



*Robert Schuman*

## EU-China Relations: Problems and Promises

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# EU-China Relations: Problems and Promises\*

Jing Men<sup>♦</sup>

EU-China relations have experienced some difficulties since 2005. Some scholars expressed deep concern about its future development.<sup>1</sup> This paper studies the shared and conflicting interests and concerns in EU-China relations and points out that the increasing degree of interdependence and the necessity of cooperation in strategic international affairs require the EU and China to build a long-term partnership. The examination of EU-China relations in this research indicates that it is for mutual benefit that the two sides need to maintain a stable and cooperative partnership.

Diplomatic relations between the EU and China started in 1975. After several decades of contact and cooperation, the establishment of a “Strategic Partnership” in 2003 brought the two much closer. Apart from economic complementarity, the two sides have explored many more areas of common interest. But the construction of the partnership is not without problems. From 2005 till now, apart from textile disputes, the failure of arms embargo lifting, growing trade deficit in its trade with China catches the attention of the Europeans and leads to rising political pressure in the EU to readjust its China policy, turning it to be more protective and tougher in dealing with Beijing. The troubled political relations exert more pressure on bilateral economic cooperation. Against such a background, the first High-Level Economic and Trade Dialogue was held in Beijing in late April 2008. The dialogue participants work closely to find a breakthrough in bilateral cooperation to counterbalance the rising political pressure from Europe. Currently, EU-China relations are at a difficult historical period. It needs joint efforts and wisdom to deal with the thorny issues at hand and to make sure that these problems will not jeopardize bilateral relations in the long run.

This paper will have a close look at some issues of mutual concern to find out the overlapping and conflicting interests between the EU and China. Then, it will examine the promises and problems of the relationship. Such efforts aim to identify the commonalities and differences between the two sides and to point out why it is possible for a long-term partnership to be built between the EU and China.

## I. Overlapping and conflicting interests between the EU and China

Between the EU and China, there are both overlapping and conflicting interests. Both as rising powers, the necessity of cooperation and coordination in important international affairs of mutual concern serve as the basis of the strategic partnership. Economic cooperation allows the two to work together for material benefit, but differences in political regimes and value beliefs and calculation of relative gains give rise to problems in bilateral relations. In this part, an examination of three issues of mutual concern indicates that despite disagreements and problems, the EU and China are committed to building a long-term partnership.

### A. Multilateralism/Multipolarity

In the post-Cold War era, both the EU and China intend to play a greater role in international affairs, and both promote the formation of a political structure that facilitates the ascendance of

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<sup>1</sup> See, for example, Niklas Swanström, “EU-China relations: Troubled Relations?” *The Quarterly Journal of Defense Policy Studies*, Vol. 24, No. 1(2008), pp.153-175; Jonathan Holslag, “The European Union and China: The Great Disillusion,” *European Foreign Affairs Review*, Vol. 11, No. 4 (2006), pp. 555-581.

their political influence globally. In particular, the Chinese government has been getting closer to the position of the EU in advocating multilateralism in its external relations.

In the first EU-China summit in 1998, the Chinese proposed to use the term “multipolarity” in the final joint declaration. The British representative resisted this idea, probably being afraid that it would make the USA unhappy.<sup>2</sup> The EU prefers multilateralism to multipolarity. According to Benita Ferrero Waldner, Commissioner for External Relations, “For the EU,... it is not the number of poles which counts, but rather the basis on which they operate. Our vision is a world governed by rules created and monitored by multilateral institutions. And I know China shares this approach.”<sup>3</sup>

The EU’s emphasis on multilateralism has been clearly illustrated by Javier Solana’s report on European security strategy. He started by pointing out that “the end of the Cold War has left the United States in a dominant position as a military actor. However, no single country is able to tackle today’s complex problems on its own.” This offers a good opportunity for a rising Europe. According to him, “Europe should be ready to share in the responsibility for global security and in building a better world.” Later in the report, he said that “international cooperation is a necessity. We need to pursue our objectives both through multilateral cooperation in international organizations and through partnerships with key actors.”<sup>4</sup>

China, although by no means hiding its craving for multipolarity, has quietly revised its view on the development of multipolarity in recent years. Before 2003, the Chinese Foreign Ministry held that multipolarity “helps weaken and curb hegemonism and power politics, serves to bring about a just and equitable order and contributes to world peace and development.”<sup>5</sup> Without mentioning the United States by name, China made it clear that such policy of multipolarity was intended to counterbalance American power: At present, by virtue of its economic, technological and military advantages, an individual country is pursuing a new “gunboat policy” in contravention of the United Nations Charter and the universally-acknowledged principles governing international relations in an attempt to establish a monopolar world under its guidance.... China is firmly opposed any form of hegemonism and power politics.<sup>6</sup>

The interactions with the outside world shape China’s understanding of international relations. In the diplomatic field, China has changed from exclusively relying on bilateral approach to an increasing reliance on multilateral approach, from suspicion of multilateralism to being gradually at ease with it. Such a change has also affected its interpretation of multipolarity. Since 2003, a new understanding of multipolarity by the Chinese government has appeared:

Our efforts to promote the development of the world towards multipolarization are not targeted at any particular country, nor are they aimed at re-staging the old play of contention for hegemony in history. Rather, these efforts are made to boost the democratization of international relations, help the various forces in the world, on the basis of equality and mutual benefit, enhance coordination and dialogue, refrain from confrontation and preserve jointly world peace, stability and development.<sup>7</sup>

While the term multipolarity is still used by the Chinese government, its implication has been quietly changing. In the new interpretation, the Chinese highlight the elements of multilateralism

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<sup>2</sup> The author got this information from her interview with a Chinese diplomat.

<sup>3</sup> Benita Ferrero Waldner, “The EU, China and the Quest for a Multilateral World,” July 4, 2005, available at [http://www.delchn.cec.eu.int/en/eu\\_and\\_china/30th/sp05\\_414.htm](http://www.delchn.cec.eu.int/en/eu_and_china/30th/sp05_414.htm)

<sup>4</sup> Javier Solana, “A Secure Europe in a Better World: European Security Strategy,” December 12, 2003, p. 2 and p. 13; available at <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>

<sup>5</sup> Chinese government’s viewpoint on multipolarity before 2003 is available at <http://www.chinaembassy.se/eng/zgwi/jbzc/t100415.htm>

<sup>6</sup> Ibid.

<sup>7</sup> Chinese government view on multipolarity since 2003, available at <http://www.fmprc.gov.cn/eng/wjdt/wjzc/t24880.htm>

such as democratization of international relations and the strengthening of coordination and dialogue, which to a large degree has brought them closer to the EU's understanding of the international relations. The Chinese are oriented more towards multilateralism in international politics in the 21<sup>st</sup> century. Such changes help bring the Chinese and the Europeans closer in their understanding of international politics.

## B. The Arms embargo issue

Between the EU and China, a difficult issue is the arms embargo imposed in 1989 by the Western countries against China under the leadership of the United States. The lifting of arms embargo has been a topic for discussion in the EU since late 2003. The EU, led by France and Germany, agreed that a new code of conduct<sup>8</sup> regulating deliveries of European weapons to Beijing should be prepared to replace the arms embargo. The discussions between the leaders of the leading member states of the EU and China in 2004 seemed to lead to a sooner lifting. The European leaders gave an oral promise to the Chinese that this bilateral problem would probably be solved by June 2005.<sup>9</sup> However, what happened in the beginning of 2005 pushed the developments towards an opposite direction. The issue was made more difficult due to the interference of the US. Rather than being a bilateral issue, the arms embargo turns out to be an important concern for three parties. The EU faces a difficult situation due to pressure from the US and its commitment to the Chinese on the ban-lifting. Washington urged the EU to maintain the embargo and threatened to cut off American transfers of military technology to Europe. US Deputy Secretary of State Robert Zoellick warned EU officials that if ever "European equipment helped kill American men and women in conflict that would not be good for the (transatlantic) relationship."<sup>10</sup>

After China passed an anti-secession law<sup>11</sup> in March 2005, the lifting of the embargo became more difficult. The EU does not want to see an increase in Cross-Strait instability and the risk of an arms race in the Taiwan Strait. Opposition in the EU to listing the ban was getting stronger. In April 2005, the European Parliament voted 431 to 85, with 31 abstentions, in favor of a resolution urging the EU to keep the weapons embargo.<sup>12</sup> As Eldar Subasic, Luxembourg's Foreign Ministry spokesman admitted, "Looking at the positions that have been taken in different capitals, the chance of lifting the embargo by June now looks reduced."<sup>13</sup>

Several years have passed. It is not clear when the embargo will be lifted. Nevertheless, there seems to be a tacit agreement between the EU and China that this issue is not allowed to disturb bilateral relations. Instead of accusing each other of misconduct, the two sides are very pragmatic and have removed the issue from the primary concerns of bilateral relations.

## C. Textile dispute

The textile dispute in 2005 was the consequence of the abolishment of the 40-year-long quota regime and the rapid growth of Chinese exports to the European market.<sup>14</sup> The sharp rise in

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<sup>8</sup> Inside the EU, the Code of Conduct makes the rules and conditions that all the EU member states should follow and base on which they may sell their weapons to other countries.

<sup>9</sup> This information was revealed by a Chinese diplomat, who said that due to the European promise, the Chinese leadership believed that the issue could be solved without much problem in the first half of 2005.

<sup>10</sup> Sebastian Alison, 'US Warns EU over Lifting China Arms Ban,' *Reuters*, April 5, 2005.

<sup>11</sup> The anti-secession law was approved by China National People's Congress with the purpose of emphasizing its sovereignty over Taiwan and of keeping Taiwan from declaring independence.

<sup>12</sup> Richard Bernstein, "Backpedaling on the Arms Ban," *International Herald Tribune*, April 15, 2005.

<sup>13</sup> Katrin Bennhold and Graham Bowley, "EU Weighs Tying Arms Embargo to Rights," *International Herald Tribune*, April 13, 2005.

<sup>14</sup> An important conclusion of the Uruguay Round of General Agreement for Trade and Tariff (GATT) in 1994 was to abolish the Multifibre Agreement (MFA) for the textile and garment industries. The abolition of the MFA took ten

Chinese textile exports to the EU in the first three months of 2005 led to vocal demands from about half of the 25 EU member states to impose immediate limits on Chinese textile imports.<sup>15</sup> According to the statistics of Chinese Customs, Chinese textile exports to the EU-15 countries indicated a 78.4 percent increase compared to the same period of the previous year, its exports to Germany, France, Italy, Spain and Belgium all increased by more than 80 percent.<sup>16</sup>

When China joined the World Trade Organization (WTO) in 2001, the admission agreement included a clause that allowed other WTO members to safeguard their own textile industries with measures including quotas if they face a sustained surge in Chinese imports that cause irrevocable harm to their own producers. Nevertheless, the accession agreement required that all the safeguard measures against Chinese textiles must be removed by the end of 2008.<sup>17</sup>

Facing a sharp increase of Chinese products in the European market, some of the member states, particularly the southern European countries, exerted pressure on the Commission to adopt emergency measures against the huge quantity of Chinese imports. Fearing that the dispute on textiles, in addition to the recent EU's refusal to end its arms embargo on China, would have a negative impact on the partnership in general, Peter Mandelson, Trade Commissioner of the EU, took pains to leave the door open for negotiations and to avoid a confrontation with the Chinese.

The formal negotiations between the two sides reached an agreement in June 2005, introducing quotas on some of the categories of Chinese textile products. However, European importers took advantage of the month-long delay of the enforcement of the restrictions and placed huge orders in an attempt to get quota-free goods into Europe before the deadline arrived. The newly introduced quotas were rapidly exceeded. From July to September 2005, millions of Chinese garments piled up at EU ports awaiting a new round of negotiation between Brussels and Beijing. Agreement was finally reached in early September that year when the British Prime Minister Tony Blair held the rotating presidency of the EU.

Despite many problems, the solution of the textile dispute convincingly demonstrated the sincerity of cooperation between the EU and China. Constructive dialogues and pragmatic negotiations led to a good working relationship. Agreed by both sides, from the beginning of 2008, the temporarily-introduced import restrictions by the EU have been replaced by a joint monitoring system. China works closely with the European Commission in export license and product surveillance in order to avoid repetition of the same situation of 2005. Now that several months have passed, it seems that this new system works well with joint efforts.

### **Long-term partnership: promise and difficulties**

Between the EU and China, the direct motivation of cooperation comes from the expectations for economic benefit. Since economic reforms were carried out in China in 1978, two-way trade between the EU and China has been growing at an astonishing speed. By far, the EU is China's largest trading partner, the largest high-tech exporter, and one of the largest investors. China is the EU's second largest trading partner and the largest supplier. The degree of interdependence between the two sides is so high that the two have been tied closely together. Chinese economy would be in a great difficulty if the EU closed its market to Chinese products. The EU would suffer no less degree of damage economically if its trade with China were interrupted.

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years from January 1, 1995 to the end of 2004. From January 1, 2005 on, quotas have been removed for the export of textile and garment products.

<sup>15</sup> "EU Mulls Import Restrictions on Chinese Textiles," *People's Daily Online*, April 7, 2005, available at [http://english.people.com.cn/200504/07/eng20050407\\_179867.html](http://english.people.com.cn/200504/07/eng20050407_179867.html)

<sup>16</sup> Cai Xiang, "How China Should Counteract against the EU's Safeguard Measures" [Zhongguo ruhe yingdui Oumeng 'tebao dabang'], *European Integration Studies [Ouzhou yitihua yanjiu]*, No. 3 (2005), p. 42.

<sup>17</sup> European Commission, "Textile and footwear sector: Guidelines for the use of safeguards on Chinese textiles exports to the EU," April 6, 2005, available at [http://ec.europa.eu/trade/issues/sectoral/industry/textile/memo060405\\_en.htm](http://ec.europa.eu/trade/issues/sectoral/industry/textile/memo060405_en.htm)

The opening degree of the EU market is in general higher than that of the Chinese market. Facing the stress of domestic development, the EU is eager to see that China is getting more open. This, as a matter of fact, conforms to the Chinese national interest. In the report of the 17<sup>th</sup> National Party Congress, Hu Jintao stated that “reform and opening up constitute the most salient feature of the new period.” Thanks to reform and opening up, “China is standing rock-firm in the East, oriented toward modernization, the world and the future.... Facts have incontrovertibly proved that the decision to begin reform and opening up is vital to the destiny of contemporary China, that reform and opening up are the only way of ...rejuvenating the Chinese nation.”<sup>18</sup> The report offers an important message to the world that China endorses the open door policy. The Europeans should be at ease that with the deepened reform, the opening degree of China will only be higher. In the short run, the EU and China may have differences concerning the speed and scope of openness of Chinese market, but this should not damage bilateral cooperation. Only by engaging in the construction of a long-term partnership can the two get the greatest benefits.

While the EU and China share a long-term interest in pursuing prosperity and influence, the two sides diverge on how to reach such a goal. The divergence is due to the fact that the EU and China are very different partners. First of all, they come from different ideological backgrounds. Such a difference is compounded by the fact that the EU and China are at different stages of development. The highly developed economy as a consequence of several hundred years of state building and capitalist development allows the EU to focus more on political freedom, and to attach great importance to civil rights of its citizens. In contrast, China has only become independent at the end of the 1940s and still targets at solving economic problems so that all the Chinese can have enough to eat and wear. As a result, China stresses more development rights of its citizens. This somehow fails the EU’s expectations. Proud of its own development path, the EU expects to exert influence on China and to turn it into a liberal democratic regime based on the rule of law. Yet, the contact with China seems to tell the Europeans that it is not that easy to transform this huge authoritarian system. The disappointment in China’s political development combines with the frustration of its trade deficit. Criticism on China’s slow pace of political reform, on its human rights record, on its lack of transparency in military expenditure, and on its restriction on market access dominate the media in Europe which in one way or another reveals the problems of bilateral relations.

What makes bilateral cooperation more complicated is that different from China, the EU is composed of 27 member states and has a tendency of further enlargement. As a supranational regional organization, the EU has many different features from a sovereign state. For economic issues, the DG-Trade of the European Commission plays a leading role by working together with the Council and the European Parliament. In negotiations of economic and trade issues, DG-Trade represents the whole Union. China knows to whom it talks to and with whom it needs to work out an agreement. But for political and military issues, the situation is more problematic. The arms embargo issue falls into the domain of Common Foreign and Security Policy (CFSP) that needs the approval of all the member states of the EU.<sup>19</sup> Each individual member state, no matter big or small, is important in the final decision of the Council of the European Union. Different member states may have different national interests and different political positions concerning their China policy. When the embargo was introduced in 1989, the Community had

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<sup>18</sup> HU Jintao, “Hold High the Great Banner of Socialism with Chinese Characteristics and Strive for New Victories in Building a Moderately Prosperous Society in All Respects,” Report to the Seventeenth National Congress of the Communist Party of China on Oct. 15, 2007, part 3, available at <http://www.china.org.cn/english/congress/229611.htm#3>.

<sup>19</sup> Please see a concise yet deep analysis of the institution building and the developments and problems of European integration written by Youri Devuyt, *The European Union Transformed: Community Method and Institutional Evolution from the Schuman Plan to the Constitution for Europe* (Presses Interuniversitaires Européennes – Peter Lang, revised and updated edition 2006).

only twelve members. Now with twenty-seven members, it will be an arduous task to achieve consensus on scrapping the ban among all of them.

Another factor which has a strong impact on EU-China relations is the United States. Different from EU-China relations, EU-US relations is featured by common values, common cultural background, the same political regime and a long tradition of alliance. In comparison to the somehow “shallow” EU-China partnership, the EU-US partnership is more solid and stable. Discussion of lifting the arms embargo occurred mainly between 2004 and early 2005. Around that time, due to the damage that the Iraqi war did to transatlantic relations, the European side was eager to repair its relations with Washington and was unwilling to see that the ban lifting issue would upset the Americans. The role of the US reveals that EU-China relations are not at the same level as EU-US relations to the Europeans.

### **Concluding Remarks**

Since 2005, the partnership has been encountering increasing difficulties. The arms embargo imposed after the Tiananmen Square episode is still in place and the EU has a growing trade deficit with China. As a result, the initial enthusiasm about the partnership has been gradually replaced by disappointment. Both Brussels and Beijing have become more realistic. While cautiously optimistic about the future of the partnership, both sides have come to recognize the existence of misunderstandings, disputes, and frictions. Three years after the strategic partnership had been established with China, the Commission tried to summarize the developments in bilateral relations in its sixth China policy paper in 2006. While confirming the rising influence of China, it emphasized the shared responsibility between China and the EU for maintaining global peace and stability. The EU repeated its engagement policy towards China and its commitment to support China’s transition towards an open society. Meanwhile, it also realized that “Europe needs to respond effectively to China’s renewed strength. To tackle the key challenges facing Europe today—including climate change, employment, migration, security—we need to leverage the potential of a dynamic relationship with China based on our values.”<sup>20</sup>

In current international relations among big powers, economic issues have largely replaced security and military issues and topped the agenda of national policy-making. A focus on economic growth and promotion of globalization in the post-Cold War era have noticeably enhanced the economic interdependence between the EU and China. Trade relations and economic cooperation serve as the material basis for the EU-China partnership. Without dynamic bilateral trade and economic cooperation in the past ten years and more, bilateral relations would not have been as important as they are now. The comparative advantage each side possesses attracts the two towards more business and cooperation, but the growing deficit the EU has developed in its trade with China is a serious problem. If this problem is not addressed in a cautious way, the partnership may be damaged.

The EU and China share a common understanding of the importance of maintaining international peace and stability. Such understanding constitutes an essential part of the partnership. To gain an increasing influence in international affairs, each has found out that a multilateral framework is better than unilateralism. Nevertheless, when China promotes the multilateral approach internationally, its idea is to counterbalance American dominance. In contrast, the EU stays as a close ally of the US in the post-Cold War era. Despite the differences between some of the member states of the EU and the US, the cooperative nature of the transatlantic relationship will not change. Between the EU and China, both have become noticeably more independent in taking initiatives to strengthen their bilateral relations. However,

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<sup>20</sup> EU’s China Policy Paper of 2006, “EU-China: Closer Partners, Growing Responsibilities,” COM (2006) 631 final, p. 2, available at [http://ec.europa.eu/comm/external\\_relations/china/docs/06-10-24\\_final\\_com.pdf](http://ec.europa.eu/comm/external_relations/china/docs/06-10-24_final_com.pdf)



the United States remains the external power which exerts a visible influence on Brussels-Beijing relations.

As a result of the economic and political developments of each side and the changes in international relations, the two sides find both shared and conflicting interests on a wide range of issues. Such a partnership may not be exempted from difficulties and problems, but it conforms to their respective national interests to build a long-term partnership. The partnership should be maintained and developed for the sake of mutual benefits.