



THE EU-CHINA RELATIONSHIP

EUROPEAN PERSPECTIVES

A Manual for Policy Makers

Kerry Brown *(Editor)*

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A Manual for Policy Makers

*Dedicated to Chloe Sageman, Angelika Meier and Rosheen Kabraji, for their help
and assistance over the last few years during the ECRAN project*

About the Editor

Kerry Brown is Professor of Chinese Politics and Director of the China Studies Centre, University of Sydney and Team Leader of the Europe China Research and Advice Network (ECRAN) funded by the EU. He is also an Associate Fellow of Chatham House, London. He was previously Head of the Asia Programme at Chatham House, London and a member of the British Diplomatic Service from 1998 to 2005, serving as First Secretary, British Embassy Beijing 2000–2003 and Head of the Indonesia and East Timor Section 2003–2005. Educated at the universities of Cambridge (MA) and Leeds (PhD), he is the author of *Purge of the Inner Mongolia Peoples Party* (Global Oriental Ltd, 2006), *Struggling Giant: China in the 21st Century* (Anthem Press, 2007), *The Rise of the Dragon: Chinese Inward and Outward Investment in the Reform Era* (Chandos Publishing Ltd, 2008), *Friends and Enemies: The Past, Present and Future of the Communist Party of China* (Anthem Press, 2009), *Ballot Box China* (Zed Books Ltd, 2011), *China 2020* (Chandos Publishing Ltd, 2011), *Hu Jintao: China's Silent Leader* (World Scientific, 2012), *Contemporary China* (Palgrave Macmillan, 2013), and *The Networked Leadership: China's Fifth Generation Leaders* (Forthcoming).

Introduction

Kerry Brown, Team Leader, ECRAN

The relationship between the EU and China is one of the most important of the 21st century. They are vast trading partners, and enjoy multiple links with each other. Indeed, the complexity of these connections is something that would be hard to map adequately. From regions, to Member States, right up to the EU central administration, there are dialogues across almost every conceivable sector, and which permeate areas as diverse as civil society, sustainability and culture. From a period in the mid-1970s when China was remote to Europeans, and even the act of travelling there arduous and indirect, there are now millions of passengers travelling along direct routes from multiple centres in the EU and China to each other every year. A full comprehension of EU–China relations, in spite of its full richness and complexity, is critical for those who want to truly understand contemporary international politics, security and economy. It is a much misunderstood relationship, and one that does not have the high profile it deserves. The essays in this collection, by some of the world's leading experts on EU- and China-related issues, should help in getting to terms with this relationship.

The chapters here were all commissioned as part of the Europe China Research and Advice Network (ECRAN). This was established in early 2011 after a competitive tendering process, with the remit to supply policy advice, analysis and research to the EU and the Member States. This is the first collection of short papers issued as a result of the project, which was funded by the EU.

ECRAN was built on previous projects which had focused on creating a wider network of advice across the expert communities within the EU with knowledge of China. There was recognition that, in universities, companies, think tanks and other places, people were engaged in multiple areas dealing with China and its contemporary society, economics and political development, and that these groups needed to be better brought together so that their insights and expertise could be

readily available for policy makers. With the establishment of the European External Action Service (EEAS) after the implementation of the Lisbon Treaty in 2009, a designated diplomatic service for the European Commission existed and it was necessary to give its officials access to good-quality advice, based on long engagement and first-hand experience.

The study of China in Europe has a history of almost two centuries, with the Sorbonne in Paris and the Universities of Oxford and Cambridge in the UK having some of the earliest sinology departments. The development of Chinese studies has, however, been slow, with clusters of people studying its language, history and culture spread across different departments in universities. Things became even more complicated with the isolation of the People's Republic of China (PRC) after its foundation in 1949, and the subsequent intense politicisation of the study of modern China.

By the second decade of the 21st century, however, with the growth in importance of the PRC's economy and its opening up to the outside world, more and more colleges, schools and university departments across the whole of the EU began to either acquire capacity in some areas of the study of modern China, or to increase and enhance what they already had. Increasing numbers of students started to take an interest in studying China either for reasons of their future career, or for its intrinsic interest. More often than not, they did it for both reasons.

The expanding political and economic engagement between the EU and China also necessitated attempting to create a better bridge between these diverse and dispersed expert academic communities and the policy makers working in Brussels and elsewhere in government in the Member States. One of the main impetuses therefore behind the creation of ECRAN was to fill this unmet need, and to draw together those with expertise in the contemporary politics, society and economy of China. A network of almost 300 throughout the 28 Member States was established, many in major universities or with demonstrable long-term experience and expertise in the research and analysis of trends in modern China. These formed the key component of the project.

From 2011, ECRAN undertook four core activities. The first was to commission, after competitive tendering, long papers of up to 20,000 words on issues ranging from analysis of the 12th Five Year Programme issued in 2011, to research on different types of social unrest within China, and the dynamics of nationalism as it developed in the country. Some of these papers have been published, and many have been made available in a series of books issued in 2013. Over 25 such

long papers, some single authored and some joint authored, by internationally recognised experts have been issued, all of them peer reviewed to the highest scholarly standards, breaking new ground in the ways in which they approach subjects and the field research they contain.

The second strand of the project was to undertake special briefings for the EEAS, the Member States and the Directorate Generals within the European Commission. Bespoke briefings deploying key experts in the EU were arranged, mostly in Brussels, which covered issues ranging from prospects for US and China relations, to the Chinese leadership transition in 2012–2013, and the maritime border disputes in the East and South China Seas which had intensified from 2009. In addition to these focused events, the third strand arranged large-scale public events, with annual events held in Brussels, and then subsidiary events covering specific issues held in Ireland, Poland, Belgium, the Czech Republic and the UK with local partners. These helped to inform public engagement and debate about relations between the EU and China, and about how to improve understanding of Chinese politics and economic behaviour. Those in attendance included journalists, policy makers, members of the public and academics.

The final element of the project, and perhaps the most important, was to commission short papers, which were usually an *ad hoc* response to events and where the EEAS and Member States felt there was a need to have an outside expert perspective. A selection of these short papers is contained in this collection. The authors commissioned include some of Europe's most experienced and accomplished experts on China. They come from across the EU family of nation states, from Germany, to Bulgaria, Romania, Italy, France, Sweden and Hungary.

The short briefing papers produced for ECRAN have a specific format, which is worth explaining in order to help to understand fully how the different chapters in this book are presented and structured. They were written for busy policy makers, some of whom had no background in the issues being discussed, and therefore had to avoid as far as possible technical language, and explain any specialist background or context. They had to be succinct, and in a highly user-friendly format, with the executive summary containing everything that was key to the rest of the paper, and serving as 'utterly indispensable things to know' for those too busy to even read the rest of the content. Their content is also very much policy-oriented, and this explains some of the prescriptive language that these reports contain. They are geared towards suggesting ideas and approaches for policy, rather than being solely analytic pieces.

The worlds of academia and policy making, whether in government or other fields, are famously different. For the former, neutrality is important, with the impartial collection and weighing of evidence, and the provision of good analytic conceptual frameworks constituting some of the key elements of their work. For policy makers, however, the main dynamic, especially in foreign policy, is to come up with pragmatic, workable proposals that can guide action. In dealing with China, the challenges are particularly steep in this area. China has a wholly different political system to the members of the EU, it has a different understanding of the role of the state in the economy, and has been developing in ways far more rapid and on a greater scale than that ever seen in Europe, where the processes of modernisation and industrialisation occurred over several decades rather than just two to three. For this reason, framing constructive policy about China for the EU, especially with the challenges of forging consensus on this across the Member States, is hugely complex.

Despite this, or in fact precisely because of it, the necessity of having good policy is great. The option of not having some overarching guidelines for engagement does not exist. The EU, with its High Level Strategic Dialogue with China, and with 56 strategic dialogues in political, economic and social areas, has to somehow devise a workable overarching narrative of its objectives in engagement with China. This tends to be easier in the economic realm (although there, on the issue of market access and subsidies, it can be tough enough) than it is in the political, where the EU enjoys a famously testy and difficult dialogue with China on issues like human rights and the rule of law. These are explored in some of the papers in this collection. Good-quality analysis based on a solid empirical foundation is therefore a massive help for policy makers. It can deepen their understanding of a particular issue, and supply them with bespoke material that gives them context, impartial advice and fresh ideas. The short papers here are examples of such material.

Each of these pieces has to be read in the context of the EU's relation with China from 2011 to 2013. The dominant motifs of this period were the deepening and ongoing crisis in the eurozone, and the immense impact this had on both Europe's economic and political confidence. The word 'crisis' was used densely over this period, with one high-level dialogue with China actually cancelled in late 2011 because of the gravity of the problems within the eurozone. While these problems eased up a little into 2013, it is clear reading through some of the material here, particularly the section on economic relations, that this had a direct impact on the way in which the EU actually related to China. There was a tangible

sense as the world's largest single economic area was coming to an awareness for the first time that the fastest-growing emerging economy, and already the world's second largest by this period, was a radically different entity to the one that had existed even a decade or so before. The relationship therefore moved into a period of sharply different dynamics, where the Chinese internal market with its promise of growth was seen as critical for Europe's future success, and the EU market, while still immensely important, as one fated in the coming decades to either stagnate or even to decline in importance.

Europe was still the single most important economic actor in this period, and predictions of its demise were often over stated. Even so, there was a sense in which those engaged as policy makers and observers of the relationship over this period saw a profound underlying change. China was, as some of the contributions on its international affairs make clear, viewed as being more assertive in its attitude to the world outside. On issues from trade to climate change, to criticisms of its own internal rights system, it was far less willing to hear external lecturing and more expectant on being viewed as an equal partner. We can see in these papers therefore a view of a relationship in transition, and of two major parties, the EU and China, undergoing significant and historic internal change.

These papers are focused in particular on the issues that mattered to Europe, and one of the key questions given to all of the authors was to relate the issues they were addressing to Europe, and give a clear indication of where Europe's interests should lie, and what sort of involvement or impact it might seek. Of course, some issues, like the crisis around North Korea, were remote and ones in which the EU had no direct say in beyond being a concerned international player. Others, like the relations between the US and China, were immensely significant to the EU and were observed keenly. Issues of labour or social unrest and development within China related directly to the stability of the country, and to the investment, geopolitical and security interests of the EU. There were few issues in which, at the very least, the EU did not have an interest, even if it had no direct link.

One value in publishing these treatments, beyond the intrinsic merits of each, is that they give an audit — at a particular, critical moment — of the EU's understanding of one of its major trade and political partners. In that sense, more than being simply about China, these are also papers that let the EU see itself more clearly through interaction with a power that is dynamic, changing and often asks hard questions. There are often no easy answers when dealing with China. The clampdown within China that occurred as a result of the Jasmine Revolutions from

2010 in the Middle East in particular threw up unexpected issues, both in the ways in which China responded diplomatically, but also in terms of the ways in which it guarded its own domestic polity. China's impact in Africa also lacked a straightforward pattern, with some seeing it as being a force for good through its developmental impact, and others criticising it for its negative human rights influence. On these issues, the EU had to think hard about its own core values, especially when it was faced by a more complex international situation, and a China that was often less willing to listen to external voices that criticised it and felt emboldened by its own strong growth over this period.

We have here therefore an overview of the core relationship, but also of EU perspectives on it. The authors, from their diverse backgrounds, give voice to often very different treatments of China, and also to different frameworks by which to understand it, and to understand the EU's relationship to it. Some of the treatments here are critical and placed within a clear context in which the EU has absolute values on which it has to stand and where it cannot compromise. Others ask questions about how the EU might do more to internalise and engage with the role that China is playing internationally. These shifting perspectives help us to understand better the complexity and evolving nature of this hugely important but often vexed and mutually frustrating relationship.

It is important to stress here that, while policy briefs, these papers are *not* expressions of EU policy, and should not be read as such. Nor are they formal expressions of policy for any of the organisations which authors are indicated as affiliated to. They were offered by experts on a personal basis, and contain advice and perspectives which were impartial. This disclaimer is important. The EU is often criticised for its approach to China, and to the way in which it frames policy. These papers however should not, and cannot, be used as ammunition for those who want to attack the EU. For this, they will need to look elsewhere. Each of the papers in this collection were written with the clear understanding that they should contain good quality, impartial advice, and that their contents might assist policy makers in their discussions and thinking. But they carry no official mark of approval and are not in any way expressions, or indication, of EU policy.

The ECRAN project divided its work into three core areas — politics, society and economics. I am grateful to the key experts in these areas, who helped in the selection of authors to write specific papers, the articulation of frames of reference and the peer review of the papers once they were completed. For politics, this was Professor Shaun Breslin of Warwick University. For economics, it was Professor Shujie Yao, and for society Professor Lina Song, both of Nottingham University.

I am immensely grateful for their help in this area and for the ways in which they helped to improve the contributions. In collecting these papers, I have created a wider classification, adding international relations and also a broader initial selection of papers that deal with the overall context of the relationship.

There are, of course, differences not only between the traditions of sinology within the Member States, but also between each individual author. So while each author was asked to provide an executive summary, main points, an argument and then policy recommendations, it was also important to maintain the different perspectives, and stylistic characteristics of each author. I hope that comes through in what is written here. It is also extremely important to stress that these pieces are published as they were written, and that therefore some of the information they contain is out of date. The date of their writing is clearly indicated at the head of each piece, and so they should be read as up to date at this time. I have wanted to present the immediacy of the works, and their topicality rather than trying to revise and change them. Nor are they densely referenced. This is once more due to their function as policy briefings, not academic writings, despite the considerable scholarship they are based on. Each of these papers has been produced by people who have extensive experience in their area, and as such is a digest; a distillation of their advice and knowledge on a particular area. For that reason, references have been kept to a minimum, though we have added brief suggestions for further reading at the end which can help explore broader areas beyond the treatments given here.

I am grateful to all of the authors for their work on these papers, but also to Chloe Sageman and Angelika Meier for all they have done for the ECRAN project, and to colleagues at the EEAS and across the Member States who have participated in the ECRAN project and supplied feedback. I am also grateful to Imperial College Press for its assistance in making these important papers available to a wider public. These show the deep and lively engagement throughout the Member States on matters relating to its relations with China, and for that reason deserve a wide audience. It has been a huge privilege to have worked on the ECRAN project and to have had the opportunity to learn from so many accomplished and learned colleagues. I am sure that it has enriched, assisted and deepened policy making thinking and has been of immense service to a relationship that simply has to work and improve in the years ahead.

Kerry Brown
Sydney
July 2014

Abbreviations and Acronyms

ACFIC	All-China Federation of Industry and Commerce
ACFTU	All-China Federation of Trade Unions
ADB	Asian Development Bank
AML	Anti-monopoly Law
AMS	Academy of Military Sciences
APA	Administrative Procedure Act
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Form
ASEAN	Association of Southeast Asian Nations
bcn	Billion cubic metres
BIT	Bilateral investment treaty
bn	Billion
BoC	Bank of China
boe/d	Barrels-of-oil-equivalent per day
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
CO ₂	Carbon dioxide
CAS	Center for American Studies at Fudan University
CASS	Chinese Academy of Social Sciences
CATIC	China Aviation Technology Import-Export Corporation
CBRC	China Banking Regulatory Commission
CCB	China Construction Bank
CCCWS	China Center for Contemporary World Studies
CCIEE	China Center for International Economic Exchanges
CCP	Chinese Communist Party
CCS	Carbon Capture and Storage
CDB	China Development Bank
CDM	Clean Development Mechanism

CEPRI	China Electric Power Research Institute
CFISS	China Foundation for International Strategic Studies
CFIUS	Committee on Foreign Investment in the United States
CICIR	China Institutes of Contemporary International Relations
CIIS	China Institute of International Studies
CISS	China Institute for International Strategic Studies
CIRC	China Insurance Regulatory Commission
CIS	Commonwealth of Independent States
CLCS	Commission on the Limits of the Continental Shelf
CMC	Central Military Commission
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
CNPCI	China National Petroleum Corporation International Ltd
CNPCIW	China National Petroleum Corporation International Watan
COASI	Asia-Oceania Working Party
COFCO	China National Cereals, Oil and Foodstuffs Corporation
CPB	Communist Party of Burma
CPPCC	Chinese People's Political Consultative Conference
CRF	China Reform Council
CRI	China Radio International
CSES	China Society for Environmental Sciences
CSR	Corporate social responsibility
CSRC	China Securities Regulatory Commission
DFID	UK Department for International Development
DOC	Declaration on the Conduct
DPRK	Democratic People's Republic of Korea/North Korea
DRC	Development Research Center of the State Council
EA	Enterprise Annuity
EAS	East Asian Summit
ECLAC	Economic Commission for Latin America and the Caribbean
ECRAN	Europe China Research and Advice Network
ECS	East China Sea
EEAS	European External Action Service
EEZ	Exclusive economic zone

EFSF	European Financial Stability Facility
EIA	Environmental Impact Assessment
EMU	Economic and Monetary Union
ESM	European Stabilisation Mechanism
ESPO	East Siberia Pacific Ocean
ETIM	East Turkestan Islamic Movement
EU	European Union
EUISS	European Union Institute for Security Studies
EUR	Euro
FALG	Foreign Affairs Leading Group
FAO	Foreign Affairs Office
FATA	Federally Administered Tribal Areas
FDI	Foreign direct investment
FDRA	Federal Democratic Republican Alliance
FIT	Feed-in tariff
FLE	Fundamental Law of Education
FSB	Financial Stability Board
FTA	Free trade agreement
FYP	Five Year Programme/Five Year Plan
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Co-operation Council
GDP	Gross domestic product
GHG	Greenhouse gas
GM	Genetically modified
GSM	Global System for Mobile Communications
GTI	Greater Tumen Initiative
GW	Gigawatt
ha	Hectare
HNWI	High net worth individual
HRZ	Haier-Rube Economic Zone
HW	Hazardous waste
IA	Individual account
IAS	Institute of American Studies at CASS
ICBC	Industrial and Commercial Bank of China
ICJ	International Court of Justice

IES	Institute of European Studies at CASS
IIS	Institute of International Studies at Tsinghua University
IMF	International Monetary Fund
IP	Intellectual property
IPO	Initial public offering
IPR	Intellectual property rights
ISAF	International Security Assistance Force
ISW	Industrial solid waste
ITLOS	International Tribunal of the Law of the Sea
IWEP	Institute of World Economics and Politics
JDA	Joint development agreement
Jl	Jamaat-e-Islami
JUI	Jamaat-e-Ulema-e-Islami
KMT	Kuomintang
LAL	Land Administration Law
LFG	Landfill gas
LNG	Liquefied natural gas
m	Million
M&A	Mergers and acquisitions
MCC	China Metallurgical Group
MEP	Ministry of Environmental Protection
MFN	Most-favoured-nation
MNC	Multinational company
MOF	Ministry of Finance
MOFCOM	The Ministry of Commerce of the People's Republic of China
MOFTEC	Ministry of Foreign Trade
MOHURD	Ministry of Housing and Urban-Rural Development
MoU	Memorandum of Understanding
MSDF	Maritime Self-Defense Force
MSI	Motorola Solutions
MSW	Municipal solid waste
NATO	North Atlantic Treaty Organization
NC	Nepali Congress
NDRC	National Development and Reform Commission