

# EU-CHINA OBSERVER

DEPARTMENT OF EU INTERNATIONAL RELATIONS AND DIPLOMACY STUDIES



"EXCHANGING IDEAS  
ON EU-CHINA RELATIONS:  
AN INTERDISCIPLINARY  
APPROACH"



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# CHINA'S MORE ASSERTIVE FOREIGN POLICY – IMPLICATIONS FOR THE EU

FRASER CAMERON

## Introduction

As China approaches the position of number one economy in the world, and steadily increases its global footprint, there are major implications for the European Union (EU) and EU-China relations. This article assesses how recent developments in China's foreign policy are impacting on the EU based on interviews with officials and a survey of recent academic and expert literature. It argues that the EU cannot afford to be just reactive to Beijing's policies and initiatives. The EU and its member states need to engage in more regular, strategic debates about China and ensure that the Union speaks with one voice as far as possible.

The topic of China's assertiveness has provoked considerable academic debate in recent years.<sup>1</sup> Few experts dispute China's more assertive behaviour and the debate is more on the origins and implications, especially for relations with the United States (US). China's rise is paralleled by what many consider as a decline in the influence of the EU and the US. The advent of Donald Trump to the US presidency has led to considerable confusion and uncertainty both in Sino-US relations and transatlantic relations. Few would have forecast just 18 months ago that the EU would be closer to China than the US on climate change, the Iran nuclear deal and support for the multilateral trading system.<sup>2</sup> At the same time, political and expert opinion in the EU is turning against China. Speaking in February 2018, the German foreign minister said that 'China's rise will result in a massive shift in the balance of power.' He added that 'China was developing a comprehensive systemic alterna-

tive to the Western model that, in contrast to our own, is not founded on freedom, democracy and individual human rights.'<sup>3</sup> The Economist recently stated that there was 'strong evidence that the West's 25-year bet on China has failed.'<sup>4</sup> These views are mirrored in the US where in January, Robert Lighthizer, the US Trade Representative made the statement that the US 'erred in supporting China's entry into the WTO.'<sup>5</sup> Two senior former US officials wrote in Foreign Affairs that 'the US expectation that diplomatic and commercial engagement with China would lead to a more open and reliable partner had not materialised.'<sup>6</sup> The ascendancy of 'China hawks' such as John Bolton in Trump's White House has also fuelled concern in Brussels. According to EU officials, a further deterioration in relations between Washington and Beijing, which seems inevitable following Trump's decision to impose high tariffs on many Chinese imports, would have serious implications for the EU.<sup>7</sup>

In 2013, the EU and China agreed a '2020 strategic agenda' that foresaw close coordination in foreign and security policy as well as several other areas. The results, however, have been mixed, partly because relations are still dominated by trade and frictions can spill over into other domains. Both sides have also been preoccupied with internal issues and problems in their respective neighbourhoods. But the EU has also been worried at what it considers a more assertive Chinese foreign policy in the South China Sea and by a number of new developments such as the Belt and Road Initiative (BRI) and the establishment of the Asia Infrastructure and Investment Bank (AIIB). Internal trends,

including tighter controls on civil society and the abolition of term limits for Chinese leaders, have also led the EU to be more suspicious of China.<sup>8</sup>

### China's new assertiveness

China's shift to a more assertive foreign policy has been gradual.<sup>9</sup> Under President Hu Jintao and Prime Minister Wen Jiabao, China rarely caused concern hiding behind the vacuous slogans of 'peaceful rise' and 'harmonious development.' The more assertive approach is linked to the rise of President Xi Jinping who has displayed a more authoritarian style at home and abroad. He has also promoted China more on the world stage.

## CHINA BELIEVES THAT GREAT POWERS HAVE A SPECIAL ROLE TO PLAY AND HENCE THE EMPHASIS IN RECENT YEARS ON 'A NEW TYPE OF GREAT POWER RELATIONS' BASED ON EQUALITY AND MUTUAL RESPECT FOR EACH OTHER'S VITAL INTERESTS

China hosted the Olympics in Beijing in 2008 and the world expo in Shanghai in 2010. It launched the BRI in 2013, a massive project to improve connectivity between China and Europe. It established the AIIB, the Silk Road Fund, and the New Development Bank, three multilateral financial institutions with more than \$200 billion in capital.<sup>10</sup> It began to buy or acquire holdings in a global network of ports from Pakistan to Djibouti (the first overseas Chinese military base) to Greece. It embarked on an island-building spree in the disputed waters of the South China Sea. It launched its first aircraft carrier and greatly increased its defence budget. It became the largest provider of UN peacekeeping forces (2,800 in 2017) and the second highest financial contributor to peacekeeping by any UNSC member.<sup>11</sup> It began to further extend its influence into Africa, Latin America and the Middle East.

In SE Asia, China has turned a blind eye to the military takeover in Thailand, to the human rights abuses under Duterte in the Philippines and the government's banning of opposition parties in Cambodia. Unlike the EU, China has not shown much enthusiasm for supporting ASEAN inte-

gration. Equally China has been lukewarm in its support for an EU seat at the East Asia Summit.

The pride in Chinese achievements was obvious at the 19th Party Congress in October 2017. President Xi Jinping spoke about the 'great rejuvenation of the Chinese nation' and said that 'socialism with Chinese characteristics has ushered in a new era.' With an eye on the 100th anniversary of the CCP's takeover in 2049, Xi made clear that China was en route to reclaiming its historic role as a leading global power. Closing the National People's Congress on 20 March 2018, President Xi Jinping went further asserting that 'we must ride on the mighty east wind of the new era, charge forward with a full tank and steadily steer the wheel with full power, so that the giant ship of China carrying the great dream of more than 1.3bn Chinese people will continue to cleave through the waves and sail to victory for a promising tomorrow!'

It was clear to all that the low-profile foreign policy associated with Deng Xiaoping was being ditched for a new road map designed to turn China into a moderately wealthy society by 2021, a developed country by 2035 and a first-rate national power with a world class military by 2050. In other words, China would no longer be a 'partial power' with only limited reach and influence as termed by one leading expert.<sup>12</sup>

Like the elites in the US and Russia, China believes that great powers have a special role to play and hence the emphasis in recent years on 'a new type of great power relations' based on equality and mutual respect for each other's vital interests. This again has never been spelled out in detail but it reflects the hope and desire that the US will treat China as an equal. Xi has spoken of a 'community of destiny' and nailed China's colours to the globalisation mast at the 2017 Davos forum.

Xi has also increased China's profile with his prolific globe-trotting and hosting of several summits and foreign leaders in China. Since the October Party Congress of 2017, he has welcomed inter alia President Trump, President Macron and Prime Minister May.<sup>13</sup> Xi has also boosted the budget and personnel in China's top foreign policy decision making structures. The MFA budget almost doubled during the past five years and at the March 2018 National People's Congress, Wang Yi, China's foreign minister, was promoted to state councillor.<sup>14</sup> According to one expert, these moves reflected the desire to ensure that China's growing political and economic interests were reflected in an increased diplomatic presence.<sup>15</sup>

## Implications for the EU

China's more assertive behaviour has resulted in push back from the EU and other world powers. One of the main areas of concern is China's claim to sovereignty over the entire South China Sea and its steady programme of island building and construction of naval facilities. The US, Japan, India and Australia (the Quad) have begun to consult on maritime security in the Indo-Pacific region and on other regional security issues. The Quad has also increased its lobbying of the EU about the importance of countering China.<sup>16</sup> France and the UK have stated they will follow the US example of sending warships through the South China Sea to emphasise the importance of freedom of navigation. But the EU has been handicapped in its response by the fact that not all member states were ready to agree on a tough statement following The Hague Court ruling in July 2016.

The EU has also countered China's flagship BRI. While welcoming the initiative in principle, the EU refused to sign up to the trade statement at the BRI summit in Beijing in May 2017 on the grounds that it did not take into account EU concerns about transparency, sustainability, public procurement and market access – the need for a level playing field.<sup>17</sup> Not all member states have adhered to the EU cautious approach. China has sought to secure endorsements through the 16+1 mechanism linking Eastern European member states with a number of Balkan countries, but with limited success. The initial enthusiasm for 16+1 has gradually dissipated and there are now suggestions that it may be allowed to wither away.<sup>18</sup> The EU was concerned that it was an obvious ploy to divide and rule and lobbied hard to ensure that EU principles and competences were respected by the EU member states involved. China has had some success in that Hungary and Greece blocked a proposed June 2017 EU statement at the UN critical of the human rights situation in China.

The EU has also had to take into account the impact of China's more assertive approach to ASEAN. China has defended the non-interference stance of ASEAN members and, unlike the EU, kept silent on the Rohingya crisis in Myanmar. It has sought to rebuild relations with the military which still has the decisive say in politics just as the EU was imposing sanctions on the generals.<sup>19</sup> According to EU diplomats in the region, China's more assertive behaviour has made it more difficult for the EU to uphold international norms such as UNCLOS and ILO standards.<sup>20</sup>

Although the EU has had to face a more assertive China, it has also sought to build on opportunities provided by the

EU-China 2020 Strategic Agenda which recognised that the world was increasingly interdependent and that a multilateralism response to problems was crucial.<sup>21</sup> EU and Chinese officials assess that the High Level Strategic Dialogue and forums dealing with regional issues (eg Africa, Middle East) have promoted greater mutual understanding. China has been a loyal supporter of the Iran nuclear deal, has supported the EU's anti-piracy Operation Atalanta in the Gulf of Aden and engaged positively in discussions on the future of ASEM.<sup>22</sup>

## CHINA HAS SOUGHT TO SECURE ENDORSEMENTS THROUGH THE 16+1 MECHANISM LINKING EASTERN EUROPEAN MEMBER STATES WITH A NUMBER OF BALKAN COUNTRIES, BUT WITH LIMITED SUCCESS

There has been little cooperation, however, on Central Asia where China's flagship BRI bumps up against EU conditionality (trade rules, sustainability, human rights) and Russian economic and soft power (Eurasia Union, television). China's promises of largesse have made it more difficult for the EU to promote its normative agenda in the region.<sup>23</sup>

Largely as a result of China's more assertive foreign policy, the EU has adopted a gradual approach to cooperation on defence and security policy. There have been reciprocal visits of military personnel but no advances in practical cooperation. There are plans for exchanges on maritime security, humanitarian aid and research in the Arctic.<sup>24</sup>

The impact of China's more assertive approach has also spilled over into human rights. Dialogues on human rights have been difficult to arrange with the two sides largely talking past each other given their very different concepts of individual versus society rights. The EU has also lost a valuable supporter in the US with Trump never mentioning human rights nor wishing to raise human rights concerns with third countries, including China (apart from a couple of specific US cases).

Although China has become more assertive it is now com-

ing up against a slightly more confident EU after the 'annus horribilis' of 2016. Recent elections show that populism has been contained but not eradicated. The economy is doing well with 2.5% growth for 2017 and the same predicted for 2018.<sup>25</sup> Brexit may be consuming the UK but it is not the top priority for the remaining 27 member states. At the same time there are increasing voices in the EU worried about the discrepancy between China's free trade rhetoric and practices on the ground. To Beijing's annoyance, the EU did not grant China market economy status (MES) at the end of 2016 and Beijing has taken the EU to court in Geneva. There are also concerns in some member states (France, Germany, Italy, Spain) about China's targeting of strategic industries in Europe resulting in the EU proposing a screening process for outside investment.<sup>26</sup> These growing concerns inevitably have an influence in the overall atmosphere of EU-China relations including cooperation in foreign and security policy.<sup>27</sup>

### Conclusion

China is no longer hiding its light under a bushel. It has a clear strategy of what it wishes to achieve in the coming decades, notably taking its rightful place as a leading world power. The EU can probably accept the inevitability of this

ambition and even its legitimacy. But much will depend on how China seeks to fulfil its ambition. If it becomes a 'responsible stakeholder' and remains committed to operating within a rules-based system there should be few concerns. But if China uses its financial, economic and military power in a bullying manner then this would give rise to concern. This is why the EU must have regular strategic discussions on how to respond to China, redouble its efforts to speak with one voice, and continue to speak out on basic values while taking steps to defend its economic and trade interests. Presidents Tusk and Juncker, plus Chancellor Merkel, President Macron and Prime Minister May have all shown signs of accepting these points while other leaders of member states remain to be persuaded. The EU should also continue to stress the importance of good governance and a rules-based international order especially in the area of maritime security. It has a good track record of working with China and other Asian partners in anti-piracy operations, disaster management and sustainable resource management.

The big unknown is the future course of the US and whether the EU can depend on it to maintain the international system that has developed over the past half century. It





would be prudent for the EU to prepare for the worst case scenario and accept, as Chancellor Merkel urged in 2017, that the EU should take responsibility for its own security. Given the EU's size, economic power and impressive external relations toolbox, it should not be too difficult to develop the full-scale capabilities required to be a global

power. The question that is being asked in China and elsewhere is whether the EU has the political will to do so. If the EU is to defend its interests which are bound to be affected by the rise of China there can be only one answer to this question. ☉

**1** See, for example, AL Friedberg, 'The sources of Chinese conduct: Explaining Beijing's assertiveness,' *The Washington Quarterly*, (winter 2016) pp. 133–150; M Raap-Hooper, M. 'China's short-term victory in the South China Sea. And its long-term problem,' *Foreign Affairs*, (2016, March 21). <https://www.foreignaffairs.com/articles/china/2016-03-21/china-short-term-victory-south-china-sea>; A Scobell, & SW Harold, S. W. 'An assertive China? Insights from interviews', *Asian Security*, 2013 9(2), 111–131; E Fels. Shifting power in Asia-Pacific? The rise of China, Sino-US competition and regional middle power allegiance. Springer 2017.; T Christensen, *The China challenge. Shaping the choices of a rising power*. New York, W. W. Norton & Company, 2015 ;AI Johnston, (2013, Spring). 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Peter Navarro, co-author of *Death by China*, Prentice Hall, 2011 is now a senior presidential assistant in the White House while John Bolton's appointment as national security advisor has raised concerns in Beijing as well as Brussels. **8** Interviews with EU officials, mid-March 2018 **9** For a broader overview of Chinese foreign policy see S Harris, *China's Foreign Policy*, John Wiley and Sons, 2014; S Heilmann and D Schmidt, *China's Foreign Political and Economic Relations*. Rowman and Littlefield, 2014; R G Sutter, *Chinese Foreign Relations*, Rowman and Littlefield, 2016 **10** See 'In Charts: China's Belt and Road Initiative', *Financial Times*, 11 May 2017, retrieved 18 March 2018 <https://www.ft.com/content/18db2e80-3571-11e7-bce4-9023f8c0fd2e> **11** 'China completes registration of 8,000-strong UN peacekeeping force' *South China Morning Post*, 29 September 2017, retrieved 18 March 2018 <http://www.scmp.com/news/china/diplomacy-defence/article/2113436/china-completes-registration-8000-strong-un> **12** D Shambaugh, *China goes Global: The Partial Power*, OUP, 2013 **13** In the past four years Xi has hosted the Conference on Interaction and Confidence-Building Measures in Asia (May 2014), the Asia-Pacific Economic Cooperation summit (November 2014), the G20 Hangzhou summit (September 2016), the Belt and Road Forum for International Cooperation (May 2017), and the ninth BRICS summit (September 2017). **14** 'China's diplomacy budget doubles under Xi Jinping' *Financial Times*, 6 March 2018, retrieved 18 March 2018 <https://www.ft.com/content/2c750f94-2123-11e8-a895-1ba1f72c2c11> **15** Paul Haenle, Director of the Carnegie-Tsinghua Center in Beijing, quoted in the *Financial Times*, 20 March 2018. See also 'Will China's new foreign policy dream team be the key to achieving its global ambitions?' *South China Morning Post*, 25 February 2018, retrieved 6 March 2018 <http://www.scmp.com/news/china/diplomacy-defence/article/2134189/will-chinas-new-foreign-policy-dream-team-be-key> **16** Interview with EEAS official, 14 March 2018. In October 2017, Japanese Foreign Minister Taro Kono suggested a "collaborative role" for Europe, mentioning France and the UK specifically. The *Nikkei* interview with Taro Kono on 25 October 2017 <https://asia.nikkei.com/Politics-Economy/International-Relations/Japan-to-propose-dialogue-with-US-India-and-Australia> **17** See also Robert Berger, 'What the EU Thinks of the US' 'Indo-Pacific' Strategy' *The Diplomat*, 31 January 2018, retrieved 6 March 2018 <https://thediplomat.com/2018/01/what-the-eu-thinks-of-the-us-indo-pacific-strategy/> **18** The author attended the summit and witnessed EU coordination efforts to achieve a unified position **19** Noah Barkin, 'China may pare back divisive eastern Europe summits' *Reuters*, 12 March 2018, retrieved 18 March 2018 <https://www.reuters.com/article/us-china-easteurope-exclusive/exclusive-china-may-pare-back-divisive-eastern-europe-summits-idUSKCN1G01PI> **20** Zach Sayer, 'EU agrees to sanction Myanmar generals over rights abuses' *Politico*, 26 February 2018, retrieved 6 March 2018 <https://www.politico.eu/article/rohingya-myanmar-eu-agrees-to-sanction-myanmar-generals-over-rights-abuses/> **21** Interviews with EU diplomats in January/February 2018 **22** 'EU-China 2020 Agenda for Strategic Cooperation,' Delegation of the EU to China, 23 November 2013, retrieved 6 March 2018 [https://eeas.europa.eu/delegations/china/15398/eu-china-2020-strategic-agenda-cooperation\\_en](https://eeas.europa.eu/delegations/china/15398/eu-china-2020-strategic-agenda-cooperation_en) **23** Interview with EEAS official, 7 March 2018 **24** Interviews with EU officials, mid-March 2018 **25** Interview with EEAS official, 7 March 2018 **26** Eurostat winter 2018 forecasts, March 2018, retrieved 18 March 2018 [https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/winter-2018-economic-forecast\\_en](https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/winter-2018-economic-forecast_en) **27** See 'Authoritarian Advance: responding to China's growing political influence in Europe,' February 2018, retrieved 6 March 2018 <https://www.merics.org/en/publications/authoritarian-advance>; and 'Backlash grows over Chinese deals for Germany's corporate crown jewels,' *Financial Times*, 13 March 2018, retrieved 18 March 2018 <https://www.ft.com/content/391637d2-215a-11e8-a895-1ba1f72c2c11> **28** See 'China at the gates – a new power audit of EU-china relations' *European Council on Foreign relations*, 1 December 2017, retrieved 6 March 2018 [http://www.ecfr.eu/publications/summary/china\\_eu\\_power\\_audit7242](http://www.ecfr.eu/publications/summary/china_eu_power_audit7242). At the European Council on 22 March Chancellor Merkel also raised questions about China's economic policy (interview with EU official).



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## BIO

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# PROSPECTS FOR EU-CHINA LEADERSHIP IN GLOBAL TRADE: PLAYING THE TRUMP CARD?

SIEGLINDE GSTÖHL

## Introduction: the 'Trump effect' on trade

The election of Donald J. Trump as new President of the United States (US) in late 2016 has generated a lot of uncertainty about the country's future trade policy. The EU-US negotiations on a Transatlantic Trade and Investment Partnership (TTIP) came to a halt. The President's National Trade Policy Agenda for 2017 pledged "to expand trade in a way that is freer and fairer for all Americans" and to focus on bilateral rather than multilateral negotiations.<sup>1</sup> As a first step, the President decided to withdraw the US from the Trans-Pacific Partnership (TPP) signed in February 2016, which involves 11 other Pacific Rim countries (without China), and to call for a renegotiation of the North American Free Trade Agreement with Canada and Mexico as well as other free trade agreements (FTAs). With his 'America First' approach, the President seeks "a new trade policy that defends American sovereignty, enforces U.S. trade laws, uses American leverage to open markets abroad, and negotiates new trade agreements that are fairer and more effective".<sup>2</sup> He promised to protect heavy industries, to promote exports and curb imports, to bring back manufacturing jobs to America and to fight currency manipulations and 'unfair' trade deficits – including with China and the EU. Moreover, the President seems to hold suspicious views of the World Trade Organisation (WTO), which led him to block the appointment of judges to the appellate body or to threaten tariffs on steel based on the national security loophole.

Having joined the WTO only in 2001, China has for a long time lacked the will to assume any global leadership

responsibility in trade. In response to this new US policy, however, President Xi explicitly committed to developing global free trade and investment: "China stands for concluding open, transparent and win-win regional free trade arrangements and opposes forming exclusive groups that are fragmented in nature."<sup>3</sup> In addition to support for the WTO, China will, according to the 13th Five-Year Plan (2016-2020), pursue FTAs and free trade trans-boundary projects, such as its Belt and Road Initiative, aim to expand the volume of trade in services, and become a 'trader of quality'.<sup>4</sup>

The recent US economic nationalist (or neo-mercantilist) rhetoric also contrasts with the EU's multilateral, rules-based approach. It has had the side-effect of speeding up bilateral EU trade negotiations, for instance the conclusion of an FTA with Japan and the modernisation of the agreement with Mexico. As a result, US policy opened the opportunity for "the EU to claim the title of leader of the world trading system".<sup>5</sup> Indeed, US President Trump's rather erratic and outmoded approach to trade appears to leave future global trade leadership to the two other big trade powers, the EU and China. In light of this and the more pronounced Chinese pro-globalisation discourse, are the EU and the People's Republic of China likely to 'play the Trump card' and cooperate more closely to assume leadership in global trade governance?

This contribution argues that Sino-European leadership in global trade is not likely to materialise any time soon. The West's efforts to co-opt China and other emerging powers into the existing international order have only partially

been successful, and so far the EU and China have not agreed on any trade or investment agreement between themselves. Rather, China has engaged in 'parallel play' by creating a number of Beijing-led multilateral institutions alongside existing Western structures. In the worst case, both sides may in the longer run be heading for a 'clash of systems'.<sup>6</sup> Despite a gradual diffusion of power away from the West, there seem to be no grand alternatives to an international liberal order, led by authoritarian capitalist states like China, that would really appeal to the rest of the world.<sup>7</sup>

The next section examines the potential for Sino-European leadership in trade whereas the subsequent section looks more closely at the recent EU trade strategy in this context.

### **EU-China leadership in global trade governance?**

Although the EU is now importing more goods from China than from the US, the American market is still the largest market for European merchandise, trade in services and foreign direct investment (FDI). With around 15 percent each, the US, the EU and China have in 2016 reached parity when it comes to their relative share of global trade in goods.<sup>8</sup> The Chinese proportion of trade in services has been growing as well (largely due to tourism and transport) but is still roughly half the size (9 percent) of the shares of the US (17 percent) or the EU (22.6 percent).<sup>9</sup> Transatlantic trade is in fact even more important than these conventional statistics show: "In value-added terms, the EU exports (and imports) relatively more to (from) the US and relatively less to (and from) China."<sup>10</sup> In 2015 around 40 percent of FDI inward and outward stocks were transatlantic. In comparison, EU-Chinese cross-investment is still small, yet growing rapidly.<sup>11</sup> On the whole, the EU and China would hold some potential for jointly playing a major role in future global trade governance.

In the WTO, coalitions play an important role for global trade negotiations. For a long time, the most important informal grouping was the so-called Quad, consisting of the major Western trade powers (the US, the EU, Japan and Canada). Under its leadership, and in particular that of

the US-EU tandem, many trade rounds were concluded. In 2003, the G20, a new coalition of developing countries led by Brazil, was pressing for ambitious agricultural reforms in developed countries. In addition, the 'new Quad' that gained prominence in the Doha Round included the EU, the US, Brazil and India but not China. Besides pushing for their own offensive interests, most emerging powers have, so far, not fulfilled the expectations that they would behave as responsible stakeholders of the international order.<sup>12</sup> Finally, China has been building its own, largely competing multilateral structures such as the Belt and Road Initiative, the Asian Infrastructure Investment Bank or the 16+1 group in Europe.

According to Goldstein, "policy change depends not only on new political coalitions but also on the ideas they carry and the institutional structures they meet".<sup>13</sup> The demand for change must be met by a supply of ideas on how to restructure politics or international institutions. At the end of the Cold War, the ideas of market economy, trade liberalisation and liberal democracy, embodied in an essentially liberal international economic order, seemed to celebrate a worldwide triumph. Despite enormous differences among countries over the precise policies this 'embedded liberalism' implied, the fact "that multilateralism and the quest for domestic stability were coupled and even conditioned by one another reflected the shared legitimacy of a set of social objectives to which the industrial world had moved".<sup>14</sup>

## **POLICY CHANGE DEPENDS NOT ONLY ON NEW POLITICAL COALITIONS BUT ALSO ON THE IDEAS THEY CARRY AND THE INSTITUTIONAL STRUCTURES THEY MEET**

However, the BRICs' levels of trade protection are still much higher and they have continued to pursue dirigiste models of development. The combination of transnationally integrated capitalism and a commanding role reserved for state and quasi-state entities in organising the economy

lends them the character of 'integrated state capitalism', with often authoritarian, illiberal political systems.<sup>15</sup> China has become the world's most targeted country in anti-dumping investigations and still lacks recognition as market economy by major trade powers.<sup>16</sup> China and other emerging powers have thus been pursuing neo-mercantilist policies, characterised by selective multilateralism and protectionism. Such a competitive perspective views foreign economic relations more as a 'zero-sum game' in

which one side's gain is another's relative loss and in which the idea of geo-economics – the geostrategic use of economic power – easily gains popularity.<sup>17</sup> Under the Trump Administration, concerns have grown that US trade policy might also be shifting in this direction.

Ikenberry argues that the globalisation of the embedded liberal order also led to a “crisis of social purpose”.<sup>18</sup> It no longer offers a security community which reinforces the capacity of Western liberal democracies to pursue policies of economic and social advancement and stability. Yet, international order does not change easily since the organising rules and institutions of world politics are embedded in wider structures, and opportunities for change arise mainly out of critical junctures such as wars and crises. Given this path dependence, rising states have to deal with legacies of deeply entrenched interests, ideas and institutional arrangements.<sup>19</sup> And they need to propose attractive alternatives.

How has the European Union reacted to these challenges?

### **A geo-economic turn in EU trade strategy**

In 2013, in view of the TPP negotiations, which the US agreed to join in 2008, as well as President Obama's ‘pivot’ to Asia, the EU launched negotiations with the US on TTIP and with Japan on an Economic Partnership Agreement. This geo-economic turn was reinforced by Russia's annexation of Crimea in March 2014 and the prominence gained by the so-called Islamic State in the Middle East. TTIP was expected to strengthen the transatlantic alliance of liberal and open democracies and allow the West to shape the future regulatory global framework for trade and investment before the ‘window of opportunity’ was closing.<sup>20</sup>

However, the TTIP negotiations caused in many EU member states an unprecedented domestic debate about trade policy with opposition from civil society groups. The latter were in particular mobilised by concerns about regulatory differences and fears that through the investor-to-state dispute settlement (ISDS) mechanism big business could sue EU governments for compensation outside the normal judicial process, if their investor rights were curtailed by public policies. Amidst this increasing controversy over TTIP, Trade Commissioner Cecilia Malmström presented the 2015 ‘Trade for All’ strategy which has to some extent taken on board demands of critics.<sup>21</sup> To increase transparency, the Commission has been publishing virtually all EU positions, and it proposed to replace the ISDS mechanism by a new Investment Court System that would work with publicly appointed judges and clear rules. Furthermore, the

EU's trade policy should promote “European and universal standards and values alongside core economic interests” and clearly protect the right to regulate.<sup>22</sup>

Regarding China, the EU announced a year later elements for a new strategy which promotes the idea of “reciprocity, a level playing field and fair competition across all areas of co-operation”.<sup>23</sup> Moreover, it encourages China to play a more active role at the WTO, “assuming responsibilities in line with the benefits it draws from an open trading system and strengthening the ambition of these initiatives”, including respect for international law and universal values.<sup>24</sup>

As the negotiations on a Partnership and Cooperation Agreement with China had reached a dead-end by 2009, talks on a Comprehensive Agreement on Investment, the EU's first investment-only agreement, were instead launched in 2013. These negotiations may well serve as a test case for an FTA in the longer run, but the big differences in legal frameworks, economic models and values pose considerable challenges.<sup>25</sup> China has become the EU's most frequent target for trade defence measures. Furthermore, the rapid surge of Chinese FDI in Europe and the US has stirred additional concerns, for instance about sensitive technology disclosures.<sup>26</sup> Besides, as a self-declared developing country, China had for many years been the biggest beneficiary of the EU's unilateral Generalised System of Preferences. As of 2015, the EU removed China from this list, considering that it no longer needed preferential market access.

In its own strategy, China referred to the EU as a “strategic partner in China's efforts to pursue peaceful development and multi-polarity of the world” and underlined that “disagreements and frictions on issues of value such as human rights as well as economic and trade issues ... should be properly handled through dialogue in the spirit of equality and mutual respect”.<sup>27</sup> Hence, the EU and China are also competing on whose values and norms will shape the international order.<sup>28</sup>

Finally, the White House cannot easily unwind FTAs or unilaterally impose tariffs and is itself split between ‘economic nationalists’ and ‘globalists’ with the latter growing stronger.<sup>29</sup> At the WTO Ministerial Conference in Buenos Aires in December 2017, members of the ‘old Quad’ – the EU, US and Japanese – representatives jointly expressed their concern about what they perceive as unfair Chinese trade practices: government-supported excess capacities in key sectors like steel, unfair competition caused by large market-distorting subsidies and state-owned enterprises, forced technology transfer, and local content requirements.<sup>30</sup>

## Conclusion: no 'Trump ace' for a new leadership tandem

This article asked whether the EU was likely to join forces with China to replace the transatlantic leadership in global trade governance. In the WTO, US-EU leadership has waned and the old Quad has not yet been replaced by a new coalition able and willing to steer the multilateral negotiations. The global trade regime has come to rely more on bilateral (as well as plurilateral and mega-regional) FTAs, yet the EU and China have not yet concluded

any trade agreement between themselves and are instead engaged in a number of trade disputes. Moreover, China is building parallel multilateral structures focused on infrastructure and trade, and the EU has adopted a more geo-economic strategy with a stronger pursuit of both interests and values, in line with the 'principled pragmatism' of its 2016 Global Strategy.<sup>31</sup> Hence, even in an emerging tripolar international trade structure, the prospects of joint Sino-European leadership remain rather slim. ☉

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# THE EU-CHINA STRATEGIC PARTNERSHIP: NORMATIVE DIVERGENCE AND GLOBAL GOVERNANCE

ZSUZSA ANNA FERENCZY

## Introduction

In the study of EU-China relations, acknowledging the dynamics between the power of ideas in a constructivist reading and the power of interest in a realist framework, facilitates assessing the strategic nature of their partnership. In this reading, while Europe pursues norm projection, Beijing has been selective in embracing them. It rejects international norms it perceives to be hindering its development, such as the political and cultural dimension of human rights, while embracing those advancing its domestic interests and global agenda, such as environmental protection. Moreover, Beijing increasingly seeks to influence global governance by presenting its own concepts as a viable alternative to liberal democracies. This is indicative of a fundamental normative divergence challenging their relations. Yet, the identification of common interests in areas such as climate change and environmental protection, peace-keeping and security, terrorism, counter-piracy to name a few, has created opportunities. In the future, as the shift in global power dynamics is likely to further widen the normative divergence and friction in trade and investment seems to be on the rise, it is the increase in convergence in interests in addressing global problems that can secure further opportunities.

## Theoretical debate

Scholarly debate focuses on understanding the EU as an international actor with an evolving international identity and presence. Anand Menon advises to keep in mind: 'the Union is not a nation-state, and it is only by assessing it as a particular form of cooperation between nation-states

that its achievements, limits, and potential can be appreciated'.<sup>1</sup> In the midst of an impressive shift of global power from the Atlantic to the Pacific, the debate has led to deeper reflections on the EU's global relevance. Much attention has been directed at assessing the EU's ability to manage relations with China, an increasingly important global actor and strategic partner. China's fast ascent from a low-income developing country to a rising global power has led to questions about its role in shaping global governance and expanding its own influence in the world.

Academics have debated on Europe's international significance since the early 70s. William Trott argued the EU can be best described as a civilian power; its focus on negotiation, multilateralism, and economic instruments of foreign policy reinforce this understanding.<sup>2</sup> In contrast, Hedley Bull noted that Europe needed to be a military power: he claimed it was difficult to remain a 'power' on the global stage without strong military capabilities.<sup>3</sup> Finally, in 2001 Ian Manners argued the developments of the 1990s have led the EU to transcend both notions to become a normative power in world society.<sup>4</sup>

This suggests the EU advances a series of normative principles, acknowledged within the UN system to be universally applicable. These are: sustainable peace, freedom, democracy, human rights, rule of law, equality, social solidarity, sustainable development and good governance.<sup>5</sup> The same principles are reflected by the mostly Western international institutional arrangements set up following World War II. Discussions persist in quest of a more ac-

curate understanding of the concept of global power, and implicitly global influence as the prerequisite to being a global power. Conceptions of power range widely; from the historical great-power to the modern-day soft, responsible, diplomatic or smart power, to emerging, rising, partial, status quo, revisionist, or sharp power.<sup>6</sup>

In scholarly debates, while state-centric realism, preoccupied with hard power, has been the leading IR theory, constructivism, rooted in social theory stressing the power of ideas, has come to challenge it.<sup>7</sup> Both theories facilitate understanding the EU-China strategic partnership. While constructivists see decisions being taken based on norms, rationalists see decision-making according to what will maximize interests.<sup>8</sup> Europe's efforts to project norms as a normative power, matters no less than its pursuit of material objectives in relations with China because both define their interaction. I consider EU-China relations therefore an ideal case to assess the interaction between the power of interests and of ideas in this process of selective socialization.

### **EU-China strategic partnership**

Academic views on the strategic nature of the EU-China partnership are diverse. According to May-Britt Stumbaum while China remains a strategic partner for Europe, their strategic partnership has simultaneously presented opportunities, challenges, and paradoxes.<sup>9</sup> David Scott suggests strategic dialogue and strategic partnership are incoherent; the former is used to overcome strategic divergences, whereas the latter indicates strategic convergence.<sup>10</sup>

## **IN TRADE, CHINA REMAINS IMPORTANT TO EUROPE AND EUROPE IS IMPORTANT TO CHINA**

Nevertheless, compared to US-China relations dominated by a 'strategic distrust', EU-China relations seem to be doing better. EU-China relations are free of the geopolitical rivalry for hegemony, including military competition, that is central in US-China relations.<sup>11</sup> While distrust in US-China and EU-China relations stems from different political traditions, value systems and cultures and insufficient appreciation of each other's policy-making processes, in the case of US-China there is a fear of strategic threat felt on both ends. Accordingly, while in Chinese perception the US is striving to maintain regional and global hegemony at its own expense, in US perception China seeks to acquire the

same to its own detriment. Such worries are not dominant in EU-China relations. Nevertheless, distrust and misunderstandings continue to rule EU-China relations. As a result of differing political ideologies and strategic approaches their engagement is therefore not without problems.<sup>12</sup> On paper however, the EU-China 2020 Strategic Agenda states, the two agreed to consolidate their strategic partnership 'based on the principle of equality, respect and trust'.<sup>13</sup>

The EU and China are strategic partners and share strategic interests, the two sides reconfirmed in their joint statement of the 2015 bilateral summit.<sup>14</sup> This is a mutually articulated aspiration, but one increasingly challenged by continued differences in their political and economic systems. EU concerns of lack of reciprocity in market access and perceptions of unfair competition, and Chinese fears of discrimination and anti-dumping measures perceived as unfair are in reality hindering deeper trade and investment opportunities. In practical terms, there is vivid debate questioning the real strategic value of their relations. Such reflections have further intensified following the 2008 financial crisis and the unprecedented migration crisis facing the EU, centered in particular on the impact of China's role in the EU's efforts to address its problems. While it remains an inconclusive debate, the EU's response – collectively and individually in member states – to the crises appears to have further exacerbated internal fragmentation and division among national capitals, and therefore the EU's standing in the eyes of Beijing. Nevertheless, in trade, China remains important to Europe and Europe is important to China.<sup>15</sup> Notwithstanding the mutually recognised importance of trade cooperation, following 2008 it is economic competition that seems to be shaping EU-China relations.

Politically, their partnership is central to global developments, but burdened with normative friction. Both sides emphasize the central role of the UN in international affairs.<sup>16</sup> Yet, they hold divergent views on the role of norms within the system. By now they both subscribe – albeit to different degrees – to international efforts to address global challenges, which has enabled identifying common interests. These include cooperation in climate change and environmental protection, peace and security, nuclear security, maritime security, to name a few.<sup>17</sup> The establishment of the China Europe Water Platform, or the EU-China Environmental Governance Program (ECEGP) are examples of cooperation whereby the EU has exposed Beijing to its expertise and encouraged orienting its domestic policy development accordingly. Between 2010 and 2015 ECEGP

introduced European expertise in 19 Chinese provinces, promoting the Aarhus Convention principles, including public participation and access to justice. Their cooperation in addressing global problems has ensured partnership in policy development and enhanced governance issues.<sup>18</sup> In security, Beijing's changing attitude towards the sovereignty implications of peacekeeping operations (PKOs), going from opposition to active participation in UN-led PKOs, has contributed to EU-China cooperation in joint naval exercises and counter-piracy in the Gulf of Aden in 2014.<sup>19</sup> Such efforts have helped China's image as a supporter of international security cooperation. They have thus enabled convergence with the EU in claims to pursue African capacity building in peace maintenance, both recognizing the link between security and development as a common interest. Notwithstanding conflicting political agendas and competing economic interest undermining ambitions to make relations more strategic, it is the identification of such common interests that ensures continued proximity and maintains their strategic partnership.

#### **EU-China normative divergence**

The web of over seventy sectoral dialogues in EU-China relations suggests normative differences have proved easier to navigate through than to overcome. The EU seeks a socializing impact in world politics.<sup>20</sup> In its relations with China, it has claimed to be guided by this very commitment. Since its 1995 Communication on China, the protection of human rights has been expressis verbis named as a key objective.<sup>21</sup> In practice however, doubts persist on whether the EU has indeed followed through its commitments, or whether economic considerations have come to overwhelm human rights objectives. In all its China communications issued ever since – 1998, 2001, 2003, 2006 and 2016 – the core political objectives have been further strengthened.<sup>22</sup> On the other hand, as reflected in official discourse, since its reform and opening up in 1978, China has followed its own development path, one referred to as the 'Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era' since the 19th Party Congress.<sup>23</sup>

Beijing gradually articulated an ambition to regain what it believes to be its rightful place in the world; domestically prosperous, and internationally engaged. Articulated by Chinese President Xi in 2012, the Chinese dream encapsulates this vision: reclaiming national pride and achieving personal well-being.<sup>24</sup> By 2017 this ambition seems to have made progress, when considered by the President himself. He stated that "China has never been so close to the center of the world stage, so close to fulfilling the Chinese dream of national renewal, so confident and able to

realize this goal, and so interconnected with the rest of the international community".<sup>25</sup> Foreign Minister Wang Yi also suggested "China is emerging as the most positive factor in the evolution of the international system and the most dynamic force for improving global governance".<sup>26</sup> Today, we see a globally engaged EU and an increasingly present China. Yet, as Yang Jiechi, State Councilor of China suggested in 2016 China and Europe are at different stages in their development, ideology and social system.<sup>27</sup> Politically, the commitment of China's leaders to socialism sets the two sides apart. This is referred to as a

## **EMBEDDED WITHIN CHINA'S CAMPAIGN TO DEFEND AND PROMOTE ITS OWN ONE-PARTY SYSTEM IS A TACIT CRITICISM OF DEMOCRACY AS INEFFICIENT, CHAOTIC, AND A POOR CATALYST FOR ECONOMIC DEVELOPMENT**

'fundamental value gap' between Europe's liberal view of democracy, human rights and economic freedom and China's authoritarian perspective of the communist party and socialism with Chinese characteristics.<sup>28</sup> In the eyes of Beijing, the EU pursues external norms projection, while China makes no such outward claims. Instead, it emphasizes equality, mutual respect, and partnership. Recent research also suggests that 'embedded within China's campaign to defend and promote its own one-party system is a tacit criticism of democracy as inefficient, chaotic, and a poor catalyst for economic development'.<sup>29</sup>

#### **Normative divergence and global governance**

In 2003 the European Security Strategy noted that "spreading good governance, supporting social and political reform, dealing with corruption and abuse of power, establishing the rule of law and protecting human rights are the best means of strengthening the international order".<sup>30</sup> This statement incorporates the EU's core values. Over a decade later, faced with a series of crises leading to an identity crisis, in the 2016 EU Global Strategy, High Representative Federica Mogherini acknowledged "the purpose, even existence, of our Union is being questioned".<sup>31</sup> The document notes: "[g]uided by the values on which it is founded, the EU is committed to a global order based on international law, including the principles of the UN Charter,

## THE KEY FACTOR CONTRIBUTING TO CHINA'S REMARKABLE ACHIEVEMENTS IN ITS HUMAN RIGHTS ENDEAVORS IS ITS FIRM COMMITMENT TO A HUMAN RIGHTS DEVELOPMENT PATH WITH CHINESE CHARACTERISTICS

which ensure peace, human rights, sustainable development and lasting access to the global commons". The centrality of international norms is abundantly clear.

In contrast, Beijing has committed to fostering a new form of international relations, following three core principles: mutual respect, fairness and justice, and 'win-win' cooperation.<sup>32</sup> While not incompatible, these values are clearly other than those the EU has put forward, and often at odds with them. Concerning human rights, while the EU stresses their universality, Beijing insists "countries can find their own models of human rights protection in light of their national conditions and people's needs".<sup>33</sup> In 2017 Foreign Minister Wang Yi stated: "the key factor contributing to China's remarkable achievements in its human rights endeavors is its firm commitment to a human rights development path with Chinese characteristics".<sup>34</sup> Beijing claims there are "unfair rules in the global human rights governance system" and developing countries "should be strong advocates for change and reform".<sup>35</sup> This highlights the gap in the official rhetoric on the roles they each confer to norms, generating distinctive approaches to global governance.

### Conclusion

As a result of a fundamental normative divergence, the EU-China strategic partnership has been burdened by challenges. In its efforts to project normative power and to pursue its economic interests, Europe seeks to uphold the existing system of global governance with human rights, democracy and rule of law at the center. It has claimed to do so in line with its explicitly stated commitments at the core of its foreign policy, including international trade policy, whereby rules about the environment, labour rights and sustainable development are to be included in trade deals. Beijing, to expand its own global influence, has

selectively embraced certain norms, such as international standards in environmental protection and rejected others, including the political dimension of fundamental freedoms. Moreover, China has increasingly put forward concepts to shape a new system of governance, insisting on fairness, equality, mutual respect and mutually beneficial cooperation. In development cooperation, this has been particularly visible, whereby in contrast with the EU's focus on human rights and rule of law, Beijing has expressed its readiness to develop friendly relations with countries based on the Five Principles of Peaceful Coexistence, including territorial integrity, non-interference and sovereignty. In spite of their normative divergence, the identification of common interests to fight global challenges together has facilitated the articulation of joint commitments, as expressed in joint statements on peacekeeping and security, maritime security or environmental protection. For the future, as fundamental normative differences are likely to persist, China and the EU should strive for further proximity in common interests already identified. Linking development and security concerns, in particular when addressing an unprecedented and unfolding global migration crisis affecting both European and Chinese interests, has proved an effective area of cooperation. Building on such cooperation can increase opportunities for further convergence. ©



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# THE EU AND CHINA IN GLOBAL GOVERNANCE: TOWARDS JOINT LEADERSHIP?

HANG YUAN

## Introduction

On 26 January 2018, US President Donald Trump addressed the World Economic Forum in Davos. His message could be summarised as “America First policy is not America alone”.<sup>1</sup> Using a conciliatory tone, Mr. Trump is seemingly attempting to alleviate international doubts about his America First approach. Yet whether the US under President Trump will fully embrace globalisation rather than protectionism remains a question. What we do know, however, is that the Trump Administration’s decisions to withdraw from multilateral cooperation on issues including free trade and climate change have cast uncertainties and negative implications for global governance which demands openness, cooperation and multilateralism. Does this imply a window of opportunity for the EU and China to cooperate to jointly lead global governance? Given word limits, this contribution focuses on some issue areas including climate change and economics to present hints for further debates. The central argument of this article is that although the EU-China cooperation to jointly lead global governance will not be smooth, it is not impossible on some issues.

## 1. Global governance in a changing global order

Global governance requires leadership of great powers. While it is difficult to precisely define global governance,<sup>2</sup> it is clear that in the context of globalisation, issues such as economic growth, financial stability, free trade, energy security, climate change, sustainable development have a strong international dimension. Global problems demand global solutions, which however are insufficient “in a world

without a central authority”.<sup>3</sup> Global governance appeals for the consensus and cooperation among international players, in particular great powers. In the past, based on the transatlantic alliance, the US and the EU usually took leadership in initiating international efforts to address global challenges.<sup>4</sup>

Today, leadership is more needed than ever before. The US under Trump is seemingly sliding from a pioneer in global governance towards isolationism and unilateralism on issues such as climate change and free trade.<sup>5</sup> Given Trump’s unwonted foreign policy stances and controversial remarks on other countries,<sup>6</sup> there are already some signs of decline in the image of U.S. leadership among many countries, including some traditional allies in Europe such as Norway and Germany.<sup>7</sup> Meanwhile, the gravity of world power is shifting from the transatlantic region to the Asia-Pacific. China is rapidly rising to be a regional and even global power. Therefore, the current geopolitical situation requires more global governance efforts from players including the EU and China.

## 2. China’s ambition in global governance

Compared with the US, China is often viewed more as a rule-taker than a rule-maker in international relations. After the financial crisis in the US in 2008 and Euro crisis in 2009, China still kept high economic growth rates. This gave Chinese elites more confidence in China’s economic achievement and its contribution to global growth.<sup>8</sup> Since 2013 China has demonstrated more interest in proactively contributing to shaping the global ‘shared future’. It is

increasingly going beyond learning international norms to influencing the international agenda to address global challenges. In particular, it is now ambitiously advertising its initiatives to international audience on improving and reforming global governance with Chinese ideas and solutions.

China's official discourse on global governance is taking shape. Its central tenets could be found in Xi's report at the 19th Party Congress of the Chinese Communist Party: China follows the principle of achieving shared growth through discussion and collaboration in engaging in global governance. China stands for democracy in international relations and the equality of all countries, big or small, strong or weak, rich or poor. China supports the United Nations in playing an active role in international affairs, and supports the efforts of other developing countries to increase their representation and strengthen their voice in international affairs. China will continue to play its part as a major and responsible country, take an active part in reforming and developing the global governance system, and keep contributing Chinese wisdom and strength to global governance.<sup>9</sup>

It is clear that Beijing is formulating its own narrative about global governance. Chinese leaders also expect to put its discourse across through "tell[ing] the Chinese story well" to international audiences.<sup>10</sup> Yet, it remains a difficult task for China.

## **THE CURRENT CHINESE LEADERSHIP PLEDGES TO COMMIT TO "DEVELOPING AN ECOLOGICAL CIVILIZATION AND BUILDING A BEAUTIFUL CHINA" AND ALSO CLAIMS TO "BUILD AN OPEN, INCLUSIVE, CLEAN, AND BEAUTIFUL WORLD"**

In practice, China is also trying to provide more public goods for the international community than ever before. Besides its contribution to UN peacekeeping and other multilateral cooperation efforts, it has launched ambitious initiatives such as the Belt and Road Initiative (BRI), on which it has signed Memorandum of Understandings on cooperation

with an increasing number of countries. The Asian Infrastructure Investment Bank (AIIB) has been welcomed by many countries including EU member states. Through bilateral arrangements and multilateral mechanisms such as the BRICS, China provides large financial support to developing countries in Africa, Asia and South America. While China stresses the nature of reciprocity of its cooperation initiatives, some have viewed its contribution as "on a selective basis" which is to its own advantage.<sup>11</sup>

### **3. The EU and China: common ground and cooperation**

In global governance, the EU's stance can be found in its official documents such as the EU Global Strategy.<sup>12</sup> The EU underscores the importance of international law and reforming the existing international system in line with a multilateral rule-based order with the UN as the bedrock, to ensure the protection of values such as human rights, sustainable development and lasting access to the global commons.<sup>13</sup> China and the EU seemingly share common ground on at least three aspects: goals - to achieve shared growth and sustainable development around the world, mechanisms - to reform the global governance system according to multilateral processes and in particular the UN, and approaches - to strengthen the wide participation of states through collaboration. That is, both sides support common development, multilateralism and cooperation. In fact, they share similar stances in safeguarding peace and stability, promoting economic openness and free trade, and addressing international challenges such as environmental protection, climate change and terrorism. The consensus between the two is rooted in each side's views of the world which reinforces their cooperation in global governance. In the Trump era, the consensus and cooperation between the EU and China on key global issues can prove more important than ever before.

A good example is their response to the US's withdrawing from the Paris Climate Code. In the 19th China-EU Summit in June 2017, the leaders "reaffirmed their commitment under the 2015 Paris Agreement, and agreed to step up cooperation to promote its implementation".<sup>14</sup> Although they did not issue specific documents on this issue, it was reported that before the Summit they had spent over a year in preparing a joint statement in order to send out positive signals to the world.<sup>15</sup> Miguel Arias Cañete, EU commissioner on climate action and energy, stated that the EU and China "are joining forces to forge ahead" and strengthening their "cooperation on issues like emissions trading and clean technologies".<sup>16</sup> In fact, as early as November 2016 China had warned against the US abandoning the climate change deal, saying that the US stance will

be “defying the wishes of the entire planet”.<sup>17</sup> The current Chinese leadership pledges to commit to “developing an ecological civilization and building a beautiful China” and also claims to “build an open, inclusive, clean, and beautiful world”.<sup>18</sup> According to a recent report, China is becoming a global leader in renewable technology and the “number one exporter of environmental goods and services”.<sup>19</sup> Besides, China also shares similar views with the EU’s leading member states. In January 2018, China and France released their latest joint statement, pledging to promote multilateralism and improve global governance. In particular, the two signed a MOU on strengthening their cooperation in developing technology to curb climate change.<sup>20</sup> Although the EU and China differ on how to implement the Paris Agreement such as setting the rules, they have sent out encouraging signals to the world at both the discourse and practical level to promote global governance of climate change. This case illustrates their ambition, determination and ongoing cooperation in addressing global warming.

#### 4. Challenges for the EU and China

EU-China cooperation in global governance also faces challenges. The first lies in the obvious differences between the two in issues ranging from politics and economics to external relations. There are good reasons to raise doubts and questions to the prospect of EU-China strategic partnership.<sup>21</sup> The second is changes in China-EU relations.<sup>22</sup> A rising China tends to shape this relationship by introducing its top-down approach in a variety of domains, such as setting goals related to building partnerships for peace, growth, reform and civilization.<sup>23</sup> Competition and tension between the two are likely to rise.<sup>24</sup> The third is that other key international players such as the US and Japan are likely to undermine EU-China cooperation. These factors, which are often interrelated with each other, can bring troubles to EU-China cooperation.

For instance, difficulties often exist in areas such as trade, investment and geopolitics. EU-China economic ties are viewed as an “uneasy partnership”.<sup>25</sup> Although trade volumes are soaring, they have no bilateral free trade agreement. Besides, the two differ on whether the EU should grant China the market economy status (MES) after 15 years of China’s entry to the WTO. The US and Japan not only refuse to grant China the MES but also strongly support the EU’s stance in denying China this status.<sup>26</sup>

From China’s perspective, the stances of the US and Japan complicate the disputes on the MES issue between China and some members of the World Trade Organization (WTO). Meanwhile, negotiations of the EU-China bilateral invest-

ment agreement since 2013 are not yet concluded, which reflects difficulties in reaching consensus. In addition, in the context of Brexit, Euroscepticism and populism in Europe, China’s growing investment in Europe and measures to strengthen its relations with some Central and Eastern European Countries are easily viewed as a threat to European unity.<sup>27</sup> These examples indicate that the EU and China still face obstacles to enhance trust, consensus and cooperation at bilateral and multilateral levels.

## IN JANUARY 2018, CHINA AND FRANCE RELEASED THEIR LATEST JOINT STATEMENT, PLEDGING TO PROMOTE MULTILATERALISM AND IMPROVE GLOBAL GOVERNANCE

However, these challenges are not likely to drive the EU and China totally apart for two reasons. First, neither the EU nor China can lead global governance alone. The EU is facing internal and external challenges such as Euroscepticism, populism, migration, instability in its neighbourhood and Trump’s protectionist trade policy. While it may be too early to declare the decline of the EU, it is clear that the EU itself is not capable of leading global governance. Neither can China do it alone, despite its growing international influence.

Second, cooperation rather than confrontation in global governance is a better choice for the EU and China. In a world of greater interdependence in general and in the Trump era in particular, more cooperation between the EU and China is needed to enhance multilateral efforts to address international challenges. Furthermore, the two powers indeed have increasing cooperation on some key issue areas such as environmental protection, climate change, the promotion of globalisation, free trade and multilateralism. Neither confrontation nor unilateralism would serve the interests of the EU or China. In addition, both the EU and China would draw lessons from the experience of their relations in past decades, and recognize the interdependency between them.

#### Conclusion

The hints presented above could be summarized in five points. First, there is a window of opportunity for the EU and China to better cooperate to take the lead in global



governance. Second, both the EU and China have ambition and determination to improve global governance through strengthening multilateral efforts. Third, they have consensus on some key issues such as climate change. Fourth, they have already built interdependency and developed cooperation at the bilateral and multilateral level. Fifth, while their cooperation faces challenges, they are not very likely to be driven totally apart by their differences or

disputes. Therefore, it is possible for the EU and China to cooperate to take the lead in global governance, at least in some areas. Nevertheless, this does not simply mean that EU-China cooperation will run smooth. In fact, the two still face difficult tasks such as carefully handling their divergence in many ways, building consensus and mutual trust, and adapting to shifting power relations between them and changing international order. ☉

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