The European Union and China

Background

The European Economic Community (EEC), the predecessor to the European Union (EU), and China established diplomatic relations on May 6, 1975. The 42-year-old EU-China relationship began as a framework of economic cooperation but has evolved into a comprehensive political, economic, and relationship. Today, the EU’s China policy prioritizes the search for reciprocal benefits in political and economic relations while advancing European values, such as the promotion of democracy, rule of law, human rights, and respect for the U.N. Charter’s principles.

Since 1998, the EU and China have held annual summits, alternating between Brussels and Beijing. The July 2018 summit was the latest example of the EU’s long-term interest in, and maintenance of, its political and economic relations with China.

At the 16th summit, held in November 2013, the EU and China launched the EU-China Strategic 2020 Agenda for Cooperation (http://eeas.europa.eu/archives/docs/china/docs/20131123_agenda_2020_en.pdf), which established the formal framework intended to guide EU-China relations until 2020. The Strategic 2020 Agenda is being implemented through three pillars of EU-China relations: a High-Level Strategic Dialogue, a High-Level Economic and Trade Dialogue, and a biannual People-to-People Dialogue established in 2012.

Today, according to the EU, the EU and China have over 70 high-level and senior-level dialogues, working groups, and steering committees reflecting the wide-ranging scope of the relationship, including in areas such as cyber, transnational crime, economics, high-tech innovation, tourism, energy, and the environment. The EU and China also have agreed to further develop exchanges on legal affairs and digital connectivity.

Political Dimension

According to EU leadership, the EU’s commitment to strengthening its political dialogue with China reflects Europe’s recognition that China, as a growing economic and political power and an increasingly active member of the international community, can exert significant influence on an array of issues of global concern. In a world increasingly bound together by the forces of globalization, cooperation with China, bilaterally or within multilateral structures, has been defined as crucial to achieve progress in any number of important areas of mutual interest, including a security dimension and the environment.

Through the Strategic 2020 dialogues, the EU and China have committed to enhancing direct contact and coordination. The EU and China hold an annual Strategic Dialogue to discuss bilateral relations, with a focus on foreign and security policy, at the level of the High Representative/Vice President on the EU side and the State Councillor for Foreign Affairs on the Chinese side. The EU’s main approach is to engage China to promote China’s transition to an open society based on the rule of law and respect for human rights; to encourage China’s integration in the world economy; to support economic and social reform in China, and to raise the EU’s profile in China.

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<th>The European Union and China at a Glance</th>
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<td>EU: 28 member states</td>
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<td>Population: EU: 500 million; China: 1.3 billion</td>
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<td>EU GDP (2016): approx. €14.0 trillion</td>
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<td>China GDP (2015): approx. $11 trillion</td>
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<td>China is now the EU’s second-largest trading partner, behind the United States. The EU is China’s largest trading partner.</td>
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<td>EU goods exports to China (2017): €198 billion</td>
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<td>EU goods imports from China (2017): €374 billion</td>
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<td>EU services exports to China (2015): €37.3 billion</td>
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<td>EU services imports from China (2015): €26.4 billion</td>
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<td>China’s investment in Europe is growing rapidly. EU foreign direct investment in China was approximately €6.8 billion in 2014, and China’s investment in the EU has reportedly was around €35 billion in 2016.</td>
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Sources: European Commission, Eurostat, Rhodium Group.

Note: Exchange: €1 = $1.1

Through the people-to-people exchange, the EU and China have committed to the continued development of sustainable tourism, which, according to both sides, is booming. Some 600 flights run daily between European and Chinese cities. Approximately 6 million Chinese visitors traveled to Europe in 2017.

Another aspect of the EU-China dialogue is designed to promote intellectual exchanges between major cultural, scientific, and educational institutions. As part of this dialogue, the China-Europe International Business School and the EU-China School of Law have, for years, successfully trained business and legal experts to promote exchanges between China and Europe. More than 250,000 Chinese nationals are studying in Europe, and some 45,000 EU citizens are studying in China.

Economic Dimension

The EU and China are two of the biggest trading partners in the world, with EU-China trade increasing dramatically in recent years. China and Europe now trade an average of well over €1 billion each day. Bilateral trade represents approximately 3.3% of the EU’s GDP and close to 6% of China’s GDP, underlining the large interdependence of China and the EU in terms of trade.
During the 2018 summit, the EU and China—despite differences over market access, state-owned enterprises, intellectual property, and technology transfer practices—reaffirmed the importance of their annual High-Level Economic and Trade Dialogue. Both sides view the dialogue as an essential forum for planning, guiding, and taking strategic decisions on the development of EU-China economic, trade, and investment relations. During the 2015 summit, the leaders of both sides reconfirmed their commitment to reinforcing cooperation on the protection and enforcement of intellectual property rights. Nevertheless, in June 2018, the EU launched a World Trade Organization case against Chinese legislation that it considered would undermine European companies’ intellectual property rights.

China’s Perspective
In June 2015 remarks to the China-EU Business Summit, Chinese Premier Li Keqiang described the EU as “a major pole on the global political arena” and declared that “no geopolitical conflicts or clash of fundamental interests,” exist between the EU and China. Li credited the EU for offering “many advanced technologies to help China’s modernization” and promised that China would continue to support “a united European Union and a strong euro.”

Looking Ahead—Growing Influence
The EU cannot compete directly with China politically or economically in Asia, nor can it complement the United States as a power in Asia. However, it does appear that the EU is determined to become a preferred partner in Asia, at least on the economic and trade fronts, as evidenced by EU-Japan and EU-South Korea trade agreements.

The EU’s relations with China, while predominantly economic in nature, also are designed to promote EU influence. They do so through a political dialogue on critical global issues, such as such as human rights, the South China Sea, North Korea, and China’s “One Belt, One Road” initiative to connect southeast Europe to the Piraeus Port in Greece.

However, a new debate has begun to take shape in Europe over China’s potential influence on EU policymaking. Over the last decade, the EU has become a top destination for Chinese investors. Observers note that in 2016, the China Ocean Shipping Company (COSCO) acquired the majority stake in Greece’s Piraeus Port Authority. The Chinese government considers the Piraeus Port to be the main entry point for Chinese exports into southern, eastern, and central Europe. The size of the Chinese market and the amount of money Chinese investors can bring to the table has led some critics to suggest Chinese money could rival Russian energy as a major influence in Europe. This idea has alarmed some in the EU, who have pushed the EU Commission for more transparency on Chinese investment, more controls over potential Chinese product “dumping,” and more scrutiny of China’s offers to provide debt-based infrastructure financing and low-cost loans. In response, some believe that China has become more aggressive in pushing back EU efforts seen as challenging China’s current favorable business advantages in Europe. For instance, some note that China has taken issue with several internal EU policy developments on foreign investment screening, anti-dumping legislation, and carbon emissions. In some cases, they have suggested that they can simply threaten to stop buying French wine, German automobiles, or Airbus aircraft as a way to counter EU policy direction. The new U.S. National Security Strategy raised caution by observing that China was “gaining a strategic foothold in Europe by expanding its unfair trade practices and investing in key industries, sensitive technologies, and infrastructure.”

Central and Eastern Europe—16+1
Separate from the broader EU-China dialogue, a 16+1 format was established after the first China-Central and Eastern European (CEE) Countries Economic and Trade Forum in 2011. The countries include China, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, and five EU hopefuls: Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia.

At the 16+1 summit held in Budapest in 2017, Chinese Premier Li Keqiang launched the construction of a €3.2 billion Chinese-funded upgrade of the high-speed rail link between Belgrade and Budapest. China hopes to use the rail link as part of its “One Belt, One Road” initiative. The railway project helped boost Chinese investment in the CEE region to over €7.5 billion.

Critics point out that over time, as some CEE countries become more dependent on Chinese investment to help rebuild or stabilize their economies, those countries may become more reluctant to take positions that would anger Beijing. These observers believe that although a constructive economic relationship between CEE countries and China is important, it comes with potential risks that require China’s activities in that part of Europe to come with a maximum of transparency and openness and to rigorously conform to EU law and regulation so that China cannot create a wedge between the region and Brussels. At the 2018 summit in Sofia, Bulgaria, Li Keqiang told the group that China was ready to fund a Global Partnership Centre in Sofia that should help Chinese companies understand EU market rules and adhere to them in the region. Some contend, for instance, that China’s investment strategy in some cash-starved CEE countries already has caused ruptures in overall EU solidarity and cohesion on several issues of interest to Beijing.

Others argue that the concern over the potential threat of China’s influence on EU decisionmaking and member state solidarity, driven by its economic activities, has not yet become problematic in most EU member states. However, they contend that because there has been some detection of Chinese influence in a few instances in a few member states, the issue needs to be watched carefully by the EU Commission and others.

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