

State of play of EU-China relations

SUMMARY

EU-China relations are increasingly affected by growing Sino-United States strategic competition. The Trump Administration considers China a strategic competitor to confront, rather than a country with which to engage. The EU, on the contrary, refers to China as a strategic partner and, despite persistent and considerable differences in position in some areas, continues to engage. The United States' current preference for bi- and unilateralism, and withdrawal from multilateral arrangements, which the EU considers vital elements of a rules-based international order, create openings for China to fill the gap. For the EU, this implies the need to seek issue-based alliances and to strengthen strategic cooperation with China on issues of common interest to reach and uphold multilateral solutions to global and regional challenges.

Since 2013, the 2003 EU-China comprehensive strategic partnership has been broadened and deepened in line with the EU-China 2020 Strategic Agenda for Cooperation. This has led to a high degree of institutionalisation of EU-China ties, with an ever-growing number of dialogue formats that cover political, economic and people-to-people relations, but whose tangible results vary significantly.

Notwithstanding the frequency of political exchanges and successful cooperation on key global challenges, such as the nuclear deal with Iran and climate change, the economic pillar has remained the core of the relationship. As China is rapidly climbing the value-added ladder, trade is an area of cooperation where complementarity is shifting fast towards competition. Friction is unavoidable as two fundamentally different economic systems interact, and each side has its own understanding of what 'free' trade, 'fair' trade, 'reciprocity' and a 'level playing field' means.

Given the wide diversity of EU Member States' interests and perceptions, which third countries may easily exploit for their own gains, the EU has struggled to come forward with a unified response to China-led initiatives.

The European Parliament resolution on the state of play of EU-China relations adopted in September 2018 includes a critical assessment of China's foreign and domestic policies, including human rights, as well as of progress on the implementation of the EU-China strategic partnership.



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EU-China ties in a rapidly changing geopolitical context

Since the European Parliament adopted its [resolution](#) on EU-China relations in 2015, the geopolitical context has become profoundly less conducive to EU core interests and preferences for multilateral governance and a rules-based international order.

On the one hand, the implementation of the Trump Administration's realist foreign, [security](#) and [trade policy](#), which has led the USA to withdraw from several multilateral arrangements that allegedly have [not delivered](#), and to unilaterally [impose](#) aluminium and steel import tariffs on 'national security' grounds against US allies, seriously [impacting](#) EU-US trade ties, has made the USA a less predictable partner for the EU. As a result, China has been able to portray itself as a vibrant advocate of multilateralism and 'free' trade, while pursuing a rather gradual and [piecemeal 'reform and opening up'](#) policy. Haunted by a [trade war](#) with the USA for global economic and technological supremacy, and faced with an emerging [united front](#) between the EU, Japan, and the USA at the WTO on issues such as forced technology transfer, China allegedly tried to capitalise on strained transatlantic relations by [urging](#) the EU to form an anti-US alliance, and to expose US protectionism in a joint declaration ahead of the 20th EU-China Summit, in July 2018. This, however, did not happen. The [joint statement](#), including the Leaders' statement on climate change and clean energy, however contains strong EU and Chinese commitments to upholding multilateralism and deepening the EU-China strategic partnership. With Sino-US strategic competition growing into a [confrontation](#), the EU may find it difficult to navigate the EU-China-US triangle with 'middle of the road' positions, and may be forced to '[pick a lane](#)'. [US advice](#) to allies to restrict or ban the purchase of IT equipment for [5G networks](#) from Chinese [Huawei](#) and [ZTE](#), on [national security](#) grounds, is a case in point.

On the other hand, China's ambitious [domestic and foreign policy agenda](#) for a 'new era' set out at the 19th Party Congress of the Chinese Communist Party (CCP) in late 2017 present significant challenges to the EU, including the [Belt and Road Initiative](#) (BRI), whose [maritime dimension](#) in 2017 was extended to the Arctic in the EU's neighbourhood, as the '[Polar Silk Road](#)'. With the BRI, China seeks to build geopolitical influence and shape third markets in line with China's interests and terms, which reveals a China-centric rather than multilateral approach to global governance as embraced by the EU. Moreover, the current Chinese leadership's bold [rhetoric](#) suggests that China considers its authoritarian and [algorithmic](#) governance model an attractive [alternative](#) to the Western liberal governance model and encourages its emulation by other countries. As China is increasingly assertive and outward-looking, seeking to expand its sphere of influence globally, it has also started to act as a normative power. China has stepped up its efforts on introducing ideological language and [concepts](#) endorsed by the CCP, such as the '[community of shared destiny](#)' in UN [Human Rights Council](#) resolutions, extending its [fight against Western values](#) inside its borders to the wider world.

Key elements of the EP [resolution](#) on the state of play of EU-China relations, drafted by rapporteur Bas Belder (ECR, the Netherlands) and adopted in September 2018, are summarised below.

Principles of EU-China cooperation and human rights

Against the backdrop that China's authoritarian political system differs significantly from EU liberal democracies, the resolution reiterates that – in line with the 2016 [EU strategy for China](#) – the EU's engagement with China should be 'principled, practical and pragmatic, staying true to its interests and values'. It also reasserts that the principles of reciprocity, a level playing field and fair competition must be strengthened across all areas of cooperation. It furthermore stresses that EU-China cooperation must be grounded in the rule of law and the **universality** of human rights. A European Think-tank Network on China (ETNC) [study](#) of December 2018 focuses on how these political values play out in the China policy of 17 EU Member States.

Given the EU-China [Human Rights Dialogue's](#) track [record](#) of [modest deliverables](#), the resolution insists that cooperation must be results-oriented and pursued in a transparent manner based on clear benchmarks and with 'the involvement of independent Chinese voices'. In this context, the

resolution comments critically on the deteriorating human rights [situation](#) in China, notably in the autonomous provinces of [Tibet](#) and [Xinjiang](#), as well as on [political](#) and [legal](#) developments in mainland China, [Hong Kong](#), and in [difficult cross-strait relations](#). It also provides recommendations in response to what has widely been referred to as China's [foreign influence operations](#).

Enhancing cooperation on global and regional challenges

The EP resolution on the state of EU-China relations states that a broad array of global and regional challenges, including security and peace, non-proliferation, counter-terrorism, and climate change require a genuine EU-China partnership and that the potential of the EU-China Comprehensive Strategic Partnership should be further exploited and brought to bear in the international arena. It acknowledges that EU-China cooperation was crucial to securing the [Iranian nuclear deal](#) and that China's stance was key to creating space for negotiations with [North Korea](#). It suggests that successful [cooperation](#) on [peacekeeping](#) and [anti-piracy](#) be extended to other areas of common interest.

A unified EU response to China-led initiatives

Against the backdrop of past instances where the EU took [no unified](#) position on China (e.g. [South China Sea](#), [human rights \(lawyers\)](#)), and the [Belt and Road Initiative \(BRI\)](#)), the resolution stresses that participation in the [16+1 cooperation format](#) between China and 11 EU Member States in central and eastern Europe and 5 western Balkan countries must enable the EU to speak with one voice in its relationship with China.

As for the BRI, the resolution spells out six major challenges: a bilateral rather than a multilateral approach to governance; little involvement of local labour, limited host country and third-country contractor participation; non-transparent procurement procedures (the [lion's share](#) of contracts for BRI projects is awarded to Chinese firms without public tenders), use of construction materials and equipment imported from China, and potential use of Chinese, rather than international, standards. The resolution welcomes that, thanks to the [EU-China Connectivity Platform](#) infrastructure [projects](#) both in the EU and in China have been identified. It insists that these must be implemented in line with EU legislation, in full transparency and in an economically, socially and environmentally sustainable manner and respect a geographical balance and a level playing field among investors and project promoters.

Ahead of the October 2018 [Asia-Europe Meeting](#) (ASEM), the EU published its [EU-Asia connectivity strategy](#). The strategy [reasserts](#) the principles of future EU cooperation with all Asian partners, such as sustainability and transparency as well as a level playing field for all actors involved. The EU has [not](#) portrayed it as a response to the BRI, but it has been perceived as such by most [commentators](#).

EU-China trade and investment ties: state of play

Given that the EU ran a deficit of €176 billion in its trade in goods with China in 2017, which totalled [€573 billion](#), and that [EU firms](#) face a significant number of [trade and investment barriers](#) in China, such as joint venture obligations, discriminatory technical requirements, including forced data localisation and [source code disclosure](#), the resolution underscores the imbalanced nature and unfulfilled potential of EU-China trade ties.

As China's [investment push](#), driven by its state-led industrial strategy '[Made in China 2025](#)' – [curbed](#) in 2017 due to domestic restrictions and [host-country scepticism](#) – has targeted EU [high-tech firms](#) and strategic [energy](#) and [transport](#) infrastructure, the resolution raises concerns about state-orchestrated acquisitions that may be contrary to the EU's strategic interests and undermine its security or public order. A [legislative file](#) due to be [finally adopted](#) in February 2019 addresses related concerns.

Since EU firms suffer from discrimination and lack of access to the Chinese [public procurement](#) market, which remains largely closed to foreign suppliers, the resolution calls on China to speed up

its accession to the WTO [Agreement on Government Procurement](#) (GPA), promised in 2001, so as to grant EU firms reciprocal market access. It calls on the EU and China to give new impetus to the slowly progressing [negotiations](#) on the [comprehensive agreement on investment](#) (CAI) launched in 2013 and on an agreement on [geographical indications](#) (GIs) launched in [2010](#).

EU-China sectoral cooperation: state of play

As an example of deepening sectoral cooperation, the September 2018 EP resolution refers to EU-China cooperation on water policy, which in 2017 saw the creation of the [EU-China water policy dialogue](#). This adds to the [China-Europe Water Platform \(CEWP\)](#), which was established in 2012. Another example mentioned is the recently [enhanced](#) EU-China [cooperation](#) on China's [nationwide emissions trading system](#) (ETS), [launched](#) in 2017. Going forward, there is scope to further deepen cooperation on the reduction of greenhouse gas emissions in areas such as electric mobility, renewable energies and energy efficiency and the development of instruments for green finance, as well as in respect of the [strategic partnership](#) for the implementation of the 2015 [Paris Agreement](#) on climate change.

While the EP resolution acknowledges the work of the [EU-China Bilateral Coordination Mechanism \(BCM\)](#) on forest law enforcement and governance (FLEG) to tackle illegal logging globally as another successful area of cooperation, it recommends that [China](#) adopt mandatory policy guidelines on responsible overseas forestry investment and investigate significant [undocumented trade](#) in timber between [FLEGT countries](#) and China.

The resolution also welcomes the 2017 agreement to boost EU-China [cooperation on research and innovation](#) with flagship initiatives in areas such as food, agriculture, biotechnologies, environment and sustainable urbanisation, surface transport, safer and greener aviation and biotechnologies for environment and human health.

Stating that there is room to intensify cooperation on building [circular economies](#) and on tackling [antimicrobial resistance](#), and on more sustainable agro-food production and consumption systems, the EP resolution stresses that, since most of the supply of new psychoactive substances to Europe originate in China (according to the [European drug report 2017](#)), better law enforcement cooperation is required. A newly created annual [EU-China dialogue on drugs](#), building on existing consultations on drug precursors, is a first step to tackling this challenge.

Given China's track record of [illegal fishing](#) in [foreign waters](#), the resolution asks China to double down on its [law enforcement efforts](#). This topic will also be addressed within the [EU-China Ocean Partnership](#), launched in July 2018, which [sets out](#) a comprehensive framework for cooperation and dialogue with China, including on [illegal, unreported and unregulated](#) (IUU) fishing.

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