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Trends in Globalization and Development of China-EU Relations

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I. New Changes in China-Europe Relations

The year of 2016 sees the China-Europe relations losing momentum and entering a new period of adjustment. There were several "windows of opportunity" in China-Europe relations in 2016, including the European Union's issuance of a policy paper on China, the EU-China Summit, the G20 Summit and the United Nations Summit for Refugees and Migrants. However, none of these occasions have become a push for Sino-EU relations. The "hot" relations of the past few years seem to be cooling down. In particular, unlike in previous years, the EU-China Summit held on July 12th-13th has rendered little results.

Europe's own problems are the main cause for the loss of momentum of China-Europe relations. The European refugee crisis erupted in the autumn of 2015 and the Brexit Referendum on June 23rd, 2016 have posed new uncertainties to the European integration. The widening gap between rich and poor, the rise of anti-globalization sentiment, the surge of terrorist attacks, etc., have also aggravated the difficulties in Europe. These have ramifications for the China-Europe relations.

First, thanks to the uncertain prospect of European integration, the EU and its member states have to focus on their own business and pay only lip service to their external relations. Brexit has caught European politicians unprepared. However, it has neither collapsed the EU at once nor deepened the integration. Rather, it has dragged European politicians into intensive and long negotiations. Only after the end of the negotiations can the future of Europe be clear. In addition, though the number of refugees flooding to Europe has been under control[2], the challenges posed by refugees from heterogeneous cultures has only just begun. Several terrorist attacks took place recently have been widely regarded as a result of the massive influx of refugees[3].Though the EU has issued *Shared Vision, Common*

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[1]   Speech given on the 13th seminar for "Taiwan Issue in China-Europe Relations", Shanghai, October 10th, 2016. Contact information: huangjing@cicir.ac.cn.

[2]   Only 240,000 refugees registered in Germany during January – July 2016, much less than in 2015 and far less than the excepted. See: "The number of refugees to Germany has greatly reduced since this year", Berlin, August 11th, 2016 (Xinhua News Agency).

[3]   Major terrorist attacks included a gun fire which took place in an international train from Amsterdam, Netherlands to Paris, France on August 21st, 2015; several attacks which took place under the jurisdiction of Paris, capital of France and claimed at least 130 lives; two explosions successively taking place in Zaventem Airport, a suburb of the Belgian capital Brussels and a subway station near the headquarters of the European Union in the urban area on March 22nd, 2016; a terror event in which a truck was deliberately driven into crowds celebrating Bastille Day and watching fireworks in Nice, a coastal city in the south of France, in the evening of July 14th, 2016, resulting in the death of at least 80 people; an axe attack in which a 17-year old Afghan refugee injured 21 passengers with an axe on a train near Wurzburg of Bavaria in the south of Germany in the evening of July 18th, 2016; a

Action: A Stronger Europe specifying its world view and global strategy in June 2016[4], it can hardly distract from its internal disorder. Germany and its Chancellor Angela Merkel, after fighting various crisis, have been seen as the leader of the EU. However, due to historical, cultural and political constraints, Germany prefers driving from the back seat. It tries to foster consensus within the EU in a rather low key manner. To some extent, the EU has lost its strength and interest in leading, planning for and promoting China-Europe relations. In cooperation with China on "One Belt One Road" (OBOR), China's pet initiative, most European countries (especially small ones) are interested in taking a free ride. Most European countries will ask no more as long as China does not spoil international rules and help them with the refugees.

Second, the anti-globalization sentiment inside Europe has also fettered its relationship with China. European right-wing populists, after the sovereign debt crisis, are mainly against the EU and the immigrants. Later, against the backdrop of a new wave of new-generation free trade negotiations, they add anti-free-trade and anti-globalization into their arsenal. (1) This has affected China-European trade relations. The EU frequently adopts anti-dumping, anti-subsidy measures as trade protection instruments. There were 9 cases of EU anti-dumping, anti-subsidy and adoption of trade defense instruments in 2013, including 6 against China; 16 cases in 2014, including 6 against China; 6 cases in 2015, including 4 against China. Besides, the EU shows not much enthusiasm about a rapid conclusion of bilateral investment agreement with China or opening the free trade talk, both of which have been highly valued by the Chinese side. The prospect of a China-EU free trade agreement is even less bright after the EU's free trade talks with the United States is in a stalemate. Worse still, the EU, while reluctant to grant China the Market Economy Status, has linked China's excessive steel production capacity to unemployment and other issues in Europe. On the EU-China Summit in July, both parties wisely avoided the market economy status issue. However, if the issue is not solved, China-EU relations have difficulties to get back to track.

(2) Chinese investment in Europe and China-European cooperation on OBOR have also been affected. Europe is part of the Silk Road Economic Belt, according to China's design of OBOR, and has shown unexpected potential. A dozen European countries have joined the China-led Asian Infrastructure Investment Bank AIIB despite US warning. However, European political and social risks have hindered further cooperation on OBOR. The Brexit referendum is the most telling example. Theresa May, UK's new Prime Minister, suspended the Hinkley Point Nuclear Power Plant Project soon after she took office, putting the "golden era" of

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hostage kidnapping event which took place in a town church in the suburb of Rouen in the northwest of France on July 26th, 2016 with the robber cutting the throat of the priest.

4   "Shared Vision, Common Action: A Stronger Europe: A Global Strategy for the European Union's Foreign And Security Policy", June 2016, https://europa.eu/globalstrategy/sites/globalstrategy/files/eugs_review_web.pdf.

China-UK relations at risk. Osborne, the Chancellor of the Exchequer in support of friendly relationship with China was forced to step down, which is also a great loss to China.

Third, due to the changes within Europe, China is now re-examining its relationship with Europe. Since the global financial crisis and the European debt crisis, there has been a positive change in China-EU relations, the "fastest growing" bilateral relationship among the foreign relations of Europe, and Europe has also become an important pillar in China's global power diplomacy. There is a mutual judgment that Europe regards the rising China as a possible partner while China considers Europe as an important pole because European integration is not losing steam. Elites of Europe and China have gradually come to this judgment through observation and discussion - a realistic assurance that is unseen in other bilateral relations between Western and emerging countries. However, after Brexit, the Chinese leadership takes another look at Europe and plans to adjust the policy to Europe. This is seen in China's lukewarm response to the policy introduced by the EU toward China as well as its diplomatic strategy documents in June. It is also obvious that China has lowered its expectation to the EU-China summit in July. Neither EU nor European countries were important reference in China's preparation for the host of G20 summit in September 2016.

II. Global Political and Economic Backdrop of the Evolving China-Europe Relationship

Over the past few years, China-Europe relations have been pretty much driven by China. Significant cooperation between China and Europe such as OBOR, cooperation on the third market, bilateral investment negotiation and free trade treaty negotiation have mainly been promoted by China, and, of course, this also meets the needs of Europe. Thanks to China's new assertiveness, China-Europe relations have bottomed out from the 2008 ebb, when China and Europe clashed over the Tibet Riot and the Beijing Olympic Games. But some trends have posed new challenges to the booming China-Europe relations; Europe's own problems are just a symptom of such trends.

First, after the end of the Cold War, globalization, neoliberalism and "de-territorialization" have been "saturated" and societies begin to revolt. In the wake of the global financial crisis, protest against unfair social distribution once again become mainstream. In the Occupy Wall Street movement in US in 2011, demonstrators carried the slogan "We are the 99%". Besides, people launched the Occupy movement via social media in many other cities including London, Madrid, Barcelona, Rome, Berlin, Auckland, Tokyo and Seoul. The Occupy movement has changed the orientation and agenda of political debates. All of a

sudden, issues that had been neglected for a generation, such as equality, fairness, justice, income distribution and accountability, became on the spotlight.

Free trade still enjoyed support from people in various regions. Nevertheless, compared to the wide optimism towards globalization at the beginning of the 21st century, people across the world, especially those in developed countries, have learned more about the negative consequences of globalization. According to a poll in 2014, although 84% of people from developed countries think trade is beneficial to their countries, only 44% think it will promote employment and only 25% think it will lead to a pay rise.[5] Under such circumstances, various countries have adjusted their trade and investment policies. In 2013, *The Economist* keenly captured a new phenomenon – "Governments increasingly pick and choose whom they trade with, what sort of capital they welcome and how much freedom they allow for doing business abroad."[6] Moreover, the setback for TTIP shows that the anti-globalization and anti-free-trade trends have come into fashion even in Europe, a globalization base, indicating that the advance of economic liberalization and globalization may come to an end and that discontent of middle and lower class people and appeals of different interest groups will become a major obstacle to further deepening of free trade.

In addition to trade and investment, some important social issues such as migration have caused people around the world to take globalization more seriously. All countries started to oppose globalization in the face of massive immigration and have shown their dissatisfaction with immigration in the 21st century. An opinion poll in 2007 showed that most people in 44 of 47 countries surveyed hoped to increase restrictions on immigration, and people in a majority of countries believed that immigration would bring negative effects to their countries. [7] After the explosion of the European refugee crisis in 2015, European citizens have publicly expressed their negative attitudes toward foreigners.

The rise of right-wing populism is a global phenomenon rather than a European one. The Republican candidate in the 2016 American Presidential Elections Donald Trump and the new president of the Philippines in 2016 Rodrigo Duterte both lean towards right-wing populist thinking. The boom of far-right parties in Europe, the Brexit referendum and a series of events show that the thinking of "re-territorialization" is growing rapidly. The prevail of "re-territorialization" thinking shows that "de-territorialization" (i.e. globalization) has reached a turning point. Transportation and communication technology has compressed the earth into a

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[5]   "Faith and Skepticism about Trade, Foreign Investment", Pew Research Center, September 16, 2014, http://www.pewglobal.org/2014/09/16/faith-and-skepticism-about-trade-foreign-investment/ (Date: June 2nd, 2016)

[6]   "The world economy: The gated globe", *The Economist*, Oct. 12th 2013

[7]   Richard Wike and Andrew Kohut, "Pew Research Center: Assessing Globalization", *Harvard International Review*, July 8, 2008.

village, causing a huge impact on people's lives, for example, their sense of belonging and familiarity with their living places has been seriously eroded.

Second, the borders of the current sovereign system are under growing pressure. The sovereign state system is a historical arrangement, which are not eternal. After the end of the Cold War, new boundaries appeared in the western and eastern regions of the former Soviet Union, and European integration started its process of further deepening exactly against this background and changed the political status of Europe.

With deepening globalization, boundaries of sovereign states appear increasingly inconsistent with the actual territorial functions although the sovereign states are still dominant. There are new boundaries forming, growing and changing among counties or within a country and these boundaries mutually crisscross, collide, complement each other and form networks. The appearance of "boundaries" within a country results from different globalization degrees in one country and different benefits and losses from globalization. For example, in many countries, coastal provinces, exporting industry and commerce departments prefer globalization while inland provinces, agriculture and social security administrations do not. Since the 1970s, to meet the practical requirements of neoliberal globalization, many local organizations, local governments and some departments of the central governments have been actively involved in decision-making of globalization, gradually causing "fragmentation", "decentralization" and "globalization" of countries. With the gradual disappearance of a country's governance privileges, different classes, organizations, ethnic groups and interest groups start to compete to define the scale of governance. For example, if an inland province has connections with the surrounding countries, it can become a regional economic hub; therefore, the provincial government may tend to discuss the governance issues at the regional level.

This has caused the following results. First, boundary conflicts. The UK is a typical example. In the UK, "Scottish independence", "Brexit" and "remain in the EU" respectively represented demarcation orientations which are entirely different. The EU is not a country, but is still involved in boundary disputes. "Euro zone first", "multi-speed Europe", "EU with Turkey", "EU without UK" and other discussions are exactly the reflections. Second, complementation among different boundaries. Different boundaries represent the different governance scales which are mutually exclusive and complementary, the EU being a strong example of this. Subnational regions, countries, sub-EU regions, the EU, the EU's neighborhood and different governance scales overlap, having formed the most complicated multi-level governance structure in the world. Recently, the trend of "independence" appears in many EU countries, such as Catalonia of Spain and Scotland of Britain; these regions usually hope to leave their countries but remain in EU, which shows that different governance scales are mutually complementary

and replaceable. Thirdly, the formation of governance networks. Transnational, local, regional and global mechanisms start to rise; functional organizations and technical experts gradually form "trans-governmental networks" to coordinate various supervision policies; various institutions with corresponding governance scales gradually begin to network, causing all kinds of multi-level governance arrangements. Therefore, a nation state is only one type of governance structure and global and regional governance mechanisms crisscross and overlap, forming complicated governance networks. On this point, EU's multi-level governance structure is also the most typical.

Governance boundaries do not lie dormant on maps, but live and continuously change and adjust, some of which are consistent with sovereign boundaries and some are not. Brexit is just one of prominent boundary adjustment examples and there is another example – the EU redefined its integration path and boundaries.

III. Prospect

(I) The China-EU relationship will be affected by Europe's internal problems in the long term. Britain's exiting the EU is a long-term process. There will be four kinds of negotiations, which will take six or seven years, for Britain to re-establish its relationship with the EU: the first one is the negotiation for exiting the EU, the second one is the negotiation for the United Nations Protocol or for entering the European Economic Area (EEA), the third one is the trade agreement negotiations with each great power and the fourth one is the internal negotiations. (2) Fragmented political parties and people's distrust of governments have been the new normal in almost every European country. The two-party system in Spain changed to a four-party one after a recent election. The Centre-Right Ruling Coalition of Portugal won the election in last October thanks to its success in countering the crisis, but lost power only 10 days later. Ireland was the earliest to recover from the depression of the PIIGS countries (Portugal, Ireland, Greece, Italy and Spain). However, none of its parties won more than 50% of the votes in the election in February and it nearly failed to form its cabinet. (3) In Europe, divergence occurs not only between the elites and the masses, but also among the elites themselves. The Brexit referendum brought this divergence among the elites into the public. If the European integration was driven by the elites in the past, then, under the situation of divided elites' thinking nowadays, the prospects of European integration are much gloomier. (4) The problems in Europe have accumulative effects. Internally, the political risks accumulate with the economic ones. Before the consequences of the European debt crisis are relieved, a new crisis is likely to occur. The ratio of non-performing loans of the Bank of Italy is nearly 20%, the ratio of bad loans of the Southern banks is close to 40%, and many banks are on the verge of bankruptcy. After each terrorist attack, the

investment environment is inevitably affected, extremist forces will be more rampant, social conflicts will be intensified and a vicious circle will begin. Globally, the risks in Europe will compound with external turmoil. The military coup has entrapped Turkey in a messy and strange situation; the standpoints of the right-wing populism of both the US and Europe may correspond with each other.

(II) The gain of Sino-EU relations is built on solid foundations, and the changes in Europe also mean new chances for China. The achievements of the Sino-EU relations have not come easy, and such relations, supported by realistic elements, will not change overnight. The increased political risks in Europe are a result of post-modernization, globalization and other profound changes, so it will not disappear in the next few years. However, thanks to post-modernization and globalization, the political risks will not turn to warfare or social disruption, either. The "decline" of Europe will take a very long time. And there will be three focal points in China-Europe relations in the future: (1) China-EU relations will interact more intensively with other bilateral relations. For example, China-EU relations will be affected by UK-EU relations; while UK-EU relations will be affected by UK-US relations, so on and so forth. (2) China-EU relations will have more to do with Europe's changing boundaries. With the steadily blurring borders along and within Europe, China could further shape Europe's economic geography, which is already seen in the China-CEEC 16+1 summit. While the EU becomes more "multi-speed" and "multi-centered", China will be more "multi-focused" on Europe. China will pay more attention to the relations with EU member states (especially Germany), and meanwhile will strengthen efforts in city diplomacy, industry diplomacy and parliament diplomacy. (3) Neoliberalism has been rejected by the western masses and ultraconservatism will not be a real solution. The absence of an "ideology" in dealing with the refugee problem and globalization in Europe, provides chances for China and Europe to jointly cope with such challenges and to build shared values.