



CHINA AND THE EU: ECONOMY PREVAILS

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In recent years Sino-EU interaction has increased and will continue to do so. This will also increase strife in Sino-EU relations. There are concerns that clashes could occur over sensitive issues like human rights and Chinese border intrusion into surrounding countries. Concerns are also being aired, however, that China and the EU are becoming too friendly, mainly with regards to the lifting of the arms embargo. This may change power structures and priorities in the region. The author notes that the more sober view of Sino-EU relations should be focused on, were relations will remain stable, not because China and the EU necessarily want it, but because it is advantageous to both. The mutual benefits of cooperative trade far outweigh any foreseeable difficulties.

Trade and Economic Cooperation

The EU has been China's largest trading partner the past six years, with trade increasing each year. In 2009, the annual goods export from the EU to China was €81.7 billion. The services exports amounted to €18 billion with an EU FDI of €5.3 billion. This year China is the EU's second largest trading partner after the USA. The EU goods import from China was €214.7 billion in 2009, while the EU services imports from China was €13 billion, with a Chinese FDI of €0.3 billion. This shows that China's FDI is lagging behind the EU's. As can be seen, the EU and China are two of the largest traders in the world.

Overcoming Challenges

However, it is obvious that much work is to be done when it comes to Sino-EU mutual investment. There is an increasing need for interaction, which could result in friction. Even so, China appears to be working hard to create an investment friendly climate. The Catalogue for the Guidance of Foreign Investment has been revised numerous times and thousands of sections of legislation have been rewritten. This will make market access more open. Added to this, investment cooperation and transparency have been improved. Such actions have facilitated communication and cooperation, which has arguably helped promote peace and stability on a global scale.

As the two global giants become increasingly intertwined, friction will increase. Already a number of problems exist, such as barriers to companies from EU member states, EU anti-dumping laws, and infringement on intellectual property

rights of European companies, where roughly 50% of counterfeit goods in the EU come directly from China. Although these issues are cause for concern, they are of minor importance in the overall picture of Sino-EU trade and economic cooperation. Moreover, the EU and China are positive to dialogue and exchange of ideas on how to deal with such issues.

Political Tension

However, political issues breed increasing mistrust between China and the EU. This was illustrated during the recent visit to China by EU's Foreign Affairs and Security Policy Representative Catherine Ashton. Although she remained upbeat about resolving tensions that will inevitably occur in the future, the reason for her visit was "to coordinate policies and further cooperation on important international issues" that go beyond monetary issues. The reality is that for the EU, China has to be taken into account on every global political issue, and attempts to influence Chinese behavior in many areas have been a downright failure. The Chinese influence is being felt by the EU in the UN Security Council and the EU clout, regarding gender issues and human rights, has been weakened. This means that the EU must continue to develop positive diplomatic relations with China.

Sensitive Global Issues

Nowhere is tension greater than in the differences in EU and Chinese foreign policy towards Africa, which was one area that was touched on by Ashton. The EU's presence in Africa is diminishing, while China's influence is on the rise. China's



aims are to secure supplies of energy and minerals (as well as backing on sensitive political issues such as Taiwan and Tibet). This is the case even though China has been effective in securing energy deals with European suppliers that can provide both energy and technology. This is one area where EU influence has been seen but limited, and this is something the EU is, and will be, working hard to change.

Although not mentioned by Ashton, more tensions can be expected in the future as the Chinese activities in northern Myanmar leak through. The unfavorable environmental actions of Chinese companies in Myanmar will be a focal point the EU and China will clash on. In saying that, the EU has been able to affect Chinese policy on environmental issues as well as climate change policies, which takes up a large portion of the effort that is put into the relationship. The EU has been successful in actually changing Chinese domestic policy on climate change in the past, but not without a huge amount of time and effort on the parts of both regional actors.

Another area that is highly cathected is the issue of lifting the weapons embargo on China. Ashton made many comments about this during her visit and was positive to lifting the arms embargo under certain conditions. Many countries in Europe are itching to lift the embargo, particularly France, which was made apparent by the recent comments of French Foreign Minister, Bernard Kouchner. However, Europe is divided as usual, mainly because some countries will not see direct financial benefit from a lift on the embargo, unlike France who is in an optimal position with their weapons giant Thales preparing and waiting. This issue is complicated for the EU by the fact that it is inseparable from human rights. This was evident when Ashton was questioned about the embargo in China. For the time being, the embargo will stay in place. Ashton suggested that progress on human rights in China will help lift it, but the EU will be more concerned with the U.S. stance, as well as regional developments, rather than Chinese wishes. The EU is far more concerned with the U.S. view because the U.S. has threatened to cut off its military technological transfer to Europe if the embargo was lifted or if “any US citizen is harmed by European weapons.” Policy makers outside of the EU and China should keep this in mind before jumping to conclusions about the EU and China becoming “too friendly.” The U.S. is still the main actor which exerts influence in the Sino-EU relationship.

A Divided Europe

China knows how to exploit the weaknesses of an EU with no military influence and is divided on virtually every political and

economic issue, which makes it weak in the eyes of China. If one looks at the individual approaches of EU member states towards China, this is obvious. For example, some member states, including Sweden, are willing to apply political pressure on China and restrict trade. Others including Spain and Finland are less willing to challenge China on political issues, believing that a pragmatic handling of China will improve relations and therefore be economically beneficial. Germany is the most aggressive country when it comes to standing up against China on political and economic issues. It has wholeheartedly supported anti-dumping measures presently debated in the EU.

Money Triumphs

These different stances show the weaknesses found within the EU. The EU will not gain any leverage unless divisions are lessened and the member states start marching in unison. If this is not done, the EU will continue to have a weak bargaining position vis-à-vis China. China is aware that Europe has great economic might, but nonetheless, it is not un-limited. Due to this, China realizes that the EU needs China more than China needs the EU. Even though the playing field is more even now than before, and tensions are evident in the above areas, both the EU and China understand the importance of having good relations because of mutual trade benefits. Both are pragmatic in terms of their diplomacy towards each other. Although there two sides of one coin, the economic side tends to take priority over political issues and will probably continue to do so. This suggests that Sino-EU relations will remain stable in coming years, but at times, bumpy.

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