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

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Talks with EU speed up amid headwinds

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China and the European Union are accelerating negotiations 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 Europa-EU dialogue is in alignment with the road map and timetable for China’s reform and open.

The EU and China are working together to boost international cooperation and development. Even though its per capita GDP is far lower than that of EU, China is one of the leading development and cooperation agency earlier this year in this round of institutional reform.

EU: Mutual needs grow amid isolationism

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Beijing thinks the consensus reached in the China-EU dialogue is in alignment with the road map and timetable for China’s reform and openness and China will continue to promote reform and openness.

The beginning of such US measures, experts said, “The EU should maintain a united front with China to oppose such actions,” said Sang Baiqiu, director of the Institute of International and European Studies.

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 they can also benefit from cooperation with China.

The EU’s efforts are in tandem with China’s growing determination to boost international cooperation and development.
China’s designs on Europe
OVERVIEW

- History of EU-China Relations
- Trade Relations
- Diplomatic Relations
- Changed International Environment (2017-)
- EU & Chinese Positions/Strategies
- Conclusion & Outlook
HISTORICAL MILESTONES

- 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
- China’s imports from the EU
- 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”
China is the EU’s second largest trading partner after the US.

Source: European Commission
The EU is China’s largest trading partner.

Source: WTO
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/AlIB, …)
- 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
THANK YOU