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The EU and China: Modest signs of convergence?

Gustaaf Geeraerts

Against a background in which the United States is increasingly drawing into question its commitments to free trade and the global commons, the challenge for the EU and China is to deal with a global governance system that is evolving from a multilateral system centred around the US into a more diffuse system resting on the three strong trading poles: China, the EU and the US.

The EU and China both have an interest in supporting an open multilateral trading system. They are very much in the same boat as both have to deal with formidable challenges in their domestic environment. The EU faces daunting challenges to revitalize the economy, create jobs, overcome extremism and cope with a large wave of refugees from a chaotic neighbourhood. China needs to come to terms with slowing economic development and at the same time ensure sustainable development and protect the environment. In the final analysis, this is a domestic political responsibility, but in a world of complex interdependence it can only be successfully taken up in a stable and predictable international environment. The question is whether the EU and China are willing to jointly support the multilateral system as the US steps back from its hegemonic role and, if so, whether they can act in a coordinated manner as the EU and the US have done in the past.

Differences

This is not a trivial question because the EU and China differ much more from each other politically, economically, and socially, than do the EU and US. At the end of the day, the EU and China have very different identities and their relationship reveals deep-seated conceptual differences concerning norms, visions of power and governance, modes of international engagement and the organization of the emerging world order (Geeraerts 2011; Michalski and Pan 2018). The EU is an union of nation-states, a hybrid collective actor, which to this very day has the highest level of integration among all associations of states. As a substantially post-sovereign union, it welcomes mutual interference in domestic affairs, major transfers of sovereignty and strong rules-based international institutions in governing world affairs. In contrast, China is the largest sovereignist state in the world, which regards a strong sovereign state as a

guarantor of its national independence and a precondition for national 'rejuvenation'. As a result, China prioritizes the defence of state sovereignty and non-interference in domestic affairs, and prefers international cooperation based on intergovernmental consensus rather than the pooling of sovereignty under the heading of supranational governance.

The EU and China also have different political, economic and social systems, which leads "the two players to view the best way to manage domestic governance differently, and also creates problems in EU-China co-operation in their efforts to shape the outside world. Europe in general has embraced political liberalism, seeing democracy, competitive elections, press freedom, vibrant civil society and human rights as basic components of internal good governance. In China, with its strong statist tradition and a twentieth-century revolution led by the Communist Party of China (CPC), a party-state has been in place since the founding of the PRC. Its political system prioritizes party leadership in the society" (Chen 2016: 784). Since Deng's market reform and open-door policy, the party became a driving force of China's modernization and economic development.

SIGNS OF CONVERGENCE

In light of the important differences between the EU and China, the crucial question is how the two players can possibly jointly support and reshape the multilateral system. Interestingly, Chen (2016: 788-89) points to two developments that are facilitating convergence between the EU and China in their order-shaping efforts and could lead to a more concerted relationship in the future.

The first is the return of the developmental agenda in Europe and the move beyond developmentalism in China. With their advanced technology and economic competitiveness, European countries have developed high-level welfare systems and have come to place more emphasis on quality-of-life issues. However, the sovereign debt crisis and the subsequent problems faced by many EU countries have pushed growth and development back to the top of the agenda in the EU. As a result, the EU is becoming more modern, less post-modern and more like other countries in the world. Meanwhile, China is moving beyond developmentalism "to deemphasize growth and focus more on quality-of-life issues. For example, given the unbearable level of heavy smog hanging over major Chinese cities, the Chinese government is now under heavy domestic pressure to speed up the process of improving energy efficiency and expand the use of clean energy" (Chen 2016: 789). These mutually converging tendencies are narrowing preference differences between the EU and China, while at the same time creating the boundary conditions for a better concerted relationship on a wide range of bilateral and multilateral issues.

The second development is the new pragmatism in Europe and growing globalism in China. Facing internal problems and a turbulent neighbourhood, the EU is preoccupied with finding solutions to internal growth and cohesion problems, as well as the task of stabilizing its neighbourhood. As a result, the EU "is becoming more pragmatic in its drive to transform the rest of the world and its relations with China. European countries all agreed to the 2010 IMF reform, which allowed some voting rights to be transferred mostly from Europe to China and other emerging countries. Trade disputes such as the solar panel disputes, though initially very confrontational, were eventually solved through a constructive compromise.

Upon the deadline of 30 March 2015, 14 of the 28 EU Member States decided to be founding

members of the China-sponsored Asian Infrastructure Investment Bank (AIIB), disregarding the explicit initial opposition from the United States government" (Chen 2016: 789). This is a most important development as the AIIB can serve as a model for concerted order-shaping. Substantially inspired by European experience and expertise, this new institution sets high standards for its procedures. Public tenders for AIIB-financed projects must be transparent, non-discriminatory and based on international standards. As such its principles can offer a guideline for infrastructure projects under the umbrella of the Belt and Road Initiative.

Lastly, the EU's new Global Strategy appears to suggest that "unless they undergo structural reforms to better reflect the changed world order, the traditional international financial institutions (TFI's) risk losing their unique status as agenda-shapers in their respective domains" (Ujvari 2016: 2). In all evidence, the EU is coming to terms with the fact that, having grown disenchanted with the slow pace of reforms in the IMF, World Bank, and WTO, emerging powers – with China in the driver seat – have become more proactive in their attempts to step up their sway in international affairs and that the time has come for constructive adaptation of extant global governance structures.

Meanwhile, Chinese foreign policy has taken a more globalist orientation, and the country is now prepared to take on greater responsibility internationally. A crucial step in this regard was taken in 2005 "when China endorsed the World Summit document which embraced the idea of 'responsibility to protect', indicating that China is willing to accept that certain crimes committed at home are not immune to international intervention, which implies a loosening of its rigid view of state sovereignty. China has also supported a number of UNSC resolutions under Chapter 7 of the UN Charter, which include coercive measures such as sanctions and military interventions" (Chen 2016: 789).

But most importantly, Xi Jinping is slowly but surely walking the talk on opening up China's economy and paying tribute to his recently assumed role as the prime advocate for economic openness and international cooperation. Indeed, there are signs that the Chinese economy is gradually shifting in the direction of a new growth model, one that is more consumption oriented and driven by expansion in the services sector. The 2018 Shanghai Import Expo was a timely reminder to the world of the rising importance of China's expanding consumer economy. China's household consumer market has grown tenfold from US$480 billion in 2000 to US$5.2 trillion in 2017. Further growth of US$1.8 trillion is predicted by 2021, which is equivalent to the entire German consumer market (Dodwell 2018).

Moreover, the World Bank recently has provided endorsement of China's claim of steadily opening up. Its annual Doing Business study – an authoritative and rigorous assessment of the barriers that block access to the world's markets – reports that China now ranks 46th out of 190 economies worldwide (World Bank 2018). While still reflecting substantial barriers in terms of market access, it compares with a ranking of 78th in 2017 and highlights intensive efforts in eliminating red tape for setting up a business. In the eyes of China's major competitors this might be too slow, but it nevertheless represents substantial progress. At the end of the day, pushing through deep economic restructuring is not only in China's interest, as it will create avenues for sustainable domestic growth, it will also augur well for the global economy. For Europe an expanding Chinese domestic market raises the prospect of new export and investment opportunities for its business, thus creating possibilities for alleviating the EU's trade deficit with China and shaping the

settings for a more balanced trade relationship. An important next step towards this end would be the successful conclusion of the Comprehensive Investment Agreement.

CONNECTIVITY

All in all, some modest signs of mutual accommodation and convergence between the EU and China in their efforts to adapt themselves to the changing international system appear to be unfolding. As they both have a keen interest in a sound management of the evolving decentred multilateral order, the EU and China have ample reason to explore concerted efforts to provide individual and joint contributions to the general global public good. The challenge for the two of them is to build on their past successes and make themselves greater contributors to a more peaceful, prosperous and just world at large.

Especially the EU-China Connectivity Platform offers a concrete possibility to engage in mutually beneficial projects of infrastructure construction, which would not only open up new ground for EU–China cooperation, but also offer the opportunity for the two to join forces to promote stability and development in the vast areas in the Eurasian continent between them. The Connectivity Platform can be viewed as an experiment in reciprocal socialization based on a sustained negotiation process. So far, the meetings of the Platform have enabled progress on: (1) policy exchange and alignment on the principles and the priorities in fostering transport connections between the EU and China, based on the Trans-European Network (TEN) and the Belt and Road initiative, and involving relevant third countries; (2) cooperation on promoting solutions at the international level with a focus on green transport solutions; and (3) concrete projects based on agreed criteria including sustainability, transparency, inclusiveness, and a level-playing field.

Whilst it is clear that substantive results will take time to materialize, it is the process itself that is important. Over time, as analyses and viewpoints evolve and become increasingly aligned, and successful cooperative projects start bearing fruit, participants on both sides are more likely to gravitate toward consensus and step up their engagement in concerted order-shaping. Globally, more convergence in their preferences would lead to a stronger concerted order-shaping partnership.

CONCLUSION

With the boundary conditions of their relationship shifting, cooperation between China and the EU has become anything but easier. While they have many interests in common, they are also competitors within the confines of a multilateral system under stress. Building a sustainable strategic partnership will not come easy. Growing concerns about economic security as well as fundamental differences in their respective identities and societal systems will continue to pose challenges on the road to concerted order-shaping, and policymakers on both sides will need to engage in reciprocal socialization if they are to overcome them. Some modest signs of mutual accommodation and convergence between the EU and China appear to be unfolding.

While still at an embryonic stage, this is a crucial development. The partnership between the EU and China constitutes an important component in the reconfiguration of the world order triggered by the rise of the emerging powers. Its significance lies not only in connecting two key order-shapers in today's world, but also in the management of the antagonistic quality of the relationship between actors with such different identities. At the heart of their - at times acrimonious - relationship lie deep-seated conceptual differences concerning norms, visions of society, modes of international engagement

and the organization of the emerging world order. The extent to which the EU and China can bridge these deep-seated differences is decisive not only for their continued mutual engagement, but also for the future development of the international system as the new world order will be premised on accommodating actors with significantly different normative outlook

Prof. Dr. Gustaaf Geeraerts is Distinguished Professor in the School of International Relations and Public Affairs and Co-director of the Center for China-EU Relations, Fudan University, Shanghai. He is Professor Emeritus and founding director of the Brussels Institute of Contemporary China Studies (BICCS), Vrije Universiteit Brussel (VUB).

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