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EU and China - Partners on Global Markets

A High-level Policy Summit, entitled ‘Europe and China: Rivals of strategic partners?’, took place on 29 November in Brussels, organised, within the “Understanding China Programme”, developed by Friends of Europe, an independent think tank for EU policy analysis and debate.

The Policy-Summit was divided into three parts. The first one was devoted to the question, whether EU and China primarily collaborate or compete. The second one turned to opportunities for economic cooperation, while the third part dealt with the question of “Perceptions and Misperceptions: How Europe and China view each other”?

The focus of EU on PR of China, one of the world’s most dynamic economies and leading members of G20, which became world’s second largest economy and is an increasingly influential international political actor, is understandable. Also in light of the IMF prediction that, using the GDP figures on “purchasing power parity”, the size of the Chinese economy will surpass that of USA by 2016. However, though China’s 3.2 trillion US dollar foreign exchange reserves have prompted speculation that Beijing could come to save the crisis stricken European economies, the High-level Policy Summit additionally confirmed the rumours, that more substantive Chinese money is not appearing so soon, at least not in huge amounts and in a form of assistance to Europe. The reason does not lie only in the fact that a significant part (about one third) of these reserves represent bonds and an important part is so-called “hot money”, while it is generally considered an accumulated trade surplus.

Talking, among other issues, about the importance to prevent the collapse of Eurozone, the Chinese participants left an impression that China perceives the European problem not primarily related to finance, but mostly to (poor) governance, and to a large extent a matter of confidence. Anyway, the Chinese representatives underlined that the collapse of Eurozone would represent a disaster not only for Europe, but for the world economy as a whole, and that Europe should restore stability and financial discipline. That view of China is not surprising, knowing, that China has already invested also in bonds of several countries belonging to Eurozone, which currently find themselves in troubles. Moreover, Hua Chunying, Counsellor at the European Department of the Ministry for Foreign Affairs of PRC, officially denied the speculations, that Chinese government was preparing a contingency plan for the collapse of Eurozone.

Wang Yiming, Vice-President of the Academy of Macroeconomic Research of the National Development & Reform Commission (NDRC) of PRC, claimed, that Europe should be more generous in enabling market access for Chinese companies, and not ask for financial help. He further developed his point by using the blood transfusion as an illustration: instead of it,

being given to the economy in Europe, China and EU should “create new blood together”. This brings back memories of the US republican doctrine towards developing countries in the seventies, called “Trade not Aid”. Meng Xiangqing, Deputy Director of the Strategic Research Institute at the national Defence University of the People’s Liberation Army (PLA), referring to EU’s refusal to lift the weapons embargo imposed after the Tiananmen Square protests in 1989, underlined, that PR of China can be patient on this issue even in the future, as the embargo does not have a decisive impact on the modernization of PLA, the Chinese Army. However, he reminded, that such EU attitude creates psychological and political obstacles to further deepening of relations between China and the EU.

Related to possible Chinese financial assistance, there was a negative opinion also from the European side, but based on a different argument. Lord Leon Brittan, former Vice Chairman of the European Commission and currently Vice Chairman of UBS Investment Bank, warned that asking for Chinese assistance would inevitably be connected with political concessions, to be most probably demanded by China. Besides, several complaints were heard from other speakers, among them Mr. Joaquin Almunia, Vice-President of the European Commission and EU Commissioner for Competition, about the obstacles to the European access to the Chinese market, and some other issues (protection of Intellectual Property, lack of transparency on Chinese procurement market, state subsidies to Chinese companies, etc.).

China’s interest in re-establishing stability of the Eurozone (any prolongation of the current crisis would impact negatively also its own economy), is obvious. EU is China’s top trading partner, and China needs European markets, investments and technology to maintain high economic growth and to avoid possible stagnation. Building stronger ties with EU is also an essential part of Beijing’s expanded global ambitions and its vision of a multi-polar world. Being aware of this, EU itself should be more flexible and not so reluctant in further developing relations. Putting aside the rhetoric, often concentrated on criticism of China human rights record and its treatment of dissidents, EU should try to discover more areas, even in the framework of respecting human rights and fundamental freedoms, where it could enhance dialogue with China. Building a common language for such discussion is of utmost importance. However, without better understanding of each society’s culture and history, discussion on fundamental rights is most probably not going to produce expected results.

Generally one should admit that there is still a lot we need to understand about each other between Europe and China. When talking about certain concepts - in light of their historical and cultural context - the differences do not seem to be so insurmountable. Wishing to contribute to such dialogue, KEN, as a global network, has already proposed to Chinese scientific and other institutions to jointly organize an international conference in 2012 or 2013, to be entitled “Cross-Cultural Partnerships in Developing Global Knowledge Economy – with particular reference to Sino-European Collaboration”. With the perspective that Chinese and European knowledge and experience, as well as various resources will be pulled together in common projects also on other continents (in particular Africa and Latin America), the elaboration of cross-cultural partnerships is becoming even more important, addressing these issues on global level, not only in the framework of Sino-European relations.

Written by Boris Šavle