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HOW DOES THE EU COPE WITH CRISIS? WHAT CONSEQUENCES FOR CHINA?

Pierre Defraigne*

Europe is losing the rent it enjoyed over the rest the world for two centuries, to Asia. Emerging economies – the BRICS driven by China's growth – compete for markets and resources which were long the provinces of the West, and their legitimate development raises the climate threat which never constrained Europe or America's early industrialisation.

The end of Western rent-seeking imposes economic adjustments and changes in lifestyle of such magnitude that they threaten social cohesion and political stability in Europe. States are brought back to the forefront of the economic scene under the pressure of financial markets and under voter demands. Uncoordinated and undisciplined national economic policies in the EU can put at risk Single Market unity, starting with the integrity of the eurozone, who's structural and institutional fault-lines have been revealed by the financial crisis. The opening of the EU market to the rest of the world might be undermined by bouts of protectionism if structural and social problems are not properly addressed by the EU as a block.

The EU's Dim Growth Prospects

The challenges are all the more serious since the EU-27 has been on a trend of subsiding growth for three decades. Annual rates of growth went from 3% during the 'Glorious Thirties' after World War Two, to 2% from the 80s – following the twin oil shock of the 1970s – and are expected not to exceed 1% for the decade ahead (2010-2020).

Why such a decline? First, there are structural reasons:

- Ageing and deterioration of the active/inactive ratio;
- A low labour participation rate and a high preference for leisure;
- Innovation deficit: on the one hand R&D expenditure is too low (2% of GDP versus 3% for the US); on the other hand, institutional conditions are sometimes unaccommodating: the business environment, risk aversion (see GMO and nuclear energy) and lack of an EU patent regime.

Moreover two major new occurrences will impact on growth prospects:

- Rising energy and commodity prices amounting to a negative wealth effect as the terms of trade deteriorate;

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- Government deleveraging and banks' recapitalisation, which are the legacy of the financial crisis, will exert a constricting strain for demand.

The EU at the Junction of Three Crises

The EU is confronted with three crises: i) the systemic crisis of Western market capitalism; ii) the climate and energy crisis; and, iii) the political divisions between the EU-27.

The Systemic Crisis of Western Market Capitalism

The systemic crisis of market capitalism has its genesis mainly in the US but the EU, partly because of its lack of autonomous economic thinking – the EU Lisbon Strategy 2000-2010 took the US economy as its benchmark – and political clout has been dragged into the treacherous eddies of the Wall Street collapse.

Since the Reagan years, US neo-liberals have been aiming at returning to the age of a 'pre-New Deal' US, while their European counterparts shared Margaret Thatcher's loathing for the Welfare State, and indeed they succeeded by instrumentalising a globalisation of output and finance, thus giving a free ride to capital: hence, inequalities have returned to their 1920s' level in the US and have been on the rise in the EU for three decades.

Huge and growing inequalities combined with the proclivity for heavy consumption have contributed to fostering a debt culture in the US. Lax monetary policy from the FED eased overleveraging. Such monetary policy was permitted by the 'dollar privilege' accruing to the US since the break-up of Bretton Woods in 1971, when the dollar replaced the gold exchange standard. It allowed the richest country in the world to accumulate a colossal external debt denominated in its own currency, which happens to be also the main reserve currency for the world. The US has indeed tried to resolve the contradictions of their system through building-up a debt economy (households' low saving rates, financial institutions and the overleveraging of hedge funds, sub-prime loans for the poor) and by transferring part of the dollar's depreciation risk to foreign creditors. China's excessive saving rate has made the job easier for the US and is now exposed to a brutal fall in the US exchange rate.

The crisis in the US' real economy is a typical crisis of market capitalism with excessive profits and insufficient wages, but also the hypertrophy of the financial sector has also proved an amplifying factor turning a typical crisis into a systemic one. Financial innovation and the expansion of the financial sector has generated less and less additional growth, but has aggravated income and wealth inequalities and boosted instability up to the point of the Lehman Brothers' bankruptcy and the subsequent Wall Street collapse. The origins of the financial crisis lie in the convergence of several key transformations of the international financial and monetary system and of the new role of finance in the global economy. Key among those changes were:

- The full liberalisation of international capital flows after the Bretton-Woods' collapse in 1971 and the switch to floating exchange rates;

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- The '3Ds' reforms: disintermediation, deregulation, de-specialisation; and,
- The '3S': securitisation, sophistication, speculation – e.g. naked short selling.

In the EU, the pendulum has swung from labour to capital over the last decades while any additional net jobs have been most of the time part-time, precarious and low paid. As in the US, the financial crisis originates both in market and in policy failures. However, the latter were not very seriously discussed at the political level. Yet the European Central Bank (ECB) and national supervisors bear a joint responsibility for giving a free-hand to financial markets and in allowing the overindebtedness of large financial institutions:

- The ECB focused on current inflation, but not on asset inflation;
- It scrutinised government debts but paid no attention to domestic banks' rapid overleveraging;
- National supervisors authorised banks to buy financial products that neither their managers, nor the external auditors were able to understand. Among these products were toxic assets – i.e. securitised subprime loans – imported from the US, despite these types of operations not being permitted on the European continent.

Adjusting to the Crisis of Globalisation and Climate

Globalisation, once a main driver for growth, but whose benefits were less and less fairly shared among capital and labour in Europe over the last two decades, is now forcing some most overdue major adjustments:

- To the rise of Asia;
- To the pressure on climate and natural resources.

Firstly, the rise of Asia and the shift of wealth and power eastwards entail very serious consequences for Europe:

- With regard to the transfer of wealth and jobs, adjustments in jobs and wages raise serious distributional issues brought about by the international mobility differential among factors: capital is mobile whilst labour is immobile. Globalisation pressures – technological innovation and ageing – call for an *aggiornamento* of the Welfare State in order to better reconcile efficiency and equity in Europe;
- With regard to the transfer of power and influence, Asia's specific route to development secures an alternative model to the one-size-fits-all Washington Consensus. In China, the combination of the single party system – the CCP – and of market capitalism works, and this success challenges the long-held view in the West that markets and democracy go together. The coexistence of different models of development, at a world-level, constitutes an additional difficulty for setting-up a comprehensive and effective multilateral governance regime which would maximise efficiency and minimise conflict. This paradigmatic change calls for a contribution by

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Europe, along with China and the US, in the redesigning of the multilateral economic order. A single European voice must be heard in all forums of global economic governance.

Secondly, the demands on climate and natural resources require equal efforts between advanced and emerging economies in the bid to reduce CO₂ emissions and to share access to resources. There are three ways to cope with resource scarcity: i) either political influence is exerted over commodity producing countries and backed-up if necessary, by military might; ii) market competition, which plays to the advantage of the rich countries; iii) preferably cooperation among advanced, emerging and developing countries in order to agree on fair burden-sharing, and in counterpart, to achieve a higher efficiency in the use of resources and a strict disciplinary governance framework. The EU must both change its lifestyle, so as to move towards a low carbon society, and as a consequence, speak with one voice on climate change and negotiate as a block with its energy suppliers.

The EU is Confronted with an Uncertain Sense of Purpose

At its origins, the EU is the daughter of the Cold War: its defence is secured by the US through NATO, whilst European integration is confined to an economic project aimed at post-war reconstruction and a gradual return to free trade. Economic integration has taken two routes: deepening and enlargement. On the one hand, the EU has progressed from a customs union to a Single Market and a eurozone, now including 16 countries and soon 17; on the other hand, the EU has gradually extended its membership from 6 to 27 countries – with more to join – covering almost the whole continent. Yet the EU has gradually proved unable to deepen its political institutions, at a pace and with a depth, consistent with the needs of its integration as well as with the number and the heterogeneity of its membership. There is no consensus today within the EU, neither on its final Eastern borders, nor on the exact form and competences of its final organisation: will it become the UN of Europe, the US of Europe or some *ad hoc* governing body? For the time being, the EU can best be described as an integrated and open economic space and as a regional security subsystem of NATO. The political ambition is there to exercise some degree of influence, but not to become a global power of its own. Yet the creation of a European diplomatic service under the double-hatted High Representative might gradually nurture a commonality of thinking in foreign affairs, which will steadily bear fruit but may be subject to the EU's dependency on the US for its defence. Defence matters will eventually determine the fate of the EU.

Meanwhile the Lisbon Treaty has marked an improvement, but no breakthrough commensurate with the last enlargement (12 countries from Central, Southern and Eastern Europe and more to come), whilst the EU remains severely handicapped by the eurozone's weak central institutions and the insufficient regulation of its financial and energy markets.

The major risk today – and the real emergency – was visible last spring, with the risk of a total collapse of the eurozone under the attacks from the

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financial markets through the differentiation of sovereign risks. Starting with the Greek crisis, a 'domino effect' could have broken-up the unity of the Single Market and destabilised the EU itself. The opportunity-cost of such a failure acted as powerful lever on European governments to provide effective answers, despite their reluctance to accept further sovereignty sharing of national sovereignty.

The EU's Response So Far

Intergovernmentalism presently dominates EU governance with the rise of the European Council – under the effective permanent chairmanship of President Van Rompuy:

- With reason, because sovereignty transfers are a matter for leaders;
- With success, because the eurozone defence mechanisms and governability were significantly strengthened under the pressure of events. The creation over the first week-end of May of a huge stabilisation fund of EUR 750 billion is about to be followed by significant progress in fiscal coordination. As a consequence, the prospect for Eurobond issuance becomes a possibility of particular interest for China eager to diversify its foreign reserve portfolio. Yet the question remains open: can a monetary union which is not an optimum currency area function without a federal budget? The eurozone will be safe only when discipline is matched by solidarity between the member states of the zone: a very serious challenge for the balance between Germany and the other eurozone countries.

Intergovernmentalism is probably not the end of the EU's institutional saga because the European Parliament, endowed with huge co-decision powers, can succeed, after a transition, in rebalancing intergovernmental consensus and the community method to the advantage of the latter. The ultimate test of the European Parliament's real political clout will be its ability to open up a pathway towards a significant federal budget funded by European taxes and not by national contributions.

Presently the EU-27 is functioning as a 'two-speed Europe,' initiated by successive UK opt-outs (eurozone, Schengen free movement space, the Social Charter). The strengthening of the eurozone will increase the gap between the EU's hard core and its outer circle.

At this stage a preliminary conclusion comes to mind: whilst China is governed by a far-sighted leadership – albeit not immune from making mistakes – the EU-27 is governed by events to which ordinary national leaders elected on national short-term agendas, have to bring long-term Europe-wide answers, and it works.

What are the Consequences of the EU's Choices for China?

China and Europe will influence each other over the long-term to the point that this reciprocal interaction might shape their respective futures while determining the type of global economic order they will be operating within.

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The EU must ease China's efforts to cope with its poverty and environmental challenges. Europe has indeed a moral responsibility and a genuine economic interest in allowing China to reach a level of development comparable to its own, a feat which must be achieved within the time span of the next generation.

Firstly, China will be able to rely on effective access to the EU market, but because of the social cost of economic adjustments against a background of slow growth in Europe, it is of utmost importance that China:

- Boosts its domestic consumption through higher wages;
- Opens up with public procurements to EU competitors;
- Secures national treatment rights for these competitors;
- Protects IPRs more effectively.

The conclusion of the Doha Round under the EU's and China's concerted efforts, within the WTO's G5 would be the best way to make this scenario come true.

Secondly, China will be able to rely on a robust euro as an alternative to the dollar for diversifying its foreign asset portfolio. Yet, bringing the EU into the reshuffling of the international monetary system (i.e. the shift from the dollar as a reserve currency towards a basket of currencies – SDRs) will prove more difficult as long as the eurozone does not have a proper external representation and an effective international monetary strategy. In this respect, the prospect of China's rise as a potential source of reserve currency over the medium-term should encourage the eurozone's ambitions to garner for itself a more important role in international monetary and financial affairs.

Thirdly, since the climate is a global public good, and whilst technology is a key weapon for reducing carbon emissions, China should be able to convince the EU to engage further in technological cooperation in the crucial area of renewable energies and energy efficiency, so as to establish further technology transfers in this strategic sector. This requires that the EU and China agree on common targets and appropriate – specific – strategies consistent with the UNFCCC principle of 'common but differentiated responsibilities and respective capabilities.' China's commitment to a 'low carbon society' is impressive and promising. Nevertheless, effective and measurable progress is decisive for achieving the global climate change target of 2% over the pre-industrial level. The EU – as with the US – has to pave the way for more ambitious targets and timing. The EU – which examined the possibility of raising-up to 30% its Copenhagen pledge in bringing down the 1990 level of CO₂ emissions by 2020 – is taking the lead with regard to industrialised countries' commitments. China is best placed, despite the huge demands put on its development, to lead the emerging economies' efforts.

Conclusion

The EU should aim at developing a genuine strategic partnership with China over the coming decade. However, China will not be able to consider the EU as a strategic partner as long as it is not more reliable and predictable. This will be the case only when the EU:

- Speaks with one voice in all multilateral economic forums;



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- Decides its foreign affairs through qualified majority voting and not through unanimous consensus;
- Has the political control over its own defence system (but within NATO).

China's rise does not leave any alternative but for the EU to rise-up to a fully-fledged global power. The EU's rise to a global power status will help root the multipolar world in a multilateral rule of law framework, rather than resting on a hazardous balance of power. The EU should aim at pre-empting a G2 world, and instead work on a par with the US and China through a rebalanced G20, so as to create a stronger and fairer multilateral world economic order. China, for its part, should resist the unilateralist temptations and aim at multilateralism – which is also the key to the Asian continent's stability.



THE ROAD OF CHINA'S PEACEFUL DEVELOPMENT AND EU-CHINA RELATIONS IN THE PAST THIRTY-FIVE YEARS

CHEN Baosheng*

I would like to thank the chairman for giving me such a good opportunity to exchange with you and I would also like to thank you for attending this seminar during the holiday season. Good morning, everyone!

China's Development

The fact that China has achieved rapid development during these years has attracted the world's attention. Although different parties have different opinions and viewpoints on China's development achievements, the achievements themselves are well-known. I would like to take the opportunity during today's seminar to give an introduction on China's development and on the prospect of China-EU strategic cooperation.

In about 30 years, the Chinese economy, compared with its own past experiences, has made great progress. Compared to the situation of today's world economy, these results are also impressive. China has fulfilled three tasks with regard to its development:

- First of all, we transformed China from planned economy to a market economy. The healthy development of the Chinese market economy today, is unprecedented in Chinese history.
- Secondly, we transformed China from a closed economy to an open economy and made it into an important part of the world economy. This is also unheard of, when looking at Chinese history.
- Thirdly, we changed China from a poor country to the one which has basically solved the problem of food and clothing and realised the goal that we set more than 30 years ago. The objective of providing adequate food and clothing is no longer a priority, however, this was a very difficult task for China to complete. We managed to accumulate precious experience in reducing and eliminating poverty, which has exerted an important impact on world development. In other words, through the experience that it has gained in the last 30 years, China has forged its own unique contribution to the economic development of developing countries, to poverty reduction and to the elimination of backward countries.

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Misunderstanding on China's Development

The three tasks that we fulfilled helped maintain China's economic development speed above 9% annually for more than 30 years. Some call it fast growth.

Just because of its fast growth, a great deal of attention is paid to China's economy and its forecasts for growth, although with this attention comes differing opinions and viewpoints. During our current trip to Europe and via our exchanges with friends, I deeply feel that there are some misunderstandings on how to assess China's development and on how to perceive the different areas of China's development. I find it necessary to provide some explanations here.

Where are the misunderstandings? First of all, when people assess China's economy, they only see China's fast and continuous growth over the last 30 years, but they do not reflect upon the deeper reasons behind, neither do they notice the hardship and difficulties that China experienced in achieving the current results, nor do they understand how China has made it as it is today. It should be known that it is not easy for China to achieve fast growth in this period – this is thanks to China's basic national policy of adhering to reform and opening-up, to the friendly cooperation developed between China and the world – in particular, between China and Europe, the United States and all those who are willing to engage China – to taking on board the successful experience of global market economy development, to adhering to the principle of starting from reality, to actively listening to the opinions of the Chinese people, to incorporating the understanding of the needs and problems faced by the people when deliberating and deciding upon important policies. In other words, during the policy-making process, the Chinese government tries to take into account the wise opinions of all the relevant consultative parties, so as to follow the people's will and thus receive their support for our cause.

Therefore, continuous fast growth is not at all accidental – China made huge efforts towards this. People from the outside should not only see what China has presented on stage, but should also understand the complex rehearsal process, as well as the hard work accomplished behind the scenes.

The second misunderstanding is that certain people only see the rapid development of the Chinese economy and society, but do not realise that the difficulties and the risks China faces, at this current stage of economic development, are unprecedented and represent a rare phenomenon in Chinese history – as well as the history of all the major powers. It is imaginable how difficult it would be for a big country, with a population of 1.3 billion people, to strive for structural transformation in such a short time.

The obstacles impeding China's strive towards sustainable development are complex and huge. For example, it is a dilemma for China to continue to develop its economy rapidly, whilst dealing with global issues – this represents a massive challenge. Furthermore, the development of some of China's regions and fields of activity have ranked amongst some of the highest developed regions and fields of activity in the world – some foreign friends think that Shanghai and Beijing represent China, but in reality, many regions in China are still in great difficulty. According to UN standards, more

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than 40 million Chinese citizens are still living in poverty. In the Central and Western parts of China – in particular in the Western part – the level of underdevelopment is high.

Another cause for concern is China's need to find an alternative path towards development. It is not possible for China to follow the traditional road inherited from the 5000 years of Chinese civilisation, nor can it pursue the road based on a rigid and planned economy, dating back to the early 1990s, nor is it possible for China to follow the old road of industrialisation, which relied on large scale energy usage and resource consumption that was taken in Europe and the US in the past. Every step we are taking forward constitutes a trial and an unprecedented experiment – there is no previous experience or model for us to copy. Therefore, we face huge difficulties.

The third misunderstanding is that the world is concerned about what China says, which road China follows, how China develops and which position China takes in the world economic structure. When asking such questions, some friends become sceptical – this is the reality that we face.

In my opinion, to look at such a large developing country like China, people should observe China's development in a comprehensive way. Only in this way can they find a true China – in other words, they should not only see prosperous Shanghai in the East, but also the backward villages in the West; they should not only see the great achievement brought by the market economy gradually established in China in the past 30 years, but they should also notice the difficulties and limits that China faces when continuing to experiment and promote this new road towards development; they should not only see that China has become the world's second largest economy via its 30 years of development or that China is more resistant to the recent world financial crisis, but they should also be aware of the practical difficulties that China faces in the long-term, in realising the transformation of its economic structure, the readjustment of its developing model and the promotion of its domestic consumption.

On the other hand, people should attempt to better understand Chinese culture. With more than 5000 years of history, Chinese culture shows no traces of expansionism or hegemonism. The Chinese Communist Party and the Chinese Government have promised many times that the road to China's development will be a peaceful one. This road requires for us to start by taking full account of the reality of China's current development, together with other countries in the world, in order to realise the objective of common development via mutual beneficial cooperation.

Such development is not a zero-sum game but rather win-win cooperation. Based on such considerations, when the financial crisis occurred in Asia more than 10 years ago, the world was concerned about a potential depreciation of the Chinese currency. At that time, China had ample reason to devalue its currency, out of objective need. People should remember that all the major Asian currencies devalued, which led to the depreciation of the American dollar. However, the Chinese Government did not follow suit – as a result, we tried our best to fulfil our responsibility for the Asia-Pacific economic development zone, within our own capacity.

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The new round of financial crises originated from the US sub-prime crisis. 'When Wall Street got a cold, the entire world had to take medicine.' The Chinese Government made a series of large-scale economic stimulus plans and adopted a series of strong counter-measures, which helped China to emerge as one of the first countries to stabilise economic growth. China realised a growth rate of 9.1% last year. We are certain to achieve a growth rate of more than 8% this year. China's actions have seriously contributed to the world and fulfilled its responsibility for world prosperity.

It should also be understood that China's peaceful development path is undertaken out of the demand for its own development and the latter has been explored for over 30 years. We summarise such road as 'peaceful development' and 'harmonious development' because it is win-win development and responsible development based on China's reality, and development which does not transfer conflicts and troubles to the world. In my view, it is important to realise the revitalisation of the Chinese nation – we need to realise 'harmonious development' domestically and promote 'peaceful development' in the world. This is what China is doing right now. When talking about it, I hope that you may understand that China's development will not constitute a threat to other countries, will not transfer difficulties to others and will not bring trouble to the world.

Prospect of EU-China Relations

It is fair to say that China-EU relations and the bilateral comprehensive cooperation have played an important role for us to follow the road of peaceful development until today, which has successfully helped China reach its current level of development. Since the establishment of China-EU relations 35 five years ago, the close cooperation developed between a large developing country and a group of rich and powerful countries is unprecedented in history. With the joint efforts of both China and the EU, bilateral relations have developed at a fast pace and have achieved constructive results.

Faced by the current crossroad caused by the global financial crisis, what is the strategic prospect for the future of China-EU relations? In other words, how shall we strengthen cooperation to promote the healthy development of China-EU relations? Today's EU and China are at different stages of development. EU-China relations are still evolving and this requires us to make unremitting efforts. I would like to make four proposals as to how to strengthen China-EU relations.

First of all, as it stands, the current relationship between China and the EU is best characterised by both actors being in 'the same boat.' Thus, in the same boat, China and the EU should jointly steer the boat to withstand wind and waves – this requires that the boat should be solidly built and that the sails should be pointed in the right direction. Therefore, on the basis of 35 years of cooperation, it is very important for China and the EU to further solidify the basis for cooperation and provide better control over which direction the comprehensive strategic cooperation should take.

Currently, China and the EU do not have fundamental conflicts of interest, neither do we have unresolved key historical problems. In today's

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world, both of us share many common understandings, interests and development experiences, which indicates that a large scope for cooperation exists between us. The world faces many problems and contradictions, which require us to actively use our collective wisdom in continuing to deepen the basis for our bilateral cooperation and thus help construct China-EU relations solid enough to resist any wind and waves. All in all, I hope that China-EU relations can realise the ideal that 'despite wind and rain, I steadfastly stand on ground.'

Secondly, China and the EU should enhance communication and exchanges, mutually respect each other's major concerns and interests and better resolve differences, problems and contradictions in the development of bilateral relations. In this regard, China and the EU are on 'the same bridge': the overpass bridge. It is important for us to preserve communication with each other when crossing the bridge – we should avoid taking the wrong direction, neither should we destroy the bridge after crossing it.

It is fair to say that there exist a lot of common stands, needs and interests between China and the EU. Yet, we should not hide our differences and contradictions. In my personal understanding, it is not a problem that we have contradictions, problems and differences, but it will be a problem if these contradictions and differences are not managed effectively and not solved in time.

In general, we face four types of problems;

The first is called divergence – this is due to different value judgements, different social systems and different perspectives in each others' evaluation and assessment.

The second is called distance – on the same issue, due to our respective interests, we may face many gaps in terms of mutual understanding.

The third is called difference – we may have common understanding but it can be different in degree.

The fourth is called misjudgement, or misunderstanding – due to a lack of communication, an asymmetrical provision of information and inappropriate methods of communication – misunderstanding can be generated.

We do not need to be afraid of these problems – we need to strengthen communication, mutual respect and seek common ground while reserving differences. Where we have divergence, we can minimise it via communication; where we have distance, we can shorten it via mutual coordination; where we have difference, we can reduce it via mutual understanding; where we have misunderstanding, we can dismiss it via mutual understanding. Thereafter, our relations can prosper.

Thirdly, in order to promote our strategic cooperative partnership, we should undertake projects together. Our relationship is one of the world's most important – we make value judgements on this relationship we publish statements, declarations and make promises. Yet, I think more importantly, on the basis of mutual concerns, we should achieve tangible results every year in order to deepen China-EU relations further. By undertaking practical projects, we will help solve practical problems and reduce contradictions. In this sense,

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we both sit beside 'the same table.' Nowadays, no matter what problems we have, we can communicate, discuss solutions and run practical projects together every year. For example, China is expected to fully and rapidly develop its market economy, however, the issue of granting China market economy status, in the words of the Chinese, remains 'stagnant.' Another example is the issue of the lifting of the arms embargo. People are concerned that China has too many foreign currency reserves and too much of a trade surplus and that the economic imbalance will be worsened globally. On the other hand, people are not concerned about what to exchange between the two sides – the Chinese market remains open, and open to all the countries. Up until last month, China had fulfilled all of its promises to the WTO. China, Europe and the United States are at different stages of development, which leads to different development structures and different industry chains. In terms of time and space, this leads to gaps in relation to complete market liberalisation. There is no sense for others to accuse China of its trade surplus and blame China for a lack of responsibility, if they do not give to China what it wants. There exist many such problems. We should therefore undertake more practical projects together. I want to call on everyone here to speak fairly on the issues of granting full market economy status to China and lifting the arms embargo, so as to find a resolution to these problems.

Last year, during the most critical period of the economic crisis, China faced its most daunting challenge since the reform policy era – Premier Wen said that it was the most difficult year since China had entered into the 21st century. Nevertheless, despite this situation, we dispatched a large procurement delegation to Europe. We will come more often in the future. These are the practical projects that I refer to. Given another example, we purchased bonds from Europe, not only due to the demand of readjusting our foreign currency structure, but also with the purpose in-mind of maintaining a balanced world economy and fulfilling our own responsibility. Therefore, our relationship of sitting beside 'the same table' requires that we should undertake more projects together.

Fourthly, there is another facet to China and the EU's relationship: that is, we live in 'the same village,' 'the global village.' Therefore, an important task in promoting our comprehensive strategic partnership is to jointly assume global responsibility. We face global problems such as arms control, security, population, environment protection, climate change, trade imbalance and nuclear proliferation. Faced with these problems, China and the EU, living in the same 'global village,' share responsibilities to do our best to contribute to peace, harmony, stability and to the development of the 'village' – this requires us to better communicate and to do our respective job according to our individual capacities.

I think that China's future will reflect such a development pattern – in other words, it will be harmonious, responsible and mutually beneficial. The prospects for the future relationship – of the China-EU relationship – in 'the same boat,' on 'the same bridge,' beside 'the same table' and in 'the same village' – are bright. We will set a new model of international cooperation if we make efforts together and cooperate with each other. Thanks!



THE ROLE OF NGOs IN THE EU-CHINA PARTNERSHIP ON CLIMATE CHANGE

Mireia Paulo*

Climate Change (CC) is a global problem and several decades will have to pass before our society endures the real consequences of the decisions we have taken or not taken today. Economic reform in China did not take into consideration two basic modern concerns: social adaptation and land degradation. Civil society (CS) and environmental non-governmental organisations (ENGO) are becoming more active and visible actors in China's environmental politics. Chinese CS is involved in environmental issues by carrying out government functions, but it lacks capabilities and resources to tackle environmental matters alone. For this reason, a new approach has been developed, based on a bottom-up strategy that applies sustainable development (SD) concepts, thus seeking policies and projects to support local actors in a bid to improve their situation.

EU-China Partnership on Climate Change

EU-China cooperation is the consequence of mutual interests, national and international security, and domestic pressure stemming from society itself. For the EU, this cooperation is fundamental to help it develop into an environmental leader, not only by strengthening its green diplomacy and overall role, but also because this cooperation can bring commercial benefits and can help develop stronger cultural ties between government and societies. At the same time, China wants to save face in front of the international community; it wants to appear as a more responsible and peaceful actor.

The origin in this bilateral relation was based on trade and commerce, but as this relationship was becoming stronger, it also became more complex and broad. For this reason, other matters were included on the agenda and the environmental issue was one of them. In fact, environmental problems became part of the new security concept, as well a new form of pressure that society was exerting on its leaders. We can trace the origin of this willingness to tackle solutions on environmental matters back to 1992, when the Rio Summit was signed by the EU and China. This bilateral relation was furthered when, in 1997, the Kyoto Protocol was signed.¹

In 2005, at the 5th EU-China summit, a Joint Declaration on CC was adopted. The summit confirmed the establishment of the EU-China Partnership on CC, including clean energy and the promotion of SD. This

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¹ European Council, 'General Affairs and External Relations', Press Release, 16291/(2006), Brussels, 11-12 December 2006, retrieved 15 November 2009, <http://register.consilium.europa.eu/pdf/en/06/st16/st16291.en06.pdf>, p.10.

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partnership provided a high-level political framework.² This year, the EU-China Action Plan on Clean Coal Technologies, the EU-China Action Plan for Energy Efficiency and Renewable Energies and the EU-China Dialogue on Energy and Transport Strategies, were introduced.³

The 2005 Joint Declaration became the basis of this partnership, because it enabled the adoption of the 'Rolling Work Plan' (RWP) in October 2006. Moreover, as specified by the EU in the 'China Strategy Paper 2007-2013', Europe will support China's SD, and transition to becoming a steady country.⁴ In 2007, during the 10th Summit, another Joint Statement was signed, in which, following the RWP actions, the European Investment Bank agreed to grant a €500 million loan to China. This loan was used to fund projects to tackle CC issues.⁵

In 2009, the Copenhagen Summit took place, in which the divergences between Southern and Northern countries featured. These disparities resulted in the 'Copenhagen Accord' being only conceived as a basic agreement that includes some aspects of the CC framework.⁶ The agreement was not binding and the new or original emitters did not change their attitude towards the problem.⁷

Conceptualisation of NGOs in China

The environmental degradation suffered across China has contributed to an increasing awareness of the problem among government officials and society. As a result, Environmental Non-Governmental Organisations (ENGOS) have been constantly growing around the country. However, before explaining the role of the ENGOS, it is necessary to clarify the concept of NGOs and their characteristics.

An NGO is a "self-governing legal person relatively independent, voluntarily based, and non-profit."⁸ This Western concept, however, does not match the Chinese definition, because in China, NGOs can be led by government officials. There are two types of NGOs: (1) the officially organised NGOs, or CONGOs, for example the Chinese Environmental Science Institute (CESI); (2) the popular NGOs, such as Global Village of Beijing. Thus, the NGO Administrative Bureau of the Ministry of Civil Affairs (MOCA) defines NGOs as "organisations formed by citizen volunteers which carry out activities aimed

² European Commission, 'China Strategy Paper 2007-2013', Brussels, 2006, retrieved 18 November 2009, http://ec.europa.eu/external_relations/china/csp/07_13_en.pdf, p. 9.

³ 'EU and China Partnership on Climate Change', Press Release, MEMO 298(2005), Brussels, September 2005, retrieved 15 November, <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/05/298>.

⁴ European Commission, 'China Strategy Paper 2007-2013', *op. cit.*, p. 3.

⁵ Statement on CC by Mrs. Benita Ferrero-Waldner, January 2007, retrieved 1 April 2010, <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/41&guiLanguage=en>.

⁶ China Textile Team, 'The Copenhagen Climate Change Agreement: Failure or Success?', *China Textile Magazine*, 4 March 2010, retrieved 10 April 2010, <http://chinatextile.360fashion.net/2010/03/the-copenhagen-climate-change.php>.

⁷ Luc Werring, 'Negotiating a robust climate policy. Overcoming national interests for the common good', *CIEP briefing papers*, Clingendael International Energy Programme, November 2009, retrieved 10 January 2010, www.clingendael.nl/publications/papers/?volume=2009, p. 4.

⁸ Werring, *op. cit.*, p. 3.

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at realising the common aspirations of their members in accordance with organisational articles of association."⁹

According to MOCA statistics, by the end of 2006, there were 186,000 CONGOs and 159,000 popular NGOs in China,¹⁰ although the total and exact number is difficult to predict since many organisations are not registered. NGOs need to register with MOCA, or in a government or party department, to obtain a legal recognition and to manage operations.¹¹

NGOs' growth is a consequence of the reforms that started under Deng Xiaoping in 1978. These reforms provided more flexibility to the economy and social welfare system, but at the same time, economic reforms opened a gap between institutions and citizens. This situation prompted the government to launch a new slogan, 'small government and big society' (小政府大社会, *xiǎo zhèngfǔ, dà shèhuì*). This new idea provided more opportunities for NGOs – and not the Chinese government – to be perceived as helpful assistants in maintaining stability and developing a harmonious society (小康社会, *xiǎokāng shèhuì*). Guangyao Chen, Director of the NGO Bureau in MOCA, identifies the role of these organisations as a bridge for mutual communication. MOCA thus supports CS by establishing the China Association for the Promotion of NGOs.¹²

This perception is due to the fact that NGOs focus on areas such as general education, the environment, public health, children, technology or poverty alleviation.¹³ NGOs also cover functions that are useful for the government, such as providing social services or promoting community development. Additionally, NGOs do not participate directly in the governance of society, and they do not confront the government. They rather employ a 'self-censored' attitude or a pragmatic approach to their work.¹⁴ Chinese ENGOs prefer to use mechanisms other than public confrontation; for example, the creation of the Centre for Legal Assistance to Pollution Victims has no other aim but to protect pollution victims.¹⁵ This means that the government behaves in a decentralised manner and provides policy space to the CS.

NGOs are not alone; media and intellectuals share the same

⁹ Yiyi Lu, 'NGOs in China: Development Dynamics and Challenges', *China Policy Institute, Discussion Paper No. 18*, The University of Nottingham, April 2007, retrieved 16 November 2009, www.nottingham.ac.uk/cpi/documents/discussion-papers/discussion-paper-18-ngos-in-china.pdf, p. 4.

¹⁰ Wang Ming, 'NGOs in China', *The 500 NGPs in China*, in NGP Research Center, Qinghua University (ed.), Beijing, United Nations Center for Regional Development, 2002, pp. 1-7.

¹¹ Stephanie Wang, 'NGOs Tread Lightly on China's Turf', *Asia Times*, 12 September 2009, retrieved 22 October 2009, www.atimes.com/atimes/China/K112Ad02.html.

¹² Clement Chu, 'Running head: China NGOs – The Role of NGOs in China', *Quarterly Journal of Ideology*, Vol. 31, No. 3 and 4, 2009, retrieved 4 November 2009, [www.lsus.edu/la/journals/ideology/contents/vol32/NGOs in China article 2008.8.pdf](http://www.lsus.edu/la/journals/ideology/contents/vol32/NGOs%20in%20China%20article%202008.8.pdf), p. 7.

¹³ Chu, *op. cit.*, p. 6.

¹⁴ Dorit Lehrack, *Environmental NGOs in China – Partners in Environmental Governance*, Wissenschaftszentrum Berlin für Sozialforschung (WZB), Beim Präsidenten Emeriti Projekt, October 2006, retrieved 4 November 2009, www.bibliothek.wz-berlin.de/pdf/2006/p06-009.pdf, pp. 6-7.

¹⁵ Donatella della Porta and Dieter Rucht, 'The dynamics of environmental campaigns', *International Quarterly*, Vol. 7, No. 1, 2002, pp. 1-14.

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objectives. They also promote NGOs' actions through international conferences, seminars or workshops. This can be seen with the establishment of department such as the Centre for NGO Research at Qinghua University (清华大学研究所, *Qīnghuá Dàxué yánjiū suǒ*)¹⁶ or the Centre for Civil Society Studies at Peking University (北京大学政府管理学院, *Běijīng Dàxué zhèngfǔ guǎnlǐ xuéyuàn*).¹⁷ In some cases, NGOs' work has been published in the state-run media.

As a matter of fact, NGOs are getting involved in the agenda-setting process and policy development. The WWF and other NGOs are consulted by the government and they provide support for drafting or reviewing sections of the law. However, they are not always able to influence the later stages of the decision-making process. In China, there is a difference between drafting the law, how the issue is described and under which policy it is located. For instance, the Carbon reduction strategy will not have the same impact if it falls under the Environmental Protection Law or if it is part of the 11th Year Plan.

Therefore, NGOs are an effective driver for more democratic reforms, for example: (1) educating role and spreading the rule of law; (2) stimulating public participation; (3) limiting local corruption through a process of accountability; (4) creating bridges to import international practices; (5) and strengthening stability.¹⁸ The Chinese government is aware that it does not have the capability and resources to face this situation alone or is it able to properly enforce these policies just by itself. For instance, MOCA cannot sponsor all NGOs, since MOCA's Popular Organisation Management Bureau (POMB) only has a few dozen staff members who work on drafting strategies, to provide guidance and to prosecute illegal activities.¹⁹ Thus, NGOs can help to promote stability, and to legitimate the Communist Party.

Chinese Networks and International Linkage

Chinese NGOs networks are a relevant cooperation instrument between NGOs and CS organisations. These networks provide the opportunity for developing more rapid and effective working environments. They also improve the dissemination of environmental research. In addition, environmental actions, campaigns and activities can thus be better organised and attract greater success rates.

Today, several networks have been established in China; for instance, the China Association for NGO cooperation (CANGO), was created and registered in 1992. Its main aim is to enhance China's CS, with experience as

¹⁶ Jia Xijin, 'NGO 在教育援助中发挥什么作用?', 清华大学 NGO 研究所, September 2004, <http://learning.sohu.com/20040906/n221900589.shtml>.

¹⁷ For more information, see www.sg.pku.edu.cn/news/News_View.asp?NewsID=451.

¹⁸ Barbara Gemmill, Maria Ivanova & Chee Yoke Ling, 'Designing a New Architecture for Global Environmental Governance', *World Summit for Sustainable Development Briefing Papers*, International Institute for Environment and Development (IIED), London, 2002, retrieved 3 December 2009,

www.poptel.org.uk/iied/test/searching/ring_pdf/wssd_21_international_environmental_governance.pdf, p. 9.

¹⁹ Lu, *op. cit.*, p. 5.

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an information-sharing platform for Chinese NGOs. There are other cases, such as the Centre in Qinghua University, in Beijing, that provides scientific and research assistance to NGOs. One of the latest official networks created thanks to government support has been the All-China Environment Federation (中华环保联合会, *zhōnghuá huánbǎo liánhé huì*). It entails CS organisations and individuals with the objective of promoting links among government and society in order to implement the SD strategy.²⁰

Moreover, transnational linkages have also been growing, especially during the last two decades. This is due to the fact that Chinese NGOs have been increasingly participating in international conferences and campaigns, which has helped to progressively narrow the asymmetry of understanding between Chinese and international NGOs' in their respective actions. Of course, the use of new channels of communication has helped to improve the international cooperation between them and CS. A recent example of this collaboration is the campaign launched by the WWF, entitled 'Earth Hour' week, which took place between 22 and 28 March 2010. This campaign has been coordinated internationally, in China, where the NGO has been able to involve the government, CS and enterprises.²¹

Why Should Civil Society Be Included in the EU-China Partnership on Climate Change?

The EU further upgraded its partnership with China in a common effort against CC and its dangerous effects. However, this partnership should search for those common issues that will seek to unite rather than to separate the two. For instance, China focuses on building a safe society with higher standards of living, whilst combining this policy with its promise to cut carbon intensity by 40% by 2020, through a SD approach. Indeed, it also wants to tackle CC problems that increase the instability of Chinese society. Both issues are totally in accordance with the European strategy and, therefore, the EU – by assisting China to improve its expertise in CC technology and social awareness – will only contribute to increasing the trust and steady bonds built between the two partners.

The EU is beginning to realise the importance of Chinese CS organisations; an example is the case of the EU-China Biodiversity Programme. CS organisations are a key component in ensuring the effectiveness of this programme because they provide the knowledge to improve policy development, guidelines and regulations. For this reason, last February, the European Commission decided to launch a new international development programme: the EU-China Civil Society Dialogue Project. Its main aim is to create new networks for richer dialogues between Chinese and European CS organisations looking to achieve two positive outcomes: poverty eradication and sustainable development.

²⁰ See All-China Environment Federation, at www.acef.com.cn.

²¹ 'China's landmarks go dark for Earth Hour', *WWF China Newsletter*, January – March 2009, retrieved 25 March 2010, www.wwfchina.org/english/downloads/newsletter/Newsletter1-3.09.pdf.

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Although ENGOs are fundamental and their role crucial, their influence has not been as successful as expected. Since ENGOs are linked to the grassroots level, they are the vehicle through which bridges can be built between government and citizens. This supports the theory of introducing a bottom-up approach for EU-China cooperation in the fight against CC. The traditional top-down approach has proved inefficient in solving Chinese environmental problems. Chinese institutions are not able to tackle these problems alone; they lack economic and human resources to coordinate, implement and properly monitor environmental situations across the entire country. Thus, a shift in their approach is required in order to deal effectively with environmental issues; with the adoption of a bottom-up approach, many more opportunities for this strategic partnership will arise.

The EU has also realised that green diplomacy can provide more recognition and authority, as well as an environmental leadership, from the international community. For this reason, the EU's green leadership is not just motivated by economic and environmental purposes, but also as a foreign policy objective where leadership is used to legitimise its actions.

Working with Chinese CS in the environmental field is a new, but very effective strategy which needs to be implemented into the present partnership on CC. This is due to the fact that ENGOs are well-known among politicians and society, they contribute human and logistic resources to governments, they facilitate the implementation of projects on the field and they have better knowledge of local conditions. In addition, ENGOs in China are developing an important network through different channels, such as universities or the Internet which will help to increase environmental awareness in the country. This awareness will improve energy consumption patterns and will help to widely disseminate information concerning new recycling methods and habits, or the usage of green energies.

Therefore, cooperating with ENGOs in China is a new and excellent strategy for European and Chinese leaders to use when developing environmental legislation, as it permits the increased empowerment and responsibility of citizens, in their fight against CC. Using a bottom-up approach, as complementary to the traditional top-down approach, could lead to the possibility of obtaining highly positive long-term returns in the common fight against CC.



BOOK REVIEW*

Georg Wiessala, John Wilson and Pradeep Taneja, *The European Union and China: Interests and Dilemmas*, Amsterdam and New York: Rodopi, 2009, 296pp, US\$ 80, Hardback.

Emilian Kavalski**

Confronted by the nascent international agency of regional powers with global aspirations, the study of world affairs has had to account for these emergent dynamics in its purview. This trend has become particularly prominent following the break-up of the Cold War order, which has allowed a number of actors to extend their international roles and outreach. The European Union (EU) and China are perhaps the most outstanding among those actors and their agency in global life is subject to a growing public, policy and scholarly scrutiny.

On the one hand, the EU's unique project of European integration has produced a qualitative transformation in the international relations of the continent and the way European states interact with other actors. On the other hand, China's growing influence on the global stage has challenged conventional notions and practices of world politics and has led many to suggest a gradual shift in the international balance of power towards Asia.

Thus, an ungainly but important task is to distinguish between phantoms and substance in the engagement with the foreign policy interactions between the EU and China. In other words, one of the main questions for those engaged in the observation of international affairs is: how will the current patterns of relations between Brussels and Beijing impact their future interactions? The volume edited by Georg Wiessala, John Wilson and Pradeep Taneja provides an insightful response to this query by offering a much-needed and an extremely erudite reconsideration of the full spectrum of relations between the EU and China.

In the process, the collection teases out the strategic interest and the central dilemmas that animate the interactions between Brussels and Beijing. As the editors indicate, despite its complexity, mainstream accounts of the

* The InBev-Baillet Latour Chair of EU-China Relations of the College of Europe would like to take the opportunity to present, to its readers, the *EU-China Observer Book Reviews*, which will now feature prominently in the upcoming issues. We would like to thank Prof. Georg Wiessala for his help in designing this new feature to the journal. Prof. Wiessala is a Professor of International Relations and the Director of Research in the School of Education and Social Science (ESS) of the University of Central Lancashire in Preston, United Kingdom. He has an acknowledged research track record in EU Foreign Policy, Human Rights and EU-Asia-Pacific relations. From now onwards, he will be responsible for the book reviews section. We would like to welcome him as co-editor to the *EU-China Observer*.

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EU-China relationship find it difficult to overcome the bifurcated perspective between 'challenges and opportunity,' 'sameness and difference,' 'friends and enemies.' In an attempt to overcome the limitations of the 'either / or' outlook, the volume adopts a contextual engagement with the dynamics of 'continuity' and 'change' that impact on both Beijing's and Brussels' foreign-policy perceptions of each other.

The collection is divided in three parts. The five chapters included in the first part of the book assess the context of the EU-China relationship. In particular, the contributors to this section outline the history and the development of the interactions between Brussels and Beijing. At the same time, this part of the volume suggests that the relations between the EU and China do not necessarily fit the conventional framework of bilateral associations and instead can be more fruitfully analysed from the point of view of 'inter-regionalism.' Furthermore, the volume demonstrates that a significant part of the context of the EU-China relationship is framed by the human rights agenda, practiced by both actors.

The second part of the volume examines the geopolitical implications of the interactions between Brussels and Beijing. This part opens with an analysis of the 'multi-polar' perspective on China's strategic outlook towards the EU. The section proceeds with an astute discussion of Indian interpretations of the EU-China relationship. The remaining contributions offer a comparative assessment of the impact of third parties on Brussels' and Beijing's interactions with each other: (i) China's close ties with Russia and their impact on Beijing's relations with the EU; (ii) the EU's relations with Taiwan and their bearing on the association between Brussels and Beijing; and (iii) the role of the USA on the EU-China relationship.

The third part of the volume considers important issues that impact the policies and perceptions of the EU and China. The contributions to this section outline the role of media freedom, energy security, trade and investment, and maritime security on the frameworks of the EU-China relationship. The scope of these topics and the depth of engagement provide a relevant analytical background for charting the likely patterns of relations between these two actors. As the editors indicate, the focus on such issues has important implications for the understanding and explanation of the interactions between Brussels and Beijing.

Thus, the volume edited by Wiessala, Wilson and Taneja offers a comprehensive overview of the intricate patterns of relations between the EU and China. At the same time, the collection provides a thoughtful reconsideration of the dominant frameworks for the explanation and understanding of these interactions. Furthermore, the interlocutors of this conversation offer prescient reflection on the dynamics, logics and policies underpinning the possible trajectories of EU-China relations. Accordingly, the volume would benefit immensely those interested in the broader patterns of international relations, comparative politics and international political economy, as well as to scholars and students of the international relations of the EU and the growing role of China in global politics.



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At the same time, the collection edited by Wiessala, Wilson and Taneja lends itself as a supplementary reading for advanced undergraduate and graduate courses on contemporary European and Asian affairs.



BOOK REVIEW

Nicola Casarini, *Remaking the Global Order: The Evolution of Europe-China Relations and its Implications for East Asia and the United States*, Oxford: Oxford University Press, 2009, 272pp, £45.00, Hardback.

Wenwen Shen*

This enlightened study provides a comprehensive analysis of EU-China relations, with a particular focus on technological, strategic and security-related aspects. Its novelty lies in the use of insights from three major IR paradigms that interpret and explain the driving forces and strategic significance of the so-called techno-political linkage between the EU and China. Casarini skilfully links this unique aspect of EU-China relations within a wider set-up, encompassing transatlantic relations as well as the balance of power in East Asia. In this way, he aims to identify the strategic elements behind the techno-political linkage so as to further our understanding of the significance demonstrated in contemporary EU-China relations, and their implications to the post-Cold War world order, in particular the East Asian security dimension.

Despite the complexity of using multiple analytical and empirical perspectives to bear on the breadth and scope of EU-China relations in a global context, between 1975 and 2008, this story is presented with a remarkable level of clarity and coherence. The strength bestowed upon this book is Casarini's ability to piece together insights from major IR paradigms, secondary literature, and large amounts of primary data based on interviews with an impressive variety of key informants. Furthermore, adopting an interpretivist epistemological standpoint, Casarini has tapped into Chinese official discourses on security and the international role of the EU, and conducted interviews with Chinese officials, in such a way as to draw attention to the other side of perceptions and misperceptions of issues and themes under examination.

This book is an excellent read for those interested in the strategic triangulation among the United States, the EU and China. It is also of interest to students of European Studies who specialise in the EU's unique power and its global relevance, especially in East Asia. Scholars of EU-China relations will find the empirical focus on the 'techno-political linkage' an original contribution to the current state of research, in particular the issue of space cooperation.

The introductory chapter sets out an overview with a specification as to why the EU-China techno-political linkage serves as the guiding theme of this research and how it is approached theoretically as well as empirically.

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The main body of the book is structured in three main parts. Before examining the so-called EU techno-political linkage with China, *Part One* provides a historical context of the development of EU-China relationship between 1975 and 2003. It serves to identify the strategic factors that have shaped the economic and security-related dimensions of EU-China relations before the strategic partnership was established in autumn 2003. *Part two* focuses on the techno-political linkage which lays the basis for the EU-China strategic partnership between autumn 2003 and summer 2005. It does so by looking into three issue areas, namely, space cooperation, advanced technology transfer and the arms embargo. Instead of simply juxtaposing a chain of events, these issues are illustrated in a balanced fashion, which denotes the strategic significance of this partnership. *Part three* goes on to discuss the global relevance of the strategic significance in the context of both evolving transatlantic relations, and the dynamic realm of East Asian security. Finally, the analysis opens up some important questions concerning the EU's future and its evolving international identity in relation to the domains of politics and security.

As informative and intriguing as the work is, there are at least two major problems in the eyes of the reviewer. Firstly, applying three different IR perspectives to various contexts at different time creates methodological concerns and conceptual bias. In this book, the EU's policy of engagement with China, since the mid-1990s, is firmly considered as being triggered by self-interests; the EU's promotion of economic exchanges with China is understood through liberal-idealist arguments and the theory of interdependence; whereas the EU's promotion of human rights and the rule of law, through civilian means, reinforces a constructivist understanding. Simple and straightforward as it seems, there has been a missing link between the security discourse and evolving identities on both sides, as a result of their own changing capacity and socialisation with the world. Moreover, one cannot ignore the fact that the three different theoretical perspectives can be ontologically opposed, which invites further confusion over the epistemological standpoint and methodology. According to page 19, the book adopts an interpretivist epistemology which does not seem to sit as well as with the use of process-tracing, as a positivist approach, which requires establishing casual links to avoid potential biases in the available evidence, whilst interpretivism entails a subjective understanding of social facts.

Furthermore, the strength of the constructivist approach in embracing beliefs, values, norms and ideas, as significant explanatory variables of foreign policy, is insufficiently explored via the empirical investigation. The explanations presented in this book are mainly based on material interests and are predominantly rationalist by nature. In the case of the arms embargo, Casarini has downplayed the significance of ideational factors, instead, focusing on more powerful material motives. In addition, ignoring the different degree of importance of the national member states and of the EU institutions – themselves attached to principles and values – runs the risk of adopting an underlying assumption that the EU is a unitary actor that purposes a common approach in foreign policy.