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## **Geopolitical Dimension of the EU-China Relations**

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EU-China relations have an encompassing global character. Their relationship has undergone a long history of inter-civilisational familiarization and interaction, rivalry and cooperation.

### **1. Historical Background**

Europe and China have exchanged spiritual/cultural values through travellers, missionaries, seafarers. In this respect, their geopolitical impact on the world's development includes knowledge dissemination of ancient religious and ethical doctrines embedded in Christianity, Islam, Buddhism, and Confucianism.

It was in the XIII century, during the Great Kublai Khan (founder of the Chinese-Mongolian Yuan Dynasty) that China began its journey to Europe. The period was known for the expansion of Chinese military, trade and culture westward. China's shipping and merchant routes to Europe via Central Asia, Middle East and the Black Sea were mapped out. A Mongolian traveler and diplomatic envoy Raban Bar Sauma encountered the Roman Pope Nicolas IV and reached out to influential West European rulers at that time.

Europe's discovery of China began with the first Portuguese led ship reaching the shores of the Middle Kingdom in 1513. The Portuguese soon established their diplomatic and commercial presence on Chinese land. In 1557 they were rewarded the port of Makao for their assistance to Ming Dynasty to fight pirates in the South China Sea. It was the first ever European costal positioning in Medieval China. The following centuries, however, the Middle Kingdom (globally merited for invention of paper, silk, powder, maritime compass, typography) remained internally confined to its Medieval backwardness (missing the chance to catch up with the speed of Europe's industrial revolution). China, thus, failed to adapt to new factors of the world's

development during the era of modernity and not surprisingly became a victim of shrewd and brutal foreign conquest. The geopolitical consequence of all this was that the once rich Asian Empire was turned into a semi-colony of the West European powers. Opium wars from 1840 were a serious blow to Chinese statehood and sovereignty. The Middle Kingdom was shaken by a series of internal commotions.

Thus, from the beginning of XXIX regaining independence and prosperity has been a primary goal of the Chinese national leadership. Beijing's modern geostrategic approach towards the rest of the world (incl. the EU) can only be deciphered when put in the context of the 171 years of history, defined in expert and academic literature as "a century of humiliation". The Chinese path to independence has undergone reformist movements, such as the Xinhai Revolution (1911) led by the national leader Sun Yat-sen, resistance to the Japanese occupation (1930-1940s) led by Kuomintang and the Chinese Communist Party. The civil war that followed shortly after, resulted in the establishment of the People's Republic of China in 1949. The Secretary of State Dean Acheson has acknowledged the inability of the world factors to decide the course of events in China because the civil war was a product of internal national forces. The creation of the P.R. of China brought new geopolitical dynamics not only at a regional but also at a global level.

The bipolar Cold War geopolitical configuration in Europe (1950-1990) impacted the structure and dynamics of China's relations with the continent. It is in this context that we observe incremental and steady acceptance of New China by Europe in the coming decades after the Second World War.

Four stages of diplomatic recognition of New China by European countries can be observed.<sup>1</sup>

- The Central and Eastern European countries (CEEC) friendly political and economic relations with China date back from late 1940s. Although these relations were nurtured within a different historical and geopolitical context (when most the CEEC were part of the socialist integration bloc) they bring added value and trust to the current status of China-CEEC relationship. Bulgaria was the second country to recognize New China, a highly appreciated fact in the history of bilateral relations. In 2014 the two countries

marked the 65 anniversary of establishing diplomatic ties, which was celebrated by a state visit of the President of Republic of Bulgaria Mr. R. Plevneliev to China.

- The North European countries (Denmark, Sweden, Finland) recognised P.R. of China following their policy of neutrality and non-participation in the Korean war. The Korean war is a very sensitive and crucial milestone in the modern Chinese history.
- Leading West European powers - Great Britain and France have acknowledged geostrategic significance of opening a new chapter of relations with China by diplomatically recognising it during 1954-1964. London did so in 1954 at a level of chargé d'affaires while Paris exchanged ambassadors in 1964 as part of the general Charles de Gaulle's policy of France's reinstatement on international arena.
- The normalisation of Sino-American relations following president Nixon's historic visit to China in 1972 created a favourable geopolitical environment for P.R. of China's acceptance by West Germany, Italy and Belgium. Great Britain raised the level of its diplomatic representation to an ambassador in Beijing. The same year Beijing established diplomatic ties with Greece and Turkey in the Balkans.

## **2. The Evolution of EU-China Political Dialogue**

In the dawn of the 70's the conditions were ripe for Beijing to move forward with its relations with Europe. Chinese leadership has acknowledged the geopolitical importance of an emerging integrated Western Europe by the end of China's Cultural Revolution which resulted in the establishment of diplomatic/political relations with the European Commission in 1975.<sup>2</sup> The signing of a trade and cooperation agreement with the EU in 1985 (at that time acting as European Economic Community) is a significant stage in China's relations with Western Europe. Brussels has been conceptualizing its policy towards China in a number of the European Commission communications after Maastricht in 1993 (following transformation of the European Economic Community into a European Union). The EU-China relations were upgraded from 'constructive engagement' (1995) via "maturing partnership" to reach the point of

"comprehensive strategic partnership" (2003). Both sides agreed to develop their relationship on the basis of common interests and mutually acceptable resolution of fundamental differences. In the 1990s we witnessed the institutionalization of relationships based on a series of legally binding instruments referred as 'soft law'. The bilateral political dialogue began in 1994 at various levels and formats. High-level EU-China summits held twice a year on the basis of reciprocity (with the EU represented by the trio - the president of the European Council, the president of the European Commission and High Representative for CFSP) constituted the iceberg of the political dialogue and had the highest geopolitical weight. The other formats included talks at the level of executive power - the president of the EU Commission vis a vis the Chinese prime minister. There is also a regular exchange of positions between the European External Action Service and Ministry of Foreign Affairs of China (the EU and China top diplomats). The EU delegation to China (in Beijing) and China's Mission to the EU (in Brussels) come as entry points of the political dialogue. The political consultations would not stand a chance of success if not backed by groundwork of various expert groups. The political dialogue has developed around strategic issues of regional and global security, proliferation of weapons of mass distraction, terrorism, irregular migration, climate change to name a few. The sectoral policy dialogues have helped establish a solid foundation of EU-China cooperation in field of trade, agriculture, energy (incl. nuclear) environment, people-to-people exchange (namely, education, science, technology, tourism), land, sea and air transportation etc. The China-EU 40th anniversary summit in 2015 has identified substantial progress in political, economic, social, environmental and cultural spheres of relationship.

### **3. Geopolitical Narrative of 'Sensitive Issues'**

#### **3.1 Tibet and Taiwan**

These are highly sensitive issues for Beijing from a national security perspective. Taiwan is considered as an inseparable part of China and is at the core of One-China policy. Taiwan's reunification with Mainland China will be a final act of the national territorial consolidation (after Hong Kong and Macao). On the one hand, China expects both the EU and member states to respect One-China policy. On the other hand, Brussels recognises the Chinese sovereignty

over Taiwan but urges Beijing to avoid using non-peaceful means for the island's return to Chinese jurisdiction. Brussels hopes that China will continue to utilize diplomatic means in seeking a resolution to the Taiwan issue. Use of force is an unlikely geopolitical scenario (while a threat of use of force could be applied as a tool of intimidation). The EU has welcomed China-Taiwan improvement of relations during recent years (it happens when Kuomintang is in power in Taipei). However, Brussels is aware that the current status quo is not likely to change in the foreseeable future. Taipei is mainly interested in developing economic and cultural relations, but rejects Beijing's formula 'One Country Two Systems' (applied in case of Hong Kong after its return to Chinese sovereignty).

Beijing's opposes the EU strategy (in particular of some of the West-European member states) of associating the Tibetan autonomous region within the practice of human rights violations in China. Beijing treats the Tibetan issue mainly in humanitarian and religious terms. The playing out of some EU member state with so the called Tibetan government in Exile is considered by China an interference in its domestic affairs and an attack on its sovereignty. China is prone to expand the administrative and cultural autonomy in Tibet but will prevent any attempt towards independence. Moreover, Tibetans led by their spiritual leader Dalai Lama, claim self-rule over all territories that are culturally connected to the Tibetan national identity (which constitute 1/4 of the entire Chinese land). Dalai Lama has been relying on public diplomacy and other soft power tools to advance Tibetan national and spiritual cause during his visits to some European capitals (while making the European public aware of "repressive" practices by Chinese authorities in Tibet). Bearing in mind the high geopolitical stakes Brussels acknowledges Beijing's high sensitivity over the Tibetan issue and takes a very cautious approach. Dalai Lama and his special representative (known as the Tibetan Government in Exile's Envoy to Europe) Mr. Kalsang Gyaltzen are being met by EU officials strictly in informal capacity. The EU recognises the Chinese sovereignty over Tibet but at the same time has been calling for the Chinese leadership to engage constructively with the Tibetan leaders inside and outside the country in an effort to seek a mutually acceptable solution. China uses its enormous diplomatic leverage to prevent internationalization of the Tibetan issue.

### **3.2 Human Rights and the Rule of Law**

They are embedded in the European China policy. Brussels supports development of open and democratic society in China (incl. conduct of free elections and multi-parity system). The issue is dealt within the framework of the EU-China human rights dialogue held alongside the bilateral summits. Similarly, EU member states occasionally raise the issue in their bilateral political talks with Beijing. There is no consensus within the EU about the extent to which the Union could pressurize China on human rights. Some member states prefer a low-profile approach in order to obtain more favourable conditions from Beijing on trade and investments. In addition, major EU institutional factors (in particular the EU Council and the European Commission) have acknowledged improvement of China's human rights record in recent years. Despite increased centralisation of the Chinese political system, the government (at central and provincial levels) has been executing socio-economic policies that have led to a substantial rise of living standards, job creation and poverty reduction. Elections of officials on a competitive basis in rural areas has been introduced. Chinese citizens are encouraged to discuss and report openly misdealings of authorities (incl. corruption practices) in official and internet social media networks but not to the point of voicing ideologically motivated criticism against the one-party communist rule. The Chinese judicial system has also undergone tremendous reform thanks to EU insistence. Brussels will remain highly critical of enforcement of death penalty in China. At the same time, Beijing regards human rights and the rule of law as issues that fall exclusively within the national jurisdiction and rejects foreign interference. Beijing will continue to regard the EU support (in general by some member states) for Chinese political dissidents as direct internal interference. Beijing's strategic perception regards human rights as an instrument of the West to undermine the Chinese political system. China asserts supremacy of socio-economic collective rights over individual human and civil (political) rights. Despite that the EU considers a breakthrough Beijing's formal acceptance of the International Convention on Civil and Political Rights in 1998. International human rights organisations (most vocal among them - Amnesty International, Initiatives for China, the International Campaign for Tibet, the International Service for Human Rights, Human Rights in China, Human Rights Watch, the International Federation for Human Rights, the Uyghur Human Rights Project, the World Uyghur Congress, and the Unrepresented Nations and Peoples Organization) blame the EU for absence of an unified and uncompromising approach to China. They report of deterioration of human rights situation in China and call for

suspension the EU-China Human Rights Dialogue. Beijing is most likely to make concessions if the EU raises its concerns about human rights in a confidential format. It will not tolerate to be moralized publicly (in the mainstream medias) on this issue. In this respect, it is unlikely to expect China's accept any EU pressure on human rights in the UN ambience. Beijing has backed human rights resolution in the Security Council and General Assembly concerning violations of human rights, for instance, in Darfur or in the Middle East's zones of conflict. However, whenever the Chinese strategic interest is at risk (such as with case of Myanmar) Beijing has vetoed them.

### **3.3 Arms Embargo**

The ongoing EU ban on sales of weapons to China following Tiananmen Square brutal events in 1989 is another sensitive issue in the bilateral relationships. However, it is not an arms embargo in a traditional sense because it lacks legally binding character. Brussels has issued it in the form of a political commitment (declaration) and regards it as a symbolic act of protest. The embargo calls for suspension of military cooperation between the EU (incl. member states) and China. However, the embargo does not explicitly prevent member states from selling military equipment to China. Instead, every member state is free to adjust to enforcement of the weapons sales ban in line with its national laws and regulations. The EU has in its foreign policy arsenal more effective legislative tools but has never applied them in relation to Beijing. Since 2003 the German-French tandem has been probing on lifting the arms embargo. But it is still in place due to lack of consensus. A Wikileaks disclosed confidential diplomatic cable of the American Ambassador Rockwell Schnabel to the US State Department in 2004 revealed divergence in the EU on the issue. While France insists on speedy removal of arms sanctions (without linking it with China's human rights record) Denmark firmly opposes it. Austria, Belgium, Czech Republic, Greece, Italy, Spain and Britain have taken a more nuanced stance (but in principle an overlap in their understanding with Paris). Westminster's weapons sales ban to China included items that may help Beijing develop defence capabilities that would affect strategic military balance in Asia-Pacific Region. The Netherlands, Sweden and to a certain extent Germany were in line with the Danish opposition. There is also an evolution in the position of the leading EU institutions.<sup>3</sup> In strategic briefs on China issued by the European External Action Service since

2010 a more pragmatic policy approach has been encouraged. Continuation of arms embargo is regarded more of a geostrategic weakness. It has shrunk the EU share on the lucrative East Asia arms market (the EU is mostly present there in environmental and energy security fields). China is already far ahead in its defence industry modernisation. It has become the world's third largest arms exporter according to data released by Stockholm International Peace Research Institute. Beijing no longer relies exclusively on access to EU sensitive military technologies. What irritates Beijing is the EU attitude. China does not want be humiliated by being grouped together with an EU sanctioned failed states such as Afghanistan, Sudan, Zimbabwe.

### **3.4 Technological and Cyber Dilemmas**

The EU-China cooperation has been steadily expanding in the sphere of science, technology and innovative activities. Joint EU-China R&D projects have benefited both side. The EU is a significant source of high-tech know how for Chinese industries. This has helped made China as an EU's strategic competitor in the high-tech sector. Thus, the EU strategists are faced with the a dilemma on how to support an EU-China cooperation in technological innovations research without compromising competitiveness the European high-tech companies (in relations to their Chinese competitors). The EU-China cooperation in development of Galileo global satellite navigation system (the system is being created by the EU through the European Space Agency) illustrates that point. At the beginning Beijing was invited to the project's implementation in return for promised Chinese funding and access of the European companies to the Chinese space market. However, in the course of time it turned out that the Chinese have entered the project not so much in spirit of cooperation but to take advantage of cutting-edge European technology for starting their own 'Beidou' navigation system project (as a competitor to European Galileo and US GPS).<sup>4</sup> Within a short historical period, China has succeeded in developing an ambitious and fast-growing space program thanks also to emulating the space achievements of other major space players. It has joined the space race alongside the US, Russia, the EU by setting ambitious goals of not only orbiting the Earth but exploring deep space.

The Chinese government has invested substantial resources in developing web content filtering technologies. A national cyber defence system 'Great Firewall of China' has been put in place by

which Beijing has prevented Google from operating on Chinese territory. Beijing finds it normal to exercise its sovereignty right over internet use on its territory. Beijing reminds Brussels that web content control at different scope and depth is common practice in the EU too. Some EU members states have adopted regulations aimed at curbing 'hate speech' in cyber space. Experts believe that the ever-growing cyber security potential of China poses a serious challenge to trade and communication operations of the EU companies worldwide.

### **3.5 Trade Frictions**

Trade has shaped the foundation of the EU-China relationship. Trade and Cooperation Agreement from 1985 (an important legally binding instrument in bilateral relations) represents the backbone of the EU-China economic relations. The EU-China Joint Committee on Trade has become a regular negotiation platform since 1978. The trade relations first developed in the textile sector with two agreements on textile trade regimes signed in 1985 and 1988. These EU-China agreements paved the way for Beijing's unproblematic entry in WTO (because they were negotiated in line with WTO trade on textile and garments regulations). The EU support for China's membership in WTO (following seven years of tough negotiations) secured Beijing's full integration in the international trade and economic system. Thus, EU-China economic relationship is considered an inseparable part of EU-China geopolitics. China constitutes the most serious challenge to the implementation of an integrated EU trade policy since the country has become the second largest economy in the world. The country is an economic powerhouse providing 39% of global economic growth for 2016.<sup>5</sup> China holds the biggest currency reserves (3.08 trillion USD by July 2017).<sup>6</sup> Chinese Yuan Renminbi (RMB) was included in MFI currency basket as the third world reserve currency after USD and Euro. China's influence on global economy and finances continues to expand. Beijing has become the second largest EU trading partner (only behind the US) and the EU is China's biggest trading partner. (mutual trade worth up to 514.7 billion euro in 2016).<sup>7</sup> A growing Chinese middle class of more than 300 million offers unquestionable market opportunities for EU companies. EU exports to China include machinery equipment, motor vehicles, aircrafts, chemicals. Trade in services constitute only 10% of the total trade exchange.<sup>8</sup> The EU imports from China industrial goods (incl. machinery, transport equipment etc). The country specific market operating standards (which are

hard to meet) constitute a serious obstacle to the EU access on the vast Chinese market. The European Commission reports indicate growing dissatisfaction with China's trading and industrial policies, discriminatory practices towards EU auto-manufacturing companies, banking and IT sectors. The situation worsens as for an EU market access to China's mining and extraction industries. Since 2006 the European Commission has conditioned the advancement of the EU-China trade relations on the premise of Beijing's commitment to respect principles of 'fair trade' (incl. avoidance of anti-dumping trade practices), 'copy right and intellectual property' (especially in the field of digital technologies), and 'market reciprocity'.

Beijing is frustrated with the EU continuous procrastination in solving the issue of its market economy status. The issue has been on the EU-China summits agenda since 2003. 2016 was the deadline for Brussels in line with WTO rules to start the procedure of granting long awaited market economy status to China. There are indications that Beijing will bring the issue to WTO Dispute Settlement Body. Brussels argues that Beijing has not yet met the criteria for market economy since it has been using non-market methods to raise its market competitiveness. Member states continue to impose tariffs on Chinese goods imported in the Union by claiming subsidized nature of their production. On its part, Beijing argues subsidized practices are commonplace in the EU too (e.g. agriculture produce). Both sides accuse each other of unfair trading practices which occasionally erupt in so called 'trade wars'. European companies have an interest in preserving the status quo as a way of curbing the Chinese expansion on the European markets (especially in sensitive areas such as steel, textile, glossy paper to name a few) by pressing the EU Commission to counter Beijing with antidumping measures. In 2016, China on its part, extended its antidumping duties on EU originated potato starch it imposed in 2011. EU investors have lobbied the European Commission to press Beijing to open its public procurement market to foreign contractors (incl. from the EU). Trade disputes have become an unavoidable part of the EU-China economic relations. However, they make up between 1% to 3% of the total EU-China trade exchange.<sup>9</sup>

#### **4. Bilateral Investment Agreement (BIA)**

The EU-China investment negotiations were propelled during 16th bilateral summit in 2013. Chinese investments in the EU reached 35 billion euro for 2016 (with 11 billion of investments in the German economy). The EU investments in China totaled 8 billion euros for the same year.<sup>10</sup> BIA with China if concluded will be the EU's second international comprehensive investment agreement with a major power (after CETA with Canada). BIA's geopolitical impact should be sought in the context of accomplishing larger goal - an EU-China Free Trade Agreement. BIA is expected to replace the existing bilateral investment agreements China already has with 26 member states (except for Ireland, and now departing from the EU, Great Britain). BIA will be of great importance to the EU-China economic relationship. The EU-China investment flows are expanding for the past two decades but with a potential for further growth. BIA aims at increasing foreign direct investments (FDI) between the EU and China by updating the existing international investment protection standards and avoiding legal uncertainty for investors on a reciprocal basis. BIA is expected to contain clauses against discriminatory treatment of foreign investors, free capital transfer guarantees, provisions against direct and indirect expropriation of investor's property, dispute settlement mechanism. From the EU perspective, BIA would secure a more predictable environment for European companies' investments in China (incl. overcoming problems with mandatory technology transfer and obligations to do their business only through joint ventures with local partners). As for China, BIA could speed up the process of finally being granted a market economy status and overcoming the protectionist mood against Chinese investments in the EU. However, BIA should also be interpreted in the larger context, through EU-China-US geopolitical triangle. Beijing has been negotiating with Washington a similar investment treaty for some years. By negotiating simultaneously with Brussels and Washington, China would prepare the opening of its markets in way that the EU and the US would enter it as competitors. Beijing is in better negotiating position after the collapse of Transpacific Partnership Agreement following the US withdrawal under Trump Administration and impasse in the EU-US negotiations on Transatlantic Trade and Investment Partnership. The integrated WTO system (as a proponent of global trade liberalisation) is being split into competing between each other regional trade blocks. This transformation of the global trading system necessitates a redefinition of the global investment rule-making. Therefore, from a geo-economic point of view the EU-China BIA (alongside the

EU-Canada Comprehensive Trade and Economic Agreement) would lay the first bricks in a new architecture of global trading and investment systems.

## **5. The Global Economic and Financial Crisis**

The global economic and financial crisis hit Europe hard. China utilized the crisis to increase its geo-economic leverage in the EU (the meaning of crisis in Chinese language means both a challenge and an opportunity). Beijing's strategic interest involved stable economic recovery as a prerequisite for the security of its investments in the EU. China utilized the crisis for its own strategic benefit. It benefited from the privatization programmes implemented in peripheral Eurozone states (namely Greece, Italy, Spain) which sold state assets as a way of accumulating financial resources to tackle growing budget deficits and sovereign debts). As result Beijing bought equity assets the Eurozone worth 40 billion euro.<sup>11</sup>

## **6. EU-China Strategic Security Interaction**

China is willing to cooperate with the EU on issues of strategic security but questions the Union's ability to speak with one voice on the international arena (even after the Lisbon Treaty which elevated it to an unified subject of international law). The EU and China support the doctrine of multipolarity in the system of international relations and the indispensable role of the UN in maintaining international peace and security. Both share similar understanding of multilateralism and rule-based global order. However, Beijing finds it pointless to negotiate with Brussels on issues of strategic security (those issues that are associated with the use of 'hard power'). It does negotiate them, for instance, with its member states - Britain and France - in the UN Security Council ambience but not with the EU as an integrated geopolitical factor. Despite numerous institutional reforms (related to the creation of Common Security and Defence Policy structures and instruments; consolidation of foreign policy-making and conduct in a single European External Action Service) the EU has not been able to develop an integrated full-fledged foreign policy, security and defence identity. Chinese strategists analyse the EU predominantly through its potential to produce 'soft power' in world politics. The EU remains a political and economic integration project, while Europe's strategic security is mainly addressed

through Euro-Atlantic security system (Nato). The external insecurity (coming from overall EU neighbourhood - North-East, South and South-East) has had a highly destabilizing effect on the EU internal security. The deteriorating internal security environment as a result of irregular migration and a growing wave of terrorism (caused by wrong West-led policies in the Middle East that created 'Islamic State' and its jihadist ideology) has reduced ability of the EU to act effectively on regional and global levels. Chinese strategists are asking an obvious question: Is the EU an emerging or a declining power? The answer to this fundamental question will decide the extent to which China will consider the EU an equitable interlocutor in the field of strategic security. Currently, the EU is offering China cooperation in soft security (namely, sustainable development, environmental protection/climate change, energy security, cyber security) and in hard security (namely countering global terrorism, radicalism, maritime piracy).

In general, ideological differences do not hinder the EU-China strategic security dialogue. But it does not stop the Chinese leadership from reiterating its core foreign policy principles of absolute sovereignty and non-interference in internal affairs. Beijing does not accept 'humanitarian intervention' and international sanctions (in all forms - political, economic, financial etc) as tools for accomplishment of foreign policy and strategic security goals. Nato led operation against Yugoslavia in 1999 (in which key EU member states were also part of as Nato members) and the EU comprehensive sanctions against the Russian Federation (following its actions in Ukraine) are a case in point. The Chinese strategy for a resolution of the Korean Peninsula crisis has traditionally involved caution and quiet diplomacy as opposed to power-based approach. The EU and China have worked successfully together to hammer nuclear deal with Iran. Brussels and Beijing have supported the UN led peace effort and easing of humanitarian situation in Syria. The EU has acknowledged Beijing's role for strategic stability in South-East Asia through the negotiation format ASEAN+3 (China, Japan, South Korea). And this is despite current territorial disputes over the South-China Sea catalyzed by the Chinese territorial claims and supported by actual naval military maneuvers in the area. However, the most successful example of strategic security cooperation is the Sino-European cooperation in combating maritime piracy (joint escort of commercial vessels near waters of Somalia; involving China's PLA logistical support to an EU CSDP operation 'Atalanta'). China's is the largest contributor of personnel and equipment for UN led peace-keeping missions worldwide. Brussels

and Beijing have different interpretations of what peace-keeping is. While the EU defines peace-keeping in broader terms of peace-enforcement and peace-building in line with its values and standards, China focuses on the scope and legitimacy of initiated peace-keeping operations (incl. seeking a permission of the receiving state for deployment of troops on its territory and neutrality in the use of force in peace-keeping, mainly for self-defence).

## **7. Geopolitical Impact of 16+1 and Belt & Road Initiative (B&RI)**

'16+1' was officially triggered under Beijing's leadership as a cooperation platform in 2012 during Warsaw summit of China with Central and Eastern European countries. (CEEC). Beijing began calibrating its autonomous policy approach towards CEEC after 2010. Initially, in Chinese strategic thinking the CEEC formed a distinct geographical region within the EU. Beijing views the region as an important steppingstone in its positioning in Western European markets. Total Chinese investment in the CEE region went beyond \$5 billion, while CEEC have invested some \$1.2 billion in Chinese economy. China-CEEC trade volumes reached \$65 billion in 2015.<sup>12</sup> However, the CEEC still are not in a position to export high-technology goods to China. By 2017 '16+1' China-CEEC relationship has matured into a loose institutionalized cooperation platform (grouped in so called associations of sectoral cooperation in the field of trade and investment; transport infrastructure; industrial capacity development and equipment manufacturing; agriculture; energy; finance; science, technology, research and environmental protection; culture, education, tourism [people-to-people relations] etc). The associations hosted by individual CEEC have turned into mechanisms of policy coordination in respective sectors. '16+1' summits is where China-CEEC decision-making happens. Adopted guidelines and agendas are doctrinal instruments cooperation platform. Since '16+1' impacts interests outside CEE regional format, Greece, Austria and neutral Switzerland have received observer status at '16+1' summits. The EU is also represented at the summits by the European Commission.

China is currently recalibrating its policy approach towards CEEC. The 'Three Seas' Initiative announced at 16+1 Riga Summit in 2016 split CEE region in three sub-regions - the Baltic Sea, the Black Sea, the Adriatic Sea. China, thus, implicitly recognized the existence of three regional geopolitical realms - the Baltic North Realm, the Visegrad-4 and the South East Europe (also

historically defined as the Balkans). Geopolitical heterogeneity of the CEE region can be observed in the following statistics: 11 countries are in the EU, 5 are engaged with the EU via association agreements (strive for EU membership), 14 are Nato member states.

'16+1' has become a bone of contention between Brussels and Beijing since its inception. Brussels argues that China employs 'rule and divide' tactics to undermine the EU unity. Why develop a separate relationship with CEE region when this relationship can be addressed through the established EU-China comprehensive framework of relationship. The European institutions claim that Chinese transport infrastructure and industrial investments projects in CEEC fail to meet EU environmental and social standards and they are not in compliance with EU procurement law. Moreover, they insist that Chinese funding mechanisms could not be as appropriate for CEEC as the EU structural funds. Germany, whose economic interests in CEE region are substantial, is particularly suspicious of Chinese intentions. Beijing, on its part, advocates that '16+1' is in the interest of the whole the EU with the intention of bridging the economic gap between Europe's West and the Eastern EU newcomers. Beijing insists that China investments for CEEC help implementation of the EU cohesion policy goals. It does not want '16+1' to be regarded as China's 'Marshal Plan' for CEEC. China considers it legitimate to build up its relations with the CEEC as freely and sovereignly as it does for instance with France, Germany, Great Britain, Italy etc. Beijing shows flexibility in financing its projects in CEEC. Since countries in the region refuse to provide state guarantees for Chinese loans (known as 'loan and build' based contracts), Beijing opts for other forms of project funding incl. public-private partnerships and use of tolling system for repayment of road infrastructure projects.

Belt and Road Initiative (B&RI) also known 'One Belt, One Road' is still in the process of shaping. It revolves around re-thinking of the Chinese ancient/medieval 'Silk Road' paradigm of economic and cultural exchange with the outside world. It was conceptually formulated during Xi Jinping's visits to Kazakhstan and Indonesia in 2013. It has land-based and maritime dimensions. The buzz word for B&RI is connectivity. Through B&RI Beijing brings a new grand concept of global connectivity (in the areas of infrastructural development; industrial investment and trade, finance; people-to-people relations). B&RI is China's response to the era of globalisation (characterized by increasingly interconnected and multipolar world). The difference

between the West and China is that it backs economic advancement, but opposes political globalization. Thus, B&RI can be analysed in the context of emergence of the 'Beijing Consensus' as opposed/or complementing 'Washington Consensus'. Beijing has been talking seriously about reforming the existing global financial system. It is in this context that China's participation in setting up regional developmental banks should be viewed (e.g. the Asian Infrastructure Investment Bank, Silk Road Fund, BRICS Development Bank). China's B&R financial connectivity is aimed at encouraging inter-bank cooperation with major European banks (European Investment Bank, European Bank for Reconstruction and Development). Emerging 'Beijing Consensus' will be based on the principle of shared development. It means the financial flows should serve development goals and needs. And not visa versa, when financial expediency determines the limits of economic development.

High-level Belt & Road Forum for International Cooperation (BRF) held in Beijing, 14-15 May 2017 gathered national delegations of some 130 countries (incl. 29 heads of states), heads of international organisations (incl. the UN Secretary General, the president of the World Bank and the director of IMF). It served as spring board the real start of 'One Belt, One Road'(OBOR). The next BFR summit is scheduled for 2019. The first BRF resulted in signing of more than 70 multilateral and bilateral agreements. BRF produced a joint communiqué (in which OBOR cooperation principles and measures were outlined) by the Leaders Roundtable of BRF (head of states meeting), a list of deliverables (cooperation initiatives, incl. list of concrete projects to be implemented within the B&RI framework during the next five years), an Initiative on Promoting Unimpeded Trade Cooperation along the Belt & Road; BRF also outlined six 'economic corridors' through which the OBOR connectivity will be sought.

The EU refused to subscribe to the BRF Initiative on Promoting Unimpeded Trade Cooperation along the Belt & Road. Brussels (mainly key European institutions - Commission and the Parliament) still doubt Chinese commitments to economic, financial, social, environmental sustainability and transparency of the projects it initiates. The EU wants true promotion of free trade and reciprocity in market access. Besides OBOR economic corridors should be designed in operability with Trans-European Networks, including the EU neighbourhood.

'16+1' has a regional focus while B&RI is global in scope. China views '16+1' as a natural continuation of B&RI in the European context. On the one hand, six years of existence have helped '16+1' resulted in structured areas and formats of cooperation, levels of interaction and mechanisms of policy coordination. B&RI, on the other hand, has still a long way to go. B&RI and '16+1' share a high level of pragmatism. Each EU member state should decide to what extent and form to participate in both initiatives.

## **Conclusion**

Europe and China will continue to be closely intertwined by history, culture, education, science, trade, investments, R&D etc. The relationship has reached a high level of strategic maturity and economic interdependence. Economic (and particularly trade) disagreements will be an inevitable part of the EU-China relations but not to the point of greatly affecting further progress. Brussels and Beijing share similar positions on world politics (both are proponents of multilateralism and opponents to economic protectionism). However, China's interpretation of globalization differs from the EU one. Beijing pushes for economic globalisation, but stresses that the new contours of global political governance have to respect the role of the states as main subjects of international relations and international law. Thus, Beijing rejects a type of globalisation in which multinational companies overwhelm the sovereignty of the state over its territory.

The EU-China geopolitics should be further observed in the context of three geopolitical configurations. Firstly, EU-China-US: the Trump factor has brought new nuances to the EU-China relations, especially after the new US administration decided to withdraw from the Paris Climate Agreement (2016) and taking a more protectionist course of action. Brussels and Beijing have become 'natural allies' on the issues of environmental protection (incl. sustainable development) and economic liberalisation as opposed to the current US vision. Secondly: EU-China-Russia: the EU is wary of Russia's growing geopolitical resurgence in Europe (especially in the CEEC). Sanctions are used as an instrument to curb Russian ambitions. However, they do not cover the energy sector which makes them not that effective (moreover, the Russian economy has been adapting to them, and Moscow's counter sanctions have badly hurt the EU

economy). China does not support the EU sanctions, but maintains a neutral line in the EU/Nato-Russian confrontation. The Sino-Russian strategic cooperation has been growing in various fields (incl. military, e.g. recent Russia-China naval military drill in the North/Baltic Sea was a cause of concern both for Nato and the EU). China has also taken into account Russia's strategic sensitivities about the post-Soviet space by not inviting Belarus, Ukraine and Moldova in '16+1'. However, China greatly differs from Russia in the tools it uses to expand its influence in Europe. Contrary to Moscow's traditional geopolitical posturing Beijing relies on 'soft power' - trade, investments, culture etc. China has elevated B&R and '16+1' to key foreign tools in relation to Europe (and they are considered 'soft power' tools). Thirdly, EU-China-Britain: it is difficult to gauge how Brexit will affect the EU-China relationship. Beijing is aware that the trade dynamics with the EU might change once Great Britain completes its departure from the Union. The nature of Brexit deal (incl. Britain's access on the Single European Market, tariff setting, regulations for mergers, acquisition, joint firms' collaborations) will be important from a Chinese strategic perspective. Some experts see Brexit as an advantage for China since London's role as RMB currency hub will increase. The EU and Great Britain will remain a technology-seeking markets for Chinese businesses.

Beijing's expansion in the CEEC will continue despite Brussels' resistance. Beijing will continue to view its relations with the CEEC in the context of the EU-China strategic dialogue. It will try to quell Brussels residual suspicions towards '16+1' by involving the European Commission as a third-party partner.

The EU identity crisis embodied in a clash between neoliberal and conservative doctrines of governance (what EU - federal state of a union of states) will not dissipate. Hence, from a geopolitical point of view the future of the EU integration project will be a cause of major concern for China, (since China's stakes in the EU are great). Security challenges related to illegal migration and terrorism in the EU will also be the field of the Chinese leadership's vision. From an EU point of view the role of ASEM (Asia-Europe Dialogue) will rise. Brussels wants to channel its relations with Asia (and with China in particular) via ASEAM as a way diluting the growing clout of Chinese B&R and '16+1'. We have yet to see if this EU strategy will succeed because China will obviously try to interlink B&RI with ASEAM initiated projects.

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