

**EU-CHINA:  
MANAGING A STRAINED RELATIONSHIP**

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## **Executive Summary**

1. When China cancelled the 11<sup>th</sup> EU-China summit to be held in Lyons, France in late 2008, it became evident that EU-China relations had soured.
2. EU-China relations had developed considerably since the 1980s, expanding into areas of cooperation other than trade and economy.
3. To facilitate and monitor the growth of the relationship, China and EU have institutionalised a series of dialogue mechanisms in which issues, general and specific, are discussed from the ministerial to working level.
4. These sectoral activities form the most stable foundation of the China-EU political relationship. One of the most successful products of these dialogues is the EU and China's cooperation in environmental and climate change issues.
5. EU-China exchanges are not making similar progress on all fronts and issues such as human rights will continue to be obstacles in expanding China-EU cooperation.
6. The importance of human rights is not simply ideological; there is a pragmatic aspect to the issue for European leaders. Being leaders of democratic countries, they have to be sensitive to public opinion.
7. Another challenge to the EU-China relationship is the arms embargo issue. The EU had placed an arms embargo on China in 1989 in protest against the Tiananmen incident.
8. The EU Commission has given priority to EU-China relations as it sees the relationship in not only economic and commercial terms, but also global strategic perspective in deepening EU-China relations. However, it is often difficult to coordinate and harmonize the views and interest of its member countries in relation to China.

9. China is clearly irritated by regular confrontation with EU member states on human rights issues and European leaders' meetings with the Dalai Lama. China is also confused by the number of actors involved in policy-making on EU-China relations on the European side.
  
10. Given China's perception of EU's relative inability to be a world player, it is tempting for China to deepen relations with the US instead and leave Europe out of the equation for the moment.

# **EU-CHINA: MANAGING A STRAINED RELATIONSHIP**

Kjeld Erik BRØDSGAARD & LIM Chee Kia\*

## **Towards a crossroad**

- 1.1 In late 2008, when China cancelled the 11<sup>th</sup> EU-China summit to be held in Lyons, France, it became evident that EU-China relations had soured. The official reason for the cancellation was Chinese dissatisfaction with French President Sarkozy's decision to meet with the Dalai Lama, while France was holding the EU Presidency.
- 1.2 In May 2009 the previously cancelled summit meeting was held in Prague. However, Chinese Premier Wen Jiabao only flew in for a 5-hour stay at the Czech capital, clearly indicating continued Chinese dissatisfaction.
- 1.3 President Sarkozy's meeting with the Dalai Lama is not the only contributing factor to a freeze in EU-China relations. Other important factors include disagreement on human rights, climatic change, arms embargo, market economy status, mutual trade and investment barriers, more China-sceptical members of the EU from Eastern Europe, and, not least, lack of leadership. Tony Blair, Jacques Chirac, and Gerhard Schroeder had pushed for a deepening of the relationship, but the new leaders in the United Kingdom, France and Germany seem to be more dictated by public opinion than overall strategic considerations.

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- 1.4 During the 1980s relations between the EU and China developed rapidly. The EU supported the Chinese reform process and saw China as an emerging and important new pole in global politics. China for its part found it useful to play the “European card” in its relations with the US and with the Soviet Union.
- 1.5 The Tiananmen debacle caused a great setback to EU-China relations. High-level visits by European leaders to China were cancelled and the EU introduced a weapons embargo, which is still in place. The collapse of the Soviet Union removed a common strategic adversary and created doubt in Europe’s public debate on the sustainability of the Chinese regime.
- 1.6 However from the mid-1990s the EU realized the importance of rebuilding relations with China. In 1995 the EU Commission released an important document titled “A Long Term Policy for China-Europe Relations”, which stated that “Europe must develop a long-term relationship with China that reflects China’s worldwide, as well as regional, economic and political influence.”<sup>1</sup> In 1998 a new document outlining EU’s long-term strategy towards China was published. It was followed by an important EU policy paper in 2003, which once again emphasized the strategic perspective in EU-China cooperation.
- 1.7 China responded positively to the EU’s attempt to bring the relationship back on track. In 2003, it issued “China’s EU Policy Paper”, which described the China-EU relationship “to be better than at any time in history”.<sup>2</sup>
- 1.8 To underline the importance of their relationship the two parties define the relationship as a “strategic partnership”. When they met for their annual summit in 2003 important agreements were signed on, among others, cooperation in the Galileo satellite navigation program and an industrial policy dialogue. Cooperation on R&D, peaceful use of energy, non-proliferation and

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<sup>1</sup> EU commission, “A Long Term Policy For China-Europe Relations”, (1995), retrieved from [http://ec.europa.eu/external\\_relations/china/docs/com95\\_279\\_en.pdf](http://ec.europa.eu/external_relations/china/docs/com95_279_en.pdf) on the 25 July 2009

<sup>2</sup> “China’s EU Policy Paper October 2003”, retrieved from [http://ec.europa.eu/external\\_relations/china/policy\\_en.htm](http://ec.europa.eu/external_relations/china/policy_en.htm)

arms control, etc were further strengthened at the summit in Den Hague in December 2004. The relationship had reached its preliminary high point.

- 1.9 The EU, formerly the European Economic Community, and China established formal relations in 1975, followed by a trade agreement in 1978. The agreement was subsequently upgraded and currently the EU-China relationship is governed by the 1985 EU-China Trade and Cooperation Agreement. Since 2007 negotiations have been conducted to work out a new and more comprehensive Partnership and Cooperation Agreement.

### **Expanding Cooperation**

- 2.1 As the EU-China relationship developed, it expanded into areas of cooperation other than trade and economy. To facilitate and monitor the growth of the relationship, China and EU have institutionalised a series of dialogue mechanisms in which issues, general and specific, are discussed from the ministerial to working level. The strategic issues are being discussed at the political dialogue level.
- 2.2 The most prominent political dialogue is the annual China EU Summit, which is currently in its 11<sup>th</sup> year. It is the highest level dialogue platform in which top leaders of both China and EU meet to discuss a wide range of issues. There is also the annual Troika<sup>3</sup> Ministerial meeting in which the Fourth Round was concluded in Beijing in January 2009. There are also meetings between the President of General Affairs and External Relations Council (GAERC)<sup>4</sup> and Chinese Ambassadors, meetings between Chinese Foreign Minister and EU Heads of Mission in Beijing and the EU-China Strategic Dialogue at Vice Foreign Minister Level which are all held annually. The

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<sup>3</sup> The Troika includes the Foreign Affairs Minister of the Member State holding the Presidency of the Council of the European Union; the Secretary General/High Representative for common foreign and security policy; the European Commissioner in charge of external relations and European neighbourhood policy.

<sup>4</sup> The Presidency of GAERC is rotated along with the EU Presidency and is often held by the Minister of Foreign Affairs for the country holding the EU Presidency

lowest level of strategic dialogue would be the Political Directors Troikas and Regional Directors Troikas meetings.

- 2.3 In April 2008 the EU and China launched the High Level Economic and Trade Dialogue Mechanism (HLM). The remit of the HLM is to examine and discuss strategic bilateral trade issues as well as investment, innovation, technology and IPR, and EU-China economic cooperation in general. The new initiative is to function as a complement and reinforcement to established EU-China dialogues and is inspired by a similar strategic economic dialogue mechanism between the US and China. At the first HLM meeting 8 EU Commissioners and 11 Chinese ministers participated including former EU Trade Commissioner Peter Mandelson and Vice-Premier Wang Qishan.
- 2.4 Just below the ministerial level of dialogues are the Expert Level meetings. These meetings are divided into five areas, “High-level consultations on illegal migration and trafficking in human beings”, “Human Rights Dialogue”, “Asian Affairs”, “Non-Proliferation” and “Conventional Arms Exports”. The progress in these five issues can be estimated from the frequency of meetings. China’s participation in the Comprehensive Test Ban Treaty (CTBT) coincides with regular meetings on Non-Proliferation issues while dialogues on human rights issues are held twice per year.
- 2.5 Forming the base and backbone of the EU-China relationship however, are the multiple sectoral agreements and dialogues. These sectoral activities cover a wide range of issues, but are largely related to trade, science and technology. While most of these sectoral activities are confined to the working level, some, such as the dialogue on agriculture, has been upgraded to ministerial level. Out of the 24 Directorates involved in Policies and External Relations of the EU, 19 are involved in regular exchanges with their counterparts in China.<sup>5</sup>
- 2.6 EU believes that through engagement in sectoral dialogues it will be possible to establish a framework of understanding that will help to eliminate the many

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<sup>5</sup> EU Commission, “Current Architecture of EU-China Relations”, retrieved from [http://ec.europa.eu/external\\_relations/china/docs/architecture.pdf](http://ec.europa.eu/external_relations/china/docs/architecture.pdf) on the 25th July 2009

barriers a further development of the relationship is facing. In short these integrative mechanisms are viewed as important elements in developing the strategic partnership.

- 2.7 These sectoral activities form the most stable foundation of the China-EU relationship. In diplomatic disputes, it is usually the strategic summit meetings that are suspended and not the sectoral dialogues at the working level.
- 2.8 All these dialogues and cooperation mechanisms have outgrown the 1985 cooperation agreement which is primarily oriented towards trade and economic cooperation. To remedy this situation the EU and China since 2007 have been engaged in negotiating a new “Partnership and Cooperation Agreement”. Negotiations have covered issues such as the EU’s arms embargo against China, China’s demand for market economy status, trade issues and market access, climate change, science and technology, non-proliferation, terrorism, illegal migration, etc. Currently, human rights and Taiwan are being discussed. Due to the current strain in relations between China and the EU, negotiations are proceeding very slowly.

### **Climate Change**

- 3.1 One of the most successful products of these dialogues is the cooperation in environmental and climate change issues.
- 3.2 Both EU and China are major world pollutants; EU emits 17.2 per cent of the world’s carbon emission while China emits 17.4 per cent.<sup>6</sup> On top of it, China is facing major domestic environmental issues such as river pollution, desertification and deforestation. Both have recognised the need to drastically reduce carbon emission in the near future and to put in place mechanisms for cooperation on related issues.

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<sup>6</sup> Dermot O’Gorman & Zhu Chunquan, “Environment”, in Stanley Crossick & Etienne Reuter (eds), *China-EU: A Common Future* (Singapore: World Scientific, 2007), p. 21

- 3.3 The sectoral dialogue on environment has been upgraded to ministerial level, and a “Joint EU-China Declaration on Climate Change and Partnership” was adopted to build a coal power plant in China which emits near zero carbon before 2020.<sup>7</sup> EU and many of its member states transferred both funds and technology to help China build the capability for sustainable development.
- 3.4 China’s contribution to climate change is in the sectoral dialogue of energy. It is providing state-of-the-art research facilities to the research on clean energy, including nuclear energy. This is particularly useful for Europeans who are currently using much older research reactors which will soon be phased out.<sup>8</sup>
- 3.5 In the recent Prague Summit, while EU-China remained in deadlock on a number of issues including the Tibet issue, climate and environment related issues appeared to be one of the few issues that have made progress. The Joint Press Communique of the 11<sup>th</sup> EU-China Summit states that the “Leaders expressed their determination to strengthen cooperation, further work together to address global challenges including the financial crisis and climate change.”<sup>9</sup> An agreement on Joint Statement on Europe-China Clean Energy Center was also signed.

### **Challenges**

- 4.1 In the policy paper titled, “EU-China: Closer Partners, Growing Responsibilities” written in 2006, EU indicated that as the EU-China relationship becomes more sophisticated, there is a need to increase efforts in addressing issues and challenges other than trade such as human rights issues. The paper specifies that the “twice-yearly human rights dialogue was conceived at an earlier stage in EU-China relations. It remains fit for purpose,

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<sup>7</sup> EU Commission, “What are Sectoral Dialogues and what drives them?”, retrieved from [http://ec.europa.eu/external\\_relations/china/sectoraldialogue\\_en.htm](http://ec.europa.eu/external_relations/china/sectoraldialogue_en.htm) on the 25 July 2009

<sup>8</sup> *Ibid*

<sup>9</sup> “Joint Press Communique of the 11<sup>th</sup> EU-China Summit”, retrieved from <http://www.eu2009.cz/en/news-and-documents/press-releases/joint-press-communique-of-the-11th-eu-china-summit-23664/> on the 25 July 2009.

but the EU's expectations – which have increased in line with the quality of our partnership – are increasingly not being met”.<sup>10</sup> This is the kind of formulation that is bound to arouse Chinese apprehension.

- 4.2 One of the underlying objectives of EU's human rights policy towards China is to “support China's transition to an open society based upon the rule of law and respect for human rights” and, “support the process [of China's] economic and social reforms.”
- 4.3 Since 1995, the EU has been attempting to utilise the bi-annually Human Rights Dialogue to influence China to improve on its human rights practices. China has not been totally uncooperative. Besides agreeing to participate in the Human Rights Dialogue, China has also allowed EU to set up an EU-China Network which organises Human Rights Dialogues and Seminars. These seminars provide training to Chinese academics and other activists on topics related to EU-China Human Rights Dialogue.
- 4.4 China has attempted to be more transparent in its death penalty statistics and in enforcing rule of law and other non-sensitive issues such as right to health and children's right. However, little progress has been made on more sensitive issues such as the Tibet issues, which China insists is an internal issue.
- 4.5 In the 25<sup>th</sup> round of Human Rights Dialogue held in May 2008, EU raised its concern for the situation in Tibet when China forcefully suppressed unrest in Tibet in March 2008. While China ensures EU that the door to further talks on the issue remains open, it reiterates that Tibet is an internal issue and EU has no right to interfere in the matter. China also continues to maintain that Tibet is an indisputable integral part of China and separatist movements will not be tolerated.
- 4.6 The importance of the Tibet issue to both China and EU member states can be observed from their recent interaction. When German Chancellor Angela

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<sup>10</sup> EU commission, “Closer partners, growing responsibilities”, (2006) retrieved from <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0631:FIN:EN:PDF> on 25 July 2009

Merkel met the Dalai Lama in 2007, China immediately suspended a number of business deals with Germany. Similarly, when France President Nicolas Sarkozy met with the Dalai Lama in 2008, China not only protested against France, but also suspended the EU-China Summit to be held in Lyons in December. France was at the time holding the EU presidency. Despite having witnessed China's punitive actions, European countries continue to meet the Dalai Lama even though they know that this will antagonize their second largest trading partner, the Chinese. Such is the importance of the human rights values to the Europeans.

- 4.7 The most recent incident occurred when the Danish Prime Minister Lars Løkke Rasmussen met with the Dalai Lama in the prime minister's official residence. Even though the Danish government claimed that it was a private meeting and not an official reception, the Chinese authorities reacted sharply and cancelled or stalled a number of cooperation agreements.

### **Public Opinion**

- 5.1 The importance of human rights is not simply ideological. To European leaders, there is a pragmatic front to the issue. Being leaders of democratic countries, they have to be sensitive to public opinion. A BBC World Service poll in February 2009 indicates that Europeans hold an increasingly negative view of China.<sup>11</sup> The most recent Pew Global Attitudes Survey, published July 23 this year, indicates that a positive view of China is slightly increasing in Western Europe, although they remain mostly negative. Only in Britain does a slight majority think favourably of China (53 percent). In Germany about one in three respondents (29 percent) hold a negative view. The negative public opinion is bound to constrain European leaders.
- 5.2 Refusing to meet the Dalai Lama will be seen as allowing China to interfere with European states' internal affairs. The leaders will appear weak and influenced by economic considerations rather than human rights principles.

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<sup>11</sup> "Views of China and Russia Decline in Global Poll", (6 February 2009), retrieved from [http://www.globescan.com/news\\_archives/bbcntryview09/](http://www.globescan.com/news_archives/bbcntryview09/) on 25 July 2009

This may cost votes during elections, where green issues such as human rights play an important role. Furthermore, many EU member states are governed by coalition governments that have to seek broad parliamentary support on major issues, including foreign policy. Only strong and experienced leaders will be able to navigate their way in such troubled waters and currently Europe is lacking in such leaders.

- 5.3 In spite of being an authoritarian regime, China is also restricted by its own public opinion. The Chinese Communist Party (CCP) has built its regime's ruling legitimacy on its protection of China's territorial intactness. The CCP had won the civil war by marketing itself as nationalists rather than as communists. Thus, the CCP cannot play soft on sovereignty issues and risk discrediting its legitimacy. The online nationalism prevalent in China is a reminder of the constraints the regime is facing.

### **Arms Embargo**

- 6.1 Another challenge to the EU-China relationship is the arms embargo issue. The EU had placed an arms embargo on China in 1989 in protest against the Tiananmen incident. However, by 2004 the relationship had improved to such an extent that the EU began to discuss about lifting the embargo and devising a toolbox for regulating a new arms control regime. Thus an important obstacle in the relationship was about to be removed.
- 6.2 A key factor in this process was the initiative of leaders of the three most important EU countries. Gerhard Schroeder in Germany and Jaques Chirac in France were convinced that this was a necessary step to take and they managed to persuade Tony Blair to follow suit. Faced with such unusual unity among the European big powers the smaller EU countries also decided to favour a lifting of the embargo.
- 6.3 However the initiative was called off when the United States warned, in strong words, that such a move by the EU would damage EU-US ties. Both the US and Japan were concerned that removing the embargo would grant China the

opportunity to advance military technology and accelerate China's military modernisation process. The US warned the EU that if the embargo was lifted, US would reduce its cooperation with Europe in dual use technology.

- 6.4 The actual effect of the embargo, however, could be more symbolic than real. Europe is China's largest source of technology and by June 2006, Europe had transferred a total of 22,855 technological items to China.<sup>12</sup> Many of these items were of dual-use nature. For example, a German company sold engines to China which were later used to power submarines and naval vessels; Britain's Rolls Royce provided engines for Chinese fighter planes while French radar were installed on China's warplanes.<sup>13</sup> Given China's access to Russian military technology and the fact that China is keen to develop its defence industrial independence, it is also questionable if China wishes to buy Europe defence products in large quantity.
- 6.5 The Europeans were keen to remove the embargo in order to open up a new defence product market to help sustain its defence industry. China perceives the embargo as a political discrimination and a residue of "Cold War" mentality. The removal of the embargo will signify that the international community, or at least the EU, is willing to see China as an equal partner.
- 6.6 As the 2005 incident had demonstrated, while the EU sees tangible benefits in removing the embargo, the benefit does not justify jeopardising EU-US relationship. Furthermore, the European public opinion may also not support the move due to China's human rights record. Hence the issue is likely to remain shelved in the foreseeable future. Currently none of the major EU countries are likely to take the initiative. To China the reversal of the EU position on this issue shows that the EU in crucial aspects will not act independently of the US.

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<sup>12</sup> David Shambaugh, Eberhard Sandschneider and Zhou Hong , "From Honeymoon to Marriage: Prospects for the China-Europe relationship", in David Shambaugh, Eberhard Sandschneider and Zhou Hong (eds), *China-Europe Relations: Perceptions, policies and prospects* (London: Routledge, 2008), p.303

<sup>13</sup> Daryl Lindsey, "A Trans-Atlantic Crisis Foretold, (18<sup>th</sup> March 2005)", retrieved from <http://www.spiegel.de/international/0,1518,347129,00.html> on 25 July 2009

## **Future of EU-China relations**

- 7.1 The EU Commission has given priority to EU-China relations. It sees the relationship in not only economic and commercial terms, but also global strategic perspective. However, it is often difficult to coordinate and harmonize the views and interest of member countries in relation to China. They often perceive their relations with China as primarily a bilateral issue and are reluctant to let Brussels have too big a say.
  
- 7.2 China for its part used to view Europe as an important global player. During the 1990s the expansion of the EU was seen as one of the important factors indicating a transition away from a unipolar world dominated by the US towards a more multipolar world with several economic and political centers. However, Europe is mainly a regional power with no security or military interests in important parts of the world, including East Asia. In this sense Europe provides no counterbalance to the US.
  
- 7.3 With the exception of the Euro, the EU's wider global role is largely confined to what could be labeled a "normative power", i.e. a power promoting standards and behaviour that are negotiated and legitimized within international institutions such as the UN, and The International Court of Justice.
  
- 7.4 China is clearly irritated by regular confrontation with EU member states on human rights issues and European leaders' meetings with the Dalai Lama. Its response has been to temporarily downgrade the relationship, symbolized by canceling last year's summit meeting and by Wen Jiabao's short stay in Prague in connection with the May summit. The current difficulties in the European integration process, highlighted by the Irish objection to the Lisbon treaty have also augmented Chinese doubts as to the global role of the EU. Finally, the global financial crisis has highlighted that the key players on the global arena are the US and China. Thus the world is not in transition to multipolarity but to duopolarity, according to a growing number of Chinese

analysts. The attention given to the recent Strategic and Economic Dialogue meeting in Washington seems to confirm this view.

- 7.5 China is also confused by the number of actors involved in the policy-making on EU-China relations on the European side. The European Commission drafts policy documents and conducts negotiations with their Chinese counterparts. However the Commission is constrained by the European Parliament which is very much concerned with human rights issues and the Taiwan question and often adopts resolutions that are rather critical of China.
  
- 7.6 The Commission also has to take the deliberations of the EU Council of Ministers into consideration while various EU member states have bilateral interests which may override the interests of the EU as such. It is for example noteworthy that the new East European and Baltic members of the EU are skeptical of closer economic and political relations with China. In short China is often confronted with conflicting signals when dealing with Europe. It is therefore tempting for China to deepen the relationship with the US instead and leave Europe out of the equation for the moment.