

Robert Schuman



European Union Center/ Jean Monnet Chair

**China & The European Union:
A Relationship to Define the 21st Century**

Devin Wade



**Vol. 21, No. 5
Paper Series
May 2021**

Published with the support of the European Commission

The Jean Monnet/ Robert Schuman Paper Series

The Jean Monnet/Robert Schuman Paper Series is produced by the Jean Monnet Chair and the European Union Center of the University of Miami.

These monographic papers analyze ongoing developments within the European Union as well as recent trends which influence the EU's relationship with the rest of the world. Broad themes include, but are not limited to:

- The Lisbon Treaty
- The Euro zone crisis
- Immigration and cultural challenges
- Security threats and responses
- The EU's neighborhood policy
- The EU and Latin America
- The EU as a model and reference in the world
- Relations with the United States
- Consequences of Brexit

These topics form part of the pressing agenda of the EU and represent the multifaceted and complex nature of the European integration process. These papers also seek to highlight the internal and external dynamics which influence the workings of the EU and its relationship with the rest the world.

European Union Center

University of Miami
1300 Campo Sano Building, 220C
Coral Gables, FL 33124-2231
Phone: 305-284-3266
Fax: (305) 284 4406
Web: www.miami.edu/eucenter

Jean Monnet Chair Staff

Joaquín Roy Director
Beverly Barrett Associate Editor
Melanie Goergmaier Associate Editor
Maxime Larivé Research Associate
María Lorca Research Associate

Florida International University
Markus Thiel (Director, FIU)

International Jean Monnet Editorial Advisors:

Philippe de Lombaerde, UNU/CRIS, Brugge, Belgium
Carlos Hakansson, Universidad de Piura, Perú
Kurt Hübner, University of British Columbia, Vancouver
Finn Laursen, University of Southern Denmark
John McCormick, Indiana University, Purdue
Félix Peña, Universidad Nacional de Tres de Febrero, Buenos Aires, Argentina
Beatriz Pérez de las Heras, Universidad de Deusto, Bilbao
Manuel Porto, University of Coimbra, Portugal
Lorena Ruano, CIDE, Mexico
Eric Tremolada, Universidad del Externado de Colombia, Bogotá, Colombia
Roberto Domínguez, Suffolk University, Boston
Francesc Granell, University of Barcelona

China & The European Union: A Relationship to Define the 21st Century

Devin Wade¹

“People only accept change when they are faced with necessity, and only recognize necessity when a crisis is upon them. Make men work together, show them that beyond their differences and geographical boundaries there lies a common interest.” -Jean Monnet, 1979

Introduction

In recent decades, the People’s Republic of China has undergone rapid development and become one of the world’s most influential nation. The growth of the Chinese economy is no doubt impressive. Since 1978, the nation has transitioned from an autarkic hermit kingdom to a world leader in areas such as manufacturing and green energy. China and the European Union now host a substantial economic bond. China has become the EU’s second largest partner in trade, indicating that relations between these two powers are very consequential¹. However diverging views on human rights, matters of trade, and the overall role of the state threaten this important relationship. The recent imposition of sanctions between the People’s Republic of China and the European Union spell trouble for the future of this partnership. The future of Sino-European relations seems a more pertinent issue than ever. Analyzing developments in the EU-China relationship and charting a path forward for these two actors will set the framework for the international system of the 21st century.

Keywords: Trade, China, European Union, Human Rights, CAI, Arms Embargo

I. Context

Anyone who has spent time in China and has a grasp on the Chinese language may be familiar with the phrase Mao Yeye (毛爷爷). This simple phrase meaning Grandpa Mao is indicative of a broader truth about the relationship between Chinese citizens and the state. The portrait of Chinese Communist Party founder Chairman Mao hangs over Tiananmen Square as a family portrait does over a living room. The view of the state’s role takes after the eastern ideals of thinkers like Confucius. In Chinese society the state does not serve as an instrument to implement popular will, but rather a paternal figure intended to administer the collective good. This may be the fundamental difference that the EU and China face. The EU prescribes to the

¹ Devin Wade is an undergraduate student at the University of Miami, with majors in Political Science and Economics and a minor in Chinese Studies. Serving as an intern in his statehouse as well as the U.S. House of Representatives, he has notable experience in governmental affairs. Devin has studied Chinese for several years and is interested in China’s rising role on the world stage.

western model of a liberal state in which the individual is prioritized. Taking after the Athenian model of popular vote, The European Union is a democratic institution composed of democratic states. This difference in underlying philosophy is vital to understanding the ideological divide between east and west.

As the Chinese Civil War drew to a close in 1949, it was evident that communist forces would control the Chinese mainland. On October 1st, 1949, communist party leader Mao Zedong proclaimed victory in the long-fought revolution. At this time on the European continent, the cold war was on the horizon. With an iron curtain descending across the continent, communist China stood at odds with Western Europe. This position was cemented with China's "lean to one side policy" which operated on the premise that China thought it better to lean toward socialist powers such as the USSR, as it was the only alternative to western powers that the Chinese viewed as imperialist. Sir Christopher Soames' 1975 visit to China is seen as the turning point for European relations with China. Isolationism and hardline communist policies had left China weakened. China extended their invitation to Soames, who was vice president of the European Commission at the time, in an attempt to end their period of isolation. Although not communist, China viewed the European Community as less of an imperialist threat, and thus a middle ground that could assist the country in entering the world stage. By the end of Sir Christopher Soames' visit, the People's Republic of China and the European Community would acknowledge one another's legitimacy for the first time and China had an official ambassador to the European Community.² Thus began the Chinese-European political relationship. An economic relationship could only begin when in 1982 Deng Xiaoping ascended to the role of chairman. Deng's vision for China skewed from the hardline communism of his predecessors and permitted the growth of private business allowing international trade to flourish.

II. Economic Relationship

One of Europe's goals regarding the Chinese relationship was to gain access to a substantial new market. In the years prior to 2001 the European Union was a strong proponent of Chinese inclusion in the WTO.³ As a result, the EU has become China's largest trade partner and China has become the EU's second largest, closely following the United States. As this 1 billion US dollar per day trade relationship grows, so does Europe's trade deficit. Europe's traded goods deficit with China reached 164 billion euros in 2018 (Europa). Both imports to China and exports from China have trended upward over the past decade. However, the gap has grown causing the trade balance to rise by 74% since just 2013 (see Appendix A).⁴ Such an imbalance gives China clear economic leverage which will only strengthen as China's reach grows.

Although the Chinese and European economies are closer than ever, the EU has encountered some problems. The European Union has accused China of unfair trade practices like dumping. "A key concern for the EU is China's industrial overcapacity in a number of sectors, notably the

² Bindi, F. M. (2012). *The foreign policy of the European Union assessing Europe's role in the world*. Washington, D.C.: Brookings Institution Press.

³ Bindi, F. M. (2012). *The foreign policy of the European Union assessing Europe's role in the world*. Washington, D.C.: Brookings Institution Press.

⁴ European commission Directorate-General for trade. (2021). Retrieved April 07, 2021, from <https://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>

steel sector, but also in other sectors such as aluminum. Domestically, the challenge is a big one for China, but it also creates unfair competition for European companies if this results in the EU's market being flooded by dumped Chinese goods.”⁵

In recent years Europe has still in some ways embraced normal economic relations with the Chinese. China's Belt and Road initiative, for example, aims to create infrastructure linking the Eurasian continent in a manner similar to the silk road of centuries ago. In doing this, China attempts to cement itself as a powerhouse in a trade network spanning across Europe and Asia. At a recent forum regarding the Belt and Road Initiative, European Commission Vice-President Jyrki Katainen embraced the project stating, “Done the right way, more investment in cross-border links could unleash huge growth potential with benefits for us all.”⁶ In addition, several European countries including Italy, Luxembourg, and Portugal have accepted financing for projects related to the initiative. The question arises: will other countries accept this Chinese vision of the future? The willingness to do business with China is not indicative that nations are accepting of their philosophy or political goals. The Belt and Road Initiative is an important matter that Europe should not neglect, considering it directly links China with EU member nations and will affect this vital trade connection.

The most recent, and likely most influential development in the EU-China economic relationship is the Comprehensive Investment Agreement (CAI). This agreement aims to improve market access for investors between China and the European Union. This agreement includes important provisions that prevent China from discriminating against European firms and investors. According to Law professor from the City University of Hong Kong, Julian Chaisse, this is an important step toward China abiding by a rules-based international system. He states, “Domestic Chinese rules can be done and undone at will by China, whereas CAI crystalizes the reforms in international rules that can only be modified after EU approval.” This agreement seems to be the next step to closer economic relations between China and the European Union. But not everyone is satisfied with CAI's implications. Italy and Poland have raised concerns about implications for workers, and many say this agreement has weak enforcement mechanisms⁷. Although negotiations drew to a close in December of 2020, the deal has yet to be ratified by the European Commission or the European Parliament.

III. Political Challenges

The most significant long-standing issue regarding Europe's relationship with China is likely the arms embargo. In 1989, Beijing was host to a notorious anti-government uprising culminating in the deadly Tiananmen Square Massacre. The European Union swiftly instituted an embargo on the sale of weapons to China, fearing that weaponry would be used against Chinese citizens. This embargo still stands today as a point of tension between Europe and China. “The lifting of arms embargo has been a topic for discussion in the EU since late 2003.

⁵ European Commission Directorate-General for trade. (2021). Retrieved April 07, 2021, from <https://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>

⁶ European Commission Vice-President Jyrki Katainen speech at belt and Road forum Leaders' Round Table. (n.d.). Retrieved May 10, 2021, from https://eeas.europa.eu/delegations/china/26154/european-commission-vice-president-jyrki-katainen-speech-belt-and-road-forum-leaders-round_en

⁷ Lai, K. (2021, March 12). Primer: EU-China comprehensive agreement on investment. Retrieved May 10, 2021, from <https://www.iflr.com/article/b1qp5tynld2h1h/primer-eu-china-comprehensive-agreement-on-investment>

The EU, led by France and Germany, agreed that a new code of conduct regulating deliveries of European weapons to Beijing should be prepared to replace the arms embargo”.⁸ The United States’ continued support for the embargo and China’s fierce opposition has left the EU in the middle of this contentious matter.

The European-Chinese relationship showed new signs of life in 2007. German Chancellor Angela Merkel ultimately reintroduced the important aspect of human rights during her visit to China in 2007. In her three-day visit, she struck a cooperative tone regarding tackling climate change, sent a more defiant message about intellectual property law, but also brought up the uncomfortable issue of human rights. Merkel defiantly met with the Dalai Lama. Her spokesman also stating, “Tibet is a human rights issue that we have brought up with China.”⁹ As not only a spiritual leader but a political dissident, this meeting sent a strong message to the Chinese.

The most recent source of tension in Sino-European relations concerns perceived human rights violations on the part of the Chinese. As a leading voice for human rights, the European Union is concerned about the abuses taking place in Xinjiang regarding ethnic minorities, as well as the crushing of political dissent in Hong Kong. There has long been widespread reporting of mass detention of China’s ethnic minorities in the northwestern province of Xinjiang. The United Nations estimates that upwards of 1 million Uighur Muslims are being forcibly detained in state-run reeducation facilities. China fervently denies any human rights violations are taking place. However, in March 2021 Brussels initiated sanctions on four specific Chinese officials accused of wrongdoing. Other Chinese officials were targeted with travel bans and asset freezes. According to the European Council on Foreign Relations “there are mounting concerns within the EU about China’s assertive approach abroad, as well as its breaches of international legal commitments and massive violations of human rights in Hong Kong and Xinjiang.”¹⁰ The Chinese responded harshly, releasing a statement proclaiming, “This move, based on nothing but lies and disinformation, disregards and distorts facts, grossly interferes in China’s internal affairs, flagrantly breaches international law and basic norms governing international relations, and severely undermines China-EU relations.”¹¹ Along with the statement, China imposed similar sanctions on multiple European officials. This matter has not only created a wedge in EU-China political relations but has impacted economic relations by calling in to question the viability of the CAI agreement.

Intrinsic in all recent areas of political dispute is the Chinese understanding of sovereignty. China often claims it has the unilateral right to take any action it sees fit within its borders, even if doing so violates the rights or liberties of its citizenry. Any attempt at accountability amounts to “meddling in China’s internal affairs.” As a global voice for human rights, the European Union has taken an antithetical approach by implementing sanctions. The European Union is by definition an institution of shared sovereignty. Because of this, the EU

⁸ Men, J. (2008). EU-China Relations: Problems and Promises. Jean Monnet/Robert Schuman Paper Series, 8(13).

⁹ Dempsey, J. (2007, September 23). Despite censure from Beijing, Merkel meets with Dalai Lama in Berlin. Retrieved May 10, 2021, from <https://www.nytimes.com/2007/09/23/world/europe/23iht-berlin.4.7609899.html>

¹⁰ Oertel, J. (2020, September 07). The new China consensus: How Europe is growing wary of Beijing. Retrieved April 07, 2021, from https://ecfr.eu/publication/the_new_china_consensus_how_europe_is_growing_wary_of_beijing/

¹¹ Foreign ministry spokesperson announces sanctions on relevant eu entities and personnel. (n.d.). Retrieved May 10, 2021, from https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1863106.shtml

does not seem to buy into the idea that China can take any action under the guides of sovereignty.

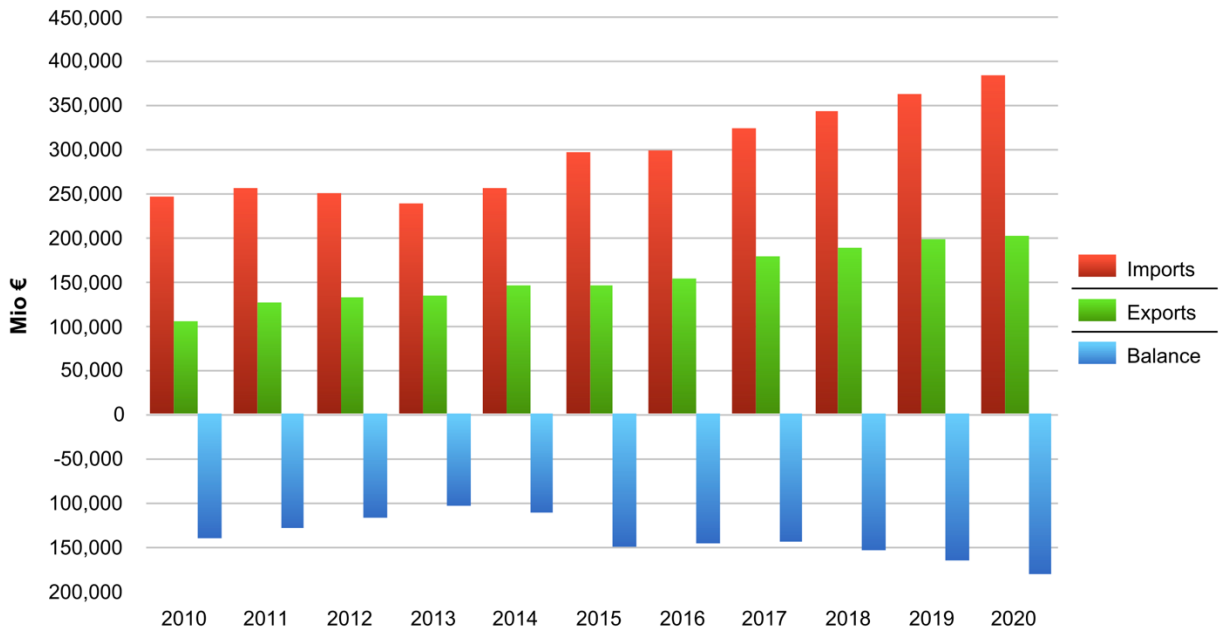
IV. The Future of the Relationship

Although several indicators (including the CAI and Belt and Road initiative) showed a growing economic relationship between China and Europe, this relationship seems to have exited its honeymoon phase quite quickly. In a recent letter to the European Council, Commission President Ursula von der Leyen wrote, “The reality is that the EU and China have fundamental divergences, be it about their economic systems and managing globalization, democracy and human rights, or on how to deal with third countries. These differences are set to remain for the foreseeable future and must not be brushed under the carpet.” In a 2018 study, researchers Chang and Pieke conducted a qualitative study on the trajectory of the Sino-European relationship. By conducting interviews with more than 30 researchers from various think tanks regarding their views on this partnership, they were able to determine common themes. The overarching theme of this study was a reversal of the optimism that existed only a few years ago. Multiple researchers brought up resurgent nationalism within EU member states as an area of great concern. Brexit was brought up not only as an indicator of nationalist sentiment, but as a loss of an economic pillar. These researchers conclude that “the EU’s credibility as a regional and global actor has been deeply compromised from the Chinese point of view...while the EU’s influence and goodwill are waning, China is becoming more self-assured, assertive and influential on the international scene.”¹²

This does not mean that all hope is lost for a tame and productive bond between Europe and China, this simply means that Europe needs a cohesive strategy to accept changing dynamics without compromising on its values. China is a major player on the world stage, and this cannot be avoided. Europe likely does not exhibit the force needed to influence Chinese policy in the way it would like, so the only way forward is through “constructive engagement”. The European Union has the opportunity to engage in areas of common ground whether it be trade or climate change. President Xi Jinping has made clear China’s desire for a multipolar world in the coming years. Europe could find an advantageous place as one of these poles of power. Just as it did in the 1970s to help end China’s era of isolation, Europe could gain an important position as the liaison between east and west. However, it is important that Europe’s way forward is cohesive and unified. In a world between the hegemony of the United States and the rising power of China, European nations must learn to work together or fall into irrelevance.

¹² Chang, V. K., & Pieke, F. N. (2018). *Asia Europe Journal*, 16, 317-331.

Appendix A: *EU Trade Flows and Balance*



Bibliography

- Bindi, F. M. (2012). *The foreign policy of the European Union assessing Europe's role in the world*. Washington, D.C.: Brookings Institution Press.
- Chang, V. K., & Pieke, F. N. (2018). *Asia Europe Journal*, 16, 317-331.
- European commission Directorate-General for trade. (2021). Retrieved April 07, 2021, from <https://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>
- European commission vice-president Jyrki kaitinen speech at belt and Road forum Leaders' Round Table. (n.d.). Retrieved May 10, 2021, from https://eeas.europa.eu/delegations/china/26154/european-commission-vice-president-jyrki-kaitinen-speech-belt-and-road-forum-leaders-round_en
- Foreign ministry spokesperson announces sanctions on relevant eu entities and personnel. (n.d.). Retrieved May 10, 2021, from https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1863106.shtml
- Lai, K. (2021, March 12). *Primer: Eu-china comprehensive agreement on investment*. Retrieved May 10, 2021, from <https://www.iflr.com/article/b1qp5tynd2h1h/primer-eu-china-comprehensive-agreement-on-investment>
- Men, J. (2008). *EU-China Relations: Problems and Promises*. Jean Monnet/Robert Schuman Paper Series, 8(13).
- Oertel, J. (2020, September 07). *The new China consensus: How Europe is growing wary of Beijing*. Retrieved April 07, 2021, from https://ecfr.eu/publication/the_new_china_consensus_how_europe_is_growing_wary_of_beijing/