

EU-CHINA OBSERVER

DEPARTMENT OF EU INTERNATIONAL RELATIONS AND DIPLOMACY STUDIES



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



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COLOPHON

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Views expressed in the EU-China Observer are those of the authors only and do
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ABOUT THE EU-CHINA OBSERVER

The electronic journal **EU-China Observer** is jointly published by the **InBev-Baillet Latour Chair of European Union-China Relations** and the **EU-China Research Centre** based in the Department of EU International Relations and Diplomacy Studies at the College of Europe in Bruges. The journal provides a platform for scholars and practitioners to further deepen the academic analysis and understanding of the development of EU-China relations from an interdisciplinary perspective.

The **EU-China Observer** publishes scholarly articles based on theoretical reasoning and advanced empirical research, practical policy-oriented contributions from all fields of EU-China relations, and conference reports on the annual conferences organised by the InBev-Baillet Latour Chair and the EU-China Research Centre. The journal targets academic audiences as well as policy practitioners, members of the business community, NGO representatives, journalists and other interested persons.

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With the financial support of the InBev-Baillet Latour Fund, the College of Europe established in 2008 the InBev-Baillet Latour Chair of European Union-China Relations and in 2014 the EU-China Research Centre. The **InBev-Baillet Latour Chair of European Union-China Relations** offers courses on EU-China relations at the College of Europe in both Bruges and Natolin. It also organises guest lectures, international conferences and promotes multidisciplinary research on the European Union's relations with China. At the end of each academic year, the Chair grants an award for the best Master's thesis on EU-China relations.

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The Centre's research focuses in particular on economic questions such as China's New Silk Road initiative and its impact on EU-China relations, the negotiation of an EU-China investment agreement as well as the EU's and China's international influence, especially in Asia and Africa. More generally, the Centre seeks to

- undertake high quality research, preferably from an interdisciplinary perspective, on topics of major importance in the field of EU-China relations;
- publish the research results with well-known publishing houses and in reputable academic journals;
- develop cooperation and exchanges with universities and scholars who are specialised in EU-China studies;
- organise conferences, mainly in Bruges and Brussels; and
- host visiting scholars working on EU-China relations.

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Scholars and practitioners interested in contributing to the **EU-China Observer** should refer to the instructions on www.coleurope.eu/EUCO.



Prof. Jing MEN

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Research Centre and InBev-Baillet
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▲ **Conference** College of Europe, Bruges campus

INTERNATIONAL CONFERENCE ON “THE EU AND CHINA: REFORM AND GOVERNANCE”

Jing MEN

On 4 and 5 May 2015, the InBev-Baillet Latour Chair of European Union-China Relations and the EU-China Research Centre of the College of Europe organised an international conference on “The EU and China: Reform and Governance” in cooperation with the China Reform Forum, the European Economic and Social Committee (EESC) and Mr. Jo LEINEN, Member of the European Parliament and Chairman of the Parliament’s China Delegation.

It was the seventh annual international conference organised by the InBev-Baillet Latour Chair of European Union-China Relations, which, for this occasion, had joined forces with the EU-China Research Centre – founded in 2014.

The objective of this one-and-a-half day conference was to bring together high-level European and Chinese researchers and policymakers to explore the topic of reform and governance by focusing on both the EU’s and China’s approaches to domestic and global governance, as well as current reforms in the EU and China. Whereas the first day was devoted to an in-depth study of the internal opportunities and challenges shared by the EU and China, as well

as their contribution to global governance, the focus of the second half-day was on global climate governance.

The first day, which was organised at the EESC, thus featured four panels on a broad range of topics: Economic and Political Reform and Governance in the EU and China; Reform of Foreign Policy Systems; The EU, China and the Reform of Global Economic Governance; The EU, China and the Reform of the International Development Architecture. During the morning of the second day, two round table discussions were held on the topic of “The Road to Paris: The EU, China and Global Climate Governance” at the European Parliament in Brussels.

This special issue of the EU-China Observer consists of summaries of the presentations held during the conference and is based on recordings of those speeches. The report offers our readers an insight into what was discussed during the event. All presentations are arranged according to the order in which they were delivered during the event.

THE EU AND CHINA: REFORM AND GOVERNANCE

BRUSSELS, 4-5 MAY 2015

LOCATION: EUROPEAN ECONOMIC AND SOCIAL COMMITTEE (4 MAY: FULL DAY)
& EUROPEAN PARLIAMENT (5 MAY: MORNING)

PROGRAMME

MONDAY, 4 MAY 2015

Venue: European Economic and Social Committee,
Van Maerlant Building, 2 rue Van Maerlant,
B-1040 BRUSSELS, Room VM3 (2nd floor,
Van Maerlant Building)

8:30-9:00 Registration

9:00-9:05 **Welcome**
Prof. Jing MEN, Director of EU-China Research Centre and InBev-Baillet Latour Chair of EU-China Relations, Department of EU International Relations and Diplomacy Studies, College of Europe, Bruges

9:05-9:30 **Keynote speeches**
Mr. Luis PLANAS PUCHADES, Secretary-General of the European Economic and Social Committee, Brussels

Mr. Zhengang MA, Chairman of the China Committee of the Council for Security Cooperation in the Asia Pacific, and Senior Advisor of the China Reform Forum, Beijing

9:30-9:45 Group photo and short coffee break

PANEL ONE

9:45-11:30 Economic and Political Reform and Governance in the EU and China

Moderator Prof. Hong ZHOU, Vice Chairman of the China Reform Forum and Director of the Institute of European Studies, China Academy of Social Sciences, Beijing

Speakers Prof. Xin CHEN, Senior Research Fellow, Director of the Economic Division, Institute of European Studies, Chinese Academy of Social Sciences, Beijing
"Incentives of Structural reform: the e-commerce development in Zhengzhou"

Prof. Robert GEYER, Professor, Department of Politics, Philosophy and Religion, Lancaster University

"The Future of Direct-To-Consumer Advertising of Prescription Drugs (DTCA-PD) in the EU and China" (co-author: Ellie BROOKS)

Prof. Junjie JIANG, China Executive Leadership Academy Pudong

"The Practices of Social Risk Assessment System in China's Local Government—Taking Pudong Shanghai as One Example"

Dr. Kolja RAUBE, Senior Researcher, Leuven Centre for Global Governance Studies and Centre for European Studies, KU Leuven, and Dr. Joëlle HIVONNET, European External Action Service, Brussels

"Good governance and the role of civil society organisations in reform processes and EU-China diplomatic relations"

Ms. Natalia WYZYCKA, MA student, College of Europe, Natolin

"China-EU relations viz. intellectual property (IP) rights implementation: how successful has EU policy towards China's IP implementation been at the local level since WTO accession in 2001?"

PANEL TWO

11:30-12:30 Reform of Foreign Policy Systems

Moderator Dr. Michael REITERER, Senior Advisor, European External Action Service, Brussels

Speakers Prof. Thomas CHRISTIANSEN, Jean Monnet Professor of European Institutional Politics, Maastricht University, and Prof. Emil KIRCHNER, Jean Monnet Professor, University of Essex

"The Eurozone Crisis: Danger and Opportunity for EU-China Relations"

Ms. Alina MOGOS, PhD Candidate, Babes Bolyai University, Cluj-Napoca

"The Search for an EU Grand Strategy: Lessons to Be Learnt from China's Foreign Policy"

Mr. Shichen WANG, PhD Candidate, Institute for European Studies, Université Libre de Bruxelles

"Reform of Chinese Foreign Policy Decision-Making System under the New Leadership"

12:30-14:00 Lunch (for speakers)

PANEL THREE

14:00-15:25 The EU, China and the Reform of Global Economic Governance

Moderator Prof. Jacques PELKMANS, Senior Research Fellow, CEPS, Brussels

Speakers: Prof. John RYAN, Research Associate, Von Hügel Institute of St Edmund's College, University of Cambridge
"The Global Currencies Conundrum"

Dr. Yu XIANG, First Secretary, Chinese Mission to the EU

"The Global Economic Governance Innovation and EU-China Cooperation"

Prof. Raquel VAZ-PINTO, Assistant Professor, University Autónoma of Lisbon

"The New Global Economic Governance System: Time to Reset EU-China Ties?"

(co-author: Dr. Luis MAH)

Dr. Scott BROWN, Lecturer in Foreign Policy, School of Humanities, University of Dundee

"The EU and China in Global Economic Governance: Implications for the Strategic Partnership"

15:25-15:40 Coffee break

PANEL FOUR

15:40-17:00 The EU, China and the Reform of the International Development Architecture

Moderator Prof. Nanette NEUWAHL, Director of Studies, College of Europe, Natolin, and Jean Monnet Professor of EU Law, Université de Montréal

Speakers Prof. Hong ZHOU, Vice Chairman of the China Reform Forum and Director of the Institute of European Studies, China Academy of Social Sciences, Beijing
"Post-2015 Development"

Dr. Weifang CHEN, Lecturer, School of International Studies, Renmin University of China, Beijing

"Contradictive or Cooperative Approaches between the EU and China in Africa – The case of the engagement of the EU and China in Sudan"
(co-author: Yanzhou XU)

Dr. Thomas E. HENÖKL, Research Associate,
Department of Political Science and Manage-
ment, University of Agder

***"Multilateral Regional Governance: Comparing
EU and China engagement in Asia"***

(co-author: Dr. Michael REITERER)

Dr. Anna STAHL, Research Fellow, EU-China
Research Centre, Department of EU Inter-
national Relations and Diplomacy Studies,
College of Europe, Bruges

***"Building an EU-China Strategic Partnership for
Global Development: The EU's and China's Con-
tribution to the post-2015 Development Agenda"***

TUESDAY, 5 MAY 2015

Venue: European Parliament, Wiertzstraat 60, B-1047
Brussel, Room A3G2

9:00-9:30 Registration (at the desk of European
Parliament)

9:30-10:45 The Road to Paris: The EU, China and Global
Climate Governance (Roundtable 1)

Moderator Mr. Jo LEINEN, Chairman of China Delegation,
European Parliament, Brussels

Discussants Mr. Charles-Michel GEURTS, Deputy Head
of Division of Asia-Pacific Horizontal Affairs,
European External Action Service, Brussels,
and Visiting Professor at the College of Europe,
Bruges

Prof. Shiqiu ZHANG, Director of the Institute of
Environment and Economy, Peking University

Dr. Olivia GIPPNER, Dahrendorf Postdoctoral
Fellow EU-China Relations, LSE IDEAS, London
School of Economics and Political Science

Ms. Deborah SANTUS ROOSEN, International
Institute for Sustainable Development, Geneva

10:45-11:00 Coffee break

11:00-12:30 The Road to Paris: The EU, China and Global
Climate Governance (Roundtable 2)

Moderator Dr. Candido Garcia MOLYNEUX, Of Counsel at
Covington & Burling LLP and Lecturer of Envi-
ronmental Law and Policy, College of Europe,
Natolin

Discussants Prof. Marjan PEETERS, Professor of Environ-
mental Policy & Law, Maastricht University

Mr. Fajun QU, CEO of Nova Lighting Bvba,
Brussels

Mrs. Irina LAZZERINI, former EC Policy Officer

Ms. Benita DREESEN, Managing Director
BENTLEYE, Geneva

WELCOME AND KEYNOTE SPEECHES

Prof. Jing MEN welcomed the speakers and participants to the 7th annual international conference on EU-China relations. She expressed her special gratitude to the European Economic and Social Committee (EESC) for hosting the conference and to the China Reform Forum (CRF) for their cooperation and for sending a delegation of experts from China. Prof. Jing MEN also took the opportunity to announce a second conference, which will be held in September this year by the InBev-Baillet Latour Chair of European Union-China Relations and the EU-China Research Centre of the College of Europe, on “European Perspectives on China’s New Silk Road”.

As the first keynote speaker and host of the conference venue of the first day, Mr. Luis PLANAS PUCHADES, Secretary-General of the European Economic and Social Committee, welcomed the representatives from China and the EU “to the house of Europe’s organised civil society”. In his speech he stated that “with 2015 marking 40 years of EU-China bilateral diplomatic relations, this conference is particularly well-timed to look at where we have come from, how our relations have developed, and what lies ahead.” Mr. Luis PLANAS PUCHADES also summarised the 40 years that have passed and mentioned the major developments that have characterised the EU-China relationship: bold economic reforms, a different political landscape and a newly shaped foreign policy outlook.

In his keynote speech, Ambassador Zhengang MA made a “Call for a New Vision” in Sino-EU relations and stressed the “great achievements of co-operation and exchanges” between the EU and China over the last 40 years, which have “convincingly demonstrated the significance and values of this relationship.” He stated that the two sides are aware of the strategic importance of this relationship, but that many open questions remain in order to “make the Sino-EU partnership stronger, wider, deeper and more profitable”. According to Ambassador MA, the relationship between the EU and China has however come a long way from a world trapped in a Cold War atmosphere to a globalised world, where countries are interdependent and interests overlap. Also, major changes in both China and Europe have occurred in the last 40 years, with the European Union integrating further and further and large parts of the Chinese population rising out of poverty. In his speech, Ambassador MA argued that China is not a threat to the world. He also called for “better and closer cooperation”, arguing that the EU and China could change things for the better if they “joined hands”.

PANEL ONE

ECONOMIC AND POLITICAL REFORM AND GOVERNANCE IN THE EU AND CHINA

This panel was chaired by Prof. Hong ZHOU, Vice Chairman of the China Reform Forum and Director of the Institute of European Studies, China Academy of Social Sciences, Beijing. In her introduction Prof. ZHOU gave a brief glimpse back to the establishment of EU-China diplomatic relations 40 years ago, which paved the way for extensive trade relations. She also cited President Xi Jinping, who stated that the “relationship is characterised by four partnerships”.

The presentations covered a comprehensive range of subjects: the development of e-commerce in China (Dr. Xin CHEN) including a case study of Zhengzhou (Henan Province); prescription drug advertising in the USA, the EU, and China (Prof. Robert GEYER); a case study of the town of Suining as an example of new ways of governance (Prof. Junjie JIANG) as well as a presentation on civil society organisations in China (Dr. Kolja RAUBE and Dr. Joëlle HILVONNET) and a study on intellectual property rights (IPR) (Ms. Natalia WYZYCKA).

“Incentives of structural reform: the e-commerce development in Zhengzhou”

In his presentation Dr. CHEN gave an overview of the development of the e-commerce sector in China. In particular, Dr. CHEN focused on cross-border e-commerce, which has

witnessed dynamic growth in the past few years. Innovative services, for instance in Beijing, allow customers to receive goods ordered by 11 a.m. by the same afternoon. In the course of his presentation, Dr. CHEN notably focused on the challenges that arise from handling a large number of parcels at the border, i.e. customs procedures and taxation issues. Moreover, he pointed out that there is a discrepancy in the statistics as a large amount of parcels are not registered through the ordinary statistical system, thus leading to a gap of around 700 million parcels. Taxation and customs procedures at the borders seem to pose a challenge to the current system as the procedures are tailored to the handling of large containers, whereas in B2C cross-border e-commerce, customs authorities have to handle small individual parcels. On the other hand, e-commerce represents a source of employment and business opportunities and it allows customers in China to access products that they cannot find within the country. However, consumer rights issues arise from insecurity with regards to product quality and guarantees.

The Chinese government tackles these issues by using the typical approach of “crossing the river by feeling the stones”. Several pilot projects have been established, from which best practices and recommendations will be developed in a bottom-up fashion: Shanghai, Ningbo, Hangzhou, Zhengzhou and Chongqing are the cities that were select-

ed for the pilot projects; thus covering both coastal towns and cities located within the country.

As an example, Zhengzhou, which is located in Henan Province, and which is considered as one of the starting points of the new “One Belt, One Road” initiative, was examined. Reforms were based on initiatives of companies dealing with e-commerce in their daily business. IT systems were put in operation to optimise the procedures and customs clearance. One big improvement was to establish a one-stop-shop procedure, which reduced handling times to 3-5 days and led to a dramatic increase in e-commerce in the examined case of Zhengzhou.

“Prescription drug advertising in the USA, European Union and China: selling sickness or health?”

Prof. Robert GEYER provided a global overview of the current prescription drug advertisement regimes in the USA, the EU, and China. With growing cross-border sales and sales over the internet, this seems to be a field that is difficult to control. Major global pharmaceutical companies spend around 24-33 % of their of total sales revenue on marketing, advertising and promotional activities, which

is more than they spend on research and development. On the positive side, more advertising increases customer knowledge; the downside, however, is that products might be sold for non-health related issues and rather as lifestyle drugs, and drug advertisements can influence the health choices of entire societies, as Prof. GEYER stated. In the EU, advertisements for prescription drugs are not legal, but there seems to be an “ongoing battle” between legislators and the industry over the way to go forward, specifically over the definition of information and advertising. In China, drug advertisement is generally not allowed, however, online advertising seems to be difficult to control and there is also spill-over from Hong Kong. Another issue is that penalties for infringements are low and monitoring costs are high.

“The practices of the social risk assessment system in China’s local government – Taking Suining City as one example”

The paper and presentation by Prof. JIANG focused on a new procedure for social risk assessment that has been developed in China to tackle social unrest. The central government’s focus on economic growth may lead to a



situation where local governments compete to attract businesses. In his opinion, this may bring about huge environmental risks – and also social risks. The Chinese government wants to maintain stability and is looking for ways to minimise the risks for social turmoil and environmental incidents. With a new social risk assessment system, the Chinese government can change its approach from that of “firefighting” to “fire prevention”.

According to Prof. JIANG’s presentation, social risk assessment in Suining was established to counteract the problem of rapid social economic development being followed by constant social economic conflicts. The aim of the social risk assessments is to balance economic and social development during the planning of, for instance, large construction projects. The assessments cover different aspects: Is this project in accordance with the law? Who are the stakeholders? Is the project rational and supported by the majority of the people? Has the project gone through approbation procedures and feasibility assessments? Has an environmental risk assessment been conducted? Public security assessment – could social risks be triggered by the projects? What could be a reasonable response?

Traditionally, stability in China was maintained by control. Now the government is implementing measures to change this approach by using the following five steps: Step 1 – To determine the subject for assessment and information-collection; Step 2 – To deliver a sound risk assessment; Step 3 – To formulate an assessment report and submit it to the authorities for deliberation; Step 4 – To put in place security-prevention measures based on the results of the assessment from Step 3; Step 5 – To set up a social risk management mechanism through supervision and coordination in risk-reduction plans.

If this way of governance is implemented, one can expect to see the risk of social unrest reduced. However, subjective indicators will remain difficult to assess. The type of pilot projects conducted in Suining might be extended to the entire country if proven successful.

“Good governance and the role of civil society organisations in reform processes and EU-China diplomatic relations”

Dr. Kolja RAUBE and Dr. Joëlle HIVONNET started their presentation by providing a short overview of what China and

the EU are currently doing in terms of policy towards civil society organisations. During the 4th Plenary Session of the 18th Central Committee of the Chinese Communist Party (CCP), a positive role of civil society was stressed. However, at the same time, non-governmental organisations (NGOs) often encounter defiance. Civil society can thus be seen as a Trojan horse, carrying the risk of social unrest.

The EU, on the other hand, promotes NGOs internally and in external relations. As for the EU, it remains an open question whether they can further promote NGOs in their external relations without tapping into domestic affairs. The European Commission adopted a White Paper on European Governance in 2001. In the EU’s view, civil society can form a bridge between citizens and supranational organisations.

According to the speakers, the relationship between the CCP and civil society can best be described as uneasy. In 1988 about 4,446 NGOs were registered in China. By 2013, that number had escalated to about 500,000 officially registered NGOs, whereas the total number amounts to some 3 million. According to their assessment, it seems that the civil society space for NGOs is larger than the



institutional space. The current legal framework for NGOs in China goes back to 1992 – the legal forms are social organisations, foundations, and private non-commercial enterprises. Stringent legal requirements are in place, such as the rule that every NGO needs a supervisory agency. In practice, this leads to a situation where in, e.g., Beijing 55 % of NGOs are registered as businesses and 10 % are not registered at all. In Yunnan, about 38 % of NGOs are not registered as they failed to team up with a supervisory agency.

Dr. Kolja RAUBE and Dr. Joëlle HIVONNET also reported on the 4th Plenary Session of the 18th Central Committee of the CCP. According to the speakers, the 4th Plenary Session has put forward new rules tightening control over NGOs, in particular foreign NGOs. A new NGO draft law would ban them from political and religious activities. The control as such is not new, NGOs have to report on all contacts with foreigners and on funding received. For instance, around 500 million US dollars were spent by the US on NGOs in China. Of this amount less than 6 % went to grassroots NGOs, whereas most of the money went to government-funded institutions. The actual risk of undue foreign influence thus might not be based on facts.

Currently, EU support to Civil Society Organisations (CSO) is largely focused on Human Rights Organisations. As a tentative recommendation, the EU should provide more support to specialised NGOs. Also, there is a need to re-view EU rules for financial support to smaller CSOs, unregistered CSOs and individuals. The EU could also attempt to use the EESC outreach and the People-to-People dialogue (P2P) for the purpose of supporting civil society.

“China-EU relations viz. intellectual property (IP) rights implementation: how successful has EU policy towards China’s IP implementation been at the local level since WTO accession in 2001?”

Ms. Natalia WYŻYCKA examined the success of EU policy towards China’s IP implementation at the local level since China’s WTO accession in 2001. Ms. WYŻYCKA started her presentation by providing an overview of the current Intellectual Property Rights (IPR) framework in China. Ms. WYŻYCKA addressed the following questions: Why is enforcing IP important? Why is it important for the EU? Research shows that the level of IP protection is highly correlated with a country’s level of economic development. However, the impact varies for different groups of countries: IP protection positively impacts the innovation rate in developed countries, but negatively impacts innovation in developing countries, which is also an argument brought forward by China.

According to Ms. WYŻYCKA, infringement of IP rights remains the EU’s primary concern in China and has become a major trade irritant. Citing European businesses based in China and figures reporting counterfeit goods at European borders, violations are still a major problem. In her presentation, Ms. WYŻYCKA also mentions the Chinese 12-year plan, which aims for China to become a distinct technological country. The relationship between IP and development is not the only reason for the Chinese lack of IP laws.

Another reason WYŻYCKA discusses is the centralisation of government power, as well as the combination of non-binding and binding orders and horizontal and vertical decision-making. Also, there is more administrative IP enforcement than judicial IP enforcement. Another factor contributing to this situation is the different understanding of IP in China, and differences in economic development are still great between coastal areas and regions in the West and the Centre of China. ☺



PANEL TWO

REFORM OF FOREIGN POLICY SYSTEMS

Dr. Michael REITERER, Senior Advisor at the European External Action Service, Brussels, moderated the second panel of the conference on the topic of Reform of Foreign Policy Systems. As he phrased it, following the first panel with very hands-on cases of governance, the conference was turning “from concrete to abstract” by focusing on “The Eurozone Crisis - Danger and opportunity for EU-China relations” (Prof. Emil KIRCHNER and Prof. Thomas CHRISTIANSEN); “Reform of the Chinese foreign policy decision-making system under the new leadership” (Mr Sichen WANG) and “The search for an EU grand strategy: lessons to be learnt from China’s foreign policy” (Ms. Alina MOGOS).

“The Eurozone crisis – Danger and opportunity for EU-China relations”

This presentation and paper by Prof. Emil KIRCHNER and Prof. Thomas CHRISTIANSEN examined the impact of the Eurozone crisis on EU-China relations. In their presentation, they stressed the importance of trade and the economic situation for EU-China relations, which is why the current crisis is a critical component. In the EU, the stimulus packages in response to the global financial crisis helped prevent a full-blown recession but large-scale borrowing left some Eurozone Member States in serious danger of default. According to their assessment, the crisis

thus exposes the limits in the post-Maastricht institutional framework for the Eurozone need for short-term solutions (bail-outs) and presents significant institutional changes. Political pressure arose from the structural reforms in bail-out countries. As the speakers put it, “EU external relations were in the shadow of the crisis”. Economic problems and internal divisions weaken the image of the EU globally and EU governments focus firmly on internal problems. Also, the Eurozone crisis was happening against the background of other challenges for EU external relations.

This situation and perception has led to shifts in the relations between the EU and China as the EU was weakened and distracted by internal divisions and economic problems (in some member states).

Finally, the speakers conclude that the crisis might present some opportunities for EU-China relations as it has demonstrated the mutual dependence between the EU and China. New investment opportunities for China in the EU might arise and investment partnership negotiations could be considered a stepping-stone towards closer economic cooperation. Also, the Chinese shift towards more sustainable development and energy production provides a promising basis for an agreement at the Paris climate change summit. Moreover, the authors see new opportunities for collaboration through European cooperation in China’s AIIB

and a reduced focus on traditional points of disagreement (human rights, arms embargo) which might permit greater cooperation in a range of areas (including security).

"Reform of the Chinese foreign policy decision-making system under the new leadership"

Mr Sichen WANG explored the changes in the foreign policy system under the new leadership. According to Mr. WANG's presentation, the 2002-2012 (HU-WEN) period can be considered a period of stabilisation. The leadership focused on employment even though growth was very high. Generally, it is difficult to know who decides foreign policy in China. In the HU-WEN era, fifteen members were part of the top decision-making group – the "Central Leading Group for Foreign Affairs". However, the old system was reformed by XI Jinping. First of all, he introduced a change of members: now only one member comes from the People's Liberation Army (PLA) (down from three previously).

A National Security Committee was created to tackle the coordination problem between internal and external policy. Also, new types of think tanks were put in place in order to extend the input during the decision-making process. According to XI Jinping, "the aim of the establishment of the Council [sic, Committee] is to better handle new developments and new tasks in the realm of national security, and build a national security system which is centralized, integrated, highly efficient, and authoritative, so as to im-

prove leadership over the work of national security". On the other hand, the decision-making as such was centralised in the hands of fewer people.

"The search for an EU Grand Strategy: lessons to be learnt from China's foreign policy"

Ms. Alina MOGOS presented a paper on the search for an EU grand strategy. For her presentation she defined following a grand strategy as a "calculated relationship between means and large ends" – as Paul Kennedy and John Gaddis put it.

In her view, China and the EU are two international actors sharing similar challenges and aspirations: they both strive to continue to develop economically; they both have uncomfortable, unstable borders and neighbourhoods, and they face territorial disputes at their borders; they both need to ensure internal cohesion and legitimacy for their domestic policies; finally, they are both mainly regional powers with wide-ranging global interests and have an important role to play in achieving the transition from a unipolar to multipolar world.

However, China and the EU attach different meanings to democracy and world order and those meanings frequently collide. They are guided by different political ideologies and have different approaches in foreign affairs. Yet, in the last years China has prospered, while the EU has struggled to achieve its objectives in its neighbourhood and internally. In the course of her presentation, Ms. MOGOS drew upon China's foreign policy principles and made the attempt to draw lessons from those principles for the EU.

She concluded by referring to the concept of Euro-spheres. In her understanding, "the Euro-spheres should be understood as networks which rely on partnerships in which the parts are equals and share responsibilities and common objectives. Defining these interests and the action plans should not be unilateral, one-sided, but must be made by both partners – eliminating as far as possible the asymmetry of power. The main idea would be that the EU stops forcing the partner countries to adopt policies and changes that are in contradiction to their own foreign policies and security objectives. More importantly there should be a clear difference in how the EU speaks with the states that want integration and how it relates to those that have no interest in integration." ☺



PANEL THREE

THE EU, CHINA AND THE REFORM OF GLOBAL ECONOMIC GOVERNANCE

Prof. Jacques PELKMANS, Senior Research Fellow at CEPS, Brussels, welcomed the speakers and introduced a new order of the presentations. The presentation by Dr. Yu XIANG on “The global economic governance innovation and EU-China cooperation” was followed by a presentation on “Implications for the Strategic Partnership” (Dr. Scott BROWN) and “The Global Currencies Conundrum” (Prof. John RYAN).

“The global economic governance innovation and EU-China cooperation”

Dr. Yu XIANG, First Secretary at the Chinese Mission to the EU, gave a presentation on global economic governance systems and pointed out current deficits and needs for reform. According to Dr. XIANG, the global economic governance system does not work well. Before the crisis in the US and the EU, the IMF and the World Bank did little to warn those countries and to prevent the crisis. After the crisis, the community started to reflect on the system. According to Dr. XIANG, the G20 are playing an increasingly important role in guiding the process of global rule setting. At the same time, more and more regional and bilateral trade agreements are emerging.

To bring in the Chinese perspective, Dr. XIANG then started to analyse China’s position in this trend. According to his

analysis, China is one of the beneficiaries of this situation. In the last 15 years, Chinese foreign trade has increased very quickly; economic growth in China surpassed growth of the rest of the world. Even though the present system can be regarded as effective, China might feel that some of the rules and principles are unfair to China and to emerging economies in general. Still, according to Dr. XIANG, China’s aim is not to destroy the system, but to cooperate with partners to make it better. China also attaches more importance to domestic reforms.

As a last point, Dr. XIANG posed the following question: “What can China and the EU do to enhance governance together?” In Dr. XIANG’s understanding, the EU and China have a lot in common: for instance, both want to strengthen macroeconomic governance in a global way. They could work together to hasten a reform of the voting system in the IMF and the World Bank in the framework of the G20 to have voting power reflect the economic reality. The EU and China could also speed up negotiations for the Bilateral Investment Treaty (BIT).

“Implications for the Strategic Partnership”

In his paper, Dr. Scott BROWN examined EU-China convergence in EU-CHINA preferences and policies on global economic governance and the nature of the strategic

partnership by employing as an analytical framework the capability-expectations gap by Christopher Hill (1993). According to Dr. BROWN, global economic governance could be a “natural fit” for the strategic partnership. The EU and China both proclaimed their common interests and expectations in statements, especially after the crisis.

In order to examine whether or not one can speak of a “strategic partnership” in global economic governance, Dr. BROWN analysed statements before and after the G20 summits. His aim was to find out to what extent we can see convergence in G20 summits between the EU and China.

Dr. BROWN argues that there are many mechanisms and dialogues in place and that expectations were built up before and in annual summits. However, in G20 summits, the commitments are not met. The rhetoric is that they will cooperate and coordinate prior to summits and have a

BROWN pointed out, coordination is difficult as the high level dialogues usually come after G20 summits. As a policy recommendation, Dr. BROWN suggested that they should have the high level dialogues before the summits and not after. In his analysis, Dr. BROWN also looked at compliance with G20 declarations. Judging from the data, China is below average, whereas the EU is doing better.

As a conclusion, Dr. BROWN stated that high-level economic dialogues and mechanisms are in place and, if used strategically, they could bridge the gap and the lack of dialogue even though it might be difficult to reach consensus. One of the reasons why reaching consensus might be difficult is that China and the EU are very different domestically. But even if they cannot reach consensus, they should probably be more cautious in their statements because they raise expectations, and the global significance of the strategic partnership is seen as reduced if it does not meet those expectations. As a recommendation, Dr. BROWN



systematic approach, but it seems that this is not followed by deeds. For both the EU and China, G20 summits are central and both express a desire for reform. However, the EU-China strategic partnership does not really seem to matter, as they do not seem to coordinate their positions.

The EU and China are in disagreement on specific policies and they have not coordinated ahead of G20. As Dr.

suggested changing the rhetoric and managing expectations better.

“The Global Currencies Conundrum”

In his presentation, Prof. John RYAN first explained the current role of the US Dollar, the threats to its current role and the potential geopolitical implications of a US Dollar



decline. As he stated in his speech, the US Dollar has probably been the closest thing to a true global currency so far. However, it remains uncertain how long the rest of the world can allow the US to exercise this privilege. Also, the US Dollar has experienced a loss in prestige, which has been blamed on the Greenspan and Bernanke Federal Reserve. As Prof. RYAN stated, the Federal Reserve's quantitative easing has undermined the credibility of US financial diplomacy.

Furthermore, Prof. RYAN drew attention to the potential geopolitical implications of a US Dollar decline: The US would lose its privileged seigniorage position and with that its ability to achieve permanently higher returns on foreign assets than the returns paid to foreigners who invest in the US. So as the reign of the US Dollar as the world reserve currency is definitely being threatened, the shift in international trade will have massive implications for the US economy. The RMB on the other hand is becoming more attractive. With the AIIB, China has attracted many European countries (the UK, Germany, and France, among others). However, for the EU and the global financial system, it is also crucial to consider what is happening with the euro.

Prof. RYAN presented different scenarios for the Eurozone: (1) Monetary expansion; (2) Greek exit; (3) The Eurozone breaks apart; (4) The Eurozone survives, but gets smaller; (5) The Eurozone becomes more integrated.

Prof. RYAN concluded that countries should examine alternatives to the US Dollar. China is taking action to reduce its reliance on the US dollar. This could lead to multipolar, tri-polar currency zones. Prof. RYAN argued that the Renminbi (RMB) should be included in the special drawing rights (SDR) basket as this would be good for global governance and for other nations that are exposed to the RMB in any case. ©

CALL FOR CONTRIBUTIONS



EU-CHINA OBSERVER ISSUE #3.15

EU-CHINA BILATERAL INVESTMENT AGREEMENT

SUBMISSION DEADLINE: 30 JULY 2015

The **InBev-Baillet Latour Chair of European Union-China Relations** and the **EU-China Research Centre** are calling for contributions to the third issue of the *EU-China Observer* to be published in September 2015. After the first issue on the new “One Belt, One Road” initiative of the Chinese government and the second issue reporting on the conference “The EU and China: Reform and Governance”, the third issue of the *EU-China Observer* (Issue #3.15) will be dedicated to the EU-China Bilateral Investment Agreement.

EU-China trade reached over € 568 billion in 2014, with China being the EU's biggest source of imports and vice versa. In October 2013, the EU Member States gave the European Commission a mandate to launch negotiations for an investment agreement. At the 16th EU-China Summit on 21 November 2013, the EU and China announced the launch of negotiations. The aim of the agreement is to eliminate restrictions for investors and to provide a more secure legal framework for investors on both sides. The Agreement could also be seen as a stepping-stone for stronger cooperation in trade in the long term. As the two sides stated in a

Joint Statement of 31 March 2014, “concluding such a comprehensive EU-China Investment Agreement [...] will convey both sides’ joint commitment towards stronger cooperation as well as their willingness to envisage broader ambitions including, once the conditions are right, towards a deep and comprehensive FTA, as a longer-term perspective.”

For the third issue of the *EU-China Observer*, we are thus interested in contributions exploring the topic of the EU-China Bilateral Investment Agreement from the perspective of different institutional actors both in the EU and China, but also from the perspective of investors (potential benefits of an agreement for businesses) and from a macroeconomic perspective. Moreover, we are looking for submissions exploring the relationship of this agreement and FTA, and papers exploring the negotiations from a strategic perspective. What are the aims of both the EU and China in the negotiations? What could be the consequences of an agreement for further EU-China cooperation not only in trade, but also in other fields?

Please send your contributions to euco@coleurope.eu by 30 July 2015. For any questions related to the *EU-China Observer*, please do not hesitate to contact us via the e-mail address mentioned above.

Previous issues, as well as further information is available here: www.coleurope.eu/euco



PANEL FOUR

THE EU, CHINA AND THE REFORM OF THE INTERNATIONAL DEVELOPMENT ARCHITECTURE

Prof. Nanette NEUWAHL, Director of Studies, College of Europe, Natolin, and Jean Monnet Professor of EU Law, Université de Montréal, moderated the panel on “The EU, China and the Reform of the International Development Architecture”. In the panel, issues of global governance were addressed first, followed by issues of regional governance examined in case studies. The panel started off with a presentation on “Post-2015 Development” (Prof. Hong ZHOU). Then two case studies followed, one entitled “Contradictive or Cooperative Approaches between the EU and China in Africa – The case of the engagement of the EU and China in Sudan” (Dr. Weifang CHEN) and the other one on “Multilateral Regional Governance: Comparing EU and China engagement in Asia” (Dr. Thomas E. HENÖKL). Dr. Anna STAHL ended the panel with her presentation on “Building an EU-China Strategic Partnership for Global Development: The EU’s and China’s Contribution to the post-2015 Development Agenda”

“Post-2015 Development”

Prof. ZHOU spoke about “Post-2015 Development”. She gave a global overview of current issues in the international development architecture. In her view, a reform of the current architecture is necessary, even though there have been many achievements (e.g. the share of extreme poverty is down, more children are enrolled in schools

etc.). Prof. ZHOU presented an overview of the challenges and tasks for the future: i.e. the production of agricultural products will need to be increased, which will put pressure on already scarce resources.

According to Prof. ZHOU, the post-2015 agenda discusses the need for the move from Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs) – however, continuities and differences remain. China’s position is that it has contributed to the MDGs by lifting millions out of poverty. China also believes that the international development architecture should focus on fewer goals. Moreover, in China’s view, development policy should respect diversity and nations need sovereignty to choose their own development path. China also employs strategy and institution building, for instance via the “One Belt, One Road” strategy and the AIIB.

As a conclusion, Prof. ZHOU addressed the question of how China and the EU could work together in post-2015 development. First, they should identify common denominators. For instance, environmental protection is important for both the EU and China, but also for other countries. Both sides should also stop criticising each other and instead attempt to learn from each. Prof. ZHOU thus concluded that the EU and China have commonalities for post-2015, but that they need to concentrate on those commonalities.

“Contradictive or Cooperative Approaches between the EU and China in Africa – The case of the engagement of the EU and China in Sudan”

Dr. CHEN explored contradictive and cooperative approaches between the EU and China in Africa by focusing on the case of engagement of the EU and China in Sudan. According to Dr. CHEN, the EU and China are two important players in Africa, but their engagement is based on different structures and policies. In her paper, she compared the type of engagement and analysed the implications, taking Sudan as a case study.

In her view, the EU is seeking an equal partnership. The Cotonou Agreement signed in 2000 shapes the relationship. However, the EU focuses on good governance and democratisation as conditions for aid. Development aid may be suspended if those conditions are not met. Challenges for the partnership are thus this normative agenda to resolve aid as it causes frictions in the relationships.

China challenges the EU's influence in Africa as it is enhancing cooperation by an alternative approach. Some steps have been taken by the EU as a response: the joint

Africa-EU Strategy was adopted at the EU-Africa Summit in Lisbon in 2007. Three principles were identified: equality, partnership, and ownership. China's approach is shaped by its diplomatic strategy. China focuses on co-existence, non-interference and does not use normative criteria in its aid policy. However, China realises that a stable political environment is crucial to protect investment and is pressured by international society to act more responsibly and to deal with conflicts in Africa. As a response, China introduced a China Africa forum. It also published three white papers to develop the framework. China seems to be re-interpreting the non-interference principle by dialogue with Africa and offering its own experience to Africa.

In Sudan, the EU was using development aid as a policy tool. Sudan had been excluded from aid since the 1990s due to serious violations. However, the EU realised that this approach caused more crises and re-launched development aid in the 2000s. China, on the other hand, was reluctant to introduce strict measures and stuck to the principle of non-interference. After 2004 this changed and China increased its pressure on Sudan to cooperate. China was also in favour of the UN resolution and the “Annan plan”, as well as expanding the peace-keeping mission.



“Multilateral Regional Governance: Comparing EU and China engagement in Asia”

Dr. Thomas E. HENÖKL focused on regional engagement of the EU and China in the Asian context. He touched upon different subjects starting out with the main challenges for global public policies and development policies, which are on the agenda. He then focused on EU-China multilateral and interregional engagement and different forms of interaction between the EU and Asia in the context of global governance.

According to Dr. HENÖKL, one of the main challenges for global public policy and global development policy is to create favourable conditions for cooperation and economic development. There is a need for policy coherence for development, which would mean streamlining different policy goals: e.g. security and crisis management, flow

welfare and sustainable development. Dr. HENÖKL also mentioned the trade development nexus. Equitable trade increases chances for prosperity. Thus, security, development, and trade are interlinked.

Dr. HENÖKL then pointed out remaining issues in EU-China relations such as the in-transparency of Chinese defence policy, the arms embargo, the market economy status, a potential Chinese challenge to the existing political order, economic issues, China's divide and rule approach (e.g. 16+1 format), open questions regarding Russia, the Taiwan issue, and China's reservation towards the EU as a governance system. To conclude, Dr. HENÖKL raised the question of whether China is employing a new soft power approach, which could be seen in the AIIB and Chinese efforts to orchestrate multilateralism.

On the positive side, Dr. HENÖKL mentioned the implementation of the China-EU 2020 Strategic Agenda. Within the



of international finance, resource extraction, agriculture, mining, land grabbing, fisheries, health care, environment, climate change, knowledge and technology transfer, as well as domestic issues, e.g. migration and border management. He raises the question of how these points can be linked together. Security and trade, for instance, are recognised as being interrelated; there is a need to interlink to achieve positive effects. Another point is the security development nexus discussed in academia: it is impossible to achieve security without a certain degree of public

strategic agenda, two points refer to development policy: the goal to reinforce cooperation in all transregional and regional fora, e.g. ASEAN and the ASEAN Regional Forum and to contribute to sustainable development as well as to an equal, open and transparent regional architecture in Asia. Also, China wants to reinforce cooperation in multilateral fora as well as coordination before meetings, and to establish a rule-based equitable and just system. China is also emphasising multilateralism and the central role of the UN.

How is this done? At the level of global governance, several forms of cooperation can be distinguished: bilateral and multilateral cooperation, diverse forms of delegating tasks to supranational organisations and integration. In between there is another form of global governance – orchestration – a soft and indirect form of governance, as Kenneth W. Abbott defines it. To conclude and to open up the debate, Dr. HENÖKL finished the presentation by asking whether the AIIB could be a case of orchestration.

“Building an EU-China Strategic Partnership for Global Development: The EU’s and China’s contribution to the post-2015 Development Agenda”

In her presentation, Dr. Anna STAHL focused on the negotiations between the EU and China for the post-development agenda. She provided an overview of the changing landscape by mentioning important factors that influence the environment: Firstly, the economic rise of the BRICS has led to more South-South cooperation. The development architecture is thus seeing more actors on the scene. Still, the EU remains the largest donor (counting the EU institutions as a donor in addition to the member states). Also, it is important for the understanding of the EU’s policy in this field that development aid is a competence shared between the Member States and the EU. Within the EU, the most important actors are the Commission (DG DEVCO – Directorate-General for International Cooperation and Development) and the European External Action Service (EEAS). The EU has issued a policy document on development, which shapes its policy, the “Agenda for Change”.

Moreover, the EU is an OECD-DAC member and can thus be considered a traditional donor.

China, on the other hand, is an emerging donor. The PRC does not have a colonial heritage, but China had nonetheless been present as an actor in Africa during the Cold War and its development assistance dates back to this time. However, China’s engagement and focus on the African continent has become more prominent since around the year 2000. In China, the Ministry of Commerce is the main institutional actor involved in development assistance together with the Commercial Counsellor’s Offices. China is not a member of the OECD-DAC and sees itself not as a donor, but rather a development country engaged in South-South cooperation – providing aid but still receiving aid at the same time. China has published policy documents

regarding its development policy: the 2011 White Paper and the 2014 White Paper on Foreign Aid.

Dr. STAHL also explained the path to the formulation of the post-2015 Development Agenda. It is a UN-led process to define the future global development framework. Sustainable Development Goals (SDGs) are the successor of the MDGs. For the post-2015 Development Agenda, the EU is developing a joint position focusing on two policy areas: development and environment. Both are competences shared between the EU and the Member States. The EU’s position has evolved from the Agenda for Change, in which the EU expressed support for the MDGs, to a first Commission Communication in February 2013 (“A Decent Life for All: ending poverty and giving the world a sustainable future”), followed by Council Conclusions on “An overarching post-2015 framework” in June 2013, a second Commission Communication “A decent life for all: from vision to collective action” in June 2014 and then Council Conclusions on “A transformative post-2015 agenda” in December 2014. In February 2015, a third Communication “Global Partnership for Poverty Eradication and Sustainable Development after 2015” was adopted.

China’s position is shaped by the fact that it is a UN Security Council Member as well as a special invitee of the G77 group. China has expressed official support for the MDGs and it has reached some of the MDGs, e.g. in poverty reduction, the reduction of infant mortality. On the other hand, one could not see active Chinese involvement in the MDG process, but rather a focus on domestic development plans. As concerns official policy documents, there was no reference to the MDGs in the 2011 White Paper on Foreign Aid. China, however, plays a proactive role in the post-2015 development agenda process. The Chinese MFA developed a 2013 Position Paper on post-2015 development agenda.

As a conclusion, some points of divergence can be ascertained: (1) Whether the SDG should be in continuity with the MDGs concerning the inclusion of political targets (e.g. Human rights, good governance); (2) National vs. International targets/goals – it would be the Chinese position that each country should be independent and choose its own development goals; (3) Relations between development and security; (4) Principles of “common but differentiated responsibilities” vs. Equitable commitment by MICs. ☺

THE ROAD TO PARIS

THE EU, CHINA AND GLOBAL CLIMATE GOVERNANCE

INTRODUCTION (ROUNDTABLE 1)

Mr. Jo LEINEN, Chairman of the China Delegation of the European Parliament welcomed the participants to the second day of the conference “The EU and China: Reform and Governance”. Mr. LEINEN stated that, for him, it was a double pleasure to chair the panel because, first of all, he himself had been a student at the College of Europe and, secondly, because the topic is interesting for him as he chairs the China Delegation of the European Parliament.

Also, climate policy has been one of his priorities during his career. Mr. LEINEN stated that there is great hope for Paris and that an agreement would present the chance to preserve one of the world’s most important ecosystems: the atmosphere.

After the short introduction, Mr. LEINEN introduced the speakers taking part in the first round table discussion on the topic of “The Road to Paris: The EU, China and Global Climate Governance”: Mr. Charles-Michel GEURTS, Deputy Head of the Division of Asia-Pacific Horizontal Affairs, European External Action Service, Brussels, and Visiting Professor at the College of Europe, Bruges; Prof. Shiqiu ZHANG, Director of the Institute of Environment and Economy, Peking University; Ms. Deborah SANTUS ROOSEN, International Institute for Sustainable Development, Geneva, and Dr. Olivia GIPPNER, Dahrendorf Postdoctoral

Fellow EU-China Relations, LSE IDEAS, London School of Economics and Political Science.

ROUNDTABLE DISCUSSION 1

The panel started with an introductory round, during which the speakers addressed the main issues such as differences and commonalities in the EU’s and China’s positions. Mr. GEURTS gave an overview of the similarities and potential differences between the EU and China on the “Road to Paris”. According to him, the main similarities are that both are among of the three top emitters of CO₂ (China 25 %, the US 14 %, and the EU 11 %). Both share a common objective, also with the US – namely a successful COP21 agreement. The EU and China have a track record of good cooperation: sectorial dialogues, effective dialogues on climate change, energy, environment, which is also underpinned by projects: e.g. the Clean Energy Centre, the ETS capacity building project, the EU-China Water Platform, just to name a few. According to Mr. GEURTS, this already forms a good basis for successful cooperation. Also, both take the endeavour to have a successful COP21 seriously, as illustrated by internal and external action.

In terms of internal measures, the EU highly values the Chinese efforts on energy efficiency, green growth, carbon storage, and fighting air pollution. Mr. GEURTS notably ob-

served two phenomena: China realises that growth has a cost on the environment and an effect on climate change.

The EU sees that China also recognises that it needs to tackle these projects and take them into account in its development path. The second phenomenon is that there seems to be a lot of domestic pressure in the policy field of climate change but also in related areas like food safety and food hygiene. This pressure is leading to a situation where these policy areas are dealt with in a more inclusive fashion than other areas. The Chinese leadership seems to be including public opinion in their decision-making and taking into account the work of NGOs, universities and other non-state actors. However, it is also true that the need for a scientific basis in these areas makes cooperation with universities a must.

Externally, Mr. GEURTS observed that China seems to have ambitions to be a leading partner in the negotiations in Paris. The US-China announcement of November 2014 is a good example of this ambition. This kind of announcement is similar to what the EU has put forward early on as commitments. It shows a willingness to drive others to do likewise, which is another similarity between the EU and China. Also, during the lead up to Paris, there will be the summit of 29 June 2015. It will not come as a surprise that the EU and possibly also China will look for substantial language in the joint statement at the summit, notably as concerns climate change and energy.



One of the main differences, which Mr. GEURTS mentioned, is the “common but differentiated responsibilities” principle (CBDR). As concerns the EU, the UNFCCC of 1992 is outdated. The new agreement should be global and apply to all. According to the EU, the national contributions submitted by each country are a tool for differentiation. The EU wants national commitments, while China sees itself as a development country and would like to stick to the CBDR principle.

According to Mr. GEURTS’ assessment, the situation is slightly ambiguous: China seems ready to take up commitments, which is also visible in the agreement with the US. However, it is not clear if China has committed to ending the “firewall”, i.e. the differentiation of developing and developed countries (CBDR). It might be a challenge for China to portray itself as a developing country and as similar to the G77 when it has already reached the same level of emissions as the EU average, whereas India, for instance, only reaches one third. Mr. GEURTS noted that one sentence in the US-China announcement, “[...] In light of different national circumstances [...]”, could be interpreted in a way that suggests China accepts that there is some room for differentiation between developing countries. Another open question is whether the agreement will be legally binding or not. Would the national targets be legally binding or only the rules and procedures?

Mr. GEURTS’ introduction was followed by Prof. ZHANG, who clarified that she is a researcher and professor, not a government official, and that she is presenting her personal views. Prof. ZHANG shared a lot of the points mentioned by Mr. GEURTS. According to Prof. ZHANG, China and the EU have a lot of common interests: they are among the biggest emitters but they also care about local pollution and natural resources. Other common interests are, for instance, renewables and transforming society towards a greener society, which is now also referred to as “greenisation”. This is also a field where China can learn from the EU.

The role of civil society in combatting air and water pollution as well as climate change is growing in China, which is putting pressure not only on the authorities, but also on politicians. As concerns the dynamic Chinese economy, China has to balance between its concern about climate change and development given that the GDP is still very

diverse in different parts of China and relatively low when considered as GDP per capita. Prof. ZHANG made three important points (1) China is concerned about climate change due to external pressure, but also internal pressure; (2) Economic growth is high, but at regional and per capita level a lot of poverty issues remain unresolved; (3) It still has a long way to go, but China is taking up responsibilities.

There are signs that China is acting more responsibly. For instance, in 2007, China developed a national programme and policies for climate change; in 2009, before Copenhagen, China set up carbon reduction targets (45 % reduction from 2005 level by 2020). Also, China will set a coal consumption cap and commit to a carbon peak to be reached by the year 2030 (bilateral agreement with US) and it aims to increase the percentage of renewables to 15 % of total energy consumption by 2020. There are also a variety of other measures: e.g. the smart low carbon cities initiative, and pilot projects of emission trading programmes, which are supposed to be expanded to the national level by 2019. Again, China is taking on another kind of responsibility as a development country, by also engaging in South-South cooperation.

As for COP21, China would like to see a legally binding agreement. As for their key positions, China's stance did not change much: China would not like the UNFCCC principles to change. China continues to insist on CBDR and keeps an eye on the commitments of other parties, especially developed countries.

Prof. ZHANG addressed the question of "How to transfer societies to green societies?". In Prof. ZHANG's understanding, it is also important not to use principles as excuses. It is China's position to understand who should take responsibility; this implies that China urges developed countries to do more. Comparing accumulated emissions means that, during the period 1992–2005, China had already reached US and EU levels of emissions. However, a 2012 study calculating emissions from 1850 until today shows that China accounts for about 11 %, while the EU accounts for 25 % and the US for around 27 %. Nonetheless, Prof. ZHANG stressed that comparing these figures does not lead to any solution.

Dr. Olivia GIPPNER stated that in order to understand the effectiveness of policies towards China, one would need

to open the black box of decision-making in China. During the HU-WEN era (2002-2012) the major players were the NDRC and its Department of Climate Change. A myriad of institutions are involved on the bureaucratic side, but also think tanks and universities. On the implementation side, things are done on the provincial and municipal level. Also the Ministry of Foreign Affairs and the Ministry of Science and Technology play an important role.

Still, it seems unclear who are the actors and if think tanks, NGOs, or universities have a say. The Ministry of Environmental Protection is more involved on the implementing side. There might be divergent goals, which different ac-



tors pursue, leading to unexpected outcomes. Dr. GIPPNER mentioned the goal of reducing emissions as an example. There are different ways to achieve this goal: a carbon tax or ETS, for instance. The carbon tax might be more interesting for the Ministry of Finance, whereas the ETS is more interesting for others. Until around 2011 both options were promoted by the ministries. In 2011, pilot projects for ETS were promoted by the State Council and the NDRC. One has to consider that state-owned enterprises (SOE) still play a major role in the coal, oil and gas industry and

SOE often have close access to the top leadership and provide employment. Their leading body reports directly to the State Council. This constellation might have influenced the decision.

Dr. GIPPNER closed her short presentation by asking if it is likely that there will be some form of EU-China deal, similar to the one by the US and China. In Dr. GIPPNER's view, this is unlikely to happen. On the other hand, she argued that the agreement is also good news for the EU. Even though the absence of the US had provided space for close EU-China cooperation, it had also hindered deeper cooperation. According to Dr. GIPPNER, an EU-China deal would



probably not go beyond what was already pledged.

Ms. SANTUS ROOSEN was the last speaker of this panel, and as her focus was rather on market-based mechanisms, she attempted to bridge between roundtable 1 and 2, focusing on market-mechanisms and concrete actions. She based her introduction on the report "China's Low-Carbon Readiness and Competitiveness 2015" by the International Institute for Sustainable Development conducted in cooperation with the Ministry of Commerce

in China to assess the impact of China's "greenisation" on business. According to the study, the 12th 5-year plan has strong elements directing towards a low-carbon economy and eco-civilisation. To transition to a resource-efficient economy is one of the top-priorities of the government. However, it remains an open question how to transition to a low-carbon society. The transition might have an effect on competitiveness.

The report consisted of a collection of more than one thousand surveys from companies in low carbon industrial zones and of an analysis of policies/laws on environment protection. The aim of the report was to assess the impact of new regulations regarding low carbons on businesses. Some key policy trends could be identified: e.g. a large number of energy and climate change policies are adopted locally. Second, the report also contained an assessment of business sentiments on low carbon environment. Most businesses have in-house environmental policy sections.

The report also pointed out that the biggest challenge locally is that there are multiple government actors and judiciaries. This leads to confusion for companies, as they are unsure which regulation they need to comply with.

INTRODUCTION (ROUNDTABLE 2)

The second roundtable discussion was chaired by Dr. Candido Garcia MOLYNEUX, Of Counsel at Covington & Burling LLP and Lecturer of Environmental Law and Policy, College of Europe, Natolin. The roundtable consisted of Prof. Marjan PEETERS, Professor of Environmental Policy & Law at Maastricht University; Mr. Fajun QU, CEO of Nova Lighting BVBA, Brussels; Mrs. Irina LAZZERINI, Sinologist and Policy Analyst at the Enel Foundation, Rome; and Ms. Benita DREESEN, Managing Director BENTLEYE, Geneva.

In his introduction, Dr. MOLYNEUX referred to an article, which demonstrated that air quality had improved on the East coast of the US, but deteriorated on the West coast and blamed the pollution in the West on the Asian continent. Industries from the East coast have gone to China, exporting goods back to the US. The article seems to suggest that it is not about where you produce, but the emissions you produce. According to Dr. MOLYNEUX, the article manages to establish a link between trading goods and the production of emissions.

The EU and China account for around 35 % of CO₂ emissions. Since 2002, the EU has introduced Directives to achieve its 2020 goals (the Emissions Trading Directive and the Renewable Energies Directive). The Emissions Trading Directive had a serious problem: the low price does not encourage the reduction of emissions. In this case a carbon tax would have been better, but the EU does not have that competence. The EU's targets for 2030 are a 40 % reduction of CO₂ emissions and a 27 % target for renewable energies. This would most likely mean amending the ETS to achieve the targets. As concerns the role of nuclear energy, there is no coherent energy policy in the EU in this field as this is a competence of the Member States.

China is nowadays the biggest emitter, however, historically, this has not always been the case. China is committed to reducing emissions per unit of GDP by 45 % compared to 2005 levels, to peak in 2030 and has introduced comprehensive commitments in forestry. Also noteworthy are the seven pilot ETS projects and the framework law to adopt national ETS in the future. Some projects are part of a cooperation agreement between the EU and China. China is also the biggest world market in terms of nuclear energy. China has 24 nuclear reactors and is building a further 25.

Dr. MOLYNEUX structured the debate in different rounds of questions. Among others, the questions were: What is the potential of market-based approaches in tackling climate change? Can they actually enhance the cooperation of the EU and China in the fight against climate change? What are the results of the ETS in the EU and what can China learn from them?

ROUNDTABLE DISCUSSION 2

According to Mrs. DREESEN, the agreement of the US and China is also about not losing face and not repeating the disastrous outcome of Copenhagen. The background of the EU and China is different: the EU has committed since 1991 to its first strategy to limit CO₂ emissions and to increase energy efficiency. The EU wants to set an example, to be a pioneer, and it is achieving this role. In China, on the other hand, people are directly confronted with climate change and environmental problems: air pollution is a major issue. The industry is still based on coal fuel, but a rising middle class is asking for cleaner

air. Prof. PEETERS approached the question from a legal perspective. She admitted that the EU ETS had serious problems as prices were very low, but that it delivers on the reduction goals. From the legal perspective, it matters if the EU ETS is achieving what it is supposed to achieve (reducing emissions) and if there is full compliance. As to the question of what China can learn from the ETS, it would be monitoring and enforcement. From the legal perspective, law is needed that establishes obligations. A sound legal framework is important for the ETS to function. What could be the potential role of the courts also needs to be clarified. Establishing how a sound legal framework for achieving the targets can be introduced seems to remain a major challenge.

According to Ms. LAZZERINI, the EU is a driving force in the fight against climate change and market-based mechanisms. In the EU, even if it is not working properly, the price signal is working. In China, however, prices are still decided at a central level. While assessing whether market-based instruments could work in China, she made the distinction between the long-term and the short-term, as China is not yet a fully developed market economy in the short term, but exercises a command–control approach. In the long term, ETS may work because there will be a market. Ms. LAZZERINI argued that market creation is the key issue. Many companies cannot estimate the allowance in the future, so no market will be created. Mr. Qu pointed to the development that China has gone through, via leading in the production of solar panels, where this creates problems of pollution.

Prof. PEETERS made the observation that when comparing EU ETS with pilot projects from the legal perspective, there is a major puzzle: there is not a formal legal source in China, but ETS is rather based on “other normative documents”. This seems to be a puzzle for rule of law. ETS interferes with economic activities of industries and in those cases you need an enforceable law.

It remains an open question how China can move to the rule of law. The government exercises power through the cadre system. This could lead to a situation where ETS may be highly successful and effective, due to high governmental power. But this is not rule of law, but rather rule by law. From a European perspective, we should be respectful of how China wants to build its own political and legal systems. However, some further open questions



remain with regard to the ETS in China: Is there a cap on the greenhouse gas emissions? Is there a cap on the total amount of emissions? How is China going to deal with export adjustments?

Ms. LAZZERINI pointed to a difference in approach – the EU's approach versus China's approach. For the EU, the ETS is a cornerstone. For China, it is an important but complementary measure. The EU goes for absolute targets, but China takes a more cautious approach. China is rather learning by doing, based on its own experience.

It remains to be discussed how the Chinese ETS could be linked to others and how targets could be harmonised. Ms. LAZZERINI also brought up the issues of price signals – as for companies it will be hard to know how many certificates they may need for the future, if the market price is not functioning properly. Companies will tend to keep allowances and not trade them, and as a consequence no market will be created. Another problem for the creation of a market is the certification and verification of certificates. It is not clear if China or also the EU can guarantee independence and a good system that allows independent certification. Then, the topic of renewables was discussed. As for the EU, the EU pursues an ambitious programme under the Renewable Energy Directive: a 27 % target by 2030. In the past, a lot of money was invested by European governments into renewable energies, e.g. green certificates, solar panels etc. After the crisis, a lot of this money was withdrawn. In China, for instance, the export orienta-

tion in the field of solar panels has changed and a domestic market for renewables has developed.

To fight climate change, China has realised that it needs to change the way it produces energy. Investment in renewable energies is high, but in order to reach the 20 % target, China will have to work hard. The Chinese strategy seems to be to invest in building up nuclear and renewable energy as well creating new innovative technologies. In terms of renewables, one of the major issues seems to be the connection to the power grid. Modernisation would be necessary to be able to take in the extra energy input from renewables. Also, renewables have met with resistance by the European population. What will China do if this happens and will Chinese citizens accept this more than Europeans?

The last topic to be touched upon was nuclear energy. The EU does not have a coherent nuclear policy. China is building up many reactors and, as a nuclear power, has the necessary know-how and background. As air pollution is everything, nuclear energy is considered a clean energy source. China already seems to be self-sufficient in reactor design and might want to go global and export nuclear technology. At the same time, China wants to be a cautious and safe user. It will not play as important a role as in South Korea for instance. China would like to have a diversified energy portfolio, to be independent, even though nuclear energy will not be dominant. ☉



INTERNATIONAL WORKSHOP

BRUSSELS 14 - 15 SEPTEMBER 2015

EUROPEAN PERSPECTIVES ON CHINA'S NEW SILK ROAD

LOCATION: EUROPEAN PARLIAMENT

On 14-15 September 2015, the **EU-China Research Centre** and the **InBev-Baillet Latour Chair of EU-China Relations** at the College of Europe, will organise an international workshop on **"European Perspectives on China's New Silk Road"**. The workshop will take place in the European Parliament in Brussels and will be hosted by Mr Jo Leinen, Chairman of the China Delegation of the European Parliament.

In late 2013, Chinese President Xi Jinping announced China's grand development strategy, "One Belt, One Road", to be pursued in the coming three or four decades. Since then, this strategy has been promoted by the Chinese government – both externally and internally. Even though its impact is felt more in China's direct neighbourhood, Chinese engagement is also visible in Europe, for instance in the operation of direct cargo train connections between Europe and China or the Chinese global shipping corporation Cosco's investment in the Greek port of Piraeus. Yet, to date, there has not been much coordinated reaction from the European side.

It is time for the European side to examine China's New Silk Road strategy in order to understand what it is, what its major objectives are, and how these objectives are to be realised. The aim of the conference is to bring together EU policymakers as well as researchers from think tanks and academia to have an in-depth discussion and to generate European perspectives on China's New Silk Road strategy.

PANEL OVERVIEW

- Panel One:** The New Silk Road – a domestic or an international Chinese project?
- Panel Two:** One Road One Belt: China connects Asia and Europe – the Central Asian land bridge and the Indian Ocean waterfront
- Panel Three:** The security and political challenge of China's New Silk Road strategy
- Panel Four:** The AIIB and the Silk Road Fund
- Panel Five:** The Silk Road's impact on EU-China economic and trade relations

For further information, please contact us via the e-mail address EU-China-Conferences@coleurope.eu. The conference programme and the registration form will soon be available on the website of the **EU-China Research Centre** and the **InBev-Baillet Latour Chair of European Union-China Relations** at the College of Europe.

