

Dealing with the Dragon: EU-China Relations

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EU-China

- Strategic partner and main trading partner
- In 2003 China praised EU as important counter to US hegemony
- But disappointment over failure to lift arms embargo, grant China market economy status, anti-dumping, Tibet, human rights
- Negotiations on new PCA proving difficult but China needs EU market

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Some key facts

- China fourth in global GDP, but below 100 in GDP per head
- Each year need to find 25 million new jobs (and look after 85 million handicapped people)
- Largest currency reserves and holder of US Treasury bonds
- Largest CO2 emitter (followed by India and Russia)

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EU-China: Historical Development

- 1984 – establishment of diplomatic relations
- 1985 – trade agreement
- 1989 – Tiananmen Square – EU sanctions
- 1994 – first Communication, followed by others in 1999, 2001, 2003, 2006
- In contrast, China only published one policy paper on the EU, in 2003. Views EU integration and enlargement as positive.

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Past 15 months

- A tumultuous year for China - severe winter storm over the Chinese New Year, unrest in Tibet, earthquakes in Sichuan, the Olympic Games, milk powder scandal and a successful ASEM Meeting.
- Now world expecting China to play 'locomotive' role in helping to boost global economy
- Europe marking time waiting for new EU Commission and Parliament – plus elections in Germany (Sept 2009) and UK (before June 2010)

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Trade

- The EU is China's top trading partner, largest export market, import supplier and technology provider
- China is the EU's second trading partner
- Two way trade in 2008 amounted to \$425 billion, 177 x trade in 1975
- But large deficit is a political as well as trade problem. 'An out of control juggernaut' 'The biggest problem facing the EU' Peter Mandelson 2008.
- China agreed to set up high level trade and economic group in 2007 (like US). Trade down 20% since January

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Strategic Partners

- China designated strategic partner of EU in 2003 European Security Strategy (but no definition of what this means).
- China asks how can it be a strategic partner when EU maintains an arms embargo – and refuses to grant it market economy status?
- EU soft power finds little resonance in China. Beijing's eyes are on US, Japan, Taiwan
- Both sides talk past each other – little mutual understanding

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Cooperation and Conflict

- Africa – China not really interested in EU's agenda of good governance and human rights. But worried at their image as a blocking power in UNSC over Zimbabwe or Sudan
- Afghanistan – China opposed to Taliban taking over but reluctant to support US
- Iran – does not share EU/US concerns about a nuclear Iran, but does not wish to block UNSC consensus

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Cooperation and Conflict

- North Korea – China has most influence on Pyongyang, but also limited. Does not see role for EU in six party talks.
- UNSC Reform – China wishes to retain status quo - Asian top dog v Japan and India
- Multilateralism – in theory strong supporter but no clear ideas about how to reform IFIs
- Hong Kong and Macau - positive

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Cooperation and Conflict

- Human rights – linked to Tibet (Dalai Lama – Sarkozy/Merkel/Brown) and internal situation. China emphasises numbers brought out of poverty and advances in Tibet.
- Leadership in favour of limited democracy and partial rule of law (ultimately CCP decides)
- Arms embargo – EU member states divided; China skilful at playing divide and rule – offering trade carrots for political support

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Cooperation and Conflict

- Climate change – EU constantly pressing China on Kyoto but Beijing asks who pays?
- Environment and sustainable development – growing recognition of importance, and EU's positive role
- Desire to learn from EU in tackling social and regional issues
- Central Asia – SCO – supports Russian line of non interference

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The Machinery of Cooperation

- Annual summits
- Twice a year foreign ministers
- Ditto – senior officials to discuss proliferation, migration, human rights, Africa
- PCA machinery – plethora of dialogues and working groups eg science and technology, customs cooperation, nuclear research, tourism, energy, environment, agriculture, intellectual property rights, space science, civil aviation

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Current situation

- Both EU and China suffering from global economic crisis
- China worried at situation in US (Wen speech) and impact on China (Treasury bonds, dollar reserves, export market)
- China needs access to large EU single market
- 20 million unemployed, growth 'slowing' to 5%, lack of domestic consumption

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Future prospects

- Strong desire to conclude PCA but tough negotiations ahead. What language on ICC, human rights? Role of EP.
- Can EU member states remain united?
- Who will weather current storm better?
- How will Sino-US relations develop (there is a regular EU-US dialogue on China)?
- EU Business School and Law School; plus 20 EU Centres. China has 60 Confucius Centres in Europe

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Future prospects

- But main problem is asymmetry of political systems. Very different actors. China powerful unitary state with CPP in absolute control. EU a post-modern system, sharing sovereignty.
- Much mutual ignorance, and, therefore, misunderstandings. But large growth in tourism – over one million Chinese visited Europe in 2008.
- But EU and China condemned to be partners – just as Australia and China!