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Discussion Paper

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**Thoughts on Sino-European Drive toward the Establishment of a  
New-Type Relationship**

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## Thoughts on Sino-European Drive toward the Establishment of a New-Type Relationship

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China's new leadership has recently proposed and put into execution a new concept concerning the development of a new pattern of relationship between major powers in the world. Specifically speaking, the concept calls for big powers' resort to channels of cooperation instead of confrontation when handling their contradictions or disputes, endeavor to seek common points while reserving differences, and readiness to tolerate each other so as to achieve long-term political stability and economic prosperity. It fully illustrates the diplomatic master plan opted for by China's new leadership. When discussing China's present-day relationship with other major powers in the world, the president of the Shanghai Institutes of International Studies Yang Jiemian brilliantly defined them as follows: Sino-Russian relationship: a model; Sino-US relationship: a top priority; Sino-BRICS relationship: a new development spot; Sino-European relationship: a focus; and Sino-Japanese relationship: a hard nut. Talking about China's relationship with Europe in his recent meeting with Spanish house speaker, Chinese President Xi Jinping pointed out that China and Europe should advocate mutual respect, mutual benefit and win-win cooperation, and always seek settlement of disputes and frictions through dialogue and consultation. This is a most intelligent summary and interpretation of the Sino-European relationship within the framework of new-type partnership between big powers. Doubtless to say, the Sino-European relationship constitutes an important component of China's diplomatic effort to promote development of a new pattern of relationship between big powers.

Since their establishment of diplomatic relations in 1975, China and Europe have seen their relations go through the following stages of development: the stage of smooth development from 1975 to 1988; the stage of stagnation from 1989 to 1994; the stage of 'honeymoon' after 1995 when the two entered into all-round cooperation and formed a comprehensive strategic partnership; the stage of frequent friction after 2006; and the current stage of comparative placidity and gradual improvement.

Viewed as a whole, the Sino-European relationship as it stands today is fairly complicated, featuring both competition and cooperation. Although their level of cooperation has risen to a fairly great height, some disputes and divergences still plague them, including: constant cropping up of trade frictions and their intensification; sharp increase of anti-dumping and anti-subsidy investigations against China; big divergence of opinion about government procurement, market access, investment protection, service trade, and intellectual property right

protection; European initiative to create free trade zones with countries and the region with the exception of China (such as those with South Korea and Singapore over which negotiations have been successfully concluded, and those with Japan and the United States over which discussions are under way); refusal by the European Union to acknowledge China's full market economy status; defamation of China in fields including human rights protection and democracy development; test of China's bottom line on issues concerning Tibet and Taiwan (as evidenced by the meetings between German, French and British leaders with Dalai); continuation of arms sales embargo against China; and disagreement over issues concerning Africa and global climate change.

A close study of these disputes and divergences has laid bare before us the following four key points for attention.

First of all, Europe like the United States has kept losing its strength due to the wave of globalization and the ageing of its population. It is also hard hit by the European debt crisis, just as the United States by the financial crisis. The rising economies led by China, meanwhile, have been rising at a fast pace. Working together, these developments have put China and Europe into positions different from where they used to stand. China's rise, in particular, has had an enormous impact on its relationship with Europe. Feeling extremely uncomfortable, both its ruling and opposition parties have come to keep a fearful and watchful eye on this new development.

Secondly, both China and Europe are big powers in the world, and as such they will surely come to both compete against and cooperate with each other while seeking economic development. Also, China's rise will add to the overlapping of its economic and political interests with those of Europe, thus increasing the chances of conflict and friction.

In the third place, Europe has come to a comparatively negative conclusion when reviewing its up-to-date relations with and gains and losses from exchanges with China due to the excessively high hope it has pinned on China. Consequently, it has come to harbor too many complaints against China and has tried to solve problems and disputes by way of pressuring China, following the US example.

Another development is the weakening of the unilateralism on the US part and its growing desire to protect its in collaboration with Europe. Worried about China's rise, meanwhile, Europe is inclined to copy the United States when it comes to deal with China, further distancing itself from China in terms of thinking and codes of behavior.

How should the Sino-European relationship be handled and the problems described above solved, then? As believed by this author, the best way is to follow the train of thought about new-type relationship between big powers; uphold the principle of mutual respect, mutual benefit and win-win cooperation; enter into dialogue and consultation; turn the Sino-European relationship into a new-type

relationship between big powers; and look at all problems and disputes calmly and handle them in an appropriate way.

First of all, the Sino-European relationship is based on the principle of mutual benefit and win-win cooperation. No conflict of core strategic interests stands between them, and the economic relationship has grown into their most important bilateral link and come to play a most important role. For several years running, Europe has been China's biggest trade partner and biggest source of technology imports, with its technologies accounting for about half of China's total technology imports. China has also become Europe's second biggest trade partner. In terms of investment, Europe became one of China's five biggest sources of foreign investment by the end of 2011, and has outgrown the United States to become the top destination of Chinese investment. Looking into the future, the crisis-battered European Union now plagued by weak internal demand badly needs an export boom to power its economic growth. China with its huge market and prospering economy will precisely be the priority destination for European exports. From a long point of view, China and Europe boast complementary advantages. China is now remodeling its growth by way of promoting industrialization, informatization, urbanization, and agricultural modernization. To achieve its goal, China needs to import advanced technologies and ideas. Precisely, Europe is a world leader in quite a number of fields including energy saving, environmental protection, and development of new energies and biological medicines. It also ranks top in the world in humanitarian fields such as social insurance and labor protection. The Chinese market, therefore, will be the most ideal outlet for Europe's advanced technologies and ideas. In the five years to come, China will import commodities totaling US\$1 trillion in value and channel out a total investment of around US\$500 billion, as Chinese premier Li Keqiang has recently disclosed. This would mean huge opportunities for Europe. Also, the creation of the China-Switzerland Free Trade Zone has already set a fine example of win-win cooperation between this oriental power and other European nations.

Secondly, China and Europe should respect each other when it comes to development of their relations. They should both face reality, acknowledge the difference of the development paths they have been following due to their different political ideals, economic backgrounds, and history and culture. They should never pin any unrealistically high hopes on each other and admit the inevitability of disputes between them. They should also care about each other's core concerns. In political terms, Europe should acknowledge China's traditional preference for ideologies and political systems, and keep a pragmatic view of China's understanding and up-to-date development of human rights and democracy. Particularly, it should care about China's concern with its core interests including territory and sovereignty, and respect China's wish for it to lift its arms sales ban at the earliest date possible. On the economic front, Europe

should know China's rational wish for acknowledgement of full market economy status, resolution to carry forward its economic restructuring, and other factors relating to such restructuring such as the difficulties ahead, the time lag, and the extent of social tolerance. Europe should keep its eye on China's reality and lower its hope for China. China may discuss issues such as democracy and human rights with Europe by way of dialogue and communication, and gain a better understanding of Europe's hope for more government procurement, greater market access, better IPR protection, and rebalancing of bilateral trade. China should learn from Europe's energy-saving and environment-protecting technologies and philosophies, and seek tighter bilateral cooperation, which not only conform to China's development objectives and interests, but will also benefit Europe and the world as a whole. It is necessary for China to pledge its readiness to be a responsible contributor instead of subverter of international systems; to collaborate with the European Union in the G20, International Monetary Fund, World Bank, World Trade Organization and other world bodies to create and install new mechanisms for global economic governance; to jointly cope with global climate changes; and to play a due role, like Europe, in the solution of international hot issues such as peacekeeping in Africa and unclear control in North Korea and Iran.

Finally, cooperation and dialogue should be counted on as the ways and methods for settling disputes, and a good job should be done by both parties in crisis control. China and Europe have already put into operation a large number of mechanisms for multi-level and multi-discipline dialogue and cooperation, including the mechanism for dialogue between their heads of government, ministers, vice-ministers, and experts and professionals. They have also started defense dialogue and exchanges. In addition, China has seen a constant upgrading of its relations with EU members in recent years. A Sino-German mechanism for annual governmental consultation chaired by premiers, for instance, has been put into work, and an annual business forum has been initiated by China and 16 central and east European countries.

Although China's rise will lead to a growing number of conflicts on the political and economic fronts, no major strategic clashes will break out between China and Europe. Sailing in the same boat, China and Europe should try to exercise clever control of whatever minor conflicts may crop up instead of spoiling the ship for a half-penny-worth tar. When it comes to their respective concerns over issues such as human rights, democracy, international obligations, and bilateral cooperation, the mechanisms already in place should be exploited for honest dialogue and consultation. In economic fields of core importance, China, having grown into an open economy after more than three decades of development, aspires for win-win results from dialogues, consultations and negotiations of all forms. Trade sanctions such as anti-dumping and anti-subsidy measures should be employed with great care to avoid trade wars. The trade

conflicts between China and Europe in recent years have shown clearly that reckless trade sanctions never pay off because they always end with damages to both sides. Take the dispute between China and the European Union over photovoltaic trade for instance. The latter imposed anti-dumping tariffs on Chinese exporters of photovoltaic products. It cost China a loss of more than US\$20 billion and 400,000 jobs. But it also inflated the prices of and deflated the demand for photovoltaic products in Europe. Suppose the punitive tariff is set at 20 per cent, Europe will see 175,500 people losing their jobs in the three years to come. Another instance is the negotiations over the Partnership and Cooperation Agreement and the Bilateral Investment Agreement designed to accelerate the inner structural adjustment and maintain long-term sustainable development. Since China is already the world's second biggest economy, and Europe's chief trade partner, any new global trade mechanism excluding China's participation will surely be defective and inefficient. China opts for consultations and compromises for the purpose of avoiding conflicts and reaping win-win results. For this end, it longs for the start of negotiations on the creation of Sino-EU free trade as soon as possible.

In one word, China and Europe are economically mutual complementary and share win-win objectives. Geopolitically, they do not pose a threat to each other. They are both politically inclined to pursue multilateralism. Through appropriate handling of their relations of competition and cooperation, they should join hands to develop their ties into a sound and pragmatic model exemplifying the new pattern of relationship between big powers.