

EU-CHINA FOREIGN RELATIONS: *TRUE LOVE, SHOTGUN MARRIAGE, OR REBOUND RELATIONSHIP?*

Dr. Lukas K. Danner
Florida International University
Steven J. Green School of International
and Public Affairs (SIPA)
Miami-Florida Jean Monnet Center of
Excellence

Talks with EU speed up amid headwinds

By JING SHUIYU,
ZHONG NAN and XU WEI

China and the European Union are accelerating negotiation of investment and trade deals amid agreement to defend the multilateral trading system, Vice-Premier Liu He said on Monday.

Both sides agreed to firmly oppose unilateralism and protectionism and prevent such practices from impacting the world economy, which could be dragged into recession, Liu said at a news conference after the Seventh China-EU High-level Economic and Trade Dialogue held in Beijing.

Liu said the dialogue was held as unilateralism and trade protectionism are on the rise and tensions have appeared in economic relations between major countries.

China and the EU affirmed the progress achieved in the



As they gather for a group photo at the Diaoyutai State Guesthouse in Beijing on Monday. Vice-Premier Liu He (center), European Commission Vice-President Jyrki Katainen (third from left in front row) and Chinese and EU officials attend the 7th China-EU High-level Economic and Trade Dialogue. ZOU HONG / CHINA DAILY

EU: Mutual needs grow amid isolationism

From page 1

Beijing thinks the consensus reached in the China-EU dialogue is in alignment with the road map and timetable for China's reform and open-

nese investments in key industries, Foreign Ministry spokesman Geng Shuang on Monday urged the US government to view Chinese companies' commercial activities in an objective way.

the beginning of such US measures, experts said.

"The EU should maintain a united front with China to oppose such actions," said Sang Baichuan, director of the Institute of International

As industrial structure and the product quality of high-end manufactured goods between the EU and the US are fairly similar, many European countries should be aware that their

Fu Jing

The author is deputy chief of China Daily European Bureau.
fujing@chinadaily.com.cn

China, EU can work together to help others

With US President Donald Trump intensifying his attacks on globalization and free trade, the European Union has decided to expand its presence and influence on the global stage by largely increasing its "external action" budget. The European Commission has proposed to increase the external action budget to 123 billion euros (\$143.34 billion) for the 2021-27 period compared with 94.5 billion euros for 2014-2020. The 30 percent hike in the "external action" budget is encouraging given the EC's slow growth.

That proposal, however, needs the approval of the European Parliament before it can be implemented.

The EU's efforts are in tandem with China's growing determination to boost international cooperation and development. Even though its per capita GDP is far lower than that of the EU, China set up its own international development and cooperation agency earlier this year in this round of institutional reform.

The EU's efforts are in tandem with China's growing determination to boost international cooperation and development.



OVERVIEW

History of EU-China Relations

Trade Relations

Diplomatic Relations

Changed International Environment (2017-)

EU & Chinese Positions/Strategies

Conclusion & Outlook

HISTORICAL MILESTONES

- 1975: Official relations established (EEC) (+ 1983: ECSC, Euratom)
- 1978: Bilateral trade agreement
- 1985: Trade and cooperation agreement
- 1994:
 - Bilateral trade risen from \$2.4 b. (1980) to \$33.9 b. (1994)
 - Establishment of political dialogues
- 1995:
 - EU: “Building a Comprehensive Partnership with China”
 - Some sectoral dialogues established
- 1998: Creation of the summit meeting system

- 2003: Launch of a comprehensive strategic partnership to tackle global challenges
 - Bilateral trade risen from \$33.9 b. to \$100 b.
 - China takes number two spot after the U.S. to overtake Switzerland
 - EU: “A maturing partnership - shared interests and challenges in EU-China relations”
 - PRC: China’s EU policy paper

- 2006: The EU's rising trade deficit:
 - China's exports to the EU
 - US\$19.09 billion in 1995 US\$181.98 billion in 2006
 - China's imports from the EU
 - US\$21.25 billion in 1995 US\$90.32 billion in 2006
 - EC: "EU-China: closer partners, growing responsibilities" / "A policy paper on EU-China trade and investment: Competition and Partnership"

- 2008/2010: China emerged as a financial saviour in Global Recession/ Eurozone Crisis



■ 2013:

- Decision to launch negotiations on a comprehensive investment agreement
- EU-China 2020 Strategic Agenda for Cooperation

■ 2014:

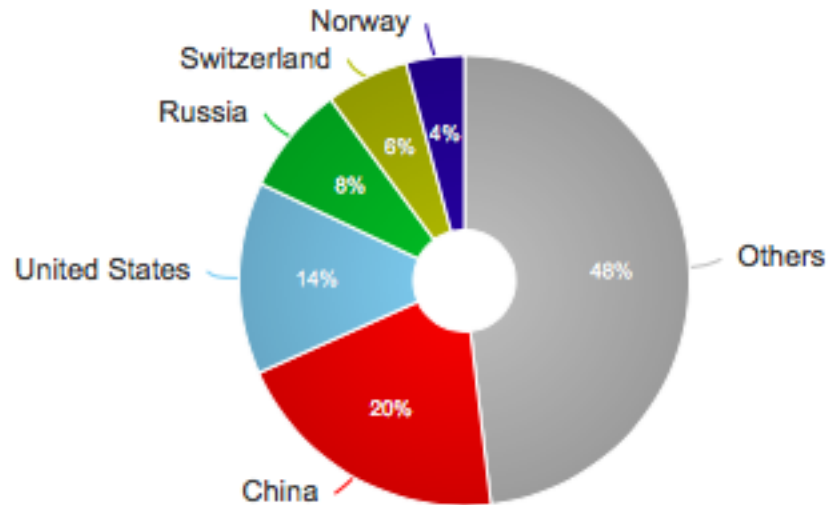
- “China's Policy Paper on the EU: Deepen the China-EU Comprehensive Strategic Partnership for Mutual Benefit and Win-win Cooperation”

■ 2016: Elements for a new EU strategy on China (EC HRFASP):

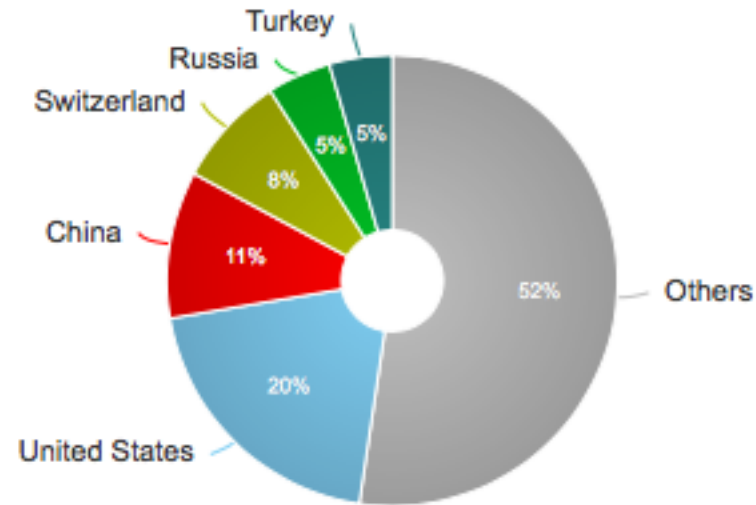
- “Seize new opening to strengthen its relations with China
- Engage China in its reform process ... [to] result in mutual benefits ...
- Promote reciprocity, a level playing field and fair competition ...
- ... negotiation on a Comprehensive Agreement on Investment ...
- [BRI w/ conditionality]
- ... UN and G20 responsibilities ...
- [HR]
- Maximize EU cohesion and effectiveness in its dealings with China”

TRADE RELATIONS: EU SIDE (2017)

Imports



Exports

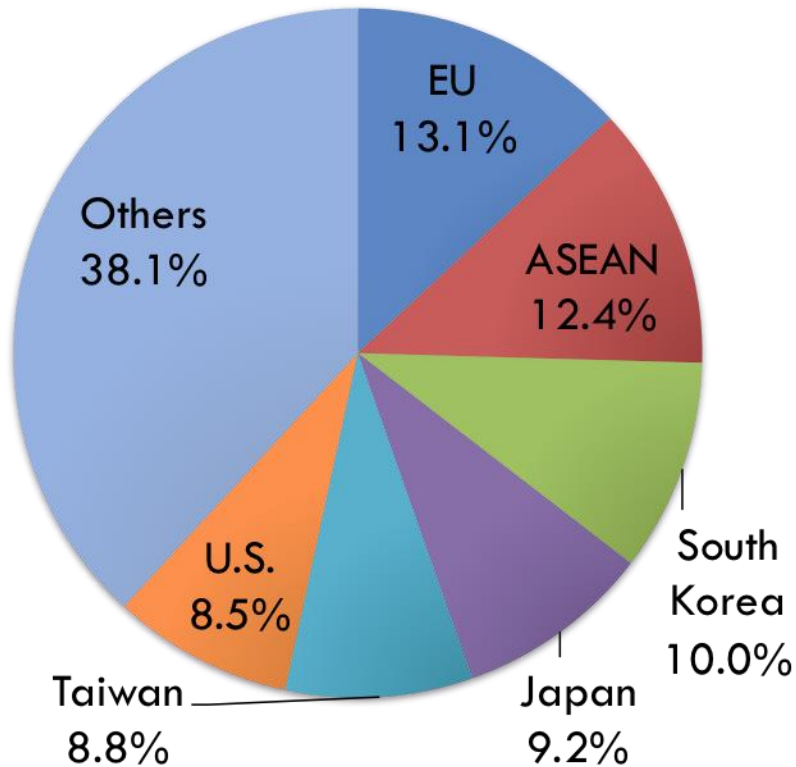


China is the EU's second largest trading partner after the US

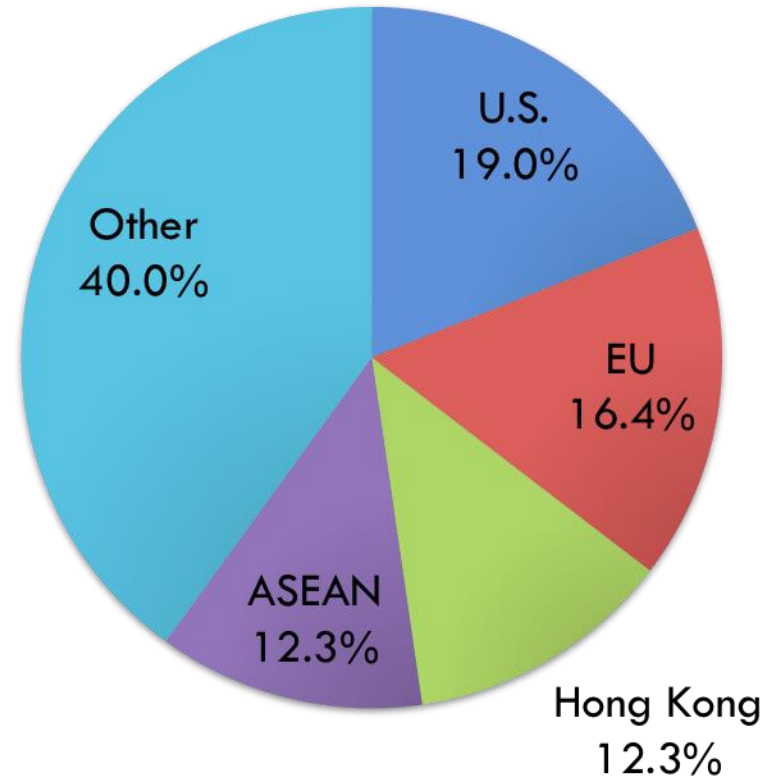
Source: European Commission

TRADE RELATIONS: PRC SIDE (2017)

Imports



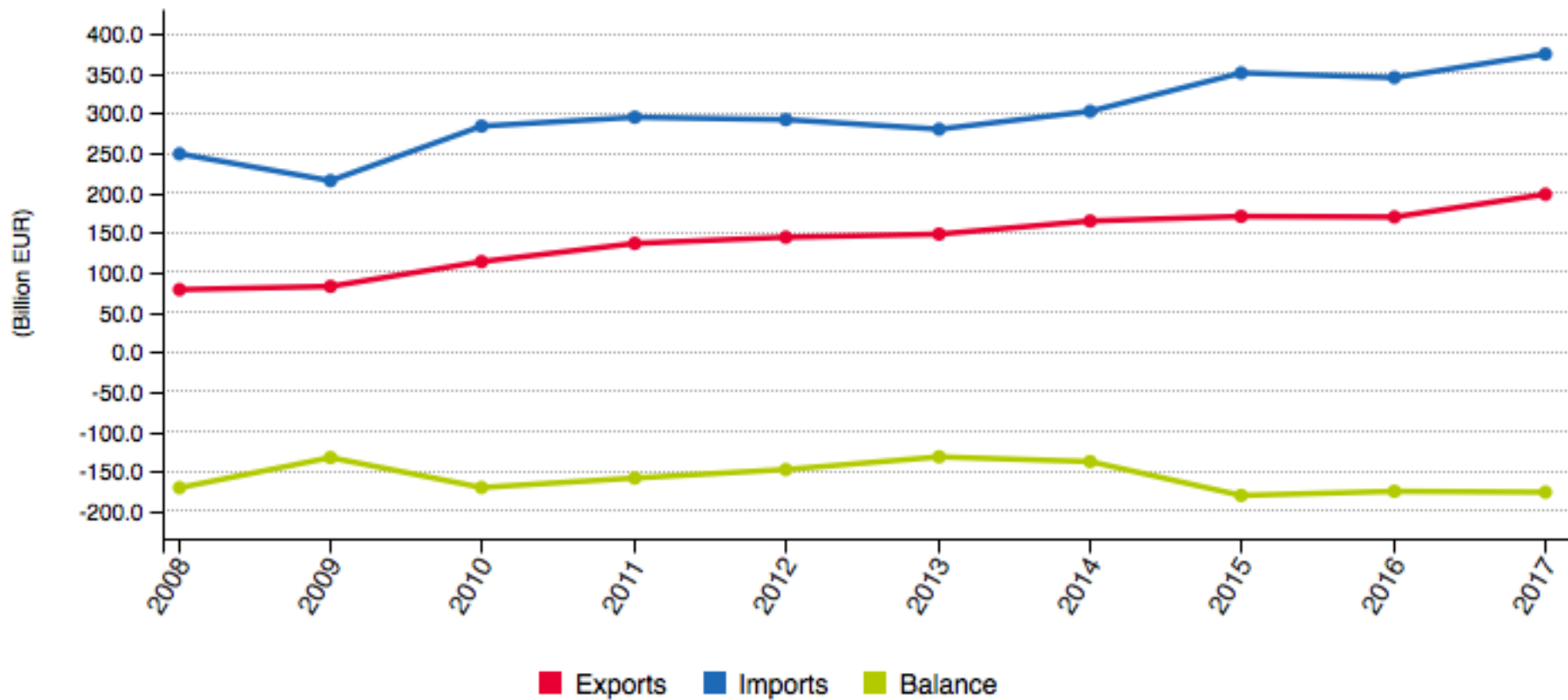
Exports



The EU is
China's
largest
trading
partner

Source: WTO

IMPORTS, EXPORTS, TRADE BALANCE PRC → EU (GOODS; 2008-2017)



EU imports from China are dominated by industrial and consumer goods: machinery and equipment, footwear and clothing, furniture and lamps, and toys. | EU exports to China are mainly machinery and equipment, motor vehicles, aircraft, and chemicals.

NEGOTIATIONS OF EU-PRC INVESTMENT AGREEMENT

1985: Trade and Cooperation Agreement

2007: Negotiations for a Partnership and Cooperation Agreement were launched during 10th EU-China Summit (without result)

2013: Launch of negotiations for Investment Agreement to include liberalizations of investment and restriction removal for investors in both markets

SUMMITS AND DIALOGUES

Annual EU-China Summit (Presidential level)

Annual EU-China High Level Economic and Trade Dialogue (EU VP+EU Comm.; PRC VPM+PRC Min.)

Annual Joint Committee on Trade (Ministerial level)

Annual Trade and Investment Policy Dialogue (Dir.-Gen. level)

Annual Economic and Trade Working Group (Exp-to-exp disc)

Biannual People-to-people dialogue

NEW PHASE? CHANGED INT'L ENVIRONMENT

Trump's challenge to *status quo* of the multilateral global order

EU-side

NATO
Climate change
Un-supporting European
integration (Brexit)
G7 (Canada)
Nuclear non-proliferation (Iran)
Alu/steel tariffs

PRC-side

- Stirring up the Korean peninsula (2017)
- Climate change
- Questioning One-China-Policy
- Nuclear non-proliferation (Iran)
- Alu/steel tariffs & further tariffs vs. PRC (July)
- Trade surplus/currency manipulation/Chinese int'l students in U.S. rhetoric

EU STRATEGY/BEHAVIOR TOWARDS PRC

Cooperation in trade, investment & foreign aid

- AIIB (⇔ U.S.)
- BRI/OBOR (⇔ U.S.)
- Preserving the multilateral global order (⇔ U.S.)
- Mutual investment treaty negotiations

Climate change (⇔ U.S.)

Nuclear non-proliferation (⇔ U.S.)

Alternative partner to the U.S. / attention-seeking behavior (⇔ U.S.)

➔ Behavior driven by EU's liberal economic & European values/norms interests & the preserving of the multilateral global order

PRC STRATEGY/BEHAVIOR TOWARDS EU

Balance of power / breaking of U.S. alliances / divide and rule

- e.g., 2016: Working together w/ Hungary & Greece to prevent an EU condemnation of China's non-acceptance of tribunal ruling regarding the South China Sea

Trade, investment & foreign aid

- AIIB & BRI/OBOR
- Investment in European companies & Loans to Europeans (2009/2010-)
- Mutual investment treaty negotiations
- “Side-door approach” (IS, NO, SUI)

Climate change & Nuclear non-proliferation

Filling the U.S.'s void in global leadership / status-seeking

➔ Behavior driven by PRC's liberal economic/world trade interests, balance of power calculations and search for status

SUMMARY

EU-China relations have moved to a new phase of closer cooperation

Common basis of cooperation:

- Economic interdependence & trade interests (free trade, BRI/AIIB, ...)
- Shared understanding of maintaining the multilateral global order (free trade, ...)
- Climate change cooperation (Paris)
- Nuclear non-proliferation (Iran)

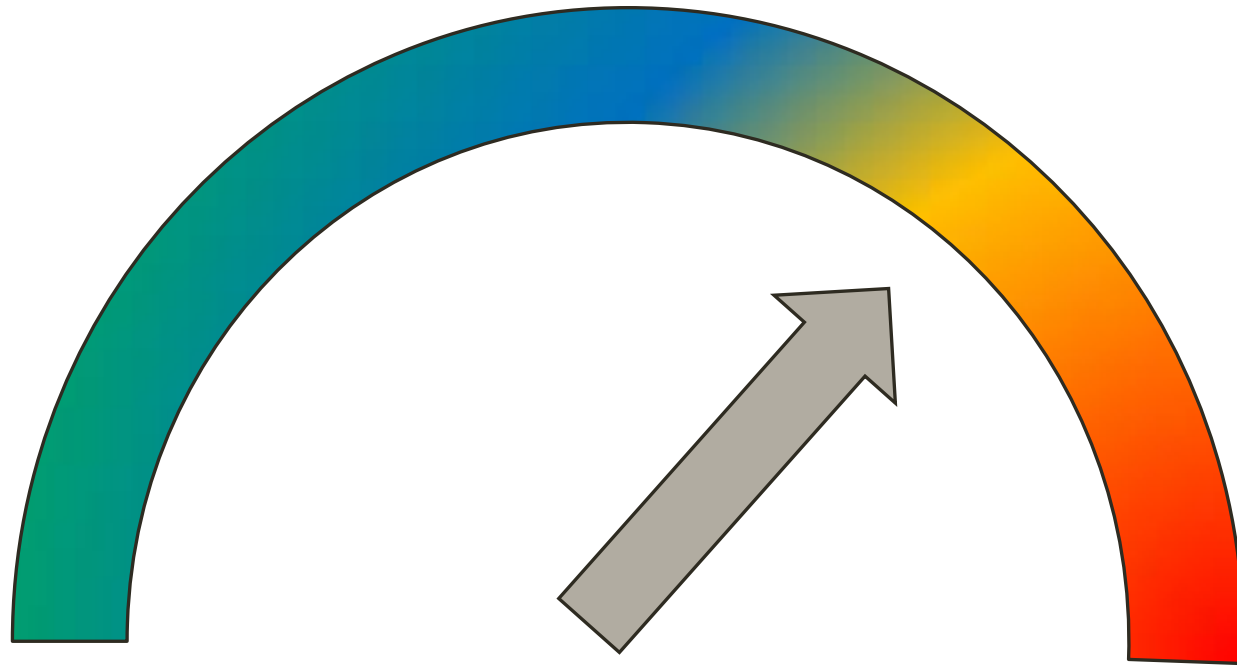
Different motivations

Sustainability of the partnership will also depend on whether Trump gets re-elected and the post-Trump United States

Shotgun
Marriage

True Love

Rebound
Relationship



THANK YOU