
**CONTAIN OR COOPERATE:
UNDERSTANDING THE EU's CHINA DILEMMA**

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ABSTRACT

Despite the divergence in global governance, human rights, and rules-based international order, the Brussels-Beijing ties have switched from the natural, strategic partnership to strategic rivalry. In 2003, the EU initiated a Comprehensive Strategic Partnership with an effort to bring their bilateral relations from the mutual enmity to mutual empathy. In connection to this, the CNBC reported a survey of the European Council of Foreign Relations, on September 20, 2019, in which it referred to China's trade practices as aggressive and a threat to the EU's economy. The report also showed that in Asia, China is among the EU's competitive and cooperative partners. The EU and China are dubbed as second and third-largest economies at the global level in nominal terms. The former considers the latter as its second-biggest trading partner, whereas China puts the EU as its biggest trading partner. This article draws on the qualitative research in which the secondary sources of data are applied. It aims to explore a growing concern in the EU, about whether to contain or cooperate with China in the current geopolitical environment. This paper suggests that cooperation, not containment could be the wise strategy of the EU towards China.

Keywords: EU, China, Economy, Strategic Partnership, Geopolitics, Trade, Containment, and Cooperation

INTRODUCTION

The current developments in Asia and Europe have caught the attention of academic scholarship. The rise of China at the global level points to a fact that the shifting sands of geopolitics and geo-economics have ultimately upset the existing global order. Being the world's fourth economy and third exporter, China is no more a sleeping giant, but it has woken up and shackled the world.

The EU-China relations are passing through testing times in different regions including the ME (Iran, Iraq, and Saudi Arabia).

Since the enlargement of the EU, it has become the largest partner of China. Similarly, the latter became the second-largest trading partner of the former. It is interesting to note that the European Union issued CGP (Comprehensive Guidelines for Partnership) with Beijing in 1998, and the Asia Strategy paper in 2001. The Brussels' coordinated, comprehensive, and balanced strategy towards Beijing, reflects its interest and long-term commitment, keeping in the context, China's rapid economic growth, assertiveness, and influence in the region. China's entry into WTO (World Trade Organization) became possible after the EU's assistance programs in 2000. This assistance was in various fields, for instance, illegal immigration, social security reform, the telecommunication, the environment, energy, etc. These shreds of evidence showed that the EU-China was expected to gain more than loose from their strengthening commercial commitments. Nevertheless, scholars aptly remarked that China seems to be a growing threat to the West, but the focus of academic studies is on the China-US and Japan-China rather than EU-China (Breslin, 2005; Callahan, 2005; Story, 2003).

On the one hand, the EU-China relations do not overlap in their security and strategic partnership, and their preferences and priorities. For example, in the short-term plan, Beijing has diverted its attention towards the Asia-Pacific region but in the long term, it has shown an interest in enhancing its power, influence, and even to compete with the United States. On the other hand, in the short term, the EU has a focus on Russia (Russian approach in the Baltic region) and the US (American approach towards ME and EU). There seems to be less convergence of EU-China relations on regional issues. For instance, a civil war in Syria, Iranian nuclear imbroglio, etc. Therefore, given the deep divergence in their outlook, preferences, and approaches to economic and security, the element of uncertainty prevails.

Not everything has gone bad in EU-China relations. As pointed out by one of the experts, that the European Union has been actively, efficiently, and confidently promoting its interests and values. In this regard, its normative values are considered to be its core identity (Manners, 2006). To keep the Union's identity, integrity, and credibility, the EU's current approach towards Beijing appears to go well. As identified in the European Union Commissions paper on China, in 1995, it was well aware of China's rise, and its growing

power and influence in global matters, therefore, the paper showed that they would prefer integrated China as a key stakeholder in the world affairs (Mattlin, 2009). It means that there was an acknowledgment in the EU about China's entry into regional and global organizations (Johnston, 2003). Hence, the role of China in world affairs cannot be ignored. This article is divided into four sections: First, it discusses how relations between EU and China have evolved; secondly, it explains the calm before the storm; thirdly, it explores the EU's China dilemma, and lastly, it offers a discussion and conclusion.

BRUSSELS-BEIJING TIES

Historically, the relation between the two powers dates back to the Christian era. The Chinese traders used to sell their products through Silk Road. These exchange of goods brought prosperity for Rome. There was not so much that could be valuable to be offered to China by Rome. This trade continued throughout the 18th Century. Thereafter, the Opium war brought several changes including trade. China was not in direct connection with Europe, but she had to route its goods through central and South Asia (Yahuda, 2007). These relations were largely shaped by two important factors: the tyranny of distance and primacy of trade. However, the long distances now are covered through technology and transport. Even the hundred years war between Anglo-Chinese in 1840 could not directly influence trade relations. By that time, neither China nor Europe had a concern regarding their geopolitical interests. China did not initiate its trade with Europe until 1514. By that period, the Portuguese had arrived in China from Malacca. One can say that it was the height of European civilization, inventions, and scientific discoveries in China too. These developments had a greater impact on Europe (Ibid., 13-14).

Amazingly, EU-China relations throughout decades of their history have been subject to cooperation and conflicting interests. Although both the powers, for a few decades, have raised their profile, credibility, and power. In the context of Asian relations, China holds more relevance and a prominent position than the EU. China has increased more export and investment in Europe than the EU in China. The then European Commissioner, Christopher Soames was invited by China. In follow up meetings, in November 1974, the EC forwarded a memorandum to China. This MoU was related to their mutual trade.

After that, their diplomatic ties began in 1975, reversely; China also extended its diplomatic recognition to the EU in 1978. In this way, EC was able to establish its office in China in 1988. Hence, it was only after their mutual recognitions, the trade relations was given a great boost by both countries (Algieri, 2002).

Having upgraded their relations, Hugh White, pointed out that China's transition from poor, strategically backwater to economic power, and now is an important geopolitical power at the regional level (White, 2013). Sinologists observe that China would play a more dynamic and assertive role at the global stage.

After the extensive and strengthening economic engagement between both powers, their yearly summits have been conducted for seventeen times since their diplomatic ties. They have, among others, identified several sectors in which they have joint ventures including environment, energy, education, consumer and labor safety, space cooperation, and civil society (Gill & Small, 2014). In addition to this, they have extended their forums to a higher level. In this context, trade dialogue was started in 2008. In this trade and economic talks, issues like climate change and NPT (Nuclear Non-Proliferation) to regional security were addressed at great length (Edmonds, 2002).

There are several studies on EU-China relations. For instance, Shambaugh, D. (2004) discusses in greater detail how EU-China relations have evolved and are growing at a faster pace as it was expected. Even he considered these ties as a new axis in global affairs. He was confident enough to say that these ties offer peace and stability in the troubled world. Scholars like Scott, D. (2007) takes us to the strategic partnership. This partnership was introduced in 2003 between the European Union and China. He thought that these relations possess the potential to create an environment for geopolitical balancing and containment at the same time. Hence, this tends to be one of the significant factors in their convergence (Scott, 2007; Shambaugh, 2004).

This convergence is happening at a time when both the powers are reshaping and refining foreign policy by the EU whereas China heading towards its rise from its Middle Kingdom status. The individual has extended the hand of friendship to the Soviet Union and the USA. Their cooperation has been vital to the rising of the USSR and the US on the world stage. Scott, D. also argues that the EU and

China still maintain their approach and positions for the international system. For example, Beijing emphasis on geopolitics and multilateralism, whereas Brussels puts more emphasis on geo-economic and multipolarity in the world.

Further, Shambaugh, D., *et.al.*, (2007) describes EU-China relations as a great lesson for regional cooperation. This kind of cooperation is essential for international peace and stability. His study looks at the China Studies in Europe and European Studies in China (Shambaugh, Sandschneider, & Hong, 2007). The Chinese leadership has learned from the EU's way of cooperation in different regions of the world (Rees, 2009). These lessons coupled with new learning and experience have been vital for the young Chinese leadership to adjust and accommodate itself with the different regions.

Apart from this, Fallon, T. (2014) focuses on the strategic triangle (US-China-EU). He was of the view that since China is rising at the global level, this triangle has been in the eye of rigorous scholarship. He has raised a few relevant questions. For instance, the impact of EU-China engagement; China's growing investment in CEE (Central Eastern Europe), and the evolving of 16+1 countries. His study examines, how while growing political clout of China, the European Union and China's increasing their convergence and divergence (Fallon, 2014; Li, 2009).

In line with this, one of the research attempted to explore perceptions of the EU in the Chinese press, elites, and civil society. His study argues that China and Europe are approaching each other as powerful allies. This is since both countries have no conflict in terms of security, therefore, convergence seems to be the only alternative for the EU. The irony of the fact is that America acts as a stumbling block in the EU-China embrace. In spite of that there is a ray of hope and optimism that these ties would be taken to new heights (Peruzzi, Poletti, & Shuangquan, 2007).

CRITICAL EVALUATION

EU and Chinese leadership have had several meetings before their relations have transformed into a new level of engagement. In connection to this, on the 16th April 2004, President Romano, as ahead of the Commission visited China, and his visit was reciprocated on May 6th by the Chinese Prime Minister Wen Jiabao. In this meeting, they discussed various issues besides signing several new initiatives

including a custom cooperation agreement. They also committed themselves to implement what they described as the Guidelines for Action. These initiatives further pushed into their Strategic Dialogue in 2004, in London. This was followed by Commission's President Jose Manuel Barroso's landmark visit to Beijing. After this, the next level meeting was held with the Chinese Prime Minister Wen Jiabao at Brussels in 2009. These exchanges of visits were followed by a high level dialogue on trade and economy in China. They also celebrated the Year of Intercultural Dialogue (YID) in 2012.

It is to be noted that in 2013, the European Union and China had a meaningful dialogue on Innovation Cooperation. This dialogue was held in China. Later on, on 21 November 2013, a gracious dinner was hosted in the honor of President Xi Jinping. In this meeting "Strategic Agenda for Cooperation 2020" was also formalized. This agenda contained principles like peace, security, prosperity, sustainable development, and P2P (People to People) interaction. At the G20 summit 2014, President Jean-Claude Juncker's meeting marked a radical shift regarding trade and investment. In the wake of this meeting, the first time visit by a Chinese President, Xi Jinping, to European Union was considered to be a turning point in their relations.

The mismatch in EU-China relations emerged in 2019. The issues cropped up in the form of the publication of new policy papers which included deep assessment of Huawei, 5G infrastructure, cyber operations, and the South China Sea. The EU sees its relations with China from three perspectives: human rights, security cooperation, climate change and transparency in trade and investment. However, Mercy A. Kuo noted in her analysis: "In September 2018 the EU published its Connectivity Strategy for Europe and Asia which constituted a major shift in its approach to the BRI. The main aim of the EU's Connectivity Strategy is not engagement with China: the strategy document refers to China only as one among many relevant parties and there is no mention of the BRI at all. And yet the EU Connectivity Strategy is primarily a response to the BRI, aimed at promoting a European alternative to the Chinese approach" (Mercy A. Kuo, 2019).

It also does not want to push China further due to the evolving global economic recession, Russian growing interests in eastern borders, and Trump's frequent outbursts over downgrading its

transatlantic alliance. Interestingly, if we look at the “EU-China Strategic Outlook” document, the former primarily focuses on its nuanced and balanced ties with Beijing and depicts China as its ‘Systemic Rival and Competitor’. Besides their fair competition and access to the market, its main objective is to restrain or push China to reform itself in terms of its trade policies under the framework of the World Trade Organization (WTO). To influence China, the EU is striving to promote its unity and integrity. In March 2019, a meeting was held in Paris in which French President Emmanuel Macron invited German Chancellor Angela Merkel and Jean-Claude Juncker, the European Commission President, and the Chinese President Xi Jinping. Their meeting was held in a congenial and cordial atmosphere.

The EU has come up with different proposals to address their issues with China in a respectable and equal footing. For instance, Brussels has raised the issue of subsidies and price dumping, screening for the Chinese investment, national security, and technological transfer. Initially, it was perceived among EU members that China has been reluctant in addressing their genuine concerns. Simultaneously, the EU claims that they have been somehow successful in persuading China to reform its trade policy. Hence, Philippe Le Corre was optimistic and said: “The European Union is still China’s top trading partner and it is said that the BRI was aimed at the EU consumer market...it should demand reciprocity with China, stick with European values and the rule of law while leaving an open door for cooperation with China on global issues outside EU borders” (Philippe Le Corre, 2019).

Germany has a greater role and leverage among EU members. It is going to assume a rotating presidency of the EU in the middle of 2020. It will be seen if Germany could transform the EU-China summit into 28+1. However, its mechanism for cooperation will require her to extend its interaction if it desires to play a game with great powers. Concerning this, Merkel is exploring avenues for balancing, strengthening, and enhancing mutually beneficial cooperation.

The studies on EU-China relations suggest that both countries have been using political values in their respective political parlance. But it is not enough. The intricacy involved in managing EU-China

relations on the European side is demonstrated in the EU institutions' lack of uniformity in defining the EU's two-sided relations with China. Irrespective of, how the EU defines its mutual relations with China, it looks realistic that the two sides are not 'strategic competitors'. It is so because both countries do not have 'strategic' areas wherein they could conflict or compete. In this regard, the CMOFA (Chinese Ministry of Foreign Affairs) has also endorsed this argument that neither EU nor China poses a threat to each other (Chinese Ministry of Foreign Affairs, 2003). Similar views were also echoed by European partners. The EU's policy documents have been emphasizing more on 'comprehensive, mature, strategic partnership and enduring relationship'. It is to be noted here that the word 'Partnership' is being fully applied in Europe and China. It has been in vogue in their political jargon. Nevertheless, in the era of George Bush, China and its relations with an outside world were considered as 'strategic competitor'.

Given the complex nature of the European Union- a supranational entity and an intergovernmental organization, it has put its ties with China in jeopardy. "The diversified, and often conflicting, political and economic agendas of the member states render EU-China relations are less intense than they were intended to be. Until now, European diplomacy towards China has focused too much on national and commercial interests" (Crossick, Cameron & Berkofsky, 2005).

There happens to be a significant change on the part of the EU. Its current approach towards China appears to be tougher than ever. For example, the EU has asked China to open its markets and reduce the level of its non-tariff hurdles, industrial subsidies, forced technological shifting and secures Intellectual Property Rights (IPR). Conversely, the EU also intends to bring changes in terms of its market openness, market access, maintain transparency, and reduce discrimination against China. Nevertheless, the EU displays its reforms and changes as a part of its norms and liberal values and they also expect from China to adjust or accommodate these changes in their system. This does show that that China needs to adapt to the EU's rules and norms.

The widely held perception among members is that it (EU) no longer remains reluctant or dormant. It also threatened to close its markets if China does not open its economy and stop illegal practices related to trade and investment. Moreover, the EU leaders also had

made clear to President Xi Jinping that their intention is not to conflict with China in a way as Trump is doing. However, the EU's softer tone over the Chinese security measures over the South China Sea also indicates that the EU does not open the confrontation front for China. But it does not mean that their concerns are fully addressed in terms of some legalities and security of sea routes in the South China Sea (SCS).

These threats and fears were also identified in the EU's "Strategic Paper" which was issued on 12 March 2019. The Chinese military build-up (2050) is also a grave concern in Brussels. After all, the EU believes that their security and economic interests are supreme to them. "For the EU, China is considered both a cooperation partner, a negotiating partner, and economic competitor but also a systemic rival promoting alternative models of governance. It is no longer an economic competition but rather a political one. The centenary of the founding of the People's Republic of China in 2049, it will become a strong, democratic, civilized, harmonious, and modern socialist country" (Roy Mabasa quoted KAS Country Director Stefan Jost, 2019).

The deteriorating ties of the EU with Washington and the latter's critical remarks over the former's commitment to multilateralism and sanctions on Tehran have consistently been affecting the EU as a rule making power in the region. These factors are inevitably contributing towards EUs looking towards rising power, China. There seems to be just a handshake, but embrace is remaining between EU and China relations. In response to EUs rapprochement and soft handholding, China may be thinking over concessions and address the former's concerns related to peace, security, trade, and investment. To enhance the process of cooperation, EU states, along with their Chinese counterparts, have thrashed out ten concrete actions that were endorsed during the Brussels meeting on March 21, 2019.

Both the powers have shown their interest and commitment to their comprehensive strategic partnership. In connection to this, the EU's perspective reflects a realistic, assertive, and multifaceted approach towards its interaction with China. The EU needs a cooperative China with whom they could find balancing their interests, maintain technological and economic competition, systematic rival while promoting their version of governance. To achieve this objective, the EU needs to have a strong unity and integrity within its ranks.

FIGURE-1
OVERVIEW OF EU-CHINA TRADE AND INVESTMENT



Source: Congressional Research Services (1st April 2019).

The trade statistics show both powers are considered as the world's two largest exporters, but their imports are ranked as third and fourth. The above trade figures show that the EU's export to China in 2017 was 198 billion Euros, whereas it imports from China to 375 billion Euros. Similarly, in the year 2017, the EU exports its services of 45 billion Euros and it imported services from China amounted to 28 billion Euros. In terms of investment, China invests more in the EU than the EU in China. For instance, EU's FDI in China was 6.8 billion in 2014 whereas, China invested up to 35 billion Euros in 2016 (Figure-1).

It is to be noted that the EU, as other powers in the world, has a trade deficit with China that is amounted to 177 billion Euros. These figures manifest that the EU is more reliant on China and it considers China as its second-largest partner. It shows that EU-ASEAN collective trade will be replacing America soon.

In 2018, EU countries like Netherland, UK, and Germany have had more import from China, whereas Germany, UK, and France were counted as the top three exporters to China. One could observe that Germany, Finland, and Ireland had more trade balance with China and other members had to see their trade deficit with China. Amazingly, both EU-China average trade of a day amounts to euro 1 billion. It indeed reflects its increasing trade and cooperation.

DISCUSSION

Several academic experts and strategic analysts have been highlighting an external dimension of the EU's strategic partnership. In this partnership, two major powers are linked, EU and China. It is some kind of comprehensive partnership that reflects political as well as security subtleties. Given the current landscape of geopolitics in the world, the EU would look towards alternative power in the region with whom they can trade. However, one thing is very clear the EU is not China and China is not the EU. Both powers differ in many ways, for instance, China wants to trade and investment, connectivity projects, rules, and governance according to its mechanism which appears to be different from the European Union.

Since the US is engaged and bogged down in military conflicts in different regions, China is gaining ground and looks to be an assertive power in the region. Beijing has systematically uplifted more than 16.6 million people from poverty. In terms of nominal GDP, since 2010, it is the second-largest economy and the world's largest economy, in terms of Purchasing Power Parity (PPP). As for its international trade and cooperation demonstrates, since 2003, it has signed seventeen FTA's with 25 states. However, its BRI project has gained support from almost one hundred sixty countries and engaged with twelve EU countries. In this regard, Jean-Claude Juncker pointed out succinctly: "China and Europe must do great things together. We are strategic partners, and yes, rivals, but competition among us is a good thing" (Kim Willsher, 2019).

Economic cooperation is encouraging yet some hiccups require a bold and measured response by EU as well as China. Nonetheless, in the long term, both the powers will have to cooperate. This economic cooperation would lead to economic sustainability and institutional building at a global level. Besides that, research and innovation and

cooperation in monetary terms would receive a great impetus. The subject of immediate attention is trade and investment. It would herald as an opportunity for both the powers in the decades to come.

Reforms are required from both of the powers. Beijing needs to bring a few economic reforms to adjust or accommodate what the EU has been complaining about. The question is: how far CCP is willing to take political risks.? It largely depends on the Chinese current leadership how they respond to the European Union. Whereas the EU is seen as reluctant, indecisive, weak, and divided over how to respond or approach rising China. There is a dearth of strategic thinking in the EU and some of its members are not seriously thinking over how to deal with China. Although there is a dilemma in Europe about whether to contain or cooperate with China. This article explored that it is now too late for the EU to contain, counter, or compete with rising China. Because it is too big to be contained or countered. Hence, cooperation not containment could be a wise approach of the EU towards China.

CONCLUSION

The future outlook of these relations will be affected by issues out of the EU and China- transatlantic rift, Iranian nuclear imbroglio, and South China. Hence, both the powers will have to show commitment, sense of responsibility to deal with regional and global political, economic, and security challenges. The EU and China are also economically interdependent, and their interests converge over energy resources, political stability, and multilateralism in the region. This article concludes that the visions of major powers will have to compete; their norms will change, and today's rule takers could be tomorrow's rule-makers. Many scholars could agree that whenever there will be a talk about the global and regional economy; peace and conflict, the evolving shape of rules, structures, and values, not only Europe but other regions too, will be looking towards a rising China.

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