

EU-CHINA OBSERVER

DEPARTMENT OF EU INTERNATIONAL RELATIONS AND DIPLOMACY STUDIES



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

College of Europe
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DEPARTMENT OF EU INTERNATIONAL
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Baillet-Latour Chair of
European Union-China Relations



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EU-CHINA CLIMATE RELATIONS

COOPERATION IN AN INCREASINGLY COMPETITIVE STRATEGIC PARTNERSHIP

GABRIELE MOTTA

Introduction

EU-China relations are largely institutionalised through the 2003 Strategic Partnership and a comprehensive set of high-level dialogue covering a variety of policy areas. In this context, bilateral climate relations have enjoyed a positive evolution in recent years and are currently expanding.¹ Successful outcomes of bilateral sectoral co-operation are especially noticeable in the period between the 15th Conference of the Parties (COP) to the United Nations Framework Conference on Climate Change (UNFCCC) and the 21st COP which delivered the Paris Agreement. The announced withdrawal of the US from the aforementioned agreement introduced uncertainty in the international climate regime which relies on the support of the other committed actors.

At the same time, not all high-level policy dialogue between the EU and China has led to positive results. In particular, dialogues in trade and human rights experience increasing challenges.² Therefore, the comprehensive character of bilateral relations requires attention to be paid to the interaction between different policy areas, in order to have a clear understanding of the solidity of EU-China climate cooperation. This challenging environment in EU-China relations brings us to the research question of this article: how can climate cooperation work, in spite of a turbulent international context and competitive EU-China relations in other policy fields?

Cooperation is not the only driver guiding the behaviour of the EU and China respectively in their relations. In fact,

despite the 2003 jointly-signed Strategic Partnership, competition characterises a large proportion of EU-China dialogue. Accordingly, scholars also observe a switch from a cooperative Strategic Partnership to an increasingly competitive one.³

The European Council's former President, Herman Van Rompuy, claimed that competition between the EU and China is not a "win-lose competition in a sports game".⁴ In other words, the competition is undeniable, but it does not take place according to 'zero-sum game' logic. Through negotiation and game theory, it is possible to elaborate starting from this argument. The paper examines this issue, taking into account negotiation theories on cooperation and competition by Lempereur and adopts the game theory concept of "co-opetition" developed by Brandenburger and Nalebuff.⁵

Lempereur explains that cooperation and competition are major and opposite drivers for action in negotiations. Nevertheless, they are not mutually exclusive. In this sense, the sequence of cooperation and competition allows the actors to "enlarge the size of the pie before dividing it into slices".⁶ "Co-opetition"⁷ is a further conceptual tool that explains that competitive behaviours do not necessarily exclude cooperation. From this perspective, the tension between these two behaviours would help the EU and China to extract more benefits from their partnership. Nevertheless, this dynamic also sheds light on the challenging nature and the expanding realist approach from both sides to their bilateral relations, albeit to a different extent.

Building on this, this article analyses the features of the climate dialogue in the context of the Strategic Partnership and the nature of the interests at stake. In its conclusions, this work underlines that the EU and China confirmed their commitment to the Paris Agreement and to their bilateral green cooperation in response to the turbulent international environment.⁸ However, climate cooperation is strongly subject to competition in other areas of dialogue – especially when they touch upon politically-sensitive issues. Further, China displays a realist understanding of international relations and does not hesitate to link climate policy to other issues and to threaten to retaliate, in order to see its interests fulfilled. This stands in contrast to the EU, which, even when being pragmatic, shows a preference for consensual solutions. Ultimately, this competition risks hindering the solidity of EU-China climate cooperation.

The evolution of EU-China climate relations

There are key factors which make climate relations one of the most cooperative fields of interaction for the EU and China. A first element is the global and transnational dimension of climate change. Secondly, the increasing multipolarity connected with the rise of new global actors requires deeper coordination, in order to make multilateralism effective.⁹ Thirdly, technical exchanges generally exclude sensitive issues and offer the opportunity to enhance socialisation between experts and mutual understanding. Finally, although EU and Chinese interests may differ, cooperation is seen as mutually beneficial.

An overview of bilateral climate relations allows to explore the aforementioned key factors and to track the EU's and China's respective evolving interests. At the time of the EU-US-led initiation of the UNFCCC, China was maintaining a low profile and EU-China relations were primarily focused on the economy and trade. Only from the mid-90s did the

EU and China start mild exchanges over climate issues and compatible views emerged during the negotiations for the Kyoto Protocol.¹⁰

In light of the rapid increase of Chinese greenhouse gas emissions in 2001-2006, the EU started to engage with China, claiming that greater responsibilities should correlate with its increasing global role. In the context of the 2003 Strategic Partnership, a high-level environment dialogue took place without significant consequences. It is only in 2005 that the EU-China Partnership on Climate Change was established. With the 2003-2004 'honeymoon' phase concluded, this new field of cooperation could also induce positive spillovers on more precarious areas of dialogue. Furthermore, it correlated with the EU's pragmatic interests to design a post-2012 climate regime including emerging economies.¹¹

The 2009 COP15 in Copenhagen represented a turning point. The failure of the conference was largely blamed on China. As not 'losing face' is a crucial value in negotiations for China, re-establishing a credible image was a guiding principle of Chinese diplomacy.¹² In addition, domestic awareness of environmental problems and security challenges connected to climate change increased in the political agenda, consolidating scholars' perceptions of China as a realist actor.¹³ Positive engagement with the EU was therefore instrumental for China and led to a policy of appeasement, as demonstrated by the China-EU Joint Declaration of Climate Change Dialogue and Cooperation in 2010.¹⁴ These improved sectoral relations and the proactive role of the US were fundamental to enhance consensus building prior to the COP21, the new milestone in international climate policy. On this basis, the international community delivered the Paris Agreement, which was signed in 2015 and ratified one year later.¹⁵

Between the mentioned COPs in 2009 and 2015, the EU and China strengthened their climate cooperation. A new major focus was the development of carbon markets in China, which represented an opportunity to enhance mutual understanding and, for the EU, to deploy its normative acquis through socialisation between policymakers, authorities, firms and NGOs. A result of this cooperation was the launch of seven pilot projects in 2014 and of the China-wide system in 2017, which the EU has been assisting by 'leading by example'. China, on its side, declared its interest to learn from international experiences, in order to develop its domestic policy instruments. Overall, this approach is unproblematic for the Chinese side, as EU's influences ultimately go under the Chinese sovereign scrutiny.

DOMESTIC AWARENESS OF ENVIRONMENTAL PROBLEMS AND SECURITY CHALLENGES CONNECTED TO CLIMATE CHANGE INCREASED IN THE POLITICAL AGENDA, CONSOLIDATING SCHOLARS' PERCEPTIONS OF CHINA AS A REALIST ACTOR.

After the announced withdrawal of the US from the Paris Agreement in 2016, the EU and China responded by confirming their commitment to the agreement.¹⁶ Bilaterally, they expanded the carbon market partnership and the clean energy agenda. Internationally, they co-hosted a ministerial summit on climate change with Canada gathering major emitting countries in 2017 and 2018.¹⁷ Finally, the July 2018 “EU-China Leaders’ Statement on Climate Change and Clean Energy” further consolidates the positive trend and demonstrates that, despite serious challenges in the international climate regimes, both actors support the UNFCCC-led strategy and use their bilateral relations in order to provide impetus.¹⁸

EU-China climate relations embedded in a competitive Strategic Partnership

EU-China bilateral relations have been undergoing serious challenges. The EU criticises China especially for its human rights record and trade issues – including commercial imbalances, market access and intellectual property. China is disillusioned with the EU for several reasons, the most evident being: the upholding of the arms embargo; the non-recognition of the Market Economy Status (MES) in the World Trade Organization (WTO); the expansion of EU protective trade measures, such as anti-dumping; and contact with the Dalai Lama.¹⁹ These tensions in EU-China relations result in a crucial conclusion: stalling tends to arise particularly in so-called ‘high politics’ fields and over politicised issues. Cooperative behaviour tends instead to flourish in ‘low politics’ and technical dialogue. Beyond climate change, this is the case for people-to-people, scientific and cultural exchanges, which have been expanding since the ‘honeymoon’ phase in 2003-2004.²⁰

Furthermore, the scholarship underlines that well-functioning bilateral climate relations can have positive spillovers on other dialogues.²¹ This seems to be the case for policy fields such as energy, transport and technology, which are closely related to climate policy, both in the EU and within

the Chinese domestic legislation Cooperation in research and development of low-carbon technologies and in sustainable mobility are key examples of this.²²

However, the opposite is also true: politically-sensitive issues and competitive dialogues can have negative spillovers on climate relations and on working dialogue more broadly. In 2012, EU policymakers suspended the integration of international civil aviation in the EU Emissions Trading Systems (ETS) after third countries blackmailed the EU with an articulated retaliation strategy. In this context, China threatened to suspend an order of €12-14 billion of European aircraft, rather than accepting approximately €40 million of compliance costs.²³ Another example is the non-publication of the joint statement at the conclusion of the 2017 high-level summit, due to unbridgeable divergences over the EU’s non-recognition of the MES to China.²⁴

The framing of China as a realist actor in international relations finds evidence in these cases. Indeed, China defended its strategic interests in ‘high politics’ and politicised areas by linking issues and threatening to retaliate. Ultimately, this realist approach to international relations can hinder climate cooperation.²⁵

The EU, on its side, also had a pragmatic approach to specific trade issues, such as the solar panels case in 2013 and the current steel case. The dynamic of these cases is similar: the EU accused China of dumping subsidised goods in the Single Market and triggered anti-dumping measures. In the case of solar panels, the appeasement came through dialogue, and more specifically, by negotiating a minimum price for Chinese solar panels.²⁶ In the case of steel, the MES issue and the new course of the US administration still feed the disagreement.²⁷

The “principled pragmatism”²⁸ inspiring the EU’s external action since 2016 also retroactively explains the behaviour of the EU in these two cases and in the one of international aviation. According to this approach, the EU intends to be more pragmatic in an increasingly multipolar and realist world. These events also demonstrate that, compared to China, the EU is keener to resolve conflicts through dialogue rather than through retaliation.

Conclusions

The examination of EU-China bilateral climate relations conducted in this paper shows that the two actors have delivered important results through their cooperation. They share a similar understanding of the urgency of tackling climate change and, although they may have different

THE EXAMINATION OF EU-CHINA BILATERAL CLIMATE RELATIONS CONDUCTED IN THIS PAPER SHOWS THAT THE TWO ACTORS HAVE DELIVERED IMPORTANT RESULTS THROUGH THEIR COOPERATION.

interests, these are still compatible. Therefore, climate dialogue appears to be solid and able to face the turbulence in the international climate regime – especially that stemming from the US's announced withdrawal. The EU and China appear to be cohesive in responding to these challenges and in providing the international community with impetus in crucial moments.

The assumption that EU-China climate cooperation can improve mutual understanding and have positive spillovers on other fields of cooperation appears relevant for 'low politics' areas such as energy, transport, technology, science, culture and people-to-people exchanges. Nevertheless, the examination of core tensions between the EU and China leads to an important finding: when turbulence touches upon fields of so-called 'high politics' and politicised issues, the scenario is different. Both actors, to differing extents, can act pragmatically. China does not hesitate to

threaten and retaliate in 'low politics' areas of cooperation and in well-functioning areas of dialogue, as is the case for bilateral climate relations. The EU, on its side, even when acting pragmatically, tends to prefer diplomatic solutions. A balanced Strategic Partnership may not exclude competition, as explained through Lempereur's and Brandenburger and Nalebuff's theoretical contributions. Nevertheless, in the medium to long term, an increasing level of competition the EU-China high-level dialogue could lead to negative consequences for EU-China relations, including in those fields where cooperation is delivering results. The positive spillover from working dialogue may be part of the response to improve the current status of the Strategic Partnership. However, it is unlikely that cooperative dialogue alone would miraculously solve the stalling of competitive dialogue. Fixing the Strategic Partnership requires a comprehensive response addressing issues which have remained unsolved for too long. ©

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BIO

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EU-CHINA RELATIONS ON CLIMATE CHANGE IN THE TRUMP ERA

AN EXAMINATION OF THE EU'S AND CHINA'S REACTION TO THE UNITED STATES' ANNOUNCEMENT TO WITHDRAW FROM THE PARIS AGREEMENT

VALENTIN STEINHAUER

Introduction

In 2005, David Shambaugh predicted that “the interaction of the United States, China, and the EU will be a defining feature of the international system in the years to come.”¹ Shambaugh primarily based his forecast on an assessment of the three actors' combined political, economic and military power. China's economic rise as well as its increasingly proactive role on the world stage would render a one-sided focus on the transatlantic alliance insufficient, according to Shambaugh. Nowhere has this prediction been more accurate than in the field of climate change. In international climate change diplomacy, the interaction between the US, China and the EU has indeed become the defining feature of the system. Zhang et al., for example, claim that “the concerted leadership of the US, the EU and China was essential to the making of the Paris Agreement.”²

With the election of President Trump, this triangular relationship has been called into question. Already before his election, Trump stated that he considers climate change to be a ‘hoax’ created by China.³ Once elected, he announced the US withdrawal from the Paris Agreement. This decision created a leadership vacuum in international climate politics. Moreover, it increased the pressure on the EU and China to preserve compliance with the agreement's overall objectives, as both countries have stated

that they remain deeply committed to the implementation of the Paris climate accord.⁴ In this context, the following research question is posed: To what extent have the EU and China coordinated their response to President Trump's announcement to withdraw the United States from the Paris Agreement?

To address the research question, this paper first introduces the reader to the historical development of EU-China relations on climate change. Hereupon, the EU's and China's reaction to President Trump's decision is analysed, particularly focusing on joint initiatives. Last but not least, the conclusion sums up the main findings and provides a brief outlook into the future of the global climate regime and the role of Sino-European cooperation.

Historical Overview: EU-China relations on Climate Change

In the early days of the global climate regime, the EU's actions were primarily targeted at other industrialised countries such as the US and Japan.⁵ China, on the contrary, considered the responsibility for the fight against global warming to be with those countries that had historically contributed the most to the problem.⁶ Moreover, China clearly prioritised its right to economic development over environmental concerns, seen as two conflicting goals at

the time.⁷ Throughout the 1990s, the interaction between the EU and China on climate change was thus relatively limited.⁸

It is only since the early 2000s that one can observe the emergence of a proper bilateral cooperation on climate change. In 2003, the 'Environmental Policy dialogue' was upgraded to the ministerial level.⁹ Two years later, the 'EU-China Partnership on Climate Change' was established. The partnership institutionalised biannual meetings in which the two sides consult and explore opportunities for cooperation.¹⁰ As a result, a number of hands-on projects were launched, including a carbon capture and storage initiative as well as the establishment of the Europe-China Clean Energy Centre.¹¹

Despite the gradual development of bilateral ties in the field of climate change, the EU and China often remained at odds in multilateral negotiations. Their differences were particularly pronounced at the 2009 Copenhagen summit. The EU advocated for a top-down, legally binding treaty,¹² but China rejected the adoption of binding CO₂ reduction targets.¹³ For both China and the EU, the perceived failure of the Copenhagen summit represented a turning point. Europe had to acknowledge that its own positions were too rigid and in need of pragmatic reconsideration while China, in the face of mounting international pressure, realised that it had to take on more responsibilities.¹⁴

The impact of these changes became obvious when a sequence of well-orchestrated bilateral agreements between China, the US and the EU, paved the way for a successful outcome at the Paris climate summit.¹⁵ First, China and the US concluded a deal in November 2014, which set the ground for the negotiations one year later in Paris. While the US committed to a 26-28 percent emissions reduction by 2025 (base year: 2005), China, for the first time, announced its intention to peak carbon emission by 2030.¹⁶ Hereafter, in June 2015, the EU and China published a joint declaration in which both parties committed to work towards "an ambitious and legally binding agreement at the Paris Climate Conference 2015"¹⁷. Hence, in contrast to the 2009 Copenhagen summit, the Paris negotiations benefitted from an early and proactive diplomatic involvement of China in the preparatory process.

China's proactive engagement in the context of the Paris Agreement has given rise to questions about the motivations behind this perceived transformation. In this context, scholars have highlighted the EU's role in bringing about a stronger awareness of climate issues in China.¹⁸ However,

China's policy shift after Copenhagen was not triggered by socialisation or a learning effect. Instead, it was driven by a series of domestic developments. First, environmental degradation (e.g. smog, water pollution) posed a growing risk to China's socio-economic development and needed to be addressed.¹⁹ Second, under Xi Jinping, China increasingly aimed for a more visible role in the world.²⁰ Third, the Chinese leadership began to appreciate the green growth potential that emanates from investment in low-carbon technologies.²¹

Today, China is a leader in low-carbon technology. In 2016, China spent a record USD\$ 87.8 billion on renewable energy, comfortably leading global investment ahead of the EU and the US.²² At the same time, China has considerably strengthened its domestic climate action. With the EU's support, China successfully launched seven regional and local emission trading schemes across the country and plans to initiate the world's largest national cap-and-trade system later this year.²³ In the following, this paper examines to what extent the EU's and China's leadership ambitions have been translated into a common response to President Trump's announcement.

The 19th and 20th EU-China Summits: From Missed Opportunity to New Momentum

When Donald Trump announced the withdrawal from the Paris Agreement on 1 June 2017, there was a wide-spread fear that his decision could lead to a snowball effect.²⁴ However, the overwhelming response of the world community was one of regret and continued commitment to the Paris Agreement.²⁵ Trump's decision to pull out of the accord did not come as a surprise. Anticipating his decision, the EU and China had begun to work on a joint statement, specifically addressing the Paris Agreement and the future of the climate regime from 2016 onwards. This joint statement was carefully prepared over eight months and gained the support of all 28 EU Member States.²⁶

In the draft joint statement, which was leaked to the press, China and the EU send a strong signal of co-leadership and declare their unwavering commitment to the implementation of the 'historic' Paris agreement.²⁷ Importantly, the draft statement does not only serve symbolic purposes, but sets forward nine concrete measures through which the two aim to strengthen their bilateral cooperation. For example, the document includes plans to cooperate more closely on the adoption of long-term CO₂ reduction strategies, low-emission transport, and climate-related scientific research. These hands-on initiatives largely represent a continuation of the project-based approach of EU-China

bilateral relations on climate change. Nevertheless, the scope and timing of the document had the potential to significantly raise the level of ambition of Sino-European climate cooperation.

The joint statement was supposed to be adopted at the 19th EU-China summit in Brussels, which took place only one day after Trump had announced his intention to leave the Paris Agreement. However, due to ongoing disputes regarding China's market economy status and Chinese steel overcapacities, China and the EU were unable to adopt the document.²⁸ At the summit's press conference, Commission President Juncker simply stated that "as far as the European side is concerned, we were happy to see that China is agreeing to our unhappiness about the American climate decision."²⁹ This cautious formulation is rather disappointing, considering the great impact that a firm and coordinated response by the EU and China could have had.

While the 19th EU-China summit must thus be seen as a missed opportunity to put forward joint leadership ambitions, the 20th EU-China summit that took place in July 2018 marked an important step forward.

In the context of mounting US pressure, felt by both the EU and China in terms of trade conflicts, Sino-European cooperation experiences a rather unexpected momentum for reinforced action. Even though the EU and China continue to oppose each other on a number of issues, they finally managed to adopt a joint statement with the potential to advance their relationship in a number of different ³⁰. Facilitated by this new momentum, both parties also managed to adopt the joint statement on climate change that was leaked in 2017, finally enabling the EU and China to further intensify their cooperation in the field.

The MoCA – An Example of Sino-European Climate Leadership

On the one hand, the EU is perceived as a 'natural contender' for leadership due to its record on climate action and its experience in dealing with US disengagement after the non-ratification of the Kyoto protocol.³¹ On the other hand, China is currently the world's largest CO2 emitter and has been a decisive player, together with the EU, in bringing about the Paris accord.³² Critics have, however, questioned the ability of the two to provide leadership in the absence of the US.³³ The EU, in particular, is increasingly portrayed as a 'crippled giant', facing multiple crises at the same

time. Despite the scepticism, the call for concrete leadership was answered when the EU and China, together with Canada, jointly convened the first 'Ministerial on Climate Action' (MoCA) in September 2017.

Under Obama, the US had created a similar forum for high-level climate change consultations between developed and advanced developing countries, the Major Economies Forum, but this format was subsequently abandoned under President Trump ³⁴. In September 2017, however, 34 ministers of major economies followed the invitation of the EU, China and Canada to continue their cooperation and to firmly express their commitment to the Paris Agreement.³⁵ They also agreed to reconvene for a second time in 2018. The second MoCA took place in June 2018 and was hosted in Brussels. At the meeting, the EU, Canada and China jointly called upon the participating ministers to keep up the momentum and to prepare for technical solutions con-

cerning the implementing guidelines to be adopted at COP24 in Poland³⁶. Interestingly, the triangular format between China, Canada and the EU has not only been activated for the purposes of the MoCA. In fact, their alliance has been extended

to coordination meetings at multilateral climate negotiations, for example at the Bonn climate summit last year.³⁷ These developments suggest that the emerging alliance between China, Canada and the EU could provide new impetus to the climate regime in the long-term.

Thus, coming back to the research question, one has to note that EU-China relations on climate change have not been impacted directly by the decision of the US to withdraw from the Paris Agreement. Indirectly, however, a global call for leadership has put pressure on the two to respond. Their cooperation with Canada, in the framework of the MoCA, is a good example of how the EU and China have jointly responded to US disengagement and taken on new responsibilities. The process to agree on a joint statement on climate change also adds evidence to the argument that US unilateralism has opened up a window of opportunity for the EU and China to put aside, at least momentarily, some of the issues that have previously blocked any prospects for closer cooperation.

Conclusion

This paper has shown that the EU and China have under-

THE EU, IN PARTICULAR, IS INCREASINGLY PORTRAYED AS A 'CRIPPLED GIANT', FACING MULTIPLE CRISES AT THE SAME TIME.

gone significant changes in their climate policies since 2009. On a bilateral level, the two have intensified their collaboration in a number of areas, most notably in emissions trading. On a multilateral level, their cooperation, together with the United States, was crucial in delivering a successful outcome in Paris. More recently, the cooperation with Canada seems to be a new venue that is increasingly pursued to fill the void that was left after Trump's decision to withdraw the US from the Paris Agreement.

However, Trump's decision to pull out of the Paris agreement did not only create a leadership vacuum in global climate politics. More importantly, it has increased the pressure on other actors to deliver on their greenhouse gas reduction targets. The Paris Agreement has set the collective target to limit the increase in global temperature to 2°C above pre-industrial levels. It is already certain that the current level of ambition announced by the parties is not sufficient to reach the 2°C temperature goal³⁸. Hence,

more needs to be done in the future and depending on the extent to which the United States will fail to honour their commitments, an increasing share of the burden will fall on China and the EU.

Faced with new confrontations and mounting pressure from US President Trump, the EU and China eventually managed to momentarily put aside their own differences on trade, enabling them to overcome their deadlock and to revisit their potential for closer cooperation. The concrete proposals set forward in the EU-China joint statement on climate change, adopted in July 2018, provide, at least on paper, the necessary clout for the EU and China to rise to the challenge of US disengagement. The upcoming UN climate negotiations in Poland will provide a first test ground for the EU and China to provide new leadership on the basis of a reinforced partnership, presenting an opportunity to jointly oppose US unilateralism not only through words but action. ©

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EU AND CHINA VIS-À-VIS AFRICA: WHAT PROSPECTS FOR FRUITFUL COOPERATION?

RODRIGO VAZ

Introduction

It is noticeable that since the turn of the century China has been an increasingly influential player in Africa. This is a major change on external influence in African countries since independence, when European countries and the European Union were the undisputed primary partners.¹ Today, Africa stands at the forefront of both China and the EU's strategy to increase each one's global reach.

Given the obvious geopolitical and economic implications of both the EU and China concentrating their efforts in Africa, the topic has attracted a growing body of journalistic coverage and academic literature alike. While many have seen the rise of China with scepticism, there is a professed will on the EU's side – at least on paper – to work together and form a trilateral cooperation with Africa.²

This paper will focus on the prospects for the roles China and the EU propose to play in their relations with African countries, and how those efforts are perceived across Africa. This issue is topical and worth studying: not only Africa's economic rise is a fact that has received increasing acknowledgment³ – but China's foreign policy is becoming increasingly assertive under President Xi Jinping.⁴ At the same time, Brexit will mean – among, of course, a wide array of other policy readjustments – the withdrawal from the European Union of one of its member states with some of the closest ties to Africa. That may mean, for instance, decreased influence and leverage of the EU in African countries, particularly in English-speaking countries. Also, the United Kingdom is the third biggest overseas develop-

ment assistance donor (after the EU and the US), according to the World Economic Forum.⁵ In a highly development-driven relationship such as the one that the EU has with Africa, the implications of this are very relevant.

The paper will be divided in four main sections: I will start with a brief look at the relationship with independent African countries of both China and the EU. Second, I will look at the perception that African political elites and public opinion have on both the EU and China. Third, I will discuss the prospects of a trilateral cooperation between the EU, China and Africa. Lastly, I will present some conclusions.

EU-Africa relations: a brief overview

The history of European countries and Africa is long. Colonialism – and its complex legacy – is an unescapable factor and different EU member states (mostly the UK, France, Portugal and to a lesser degree Belgium, Germany and Italy) still keep close ties with their former colonies. That is reflected in several aspects of that relationship, from deep trade links to developmental aid, and to a high level of bilateral summitry. The history of the EU's (as an institution) relations with African countries is unavoidably built against this backdrop.

The European Union (back then the European Economic Community) was created at a time when African countries were becoming independent; in a way, a correlation can be found here: the EEC was created to avoid new wars and confrontations between European countries and to consolidate economic growth and reconstruction after a

devastating World War II – but it was created in a changing environment, as Western European countries were dropping their colonial empires.⁶

The relationship between the EU and African countries was initially mostly confined to development and trade. The documents signed between the then-EEC and ACP countries – the Yaoundé Convention, signed in 1964 and renewed in 1969, followed by the Lomé Convention(s – I, II, III and IV) reflect that.

However, over the years the scope of the relationship has been growing. Indeed, since the turn of the century increased attention has been given to Africa.⁷ Apart from trade and aid issues, the Cotonou Agreement of 2000 added a new dimension regarding more political issues such as democratic governance and human rights.⁸ It has to be noted that this ‘upgrade’ was seen by many academics – as well as by African political actors – largely as a unilateral imposition by the European Union,⁹ resulting from the asymmetrical relationship between the two sides. 2000 was also the year of the first joint Africa-EU Summit that took place in Cairo (with the Organisation for African Unity, later replaced by the African Union).

After the EU Strategy for Africa in 2005, the 2007 Joint Africa-EU Strategy is the document framing the relationship between the two parties. The document was agreed on the 2nd EU Africa Summit, in Lisbon. The summit was marked by disputes between European and African leaders about, amongst other things, the presence of Zimbabwean President Robert Mugabe, at the time the subject of an EU-wide travel ban.¹⁰ Since then, there have been three more EU-Africa Summits, in 2010 (Sirte), 2014 (Brussels) and 2017 (Abidjan). The relationship between Africa and the European Union has become increasingly unequal, due to a number of factors – among which, the rise of China, in Africa and globally, plays a noticeable role.¹¹

China-Africa relations: a brief overview

Despite only being the subject of increased attention since the turn of the century, China has maintained a presence since the 1960s, at the break of dawn of African independence. Indeed, as Alden and Alves point out, “Beijing is adamant in pointing out, China’s current engagement with Africa is not ‘new’ but in fact has its roots in policies

pursued since the mid-1950s as well as earlier historical precedents.”¹² The support that in the 1970s China gave to the construction of the railway that connected Tanzania to Zambia remains a trademark example of that.¹³ However, while active, only after the Cold War did Africa become again a priority¹⁴ – a good indicator is that Chinese developmental aid moved from US\$ 60,4 million to 13 African countries to US\$ 374,4 million to 43 African countries.¹⁵ Relations between Africa and China only started assuming their current extent at the turn of the century.

In 2000 – interestingly, at the same time of the first joint Africa-EU meeting – the first ministerial conference of the Forum on China-Africa Cooperation (FOCAC) took place in Beijing.¹⁶ FOCAC joins China with all African states other than Swaziland and Burkina Faso – the two remaining states that grant diplomatic recognition to Taiwan.

The document that guides China’s relations with Africa is the 2006 paper on China African Policy that acknowledges global changes and the increased relevance of Africa.¹⁷ A second China Africa policy paper was published in 2015.¹⁸

CHINA HAS MAINTAINED A PRESENCE SINCE THE 1960S, AT THE BREAK OF DAWN OF AFRICAN INDEPENDENCE.

China’s role in Africa has been visible through many means, but certainly a distinctive trademark of China’s involvement in Africa has been the Chinese construction of African

infrastructure and buildings – and certainly no trademark is bigger than China having built the headquarters of the African Union in Addis Ababa.¹⁹ According to the AidData project, China has financed more than 3000 infrastructure projects.²⁰ Cote d’Ivoire, Ethiopia, Zimbabwe, Cameroon and Nigeria are the five major recipients of Chinese aid. Today, China and Africa are deeply interlinked – as an example, Ethiopian Airlines very recently announced that it serves over 4000 Chinese passengers daily.²¹

Despite this impressive data, there is more than meets the eye: China is by far Africa’s main creditor, holding 14 percent of the total debt of Sub-Saharan African states.²² Moreover, as Chen and Nord claim, “contrary to popular perception, Chinese foreign direct investment (FDI) in Africa remains small—accounting for only a little over 5 percent of the total FDI flow in 2015”.²³ Moreover, Africa has currently a trade deficit with China.

How African countries see these changes

The rise of China as a major player in Africa impacted the behaviour of African leaders.²⁴ The EU not being the 'only game in town' gave African heads of state a chance to choose partners – and, to some extent, play them against one another.²⁵ Indeed, the more actors there are interested in Africa, the more leverage African leaders will have to negotiate better deals. Former Zimbabwean President Robert Mugabe said in 2005 that "we have turned east, where the sun rises, and given our back to the west, where the sun sets."²⁶ Many other African leaders have expressed their desire to collaborate with the Chinese, accusing European leaders of having a patronising approach.²⁷ Interestingly, as Carbone notes, African leaders did not express the same indignation for China not inviting African countries that recognise Taiwan that they expressed when the EU was opposed to inviting President Mugabe to the EU-Africa Summit.²⁸

Nevertheless, China is aware of the opportunities it sees in Africa and has taken a step further: the country has been offering trainings for African young politicians, in a move clearly designed to collect long-term benefits.²⁹

Not that China has gone without criticism regarding its behaviour: former Zambian President Michael Sata has in 2011 (crucially, when he was the opposition leader) heavily criticised the Chinese for natural resources exploitation and not employing enough Zambians in their projects.³⁰ More recently – and in a far subtler manner – Kenyan President Uhuru Kenyatta has called for a rebalance of China-Africa trade relations.³¹

African public opinion is also showing signs of warming up to China. A recent survey in three African states (Ivory Coast, Kenya and South Africa) placed China as the most trusted partner.³² A recent Afrobarometer survey has found that Africans give Chinese role in the continent as largely positive.³³ Keuleers concludes that China has been more successful at promoting itself in the continent than the EU

and its member states.³⁴ The work of Kiamba and Bachmann seems to corroborate this point:

"Whilst the European Commission played an important role in financing the road connecting Mombasa (...) with Nairobi (...) the most prestigious and publicly celebrated road construction project, the Thika Super Highway in Nairobi, was constructed with/by Chinese assistance."³⁵

Chances for trilateral cooperation?

The possibility of trilateral cooperation was raised by the European Union – originating from DG Development – in 2007.³⁶ The outreach by Commissioner Louis Michel (then the European Commissioner for Development) to China was motivated by the perception that, as China was increasingly asserting itself as an development actor in Africa, its presence in the continent had to be acknowledged. Despite initial Chinese scepticism, China was eventually more open to the idea of trilateral cooperation.³⁷

However, the process was marked since the beginning by a lack of coherence across different EU bodies: while the proposal came from DG Development, there were disagreements with other DGs in the Commission. More importantly, the European Parliament adopted a resolution that called China a competitor and asked the EU to refrain from collaborating with China should that mean the abandonment of EU values and commitment to democratic governance and human rights.³⁸ Unsurprisingly, the Chinese Foreign Ministry issued a scathing response in return.³⁹

Another case in point is that, as stated above, the rise of China as a major actor in Africa gave African leaders more leverage when picking development partners. Hence, they mostly deemed trilateral cooperation unnecessary as the chance of "playing donors one against the other"⁴⁰ was more convenient. Moreover, the rejection by African countries to the prospect of trilateral cooperation was also reinforced by growing tensions in the relations between the EU and African countries over policy priorities, as many African leaders contested the EU's emphasis on democratic governance and human rights, and also differed regarding economic governance.⁴¹

At the same time, some member states are choosing to collaborate individually with China. That is the case of Germany and of the UK. The UK and China have since 2009 been looking at ways to coordinate their development policies in Africa. In 2011, the UK's Department for International Development (DFID) has signed a Memorandum

THE UK AND CHINA HAVE SINCE 2009 BEEN LOOKING AT WAYS TO COORDINATE THEIR DEVELOPMENT POLICIES IN AFRICA.

of Understanding with the Chinese Ministry of Commerce for developmental cooperation with Africa. In 2014, DFID signed another MoU with the Chinese and the Congolese governments, in which DFID helped provide the “environmental and social guidelines for new Chinese-financed highway projects”.⁴²

This is particularly relevant given that the UK, a major development actor, is set to leave the European Union in 2019. While the consequences of Brexit are still unpredictable in this and many other domains, the withdrawal of the UK from the European Union may lead to a decrease of influence and reach by the EU to African countries. Not only the UK is a major development donor - for context, the UK allocated 35% of its developmental aid in 2014 to Sub-Saharan Africa alone⁴³ - many African countries also share (however complex) historical ties and extensive economic relations with the UK, which British officials have publicly announced they intend to reinforce once they are outside the EU.⁴⁴

Conclusion

The turn of the century brought with it a whirlwind of changes in the relations between Africa, the EU and China. The two latter sought to increase their influence in Africa; but given that the European Union was already a relatively close partner of African countries since independence, the ‘arrival’ of China to Africa was especially welcomed by African leaders, who saw in this an opportunity to gain more leverage over major development actors.

The backgrounds of China and the EU in Africa are very different: China does not have a colonial history with African countries and because of that the country is able to craft

a distinct narrative from the one the EU and its member states have. Judging from public opinion surveys in African countries, this narrative largely resonates with the local people: most inquired look at China with very positive eyes, regarding the country as a trustworthy partner, sometimes ahead of the EU. The example quoted above regarding the two roads built in Kenya with EU and Chinese support and the differences in advertising it received denotes that, in order to remain leading actors in Africa, the EU and its member states need to finetune their narrative. The EU also needs to make a decision between a values-based or a pragmatic approach to Africa. The 2016 Global Strategy seems to indicate a push towards a more pragmatic EU, without losing sight of values-based action.

China, however, may also face some challenges in its relations with African countries. Some quiet protests over Africa’s trade deficit with China have been made; if the situation deteriorates, the protests by African leaders will only intensify. The \$60 billion pledge by President Xi to African development at the recently held summit of the Forum on China-Africa cooperation⁴⁵ is a possible answer to that. ☺

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A GLORIOUS CHAPTER OF 40 YEARS: RETROSPECT AND PROSPECT OF THE REFORM AND OPENING-UP ON EU-CHINA ECONOMIC RELATIONS

MENGQI ZHOU

Introduction

The year 2018 marks the 40th anniversary of China's Reform and Opening-up. 40 years before in 1978, China embarked on the journey of Economic Reform and Openness after decades of isolation, which, as the EU Ambassador to China noted, constitutes "the starting point of a catching up process which is unprecedented in history and which has transformed China beyond recognition".¹ In the same year, China and the European Economic Community (EEC) signed the Agreement on Trade and Economic Cooperation, which was the first intergovernmental agreement to be reached between China and Europe.²

Over the past four decades, significant changes have taken place in the world. China has developed from a poor and rural nation, bound by the centrally planned economy and marred by the political disruptions during the Cultural Revolution, into a major power of the world with one of the fastest-growing economies and expanding political and cultural influence. The EEC, which has been transformed into the European Union (EU), is continuously deepening its integration in all aspects and has become "the world's largest single market with a common currency and free movements of goods, capital, services and labour".³ Meanwhile, EU-China relations have also substantially broadened and deepened, especially in terms of economic cooperation and geostrategic interconnectedness.

China's economic reform and openness has continuously exerted deep and wide influence on EU-China relations.

While China's outstanding performance in economic development has pushed forward the EU-China bilateral cooperation in a wide range of issues relevant to global governance and created numerous opportunities and new markets for European businesses, the rapid expansion of Chinese investments has also resulted in a series of frictions in trade with mounting anti-dumping and anti-subsidy investigations as well as a growing concern of 'China threat' from the EU side.⁴

This article focuses on the major trends and crucial events in the recent development of China's economic reform and attempts to analyse both the opportunities and challenges for EU-China cooperation. It concludes with some remarks and proposals about overcoming the current constraints that hinder further economic cooperation between the two entities and reaffirms that the trend of globalisation is irresistible despite myriad obstacles thus a deeper and more comprehensive reform and opening-up remains the only way for China's economy to develop "more advanced pattern, more rational structure and more optimized division of labour".⁵

Opportunities

China's economic transition: from quantity- to quality-focused growth

In his speech at the World Economic Forum's annual meeting on January 24, 2018 in Davos, Chinese vice-premier Liu He affirmed that China would introduce more reform

measures to increase economic openness, and defined “a Key Necessity, a Main Task, and Three Critical Battles” as the main focus of China’s economic policies for the coming years.⁶ The key necessity lies in the economic transition “from a phase of rapid growth to one of high-quality development.”⁷ This signifies a shift of Beijing’s focus from quantity to quality of the economic growth, with tolerance of a slower pace in exchange for a more stable and sustainable development.⁸

China’s economy has gained considerable importance in the global market after decades of high-speed growth. While the economic slowdown has fuelled concerns of a weakening market and a potential growth collapse, more experts have seen huge opportunities for international businesses under the new model of development.⁹ The structural adjustments of China’s economy have led to a steady expansion of domestic demands and a rising contribution of consumption to economic growth, which reflects a substantial improvement of Chinese people’s living standards.¹⁰ This creates tremendous opportunities for many European firms to enlarge market access to China, especially the ones that targets high-end consumption and service sectors. In recent years, many European luxury labels have gained an unprecedented growth of sales thanks to the thriving demands of Chinese buyers.¹¹ Meanwhile, the number of Chinese tourists to Europe keeps on surging, and their significant spending power has considerably boosted the economy of the destination countries.¹²

The main task of China’s economic policy defined in Liu’s speech is “to advance supply-side structural reform,” which aims at addressing the structural mismatch between supply and demand. One of the priorities is to cut excess capacity, and some progress has been made in the cutback of steel and coal production.¹³ As many of the EU’s anti-dumping measures targeted Chinese steel products, this move to curtail production can help to bring together the positions of both parts and push forward a final agreement on the issue of overcapacity. The reduction of coal capacity with the aim of curbing air pollution also reflects the strategic alignment between Beijing and Brussels to take the lead in tackling climate change and promoting energy transition against the US withdrawal from the Paris Agreement.¹⁴

China’s economic transition, as the continuation of the Reform and Openness in the new era, has wielded considerable positive impacts on the EU’s economic development and created more common grounds for the resolution of disputed issues. Due to declining returns inside the country, the flow of Chinese capital into Europe has been increasing since 2010 and the trend is expected to continue, contributing to the reinforcement of “Europe’s attractiveness with a possible positive effect for the single market.”¹⁵ Besides, a controlled slowdown now, engineered by the government, could “reduce the chances of a crash landing later,” which might cause more adverse impact on global economy.¹⁶ Lastly, a cooling economy is also associated with “a shift away from net exports towards consumption” and thus may encourage European imports into China so as to reduce the enlarging trade surplus between the two entities.¹⁷

Multilateral initiatives for inclusive globalisation

China’s efforts to increase its openness to the world are also reflected in a series of multilateral mechanisms initiated by Beijing, including the ‘Belt and Road’ Initiative (BRI) unveiled in 2013 as one of the largest transnational infrastructure projects covering 65% of the world population, and the Asian Infrastructure Investment Bank (AIIB) formed in 2015 with 14 EU countries as the founding members.¹⁸ These initiatives signified that China’s Reform and Opening-up has reached a new level as “the old isolationist adage of ‘hide your strength, bide your time,’ coined by China’s reformist leader Deng Xiaoping” has been progressively replaced by more audacious and ambitious moves to embrace the role of a major power on the international stage.¹⁹ This new vision of future reforms also provides the EU and China with excellent opportunities of development and extended fields of cooperation.

The BRI, which aims at boosting transport connectivity, economic development and cultural exchanges throughout Eurasia, can be perceived as a key step of China to advance globalisation and foster open trade.²⁰ As Europe is the final destination of the two major routes of this gigantic project, it could be advantageous for the EU to associate its existing policy tools and strategies such as the European Neighbourhood Policy and the Juncker Plan with

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the BRI and integrate this strategic alignment into a wider EU global strategy through the coordination of financial institutions as well as rules and standards.²¹

The AIIB, as a Chinese-led multilateral financial institution to provide financial support for the BRI, constitutes another strong vehicle of China in the pursuit of wider geopolitical interests and deeper regional integration.²² The EU is represented in the AIIB by 14 EU member states, which jointly constitutes 20% of the voting share, which enables the Europeans to play a significant role in the decision-making process and the establishment of the initial structures.²³ Besides, the presence of the European founding members is also crucial in shaping the image of the Bank into a true international financial institution and a politically neutral body instead of a bank with distinctive 'Chinese characteristics' which only serves Chinese economic and geopolitical interests.²⁴

These two initiatives, as the key components of China's regional integration strategy, offer a platform for the further expansion of bilateral trade and economic cooperation as well as an opportunity for both parts to take full advantage of the complementary benefits for a more inclusive and sustainable development.²⁵

Challenges

Although the economic reform and openness have created opportunities for enhancing connectivity and cooperation between the EU and China, there are still many challenges and obstacles that impede the development of a mutually beneficial partnership.

The EU's criticism against China mainly revolves around the state's strong grip on the economy, which runs contrary to a 'market-based' reform.²⁶ China's state-owned enterprises (SOEs) constitute a principal obstacle to the conclusion of a bilateral investment agreement between the EU and China, as these firms, nicknamed 'the elder son of the Republic', are able to enjoy direct and indirect subsidies and regulatory preference from the government due to their specific political identity.²⁷ The reform of SOEs is an important step for China to achieve market economy status, without which China would have fewer defences in any trade dispute, "whereas recognition makes anti-dumping measures against China harder to justify without reliable information from within China itself."²⁸ As the SOE reform gradually enters the 'deep-water zone', it is imperative for the Chinese government to "develop a mixed-ownership economy" and "stimulate the vitality of various market entities" to steadily push forward the process.²⁹

Adding to the accusations of unfair competition is the lack of "a transparent, open, and fair investment regime" with a "partial and selective" openness of the Chinese market.³⁰ Restrictions on foreign investments are still significant and protection of international investors - especially in terms of intellectual property rights - is still limited.³¹ The Chinese government has taken multiple measures to encourage foreign investments, including the implementation of a revised foreign investment catalogue since June 2017, but the related laws and services to protect overseas investors are still insufficient and require more attention and engagement from the state authorities.³²

Last but not least, China's economic transition is also progressively transforming the global value chain, which poses severe threats to the established global order dominated by Western powers. Over the past four decades, China's exponential growth has been largely propelled by the exports of low-cost manufactured goods and reliant upon a gigantic, highly skilled and relatively cheap labour force. However in recent years, the increase of wages, the aging of the Chinese population as well as the growing protectionist trends in some developed countries all lead to the recognition of an undeniable fact that "the old sources of economic growth are no longer generating the same rates of return", thus the need to fashion a more sustainable growth strategy has gained mounting urgency.³³ As China is engaged in moving up the value chain by developing goods and services of high added value and technological know-how, the traditional giants in European businesses and industries might face direct competition from the surging flows of Chinese investments, which have shown great dynamism and huge ambition towards the European market. A number of European-flagged firms that hold an important status in national strategic sectors have started being partially or wholly owned by Chinese companies. Kuka, one of Germany's most innovative robotics companies, was purchased by the Chinese appliance giant 'Midea' for EUR 4.4 billion; meanwhile, a Chinese consortium has acquired 49% stake in UK data centre operator Global Switch for EUR 2.8 billion.³⁴

Concluding remarks: review and prospects

China's economic reforms and increasing openness have fostered the development of deeper and broader economic ties between the EU and China, however, there are still many challenges and limitations to be addressed by both parts. The EU needs to speak with one voice and act in a coordinated way in response to China's new reforms and initiatives. Both the member states and the EU institutions should make efforts to enhance the coherence and

efficiency of policy-making, which is crucial as this enables the EU to keep abreast of all the important developments and seize the opportunities to shape the agenda jointly with China at the initial stage of a project. In the case of AIIB, the EU has failed to organise a common strategy and missed the deadline of application to become a founding member.³⁵

China, on its side, should continue the pursuit of all-round reform and high-quality development of the economy. In order to realise these objectives, the authorities should take steps to “curb the widespread malfeasance in the rapidly expanding financial market” and create a sound business environment through import tariff cuts, tax reduction and simplification of administrative management.³⁶ Meanwhile, a more comprehensive opening-up should also be associated with an intensified people-to-people exchange especially with respect to foreign expertise and technology.³⁷

The problems and challenges confronting China and the world today are rather different from those of 40 years ago. In addition to satisfying the domestic demands of poverty elimination and living standards improvement,

China also needs to take on its responsibilities as a great power in the global governance to contribute to world peace and development.³⁸ In recent years, the stagnation of global economic growth has sown the seeds for a surge of nationalist and protectionist stances in some established global powers such as the United States, as well as a proliferation of rightist ideas and anti-globalisation movements around the world.³⁹ Amid the mounting headwinds of suspicion and hostility, China has relentlessly affirmed its resolution to defend globalisation and to introduce more reform measures to open up its economy, as this would be “the only way for modern China to make progress in its development and to realise the Chinese dream”.⁴⁰ China and the EU, as “two of the most externally-integrated economies in the world”, should work together to “promote sustainable, balanced and inclusive growth of both economies.”⁴¹ ©

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