. This position was clearly expressed in the 12th Five Year Plan (2011-2015), which included a section on green development, and identified strategic emerging sectors as the focus for growth, including renewables and other new energy sectors, and transport sectors such as electric vehicles. This emphasis has continued in the 13th Five year Plan (2016-2020), in which green development has been adopted as part of its guiding thinking. The thinking is incorporated into China's NDC, which the World Bank has noted, is not simply a means to support growth in the Chinese economy, but also to economic transformation. The green growth is at the core of the shift from the past industrial model based on heavy industry to a new normal, where the economy is faced with environmental and resource constraints.²⁰

The Trump Administration appears to have abandoned the policy of President Obama and reverted to the position that policies to deal with climate change are an economic cost that will destroy the competitiveness of the US economy. Both the EU and China remain committed to their NDCs based not just on climate science but also the economic argument of green growth, as do an increasing number of businesses, including many in the US. As long as the green growth economic argument continues to hold sway in the EU and China, their commitment of climate policy is unlikely to weaken.

Economic imperative

The economics of efforts to deal with climate change is central to adoption of mitigation measures. The viability of mitigation through adoption of renewable energy solutions will depend on its current and future economic costs, and by some measures renewables are already competitive with fossil fuels.²¹ The levelised cost of electricity (LCOE) of renewables has fallen significantly. According to the International Renewable Energy Agency (IRENA), the price of solar photovoltaic modules fell by about 80 percent between 2009 and 2015, and the cost of turbines for onshore wind power also declined by 30-40 percent between their price peak in 2008-2009 and 2016. The global weighted average reductions of LCOE from 2015 to 2025 are forecast to be 59 percent for

solar PV, 26 percent for onshore wind and 35 percent for offshore wind.²² The role of Chinese producers has been, and will continue to be, primary in these cost reductions.

In the view of IRENA, “Renewable energy technologies can help countries meet their policy goals for secure, reliable and affordable energy; electricity access for all; reduced price volatility; and the promotion of social and economic development. Recent and expected cost reductions in renewable power generation technologies clearly show that renewables are now an increasingly cost-effective solution to achieve these goals”.²³ This is particularly important given the agreement in Paris in 2015 at COP21, as it gives confidence that the costs of the transition to a sustainable energy future can be managed and are declining. There has been a virtuous cycle of policy support for renewable power generation technologies leading to accelerated deployment, technology improvements and cost reductions has already had a profound effect on the power generation sector.²⁴

A key element in the expansion of renewables has been government support. Nevertheless, the IRENA analysis excludes the impact of government incentives or financial support for renewables. The International Energy Agency has asserted that, “high levels of incentives are no longer necessary for solar PV and onshore wind, but their economic attractiveness still strongly depend on the regulatory framework and market design. Meanwhile, according to the International Energy Agency, some technologies (offshore wind, solar thermal electricity and some bioenergy) require continued policy support to bring them down the learning curve”.²⁵

ALTHOUGH THERE MAY BE REGIONAL VARIATIONS, ULTIMATELY, THE COST OF ENERGY IS DETERMINED BY GLOBAL MARKETS.

Furthermore, China in particular has a huge impact on the world fossil fuels market. China is also the dominant force in the global market, as the largest producer, consumer and importer. In the US, the coal sector, which Trump wishes to revive, is dependent on competition from domestic fossil fuels such as shale gas as well as renewables, but globally it is dependent on China. The Clean Power Plan of the Obama administration was expected to have a significant impact on US coal consumption, and is likely to be abandoned, but since China is the dominant global coal producer and consumer,

THE ECONOMIC LOGIC OF CLIMATE CHANGE HAS STRENGTHENED IN RECENT YEARS AS RENEWABLE ENERGY.

it will be a determining factor in global coal demand and markets.²⁶ In China, the future of coal will be determined by government environmental, climate and energy policy. China’s coal consumption has plateaued, and has been in decline since 2014.²⁷ While its policy impact may not be as dramatic, the EU remains committed to its climate and energy goals, which will be focused around the Energy Union launched in 2015.

The economic logic of climate change has strengthened in recent years as renewable energy has become increasingly competitive in many regions. In the past this has relied heavily on government support, but this reliance has been reduced as costs have fallen. The development of renewable deployment has become globalised, and competition among producers has driven down costs, especially in solar PV and wind power equipment, which has enabled them to compete with fossil fuels. The global nature of the market means that no one country, regardless of the policy it adopts, is isolated from these effects.

Conclusion

Should it occur, the defection from the Paris Agreement of a major party such as the US would take place in a complex international and domestic context. The political act of leaving the Paris Agreement would be a significant event for the global climate change governance system that was agreed in 2015. Nevertheless, given the weight of the US in the agreement, its departure would not be sufficient to be fatal to its continuation. Furthermore, given that the Paris Agreement is based on national commitments that are not binding, that are formulated by governments based their own policy priorities, the governance system by itself does not determine the outcome of climate policy and whether or not the effects of climate change are averted. The transformation through decarbonisation of economies required to achieve the target is driven in part by these national commitment and domestic factors, but is also by global R&D, technologies, production, trade and investment. Although there may be regional variations, ultimately, the cost of energy is determined by global markets.

The EU and China have a global role in climate and energy

policy, and have major impacts on global developments related to climate change. The influence of the EU and China goes beyond formal adherence to the Paris Agreement. Cooperation on climate change energy has been a pillar of the EU-China relationship, but they are also economic competitors in sectors related to these areas. Whether they act in concert or not, policies adopted by the EU and China will have global impact. A key element of this impact will be through economic mechanisms, as they influence international business sectors, including energy markets for both renewables and

fossil fuels, especially through those that drive down the cost of climate action through decarbonisation. Defection by the Trump Administration would weaken the Paris Agreement, but by itself is unlikely to be decisive, as the agreement will remain in force unless other major CO2 emitters follow the US lead. The outcomes in the US are likely to be constrained by both domestic and global factors, including the economic, which will depend on the continued commitment of other major actors to their own policy NDCs, especially the EU and China. ☺

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