



PAPER

Working

Towards an EU-China Partnership

Dai Bingran

Abstract: After 33 years, EU-China relations have now reached a very high level, and both parties have repeatedly expressed their intentions to build between them a “comprehensive strategic partnership”, and a strategic negotiation for a new agreement has been initiated for that purpose. Doubts, however, still persist as to the possibilities, and some resent developments seem to verify--rather than dissolve--them. This paper is to discuss the strong cases for an EU-China partnership in this post-Cold War era and in face of the globalization challenges, and the approaches for the building of such a partnership.

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Towards an EU-China Partnership

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Introduction:

Since the establishment of formal relations between EU (then EEC) and China in 1975, EU-China relations have developed to a very high level, and since 2003 both parties have been talking of building a “strategic partnership” between them. The statement of the Helsinki EU-China Summit held in September 2006 reconfirmed their determination when it declared in explicit words:

“In order to reflect the full breadth and depth of today’s comprehensive strategic partnership between the EU and China, the two sides agreed to launch negotiations on a new Partnership and Co-operation Agreement which will encompass the full scope of their bilateral relations, including enhanced cooperation in political matters.”¹

While the voice of the joint statement was still lingering, the issue of the new Commission Communication on China², the government changes in the major EU member states, the flock of mass media reports on EU-China trade disputes, etc., together with the indefinite shelf of the remaining issues like the arms embargo and the market economy status, EU-China relations cooled down rapidly. In face of the uncertainties, there are quite some people in Europe, saying the honey moon was over, and

even talking about “China panic”³; in China, there also appear some deep apprehensions of profound changes in EU-China relations, depicting the rise of competitive and conflicting factors that is blurring the future.

The intention of this paper is to argue that EU-China relations are based on long-term and reciprocal interests, and new circumstances in this globalization era tend to strengthen—rather to weaken—the existing ties. On the other hand, a lot have to be done to increase their understanding of each other, on which to build up a mutual trust, in the first place, and then to extend the scopes of their cooperation, so that their relations could be raised to a new height. For these, the current period might be very crucial—a test of the political wills on both sides.

Cases for a Strategic Partnership

The term of “strategic partnership” is nowadays very much over-used, even to the point of abuse, but common sense would suggest that, when used to describe a bilateral relationship, a strategic partnership should denote to one that is long-termed and stable, comprehensive and not occasional or convenient, honoured and committed by both parties, and, above all, based on solid common interests and desirably on shared fundamental values.

If this generalization is acceptable, EU-China relations could be one like that.

1. Shared Interests in Economic Cooperation

It is more than apparent that China and EU share between them great interests in economic cooperation and exchange. China is now the

¹ “Joint Statement of the Ninth EU-China Summit, Helsinki 9 September 2006”, 12642/06 (Presse 249),

<http://www.concilium.europa.eu/Newsroom>

² “EU-China: Closer Partners, Growing Responsibilities”, COM(2006) 635final, 24.10.2006. 以及作为其附件发表的:

“A Policy Paper on EU-China Trade and Investment: Competition and Partnership”, COM(2006)631final, 24.10.2006.

³ “The China Trade Syndrome”, *The Economist*, 6 October, 2007.

world's largest developing economy, ranking the 4th in terms of GDP volume in 2007. Although its share in the world total—5%—is not that large, but its growth rates are among the fastest, with average annual rates around 10% during the period between 1978 and 2007, much higher than the world average of 3.3% during the same period. The sheer size and rapid growth of its economy, the great potentials because of its relative underdevelopment, and the sustained political and social stability have made it the hottest spot for international trade and investment⁴. A report in the FINANCIAL TIMES last year pointed out that China ranked the world's 7th retail market, with an average growth rate of 13% during the past 10 years, and its total sale would reach 596 billion USD in 2010 from the current 430 billion USD. It further estimated that in 2025, around 520 million of the Chinese population would reach an annual income level of 40 to 100 thousand RMB, with a total annual disposal income of 13300 billion RMB (about 1700 billion USD at the current exchange rate)⁵. EU, as the world's largest trading and economic bloc relying quite heavily on international inflows and outlets for its growth and development, certainly could not stand to lose the opportunities its economic cooperation with China may offer.

To China, its economic ties with EU and its member states are also crucial. Once the most developed economy in the world up till the 13th

century, China is now still very much underdeveloped in spite of the recent fast growths, ranking well behind the 100th in terms of GDP per capita, and being around 5% of the EU average. It has lost so many years, and needs desperately the time to catch up in economic development. To overcome the tremendous difficulties to transform the country from a basically agro-society to a post-industrial one, it has to rely its development heavily on the increase of foreign trade and investment, and no less importantly on foreign experience for modernity and modernization. On both respects, EU is an important partner, and the model to learn from.

Actually, after 30 years of formal relations, the trade and economic ties between EU and China are now very close and of a very high order. In terms of trade, the volume increased more than 70 folds from 1975 to 2004. EU is now China's No. 1 trade partner, taking up some 16.3% of its total foreign trade in 2005, while China has become EU's No. 2 trade partner, taking up 9.4% of the latter's total foreign trade. In parallel to trade, investment flows also increase considerably. In 2004, EU's total FDI in China reached 35 billion USD⁶, ranking third after the US and Japan. In technology transfer, EU is by far China's most important partner, surpassing both Japan and the US in terms of value and growth rate, which stood at 5.5 billion USD and with a growth of 63.3% in 2004⁷. Another factor is the exchange of visitors. According to the statistics of the Chinese National Bureau of Tourism, China received in 2005 more than 20 million visitors

⁴ Stephen S. Roach, Morgan Stanley's Chief Economist, estimated that with its 4% of world GDP in 2002, China's GDP increase accounted for 17.5% of the World gross GDP increase that year, and that with its 5% of world exports in manufactured goods, China's increase accounted for 29% of the World gross increase of exports in manufactured goods (<http://www.morganstanleychina.com/sc/aboutms/pdfs/gen/47000142.pdf>).

⁵ Elizabeth Rigby: "China's Retail Revolution", FINANCIAL TIMES, 15 February, 2007.

⁶ European Commission: "The EU's China Policy" (http://ec.europa.eu/comm/external_relations/china/intro/index.htm).

⁷ Statistics by the Chinese Ministry of Commerce: <http://www.kjs.mofcom.gov.cn/aarticle/bn/bt/200501/20050100338084.html>

from 10 EU member states⁸.

Of the economic ties between China and EU, it could be well said that they have reached a state of interdependence, at which neither could possibly do without the other. China's great stakes in this relationship are all too evident; it depends on its economic cooperation with the EU and its member states for a considerable part of its GDP growth, foreign trade, employment, science and technology advancement, development aids, etc., and therefore, social welfare. To Europe, China is not just a source of cheap consumer goods, contributing to keep the prices lower. It is also an important outlet of EU's exports, with its commodity exports increased 100% during the period between 2000 and 2005, and its services exports expanding 6 times between 2000 and 2004⁹. These, together with EU's growing investment in China, contributed greatly to the advancement of general social and economic welfare, including employment, in EU, and to its economic structural adjustment and improvement.

2. Common Challenges and Opportunities in Economic Globalization

China-EU economic cooperation has become all the more relevant because of the growing trend of economic globalization.

Whether you like it or not, economic globalization is an inevitable process. It is the making of science and technology advancement and economic development. When in a flick of the minuet, huge amounts of capital can be transfer to the other end of the earth for

transactions just concluded through computers, and when with outsourcing, a company does not need to build a workshop or factory any more to take the advantage of local resources and market, economic operations are truly running out of the national boundaries, and have to be planned and carried out against a global environment.

In macroeconomic terms, the marked acceleration of factor movements brought about by globalization entails competition at international level, worldwide reallocation of resources, shortened business cycles—just to mention some of them—which every economy has to reckon with seriously. In this process, “comparative advantage” seems more relevant than before. Either a single firm, or an individual industry, or a national economy as a whole, has to develop its strengths to the full to take up its place on the ladle of the “industrial chain” and try to move upwards along the “chain”. Here, over-protection, or what is called as economic “nationalism”, has the effect of protecting under-development and backwardness, and is therefore to no avail.

This kind of transition is extremely essential to EU economy at the moment. If we look back at the last decade starting from 1995, its economic performance records did not seem to be that good in comparison to the world economy in general and to the US economy in particular. The two symptoms have been the sluggish growth and the high unemployment, but behind them is the drop in productivity, and therefore the lag in competitiveness.

Various factors contributed to produce this drop in productivity and competitiveness. There were macroeconomic policy factors, institutional factors, and even social-economic model factors, but there were also very

⁸ From Germany, France, UK, Italy, Spain, the Netherlands, Belgium, Austria, Sweden and Portugal only:
http://www.cnta.com/news_detail/newsshow.asp?id=A200662110393795927

⁹ European Commission: Communication “EU-China: Closer Partners, Growing Responsibilities”, COM(2006) 631 final, 24.10.2006, p.7.

important ones coming from EU's current economic structure.

It does seem that the current EU economic structure based on manufacturing industries developed during the post-war booming years during the 1950's and 1960's is now a bit obsolete, and more importantly EU economy is lagging behind in the transition towards knowledge economy and information society, or in other word, EU failed in upgrading its economy along this "industrial chain". That accounts for its relative bad economic performance against the US economy. And within the EU, we have examples, too. All those better performers, like Sweden, Finland, Ireland and including the UK, are ones that have succeeded in climbing up on the "ladle". This is just what EU's "Lisbon Agenda" is driving at.

In climbing up this "industrial chain", EU and China have common stakes, and could and should work together. So far, China has been a quite successful story in the economic globalization process. By taking an active part in international competition, it has achieved tremendous economic progresses in the past 20 or so years, especially after its access into the WTO in 2001, but the question remains: could China rely forever on its labour cost advantage? The sensible reply is No; it might still enjoy this advantage for another 5 to 10 years, but only if it adopts sensible adjustment policies to upgrade its economic structure as well. China is faced with a series of serious "bottle-necks" in its development, and could hope to overcome them only through taking part in the globalization process, through developing its relations with the outside world, EU included. EU and China are still on different steps of the "ladle", which makes their economies more

supplementary than competitive. In face of the challenges of economic globalization, there is a strong case to realize a win-win game in the upgrade of their respective economies through economic cooperation and transfer.

And more than that, they also have the common responsibilities to address the negative effects of globalization, which have been part of the root causes for much of the present international disturbance and insecurity. Issues like trade, finance, energy, poverty, epidemic diseases, pollution, climate, and etc., are better to be, or have to be, tackled at multilateral and international level. As two important international entities, China and EU share their stakes and responsibilities and would be better to work closely together.

3. Common Stakes in World and Regional Peace and Security

Both China and EU now need a peaceful international and regional environment. This should provide them with another strong case for cooperation.

To redeem its world status, China needs the time to catch up with the rest of the world and to achieve another two doubles of its economic gloss to be "comparatively well-off" by the middle of the century. The prerequisite for this is a peaceful international and regional environment, in addition to the domestic political, social and economic stability, so that it could concentrate all its attention and resources for its development.

EU is likewise in need of such an environment. It has achieved tremendously along the integration process in the past 20 or so years, first with the single market, then the economic and monetary union, and now the new enlargement. It needs the time to consolidate the past achievements, and to plan

for the future, especially to build up an international political identity, and to modernize its economic structure and, perhaps, also its social model, in order to live up to its people's expectations and faith in the integration process.

The need for international and regional peace and security is not just a high word. The end of the Cold War ended the massive nuclear confrontation, but it is all the evident now that the world has not become safer or more peaceful because of that. In the past one and half decades, there have been more local wars and military conflicts than before, and new forms of threats to security like international terrorism, nuclear proliferation, etc., have come up, and there are other issues of serious security implications such as drug trafficking, arms smuggling, illegal immigration, economic frauds, etc. on one side, and the questions of energy, food, economic, financial, transportation, communication, medical and ecological safeties, which are now all of international dimensions, and could not possibly be solved or addressed through conventional means and at a unilateral level.

EU and China both believe that current threats to international peace and security, whether in forms of economic, cultural, religious, ethnic conflicts, or of terrorist activities and local wars, are the results of glaring uneven development, which have to be addressed through development, and through international institutions and mechanisms, and by international law. So, they really need to work together for their common concerns and stakes.

4. Other Reciprocal Interests

Other than common economic and political interests, there are between China and EU other

shared interests like cultural attractions, educational and academic exchanges. These might not seem as imminent or conspicuous, but are nevertheless important. Tourist flows between China and EU, for example, could be of great economic implications if the potentials are fully realized.

To China, EU represents some special interests. China is now in the process of political, economic, and social transitions. In its quest for "socialism of Chinese characteristics", China is looking very much to Europe for experiences and inspirations. European ideas and policies, like fair competition, economic decentralization, regional development, corporate organization and culture, and social security and welfare systems, are all under close studies in China. In a regional context, the European experience of reconciliation, peace and common prosperity is of great attraction, too, in China relations with the neighbouring countries.

5. Common Values

When talking about a China-EU partnership, many people think there is one weak or missing link, that is, common values. To them, with its communist background and its insistence in socialism, China is naturally undemocratic and has no respect for human values, and therefore belongs to, in their heart if not in words, the camp of "evil forces". Actually, nothing could be more wrong. It might be relevant to mention here that the socialism China is after—a better balance between economic efficiency and social equity—originates from and is best achieved in Europe than anywhere else. Just as we know the present capitalism in Europe is no longer the capitalism described in the novels of Charles Dickens, Victor Hugo and Thomas Hardy, the socialism in China today is neither

the socialism in Stalin's time, nor even that in Mao Zedong's time.

And China and EU do share basic values. The most apparent common value is market economy. It took a few decades, and several national political debates, for China to adapt to this value, and no one would doubt now this value is deep-rooted in the Chinese economy, even though it is still very much in transformation. China paid a very high price for joining the WTO, and one of its political motivations is to make it no going back from market economy.

What about democracy? It is true democracy is not in the traditional Chinese culture, and China had been under the feudal rules for thousands years. The present Chinese political system is quite different from the social democracy practiced in Europe, and is admittedly not as democratic as should be. But that does not mean that China is against democracy, or there is no democracy in China. As a matter of fact, China's political life is much more democratic now, and is never so democratic in history. There are more free speech, transparency in decision-making, and people's participation and monitoring in governance. The present Chinese political system may be far from being perfect yet, but it might be just what China needs, or could have, at this junction of economic, political, and social transition. The European social democracy has its well-proved merits, but it is also the results from several centuries' social and political developments and reforms with blood and deaths, and it does not necessarily mean it is the best and suits everywhere. The essence of democracy is the faith in the people. Democracy could not be imposed, or imported, and has to grow by itself and through people's

choice. If we believe democracy will be the final human destination, the world and Europe should have the faith, and the patience, in the Chinese people: they will be able to find and choose what kind of political system and institution suite them the best.

The concept of human rights and respect for fundamental freedoms is also comparatively new in China, and what China had been after in the past few decades was a sort of collectivism rather than individualism. Admittedly, the human rights situation in China is not that good yet, but it is not that different from other developing countries in the world, which does imply that the practice of human rights, just as of democracy, has to have an economic development basis. The important thing is that the human right situation in China has been improving rapidly in the recent years. One criticism is that China has not yet passed the convention on political rights. China is cautious in this respect, as it involves the amending of the Constitution on the one hand, and there is the concern for domestic stability on the other. The concepts of human rights and fundamental freedoms have been there in the American Constitution since its founding in the 18th century, but a national civil war had not been enough to solve the problem, and after about 200 years, the black people were still not allowed to sit in the same carriage as the white people in the southern states in the early 1960s. So, allow some more time for China to catch up in this respect, too, and it will definitely not need 200 years to solve its human rights problems.

Another important value in question is the rule of law. And this is also the area where China has been making a lot of efforts and has made big progresses. If looking at the

law-making records at the national and provisional levels, you shall be amazed to find so many laws have been erected and revised in China in recent years. The problem of the rule of law in China is also not that China is against it, or even in lack of laws and regulations, but rather with its enforcement, which at the moment has to depend very much on the people's education on and acceptance of rule of law.

On the question of values, misunderstanding of, and even prejudice against, China still exist. It is its fault not to have made sufficient efforts to let the outside world know what are really taking place in China. But on the other hand, the Cold-War mentality does persist, in which the reforming and opening China is still judged against its communist background.

6. Past Built-Up

We should also feel quite content that the past 30 years have laid a solid basis for the further development of this China-EU partnership.

There were ups and downs in their relations, but the “grinding-ins” in the past have brought about a better understanding as to the right approaches for handling their bilateral relations, especially in time of difficulties. EU has learned that China can be persuaded, but not intimidated or forced, so it adapts more to dialogue, and China has learned the art of compromise. This “methodological” change based on better understanding of each other's mentality has led to much better results in their bilateral relations, if compared with China-US and China-Japan relations.

Another important development is the institutional built-ups. There now exist between China and EU a whole range of dialogue

mechanisms¹⁰, from the yearly summit, to regular ministerial meetings, and to the more technical discussions between the professionals and specialists. The regular exchanges are not only helpful for better understanding, but also conducive to the finding and solution of their differences and disputes.

Looking back, we might say that China-EU relationship is now at its best time in history, and can be best summarized as China's Premier Wen Jiabao put it in 2004: the relationship “is entering a new stage for mature, healthy, and stable development”¹¹. It is stable, because it is solidly based on long-term mutual interests; it is healthy, because it has come to be a partnership more between the equals; and it is mature, because the relationship now stands on its own, and with full-fledged policy mechanisms on both sides.

Working towards a Strategic Partnership

With all what have been said, it does not mean that everything is perfect and a strategic partnership is already there for taking. It is expected that the new China-EU agreement to be negotiated soon will provide a general framework for the partnership they are to build up between them, as well as scopes and instruments for its implementation. To work towards that direction, a lot have yet to be done from both sides.

1. Improving Mutual Trust

As was mentioned above, the old ideological shadows still hang over the China-EU bilateral relations, and the barrier seems hard to cross. An interesting example is the arms embargo

¹⁰ At present some 21 dialogue mechanisms are in place between China and EU to discuss on questions and issues of mutual interests.

¹¹ Speech at the China-Europe Business Summit in the Hague, 9 December, 2004

issue.

This embargo is a political sanction the EU imposed on China after the Tiananmen incident in 1998. It is a past story, and of little actual effect, so when the lifting of this embargo was brought forth by EU's political leaders, China welcomed it as an act to normalize their bilateral relations, because it is really an irony when the two parties talk about building a strategic partnership between them, while one is still imposing a political sanction against the other. Then there came all the fuss over China's military build-up, threat to peace in the Taiwan straits, and the human rights situation in China, so on and so forth, as if the lifting of the embargo will release a monster in China that will bring to an end the peace in the world.

When talking about all these, people tend to forget a simple logic: armament trade is a two-party business; even if China would want so desperately to buy arms from Europe, the latter still could refuse to sell. If there is fear that after the lifting there will be no control of arms trade between EU and China, then one should not condemn China for the incapacabilities of the EU institutions or national governments, nor is it an excuse for not normalizing the bilateral relations. On the other hand, China is so big a country, could anyone with a common sense image that it could depend on imported armaments from Europe to build up its defense?

As for the Taiwan issue, to be frank, were China determined to realize its unification through military means, considering the comparative military strengths across the straits, it could well do it, without the armaments from Europe; and it does not seem that the US and its allies could afford to enter a full-scaled war with China over the Taiwan issue, or China

would be daunted by such intervention. But China has refrained from doing so and has declared repeatedly that it would avoid doing so by all means, because it realizes fully the disastrous consequences it would bring about: it would be the devastation of millions of lives of the people across the straits, who are kin of blood; it would mean the destruction of China's achievements in the past decades through reform and opening-up; and it would mean the loss of peace and stability in the region and in the world. China's policy over the Taiwan issue shows it is rational and responsible as an international actor. The baseline here is no cessation of Taiwan. The international community could contribute to the peaceful solution of the issue in this respect, by not encouraging the cessationist tendency of the current Taiwanese authorities. Keeping the status quo, and left to themselves, the people across the straits should be able, if not this generation then the next generations, to find a settlement satisfactory to the both sides across the straits, and to the international community. The increased across-strait economic and cultural exchanges¹² and communications will certainly contribute greatly towards this end. So, the talks that the lifting of the arms embargo will disturb the military balance and therefore increase the threat of war across the straits are ill-founded.

It might be a bit naïve on China's side to have thought that the arms embargo issue could be easily solved when it was first raised in 2004. All the subsequent happenings have certainly taught China a lesson that the so-called Common Foreign and Security Policy is still very far away, neither is EU ready, or able, to

¹² In the Shanghai region alone, there are now more than 400 thousand Taiwanese businessmen and their families.

resist the political pressures from the US and others. Now that it understands the difficulties and the twists, China will have the patience to wait. After all, except as a political irony, the arms embargo is of little effect.

The arguments raised around the arms embargo issue show there is still a kind of distrust in EU of China's peaceful intentions. By nature, China has never been a bellicose nation, neither posing a threat to any country, nor having the intention or the capability of gaining international or regional hegemony. If looking at the historical maps, people will find that its territory space shrank greatly between the 12th and 19th centuries. In the past two centuries, it had repeatedly suffered from foreign military invasions and interventions; and during World War II, China fought 8 hard years against the military occupation by a neighboring country and at the cost of 30 million lives. It is because of this painful past that China cherishes more its hard-won national independence and sovereignty than anything else.

China has a territorial space of 9.6 million square kilometers, which is larger than either the whole geographical Europe, or the US, and with a land border stretching over 20 thousand kilometers and a coastline nearly as long. It should be justified to maintain a reasonable level of defence capabilities. China is often accused of increasing its military spending 15.36% on average between 1990 and 2005, but few seem to notice that its percentage in the total national budget is only 7.29% in 2005 as compared to 9.51% in 1994. In 2005, its defence budget (30.6 billion USD) was only one-sixteenth of the US' (495.3 bn.) and even less than the non-military Japan (45.4 bn.) and Germany (31.1 bn.). And of the amount,

one-third was spent on improving the living of its men and officers (the so-called overhead costs), the number of which stand at about 2.3 million, after several cuttings in recent years. If going down to per military man level, China's yearly military spending in 2005 was only 1332 USD, as compared to 35661 USD of the US'¹³. Another accusation we often heard against China is that its military spending is not transparent enough, much of the spending is not included, and the actual defence budget could be twice or thrice of the announced figure. There is no telling on what this guess is based, but the question is: Is China that different from other countries in this respect? And even if China's defence budget were thrice of the current figure, it could still be a very small fraction of the US'. So, why should the modest increase in China's military spending to cause such concerns and even alarms, whereas no one has ever challenged the soaring military spending of the US'¹⁴? If the US' military build-up is not for war, why should China's necessarily be so? It does seem that the problem is apparently with sentiment, not with reason. Time has changed, and the European experience has taught us that what could not be achieved by means of war, could be better achieved through national reconciliation and cooperation, but unfortunately some people's minds still refuse to change.

China is now among the major nuclear powers. But ever since it exploded its first atomic bomb in 1964, it has been repeatedly declaring that (1) it will not use its nuclear weapons in the first instance; (2) it will not use

¹³ All of the figures are taken from the White Paper "China's Defence 2006". The full text can be found on: <http://news3.xinhuanet.com/politics/2006-12/29/content-5546076.htm>

¹⁴ Recent reports says that US military spending in 2008 will increase to 623 billion USD.

them against any non-nuclear countries; and (3) it is for total nuclear disarmament among all unclear powers. This is peaceful intention, and no other unclear powers has ever declared like that.

The benchmark distinctive of a strategic partnership to an interest coalition might just be this mutual and reciprocal trust. To be frank, this problem is more on the EU side than on China side. In formulating its China policy, the EU never conceals its intention to remold China after its model¹⁵. The new Commission Communication, while emphasizing partnership and shared responsibilities, still retains this mood. China is reasonably mute as to the objectives of EU's China policy, because they are also the objectives of its reform and opening-up, but it does sometime hurt to hear a partner teaching the other what it should do and should not do.

2. Raising Each Profile and Improving Each Image in the Other

Distrust, if unintentional, comes necessarily from ill-information. Let Europe understand the true China: this is where China's EU policy is still failing and greater attention and efforts need to be exerted, especially when China is now very much under the world spot light, and there is an increased Chinese presence in Europe and in the world.

China has changed tremendously since it reform and opening-up. Not only its domestic situations--the living and welfare conditions, the human rights situations, the social and political security and stability, etc.—have improved greatly, its contributions to world economic development, international peace and security, have also increased a lot. But all these

progresses are still relatively less known, whereas distorted allegories and assertions still prevail, such as: “the Chinese government is turning Tibet into an area for prostitution”, “it adopts a forced migration policy in Xinjiang to drive the local minorities abroad”, “it is increasing military spending irrespective of the people's poor living conditions”, “it tries to develop its economy at the costs of biological equilibrium and by transferring pollution abroad”, “it violates the WTO rules to rub the world markets”, “it indulges on the violation of the intellectual property rights”, “it abuses the exchange rate advantage of its currency to dump on US and European markets and to drive the local workers out of their jobs”, “it indulges intentionally on pirate production in violation of the intellectual property rights”, “its efforts for economic development is to replace the US and Japan and to get Asian and world hegemony”, etc.

There should be no blame on anyone to have produced accusations like these; the fault for this distorted image is with China itself. For one, it has not produced enough to let the others to understand the real situations in China. For example, in recent years there appeared in China a huge amount of literatures discussing its reform and opening-up, its achievements and problems, but very few are introduced to the outside world, and most of the books on China one could find on the world markets were written by authors living abroad.

China should seriously think why 50 years are not enough to produce a single indigenous Chinese Nobel laureate. Are there really no accomplishments worthy of the prize? For one, with 1-16th world arable land to feed 1-5th world population, Chinese agricultural scientists have contributed tremendously to the

¹⁵ See the five objectives of 1998 Commission Communication “Building a Comprehensive Partnership with China”, COM(1998) 181, 25.03.1998.

world prosperity. It is indeed high time that China should set as a priority of its foreign policy to raise China's profile and improve its image in the world. Now that millions of Chinese are going abroad every year on various purposes, it is also important to educate the people to behave well and to create a good image.

3. Deepening Economic Ties

Economic cooperation is the solid foundation of this China-EU partnership. Even with the recent developments, a lot still could be done for its further growths.

Many people showed their concern on the recent increase of China-EU trade and economic disputes, and worried that they would cast a shadow over the partnership. This is not necessarily the case, and there should cause no alarm. Trade conflicts are normal between the economies, and are actually the signs of deepened relations. The logic here is: more the trade, more the disputes. Trade disputes between the EU and US never end, but there is no denying of their ever strong economic partnership. The important thing is how the disputes are settled. High voice and strong words are unavoidable, but there is no substitute for negotiations and compromises. In this respect China and EU are doing not badly, for instance, during the textile dispute last year. On the other hand, China and EU do need to reach a better understanding on some issues.

One issue of concern is the trade imbalance. It is true that China has had an increasing trade surplus against EU, but that needs a deeper analysis. For one, this is the play of the market: as EU enjoys no long comparative advantage in these products, if it does not import from China, it will import from other countries anyway. For another, indicators show that more

than half of China's recent increases of foreign exports are created by foreign investments in China. So, a great part of China's trade surpluses might be in European pockets. This imbalance could be further addressed if EU is more liberal in exporting high technical products, which are certainly much more high value-added than China's manufactured exports. Here, the lifting of the arms embargo might have some effects. On China's side, a self constraint and discipline is also necessary, and it should learn not to be lured into the dumping traps.

Another issue is the "market economy status". On this issue, China may have to live up to its WTO commitment for no change in 15 years, and there are always reasons to show that China is not yet a full market economy. The question here is that while refusing to give China this status, the Commission gave that to Russia. We are not against EU giving this status to Russia, but in so doing EU is apparently adopting a double standard, which could be termed as discrimination.

As mentioned before, China and EU are still at different stages of economic development, and their economies are more supplementary than competitive. This should leave large scopes for further cooperation, if properly managed. China's current advantage is still very much on labour cost, while EU is on the upstream of technology development. By encourage the European enterprises to move to China and other developing countries those comparatively labour-intensive industries, EU could save the resources for developing high-tech industries, needed to realize its economic transformation. EU's present protection over such industries like textile, clothing and shoe-making on social welfare

reasons is understandable, but it is really to no avail, simply because they could no longer hope to regain their competitive edge in world and domestic markets. So, the sensible policy would be to invest on developing new industries that could bring EU high growths and more jobs. In this transformation, China and EU will both benefit, and it will be long-termed.

In planning China-EU economic cooperation, special attention should be given to the cooperation development between the small and medium enterprises on both sides. The big multinationals are strong enough to take care of themselves, but the SMEs needs the support to go out. Here, both governments could contribute, first to act as a bridge to let them to meet and to find out the opportunities, and second to create mechanisms to shield them from certain risks which are beyond their scopes to manage. In view of the large numbers of the SMEs on both sides and their importance to their respective economies, China-EU cooperation in this sphere would open a very wide horizon.

4. Extending Cooperation Scopes

There already exist some 20 dialogue mechanisms between China and EU, and the Commission is carrying out some 130 assistance projects in China¹⁶. These dialogues

and projects cover a wide range of activities, many of which could be extended to further cooperations of mutual interests, such as:

- environment cooperation,
- energy cooperation,
- financial cooperation,
- transportation cooperation,
- health and sanitary cooperation,
- civil and legal cooperation,
- educational and cultural cooperation,
- regional development cooperation,
- enterprise and industrial cooperation,
- science and technology cooperation,
- aeronautic and space cooperation.

The list is far from exhaustive, but it is enough to show that there are indeed wide scopes, where China and EU have had common interests or concerns to strengthen and develop their cooperation, and in most of the cases, EU's experience and assistance could be of great help to China in its transition.

To conclude, there do exist strong cases and solid bases for building a China-EU strategic partnership. Such a partnership will be not only mutually beneficial, but also international contributive. And in spite of the past developments, there are still great potentials for the future development. On the other hand, much has yet to be done for the building of this partnership.

¹⁶ See the website of the Commission Delegation in Beijing for further details:

<http://www.delchn.cec.int/en/Co-operation/overview>

• Shanghai Institute for European Studies (SIES) was founded in May 1993 as a non-governmental academic organization specialized in comprehensive research on politics, economy, society and diplomacy of EU, European states and CIS. SIES is composed of the researchers from institutes and universities, as well as people from non-academic institutions who are interested in European studies.

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