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New Developments in EU-China Relations

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The following paper will address new developments in EU-China relations, including at the level of member states. The paper will summarize the results of the 17th EU-China summit which took place in late June 2015. The main focus, however, will be on the European responses to “One Belt, One Road” (*yi dai yi lu*) or the new Silk Road initiatives as well as to the Asian Infrastructure Investment Bank (AIIB). In the conclusion, mutual concerns will be addressed, namely the ongoing crises within the EU and in its near neighborhood and political and economic developments in China.

Results of the EU-China summit in June 2015

The summit in late June 2015 was the first under new leadership team in Brussels and at the same time, 2015 was the 40th anniversary of establishing bilateral relations between the EC/EU and China.

The Joint Statement¹ issued on occasion of the summit is very constructive in tone. Major points of this statement had already been raised when the new High Representative of the EU visited China for the first time in her new capacity in May 2015.² The Joint Statement of the summit includes a passage asserting strong mutual interest in “flagship” initiatives, namely the Investment Plan for Europe³ (also known as “Juncker Plan”) and the Chinese “One Belt One Road” vision. A decision was reached that the EU High-Level Economic and Trade Dialogue in September should develop practical avenues for cooperation (a joint investment vehicle is under consideration, but some questions are still controversial between the European and the Chinese side). Another decision was made to establish a Connectivity Platform. Both sides welcomed the conclusion of negotiations on the AIIB. China recognized the EU’s and member states’ support for the AIIB.

A Working Group between the People’s Bank of China and European Central Bank was established. For the next High-Level Economic & Trade Dialogue both sides agreed that part of this meeting should be devoted to digital economy. For the Bilateral Investment Treaty (BIT), the Joint Statement set the goal to have a joint text by end of 2015. The successful conclusion of a BIT will also serve as the

¹ The full text of the Joint Statement can be accessed here: <http://www.consilium.europa.eu/en/press/press-releases/2015/06/29-eu-china-statement/>.

² See “High Representative / Vice-President Federica Mogherini - Joint press point with YANG Jiechi, Chinese State Councillor, Beijing“, May 5, 2015, http://eeas.europa.eu/statements-eeas/2015/150505_01_en.htm.

³ 315 billion euros for investment in strategic projects around Europe, so-called „Juncker plan“ – including infrastructure projects. See Shannon Tiezzi: “Can China Save Greece – and the EU?”, *The Diplomat*, June 30, 2015.

foundation for a future EU-China Free Trade Agreement. A new sectoral dialogue was also established, namely a “Legal Affairs Dialogue” “for policy exchanges, mutual learning and cooperation in legal affairs” (Paragraph 23).

Several paragraphs of the Joint Statement are devoted to closer cooperation in the security field:

Paragraph (24) mentions contacts between Europol and China’s Ministry of Public Security as a step to reinforce cooperation in combating transnational crime.

(25) Both sides reasserted their commitment to enhancing their consultations and cooperation on foreign and security policy in the framework of the EU-China High Level Strategic Dialogue, continuing regular exchanges on Africa, the Middle East, Central Asia and Latin America as well as disarmament and non-proliferation. They agreed to enhance their exchanges on anti-terrorism at the bilateral and multilateral level.

(26) Both sides agreed to further develop their cooperation on defense and security, building on their successful anti-piracy joint exercises in the Gulf of Aden. In this context, the forthcoming visit of the Chinese Defense Minister to Brussels will provide an opportunity to enhance cooperation in new areas of common interest, including support for peace and security in Africa.

The Joint Statement contains a commitment of both sides to the UN and international order based on UN charter (paragraph 30). Regional issues and crises were also addressed during the summit; the Joint Statement contains passages on the situation in Ukraine and Afghanistan. Syria, Libya and Yemen were also raised (paragraph 31). There is special mention of the Iran nuclear deal (paragraph 32).

Eight documents were signed during the summit, among them a Joint Statement on Climate Change (signed on 29 June 2015). This document is not the first one on climate change; earlier versions were published in 2005 and in 2010. Climate change is also included in the 2020 Strategic Agenda for Cooperation which had been finalized in 2013.

For the EU representative in Beijing, two issues in EU-China relations are of particular relevance at this stage: the bilateral investment agreement and a new concept and model of connectivity between Europe and China.⁴ It is noteworthy that China and the EU decided to establish a review mechanism to monitor progress of the EU-China 2020 Strategic Agenda for Cooperation and set clear priorities (paragraph 4). Defining benchmarks and following up on agreed issues

⁴ See H.E. Ambassador Hans Dietmar Schweisgut: „EU-China 40th Anniversary: Expecations for Expanding Connections”, in: *EU-China Observer*, #1.15, pp. 8-10 [9]. On the bilateral investment agreement see in detail Francois Godement and Angela Stanzel: “The European Interest in an Investment Treaty with China”, *ECFR Policy Brief*, February 2015, [http://www.ecfr.eu/page/-/ECFR127-The_European_interest_in_an_investment_treaty_with_China_\(both_graphics\).pdf](http://www.ecfr.eu/page/-/ECFR127-The_European_interest_in_an_investment_treaty_with_China_(both_graphics).pdf).

has been a notorious problem in the past. If this weakness would really be addressed, it could contribute to put more substance to the “strategic partnership”.

China’s support for the EU

In an interview with selected European newspapers, Li Keqiang expressed Chinese concerns about a possible “Grexit”. While he showed optimism concerning the EU’s prospects, he also stated clearly China’s interest in a united and prosperous EU and a strong euro. Despite the weak growth in Europe and the austerity measures in some of the member states, the EU has remained China’s biggest trading partner in the world with a trade volume of 600 billion US-\$ trade in 2014. China remains interested in a unified EU and in the Euro as an alternative reserve currency to the US-\$. If Greece decides to leave or is excluded from the Euro zone, this would weaken the EU considerably, at least symbolically and politically.

At the time of this writing, there had been no official Chinese statements on the possibility of the UK leaving the EU as a result of the referendum scheduled for 2016 (“Brexit”), but it can be assumed that the Chinese government and leadership would not see the UK’s exit from the EU as a positive development.⁵

Areas of disagreement

While the generally constructive tone of the Joint Statement is not surprising, we get a more nuanced picture if we look at other documents of the EU. For example, the Joint Statement issued after the EU-Japan summit in May 2015 devoted a whole paragraph to regional security, the Law of the Sea and the situation in the East and South China Seas,⁶ which can be read as an indirect criticism of China’s actions.

⁵ See Kerry Brown: „How China-UK Relations Have Evolved“, BBC News, 15 June, 2015, <http://www.bbc.com/news/world-33020110>.

⁶ “10. Mindful of the uncertainties in the **regional security environment**, we condemn all violations of international law and of the principles of sovereignty and territorial integrity of states. We underline the need for all parties to seek peaceful, and cooperative solutions to maritime claims, including through internationally recognised legal dispute settlement mechanisms, and to maintain full freedom of navigation and overflight of the high seas under international law as enshrined in the United Nations Convention of the Law of the Sea. The safety of navigation is essential for peaceful and sustainable development. We urge all parties to clarify the basis of their claims based on international law, and to refrain from unilateral actions, including the threat or use of force and coercion. We continue to observe the situation in the East and South China Sea and are concerned by any unilateral actions that change the status quo and increase tensions. We support the full and effective implementation of the 2002 Declaration on the Conduct of Parties in the South China Sea and the rapid conclusion of the negotiations to establish an effective Code of Conduct in the South China Sea. We highlight the constructive role of practical confidence-building measures, such as the establishment of direct links of communication in cases of crisis and crisis management mechanisms in this regard.” See “23rd Japan-EU Summit, Tokyo, 29 May

An issue on which the EU and China agreed in principle at the EU-China summit was that a diplomatic solution has to be found for the situation in Ukraine. However, it is clear that China's own relationship with Russia has obviously benefited from Moscow's growing estrangement from the West. Despite its upholding of the principle of non-interference, Beijing has shown understanding for the Russian position, at least concerning Crimea. European leaders would certainly welcome if China would use quiet diplomacy to play a more constructive role in the conflict.

Over the last year there have also been several statements issued by the European External Action Service, albeit only at the level of its spokesperson, criticizing the human rights situation in China. Such statements referred for example to the arrest of human rights lawyers and human rights defenders.⁷ According to press reports, Europe also responded with concern to the draft law on foreign NGOs.⁸

New fields of cooperation with China: AIIB and OBOR

Originally, China had not planned to open the AIIB at the founding stage for non-Asian countries, but the positive response to this initiative changed the situation. When the UK as the first EU member state announced its wish to become a member of the new bank and France, Germany and Italy followed suite only days later, China welcomed their bid. Other EU member states also made up their mind. This success of the AIIB in its initial stage reportedly came as a surprise for Beijing.

The decision of the UK was all the more noteworthy since the US had from the start taken a quite critical position vis-à-vis the new bank, stating concerns about the standards and rules it would set for itself. The US went even further and (more or less) quietly asked their "allies and friends" in- and outside Asia not to join the bank. So when the UK decided to go against the expressed wishes of the US, this triggered a comment from Washington criticizing the UK's "constant accommodation" to China.

2015 Joint Press Statement", <http://www.consilium.europa.eu/en/press/press-releases/2015/05/29-joint-press-statement-eu-japan-summit/>.

⁷ For example, statement on May 20, 2015 on Pu Zhiqiang (http://eeas.europa.eu/statements-eeas/2015/150520_02_en.htm) and on July 15, 2015 (http://eeas.europa.eu/statements-eeas/2015/150715_03_en.htm).

⁸ See Sui-Lee Wee, Michael Martina, James Pomfret: "Foreign governments, non-profits press China to revise draft NGO law", Reuters, June 1, 2015, <http://www.reuters.com/article/2015/06/01/us-china-ngos-idUSKBN0OH2I720150601>.



<http://www.chinausfocus.com/foreign-policy/what-does-europes-aiib-entry-mean-for-china-and-u-s/>

Germany would have preferred a coordinated and unified response to the AIIB from the G7, but because of the US and Japan, this option was unrealistic. Within the EU, discussions did take place between member states, but these did not lead to a synchronized position. At least, after the unilateral decision of the UK, France, Germany and Italy declared their own decision to sign up in a joint statement. In the meantime, even the EU itself is thinking about some kind of participation.

In sum, although the issue of the AIIB was debated in the EU, the response seemed quite uncoordinated, or at least this was the appearance from outside. There is the hope that Europe will learn from this experience and consult more beforehand in the future.⁹ The fact that so many European countries decided to join the AIIB must be frustrating from the perspective of Washington. But the membership of European states has also contributed to changing the character of the AIIB, even though the shares of non-Asian states have been restricted. And the EU institutions – especially the Commission – can now try to align the European members of the AIIB to make sure that the bank adheres to certain norms and standards.

As for the “One Belt, One Road” initiative launched by Xi Jinping in 2013, Europe and the EU are involved by definition or by default, since both new Silk Roads have their end points in Europe. Nevertheless, the EU and European

⁹ See e.g. European Political Strategy Centre: „The Asian Infrastructure Investment Bank”, *Strategic Notes*, Issue 1/2015 (24 April), http://ec.europa.eu/epsc/publications/notes/sn1_en.htm#h1. The authors recommend to create an “early warning mechanism” to avoid such an uncoordinated response of the member states in the future.

member states at first responded reluctantly and cautiously to OBOR, mainly because of the lack of details.

The concept or vision of the new Silk Roads has been discussed throughout Europe in policy and academic circles. Conferences on the topic are being held and first publications have come out. Mainly, these conferences and publications try to define what OBOR actually means, including what the implications are for Europe, and they ask how the concept will be implemented. Usually the first question in Europe is: What rules do apply? There is little understanding that - not unlike other concepts launched in China during the reform era - OBOR was at first a broad and abstract vision, which now has to be filled with substance.

In the meantime, the concept has been fleshed out somewhat and its contours are becoming clearer.¹⁰ Several infrastructure projects in Europe – especially in Central and Eastern Europe - that have already been agreed or are under way are now presented by China as being part of OBOR. Some railway and road construction projects in the Balkans and a railway from Belgrade to Budapest are examples. Hungary was the first EU member state to sign an agreement under the Silk Road umbrella or “brand” (June 2015).¹¹

A fundamental problem in the European debate (and not only in the European one) is that every initiative – OBOR, AIIB, Silk Road Fund – has so far been discussed separately and there has not been a strategic debate about how the different elements are connected. But such a discussion is needed, especially after the uncoordinated response to the AIIB.

It remains to be seen whether the new platforms mentioned in the Joint Statement of the EU-China summit will lead to anything beyond expressing mutual interest. The example of Hungary shows that China will use mainly bilateral approaches. So the question is how to connect the Investment Plan for Europe and OBOR in a way that is beneficial for both sides.

Conclusion and perspectives

While official relations between the EU and China do look pretty stable, there are concerns on both sides underneath this surface.

China is concerned about the developments in Europe: The EU is internally challenged by Grexit, Brexit and the surge of populist and Eurosceptic forces, and it has to deal with crises in its immediate neighborhood (Ukraine, Syria, Iraq) which also have led to a growing refugee problem.

¹⁰ See *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People’s Republic of China, with State Council authorization, March 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

¹¹ „Hungary becomes 1st EU country to join China’s Silk Road project”, June 7, 2015, <http://www.rt.com/business/265588-hungary-china-silk-road/>.

On the other hand, the EU and member states are concerned about developments in China, in political terms where domestic trends seem to run counter a new wave of opening up, and in economic terms (slowing growth, devaluation of the Yuan, turmoil at the stock market, sinking demand for European goods).

In looking ahead, cross-strait relations could also come back to the agenda of Sino-European relations depending on the outcome of the parliamentary and presidential elections in Taiwan in January 2016 and China's response, especially in the case of a victory of the Democratic Progressive Party (DPP) and their candidate Tsai Ing-wen.