

# CONTEMPORARY CHINESE VIEWS OF EUROPE

Karine Lisbonne-de Vergeron



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Contemporary  
Chinese Views  
of Europe



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## ABOUT THE AUTHOR

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*November 2007*

Karine Lisbonne-de Vergeron

## PREFACE

After almost two years of deep paralysis, the process of European integration has been relaunched with the agreement on a new institutional Treaty for the European Union in Lisbon on 19 October 2007. Nicolas Sarkozy, the President of France, recently called upon the 27 member states to underpin this process by creating a high-level Committee of Wise Men to examine the future of Europe and to set out a clear vision for the Union's development over the next twenty years or so. Central to such a task must be an assessment of the EU's capacity to face up to the challenges of globalization,<sup>1</sup> but also of the impact of the rise of China.

Innumerable studies on this have, of course, been undertaken in recent years. However, they have overwhelmingly consisted of European and other views of China. Relatively little work has been done on Chinese views of the rest of the world, over which China may be in the process of achieving a predominant position. In particular, no systematic study has been made of how China perceives the European Union and the idea of Europe more generally (plainly it is impossible to meaningfully address the one without the other). This paper is inevitably only a very partial contribution. Nevertheless it does justify the importance of the vantage point of the Chinese elite for the current debate over the future

of the EU. Perhaps it may help Europeans to find a way to overcome what one Chinese commentator has called 'the growing trend of inwardness that besets Europeans,' which 'mutes their ability to play a leading role in world affairs'.

Certainly, today's China seems emphatically outward-orientated. Its economy is currently expanding at a rate of 11.5% per annum.<sup>2</sup> There is a widespread assumption that by 2030,<sup>3</sup> and perhaps even earlier, it will become the largest in the world. In this rapid development, China has every reason to take the European Union seriously. The EU has been its first trading partner since 2004 and the importance of the European market for China is growing very rapidly. However, although some commentators have talked much about a so-called 'strategic partnership', and a number of dialogues and cooperation frameworks have been mooted over the past two decades, it was only at the last EU–China summit, held in Helsinki in 2006, that negotiations on a new Partnership and Cooperation Agreement (PCA) were initiated. This contrasts sharply with, for example, the range of accords that make up China's 'strategic partnership' with the United States. Progress since then has also not been especially rapid. The negotiations are scheduled for review during the 10th EU–China summit in Beijing on 28 November 2007, but may also continue through into the French Presidency of the Union in the second half of 2008 (under which the 11th summit is due to be held.)

This study aims to highlight, in particular, that:

- The Chinese feel Europe lacks a strategic vision and suffers from internal discord, which impedes its credibility in world affairs. Europe simply does not exist as a political centre of power, especially compared with the United States.
- China desires a more united European voice, as part of its conception of a multipolar future world order.
- China has a sophisticated approach to Europe. This includes a clear understanding of the European Union, in institutional terms and of its major member states, as well as what China perceives as European civilization in general.
- The economic and political relationships between Europe and China are currently best defined in a bilateral framework with individual member states. Nevertheless, the EU as a whole matters increasingly for China in trade and other economic issues. In the next twenty years or so, ultimately only the EU as an entity will be able to maintain a strong negotiating position with China on these matters and more generally.
- The Chinese consider the euro a 'most impressive achievement'. They believe that Europe's position in the future will depend, above all, on its ability to build a greater common defence and security identity and to strengthen the Eurozone – especially by including the United Kingdom.
- China perceives the European example as a source of inspiration for enhanced regional economic co-

operation in Asia, particularly in its dealings with Japan.

- Europe remains culturally attractive, and is not fundamentally in decline (despite what some Indians and Americans, for example, believe). Although the Chinese feel that Europe and the United States are ultimately 'tied together', they nevertheless regard Europe and China as the two 'core civilizations' of the world, and therefore from this perspective see America as 'marginal'. This, they consider, would offer a unique common ground for understanding between themselves and Europeans. The EU is the primary collective sense in which the Chinese view Europe and they expect it to enlarge further. There are, however, diverging opinions on whether Russia is fundamentally a European power.

# 1 CHINESE ECONOMIC VIEWS OF EUROPE

## 1. The European Union: China's key economic relationship

Undoubtedly, the Chinese currently think of Europe, and of the European Union, primarily in economic terms. Since 2004, the EU has been China's first trading partner, accounting for 15% of its overall external trade in 2006, with a bilateral increase of 25% from 2005.<sup>1</sup> Overall, bilateral trade between China and the EU has increased more than sixty-fold since 1978 to reach nearly €255 billion in 2006.<sup>2</sup> In return, China is the EU's second-largest trading partner, after the United States, and in 2006 became the largest source of EU imports, amounting to approximately €192 billion, or 14.4% of the total, a 21% increase from 2005. Over the same period, EU exports to China increased by 23% to approximately €63 billion (see Appendix, Table 1).

The following facts seem of especial interest:

- In 2005, China was the second largest beneficiary of the EU's Generalized System of Preferences (GSP) scheme,<sup>3</sup> accounting during that year for more than 10.3% of the total of such imports.
- From January to November 2006,<sup>4</sup> total trade with the EU (then 25) and China amounted to €231.4 billion. Of this, €178 billion (77%) was from the Eurozone

(then 12). This meant that members of the Eurozone accounted for 70% of the EU's overall trade deficit with China. (see section 4 of this chapter).

- The EU is the biggest supplier to China of technology and general capital goods. According to Chinese sources, China receives over 40% of its total imports of such goods from the EU<sup>5</sup> (against 23% from Japan and 19% from the United States in 2006). There were over 2,500 technology import contracts from the EU to China, with a total value in excess of \$8.6 billion, in 2006.
- Foreign direct investment (FDI) inflows from the EU into China amounted to €3.7 billion in 2006.<sup>6</sup> In recent years, EU companies have increased investments in China, bringing the outward FDI stocks of the EU (then 25) to over €31.4 billion by the end of 2005.<sup>7</sup> (From January to September 2007, Japanese FDI into China amounted to \$2.5 billion, compared with \$1.8 billion from the United States.<sup>8</sup>)
- Chinese FDI in Europe from January to September 2005 amounted to \$130 million, a 68% increase over the same period in 2004<sup>9</sup> (see below, section 3).

## **2. The pre-eminence of trade with the individual member states**

For most Chinese interviewed, the EU is an integrated power 'as it is able to set standards and regulations which have a global impact, such as in the WTO'. However, for most practical economic purposes they feel China is 'rather dealing with individual countries in Europe,

not Europe collectively'. As one European entrepreneur in China puts it, 'just as there is no European football team, there is no coherent European business team to maximize the opportunities' afforded by the dramatic development of the Chinese economy. 'European companies are playing against each other' in a manner that 'sometimes damages the image of all of us'. It is also 'undoubtedly a situation of which China is strategically taking advantage to drive down profit margins.' Prominent among the many examples cited in this regard was the contract for the high-speed train link from Shanghai airport, which was won by a consortium led by Siemens, against a Japanese competitor but allegedly on tighter terms than anticipated, partly because the German company was also up against a French bid.

Of the member states of the European Union, Germany is China's largest export market (accounting for 29% of total trade with the EU in 2006).<sup>10</sup> Trade grew by 25% from 2005 to 2006<sup>11</sup> with an average increase of 20–28% per year since 1998. China ranks as the 10th trading partner for German exports. For most Chinese commentators, Germany is recognized for its efficiency in the industrial sectors, with key companies operating in the automobile, chemical (BASF and Bayer) and electronics industries. By contrast, Britain ranks third among the EU, with a share of 11% – behind the Netherlands, which in 2006 accounted for the largest trade deficit among European countries. British trade with China has grown by 25% since 2005 and is the largest source of FDI into China from the EU. British companies which have been especially successful in China include HSBC (with a 8% share in the Bank of Shanghai) and Royal Bank of

Scotland (6% share in the Bank of China) in the financial sector, and BG Group in the gas industry. France is fourth among the EU (9%) with some 1,400 companies operating in China. There have been notable successes, such as the sale of 150 A320 Airbus in December 2005 for €8.3 billion, the agreement for a joint development of a civil helicopter, the EC 175, for €300 million<sup>12</sup> and the expected procurement of two 1,600 MW EPR nuclear reactors from the French company Areva, due to be ordered in the winter of 2007.<sup>13</sup>

For a British director of a leading European company in Shanghai, it is clear that 'three years ago, the CEO of our company could easily obtain a meeting with top ministers in the Chinese government', but 'today, at a member state level it is much more difficult to gather the necessary clout, which one could have jointly with other European governments'. Another comment is revealing: 'I have become European since I am here.' On big projects, for example, Europeans should work together rather than compete. 'Overall Europe will need champions if it wishes to face up to the challenge that China, and the Chinese way of doing business, represents.' Certainly, with its population of 490 million, and above all its potential for further enlargement, the EU, as an institution, would be a 'more natural partner for China' than any of its member states individually. As one leading Chinese expert puts it, 'although we benefit from the current divisions, we anticipate the Europeans will increasingly understand that only if they are united will they be able, in the future, to retain a competitive position compared to China.'

### 3. Will Europe retain its position?

Most Chinese economic experts agree that, in the short run at least, the EU should continue to be China's largest trading partner. Some predict, however, that in fifty years, the most economically powerful country in the world will be China, followed by India, and then the United States and Japan, though 'this may happen even more quickly'.<sup>14</sup> What is beyond doubt is that 'no single European country will be among the top four'.<sup>15</sup> Although 'Europe as a whole will remain one of the world's largest economies', its relative future position 'is uniquely uncertain at the present time'. It will 'probably be more important than Asia, excluding China and India, and also ahead of North America,' but it will be 'much easier to judge this in a decade or so'. One Chinese historian points out that 'this would merely constitute a return to the economic patterns prevailing at the end of the 18th century, when China accounted for nearly 30% of global trade, with India ranking second with 15% – indeed, making allowance for the isolation of pre-Columbian America, to patterns prevailing throughout most of recorded history.' Over the coming decade, there are three factors which the Chinese feel will be particularly important in determining their economic views of Europe. These are, in ascending order of importance, the evolution of their commercial relationship with the United States, the growth of their ties to the other major economies of Asia and the evolution of their own domestic economy.

#### 4. Europe, the dollar and the deficit

Chinese observers are undoubtedly apprehensive about the growing pressure on China from the United States, as well as, of course, from Europe, to revalue the renmimbi,<sup>16</sup> to reduce its trade surplus (currently growing at a staggering 85% with the rest of the world for the first half of 2007<sup>17</sup>) and to increase foreign investment access to its economy.<sup>18</sup> One expert familiar with recent developments in Washington considers the threat of a 'trade war' to be 'very real'. This apprehension increases with speculation over a Democrat entering the White House after the next election. For China cannot regard its relationship with the United States as 'purely economic, much as we would like to'. Nevertheless, there is still confidence among Chinese experts that 'the interests of both sides in stability and growth will prevail and avoid the dangers of protectionism'. For Europeans, what is especially important in this is the evident Chinese concern that the EU will make more of a common cause with the United States in future negotiations than has hitherto been the case.<sup>19</sup> The Chinese think 'the Europeans appear presently to be more fundamentally committed to free trade than the Americans'. But what counts is that 'Europe will surely take its lead from America' on the issue. 'We do not anticipate the EU altering its trade policy towards China to a significant degree independently of the United States. However, if the United States were to act in a more protectionist way, we would expect the EU to do the same.'

Several commentators find this surprising. After all, 'in purely economic terms Europe has more at stake now

with China than the United States'. According to a recent study, China's barriers to EU exports cost €20 billion annually, or 30% of the total.<sup>20</sup> The EU's largest bilateral trade deficit is with China. The trade deficit of the EU (then 25) with China amounted to nearly €128 billion in 2006, a 57% increase over 2003.<sup>21</sup> In the first nine months of 2007, Chinese exports to the EU increased by 37%. This contrasted with 16% to the United States – in part reflecting the rise of the euro against the Chinese currency in recent months, because of the weakness of the dollar.<sup>22</sup> There is sometimes a sense that Chinese observers see all this as a sign of European 'weakness, or incoherence'. Even though they occasionally greatly exaggerate the degree and significance of the EU's internal controversies on trade or exchange rate policy,<sup>23</sup> there is no doubt they are now more keen to engage with the EU, 'on the same basis as we do with the United States', on both currency and trade questions.

## **5. Towards a strategic macro-economic dialogue?**

In June 2007, the establishment of a High-Level Group on the EU-China trade imbalance was agreed with a view to presenting an initial report to the Beijing summit on ways to address the growing bilateral trade deficit. This complements the annual Economic and Financial Dialogue to promote mutual understanding, of which the third such meeting, held on 5 July 2007, covered an extensive exchange of views on the interaction of China and EU fiscal and monetary policies as well as reforms of China's financial sector. As one European expert rightly

observes, this 'should lead to a bilateral macro-economic strategic dialogue between Europe and China comparable to that established with the United States [in December 2006] and Japan [in April 2007]'. There is, however, perceived to be one 'evident' problem on the EU side: the mismatch between the Commission, acting for all 27 member states on trade, and the 13 countries of the Eurozone. The Chinese 'do not see who really speaks for the euro'. Is it the European Central Bank (ECB)? How does Jean-Claude Trichet, the ECB President, relate to Joaquín Almunia, the Economic and Monetary Affairs Commissioner or to Jean-Claude Juncker, the President of the Eurogroup? What will be the role of Fernando Teixeira dos Santos, the Portuguese Finance Minister? What will be the position if the Presidency of the Union is held by a member state which is not a member of the Eurozone? The contrast with dealing with US Treasury Secretary Henry Paulson and Federal Reserve Bank Governor Ben Bernanke is seen as 'obvious.'

## **6. What role for the Eurozone?**

Nevertheless, Chinese financial commentators regard the creation of the euro, and its development since its launch, as 'probably the EU's greatest institutional success'. They believe it has ensured that 'despite the great uncertainty which continues to characterize the process of European political integration, European economic integration is now irreversible'. They also fundamentally consider the currency as the 'most important component of Europe's external power'. For the euro has become 'an established alternative to the dollar', one which provides 'substan-

tial benefits in lowering costs both for its members and for us'. For many Chinese, a stronger Eurozone 'entails a more stable world'. Whilst China continues to hold the bulk of its vast and rapidly growing foreign exchange reserves<sup>24</sup> in dollars, some expect this to change, though only in a manner 'consistent with our exchange rate policy'. They are adamant that a substantial revaluation of their currency can only come together with a reform of their banking system.<sup>25</sup> They believe that managing this 'necessary process' against the euro 'could be more difficult than with the dollar, because the euro is also rising in global status'. They envisage that it will become 'a denominating currency for commodities' and that 'in thirty years, there will only be three major currencies in the world: the renminbi, the dollar and the euro'.<sup>26</sup>

Chinese experts have been impressed by what they perceive as the successful handling of the recent credit market squeeze by the European Central Bank. They have also been struck by how swiftly a consensus emerged involving the Commission, the ECB and individual member states on the transparency<sup>27</sup> that would be expected of China's new sovereign wealth fund (the China Investment Corporation, which was launched at the end of September 2007, with capital amounting to \$200 billion<sup>28</sup>). At the same time, however, they consider the euro as 'being still too weak institutionally to realize its global potential'. As one Chinese specialist put it: 'The Eurozone will not work if it does not address soon the need for a greater integration of its members' fiscal policy'.<sup>29</sup> Moreover, any enlargement of the Eurozone, especially to the newer member states, under the present arrangements, 'looks quite difficult'. The even-

tual adherence of Britain to the Eurozone, on the other hand, 'would be a most important boost to the euro's strength', which would be 'welcomed by China'.

## **7. Europe and the Chinese interest in the economic integration of Asia**

Especially in the context of potentially difficult trade and currency negotiations with the United States and Europe, many Chinese strategic thinkers are keen to indicate that, for them, Asian regional trade is increasingly important and 'that China will become the core driver of Eastern prosperity', just as Europe 'could perhaps become the core driver of Western prosperity'. China and Europe share 'central economic locations'. China's advantage over India is its 'pivotal position between North and South East Asia'.<sup>30</sup> Europe's advantage over North America is that 'it is part of Eurasia'. Moreover, Europe has a 'blueprint for expansion which the United States lacks' (see below, Chapter 2).

In 2006, according to Chinese statistics, 66% of China's imports came from Asia, and 47% of China's exports were directed to the region (for detailed breakdown see Appendix, Tables 2 and 3). Trade with ASEAN<sup>31</sup> + Japan, Korea, Taiwan, Hong Kong and India represented 45% of overall foreign trade. According to a leading Chinese diplomat, 'this will more than double in the next five years or so'. Critical to this will be the growth of China's economic ties with Japan. In 2006, China became Japan's first trading partner, ahead of the United States. Japan accounted for 17.2% of China's external trade, while Japanese FDI accounted for some 10% of the total FDI

invested in China that year. Japanese exports to China increased by 15.6%, while Chinese imports to Japan rose by nearly 9%. To date, some 20,000 Japanese companies are operating in China. The most important sectors are car manufacturing and electronics.<sup>32</sup> But the growth of China's bilateral trade with India is also significant:<sup>33</sup> in 2006 it amounted to \$22 billion (a 22% rise from 2005, and as opposed to \$260 million in 1990). The period from January to April 2007 saw a trade volume of \$11.4 billion, representing a 57% increase on a year-on-year basis.<sup>34</sup> Negotiating a free trade agreement has become 'a major priority'. The fifth China-India Consultation, held on 25-26 September 2007 in Beijing, seemed to pave the way to transforming the feasibility study for such an agreement, which was initiated in April 2005, into an actual accord.<sup>35</sup>

For several Chinese trade policy experts at least, 'the logic of these developments must be in the long run the emergence of some equivalent development in Asia to the economic integration that the EU has engendered in Europe'. Such a 'multilateral Asian community to realize the benefits of enhanced trade cooperation' could include the creation of an Asian currency unit<sup>36</sup> drawing on the EU experience, which would lead eventually to a monetary union 'in East Asia and perhaps more widely'. Europe 'needed nearly 20 years to establish the euro starting from the European currency unit: it will undoubtedly take more time for any proposal for an Asian version of the euro'<sup>37</sup> to be implemented. However, most observers express scepticism about this, believing that 'Japan is not ready to work with China to build an EU type of development which would include a

single currency'. Moreover, given the differences in pace of economic development across the region, there will undoubtedly be huge obstacles before any consensus is reached. In January 2007, the ASEAN countries signed an agreement to liberalize trade in services with China, five years after the liberalization of trade in goods. They also agreed to establish a free trade zone by 2015, which could also include China.<sup>38</sup> The China-ASEAN free trade area would potentially have a population of 1.8 billion and would immediately become the third-largest global trading bloc after the European Union and the North American Free Trade zone.<sup>39</sup> These speculations almost certainly tell us more about China's aspirations in Asia than about its assessment of Europe and the EU. Nevertheless, Chinese strategists undoubtedly see the achievements of the European Union as a 'significant potential source of inspiration for regional cooperation' (see below, Chapter 2).

## **8. Europe and China's emergence as an economic superpower**

### *China's technological ambitions*

According to Chinese projections, 'China has the potential to grow at an average 7% per year for the next 20 years or so' (China's growth was 11.5% for the first half of 2007<sup>40</sup>). It is determined to become a technologically sophisticated<sup>41</sup> industrial economy, 'like the United States', rather than, for example, 'like India', whose strength is anticipated 'to remain primarily in services'. This ambition will be realized 'particularly from the development of the new biological industries', which

would constitute 'the next industrial revolution, which China could lead just as, at the beginning of the 20th century, Europe and America led the then new industries of physics and chemistry'. China is now the world's leading producer of apples, and is on the way to becoming one of its largest producers of blueberries, jam and related frozen goods. The key to this has been an aggressive commitment to genetic engineering. Genetically modified rice accounts for 10% of the Chinese budget on biotechnology research, while it has 3.5 million hectares of the world's 102 million hectares of land planted with genetically modified seeds.<sup>42</sup>

For the Chinese believe 'science is central to China's idea of itself.'<sup>43</sup> They are convinced that their culture 'has a greater affinity and openness towards genetic research than does the West', especially in medicine. They are critical of European opposition to genetically modified food crops. They fear that Europe, in the future, may 'lack the capacity to innovate' when compared to the United States, if there is not 'a much greater commitment at the European level to major projects, for example in bioscience or in space research' (see below, Chapter 2). Most of the Chinese contributors to this study considered the EU should also 'be more competitive in education'. By 2020, China will have each year 4 million new students, nearly twice as many as the United States and Europe. Moreover, 'Europe does not have any equivalent of the Massachusetts Institute of Technology' and has not appreciated enough 'the strategic importance of excellence in higher education'. Nevertheless, the Chinese express these concerns precisely because they regard Europe, 'with its deep strengths in scientific research'

and its 'more secular, more politically neutral scientific culture', as 'probably a more important partner for China's scientific development over time' than the United States. As one Chinese expert puts it: 'China will judge the EU by its capacity to remain an important centre for science capabilities and China's primary supplier of high technology' and by its 'openness towards pursuing joint research with China'.<sup>44</sup>

### *The next phase of China's engagement with Europe*

Another important aspect of China's vision of its economic development will be the transition from domestic to overseas manufacturing, following the path already taken, notably, by Japan, Korea and other emerging economic powers. Alongside Latin America, Europe, especially Central and Eastern Europe, the new member states of the EU, seems to be of particular interest in this regard. Here the Chinese engagement with Hungary is currently the most important, with bilateral trade accounting for \$4.6 billion in 2006. Chinese exports to Hungary rose fourfold from 2003, to \$3.8 billion in 2006. Hungary also hosts more than 3,000 Chinese firms. For example, Lenovo, one of China's main computer businesses, manufactured their one-millionth desktop PC there in 2007. 'Hungary is a gateway to the EU's market'<sup>45</sup> for trade, finance and Chinese tourism. During the last visit of the Hungarian trade minister to China on 4 September 2007, an agreement was signed to set up a China Brand Trade Centre in Budapest to market 'made-in-China goods for Europe' for an investment valued at €250 million. The Chinese are not confining their partic-

ular interest in Central Europe to seeing it as a potential manufacturing base for products, such as electrical equipment, or textiles (the main classes to date). They also see considerable opportunities in services, starting with construction. For example, in September 2007, China International Industry Commerce Co Ltd (CIIC) signed a letter of intent to build a 40-storey commercial building in Romania and a business partnership agreement to participate in Poland's road transport modernization programme.<sup>46</sup>

### *Europe as a social model*

Despite their basic boundless optimism<sup>47</sup> about their country's economic prospects, the Chinese are not blind to the many very difficult obstacles that they face in achieving their goals in the coming years.<sup>48</sup> With a population of 1.3 billion to feed, it is anticipated that China will account for nearly two-fifth of the 55% increase in the world's meat consumption up to 2020.<sup>49</sup> With over 1,000 new vehicles being registered every day in greater Beijing alone, vital parts of the road network are near gridlock. With 70% of China's cities polluted,<sup>50</sup> the combined health and non-health cost of outdoor air and water pollution is estimated at nearly \$100 billion a year (or 5.8% of GDP),<sup>51</sup> and there has been a rapid increase in respiratory and other ailments.<sup>52</sup> There are, in particular, four main concerns:

(1) Most domestic companies are not properly profitable (which makes them very vulnerable to any sharp slowdown in their principal markets).

(2) The increasing social inequality and the widening gap between the developed and underdeveloped parts of the country (with the 11 westernmost regions accounting for only 13% of its overall GDP, whereas the 10 coastal regions account for over 58%<sup>53</sup>).

(3) China's increasing dependency on external energy resources. It is already the second largest world energy consumer but its demand will undoubtedly increase, for oil by 135% and for gas by 260% between now and 2025. (By 2020, 25% of China's needs should be covered by oil, 10% by gas and 4% by nuclear energy.<sup>54</sup>)

(4) The fast deterioration of China's soil and water resources (90% of its urban water supplies and 62% of its rivers are polluted, while the overall cost of water scarcity accounts for about 1% of GDP).

The Chinese are convinced that 'many of these problems can be addressed by technological innovation'. In this 'we are, it appears, much more confident than the West'. However, they also see the need to make social and administrative adjustments and 'moderate growth with equity', which 'will be as difficult as it will be essential'. In this context, they sometimes speculate on whether they have more to learn from Europe 'than just how to build the best nuclear power stations'. In an intriguing relic of Marxist dialectic, one Shanghai-based intellectual considered Europe to be 'more of a middle-class society than the United States' (on account of its more equal income distribution). European history has been 'defined by the rise of its middle class and this is what China is going through now. Most of our hopes for growth reside in this phenomenon.'<sup>55</sup> Several

commentators point out the 'convergence' between 'the wisdom of the strategy of the five balances'<sup>56</sup> set out in China's 11th Five-Year Plan (2006–10) and 'European ideas of seeking a balance between economic efficiency and social equity, but also between the needs of the economy and society and the environment'.

If these sorts of ideas have any concrete immediate expression, it will probably be through the interest some Chinese experts have shown in the mechanisms governing the EU's internal market and its administration of structural funds. As one Beijing expert put it: 'China is in some ways as diverse and decentralized as Europe,' and given its scale, 'could find the European Commission a potential source of inspiration and experience'. In October 2006, a Memorandum of Understanding was signed between the European Commission and the Chinese National Development and Reform Commission, to establish a comprehensive study on Chinese regions.<sup>57</sup> Another instance of this sort of dialogue between China and the EU is that over the challenges posed by an ageing population.<sup>58</sup> China has an adverse demographic not wholly dissimilar to that of Europe. The Chinese population is expected to reach 1.44 billion in 2025, after which it will start to decline, reaching 1.39 billion in 2050.<sup>59</sup> In September 2006, China and the EU held a first roundtable on Social Security and initiated the EU–China Social Security Reform Cooperation Project to examine the spending pressures on pension and healthcare systems and to 'support the development of a much-needed sustainable social security system in China'. This is undoubtedly an area where there is scope for a wider exchange, which could lead to 'a greater

European commercial engagement' with China's health sectors.

## **9. China's economic assessment of Europe**

So are the Chinese optimistic or pessimistic about Europe's economic prospects? The answer is both. They are much more willing than other observers of Europe, such as the Americans or the Indians, to credit the EU with 'huge strengths'. They admire the 'uniquely rooted commercial and scientific base' of the member states. In the euro, and in the prospect of a continuing process of enlargement, they believe Europe has 'unique instruments to correct its shortcomings and enhance its prosperity', as well as 'to adapt to some of the potential dangers to world growth such as greater protectionism'. But they are sceptical as to whether the EU will be capable of developing the political cohesion they see as essential to maintain and enhance these strengths. Underlying this is the perception that Europe also suffers from 'severe and increasing shortcomings' – principally in education, especially in its universities, and in a lack of ambition towards science and technology 'which may indicate an underlying ambivalence or even hostility towards some commercially important new technologies'. This may also suggest a wider 'loss of entrepreneurial spirit' and a 'readiness to resort to protectionism'. In short, the EU's overall 'objective economic position' in the world is 'still, without doubt, fundamentally powerful'. Europe's problems are 'essentially political and cultural'.

## 2 CHINESE POLITICAL VIEWS OF EUROPE

### 1. The Sino-European partnership: towards a new framework of cooperation?

In May 2005, China and the European Union celebrated the 30th anniversary of diplomatic relations between them. This was a rather meaningless milestone, for the true beginning of a serious bilateral engagement only came with the first EU–China summit in 1998, which was prompted in large part, it seems, by the European desire to enhance the credibility of the then shortly to be launched euro. These summits have subsequently become annual events. In 2003, a so-called ‘strategic partnership’ was agreed, following the appointment of the first Chinese ambassador to the EU the previous year. The European Commission’s 2003 policy paper,<sup>1</sup> which accompanied this accord, set out a first ‘action plan’ for a specifically political dialogue, including a review of the then existing mechanisms and the inclusion of ‘global and regional governance, as well as security issues’. There had been informal exchanges of letters in 1994 and 2002 and their follow-up understandings, covering such matters as structured meetings with EU member states’ foreign ministers (notably the EU Troika), with heads of missions and with technical experts. There had also been a Dialogue on Human Rights, set up in 1995, and on scientific cooperation, in 1998. Otherwise, before

this, EU–China relations had been primarily defined by the accord signed in 1985, which barely took matters beyond general trade and economic points, although it still remains the main legal framework. Nevertheless, since 2003, and in the wake of growing bilateral economic cooperation, progress has been somewhat faster.

Particularly noteworthy have been:

- The development of a joint declaration on environmental issues agreed during the 8th EU–China summit in September 2005, which initiated a partnership to tackle climate change ‘through practical and results-oriented cooperation’.<sup>2</sup> This is seen as complementing both the UN Framework Convention on Climate Change and the Kyoto Protocol.
- China’s cooperation in the EU’s Galileo<sup>3</sup> satellite navigation programme, which was agreed in October 2003 and extended into a dialogue on space science and technology in July 2006.
- The agreement on a joint declaration on non-proliferation and arms control on 8 December 2004.
- An accord in 2005, strengthening exchanges on education within the framework of the Erasmus-Mundus programme and the China–EU forum.
- The launch of the new Partnership and Cooperation Agreement negotiations on 18 January 2007 in Beijing, aimed at replacing the 1985 EEC–China Trade and Economic Cooperation Agreement. This framework is expected to encompass 22 sectors and issues, including energy, the environment, trade and human rights, and to reflect the evolution of

the bilateral relationship from the economic to the political level.

## 2. Why the slow pace?

This rather thin record has been attributed to 'a deep lack of understanding by China of the nature of the EU'. Some European commentators pointed to the fact that there is no official definition of the term 'strategic partnership' in the proposed agreement as symbolic of this lack of understanding.<sup>4</sup> Another observer has focused on the way the 'Chinese are keen to emphasize common interests rather than contentious issues', thus making it difficult for 'negotiations to get to the point'. Actually, the Chinese are 'quite relaxed' with the present, very low, level of pressure they receive from Europeans on human rights, the classic 'contentious issue'.<sup>5</sup> The EU-China Dialogue on Human Rights, for example, continued despite the suspension in 2001-02 of its US-China equivalent. Nor do the Chinese see trade tensions as having been a difficulty, 'though this might be changing' (see above, Chapter 1). The Chinese explain problems in this area as being primarily due to the fact that the EU has not been ready to modify the 15-year period, set when China joined the World Trade Organization (WTO) in 2001, during which it will remain classified as a non-market economy.<sup>6</sup> But some European commentators tend to see this as 'a technical question' linked to increasing concerns on intellectual property rights,<sup>7</sup> rather than a 'substantial barrier' to a strategic accord.

If one wishes to identify a significant issue from a Chinese perspective, then it has been the arms embargo,

which was imposed by the West following the suppression of the pro-democracy uprisings in Beijing and elsewhere across China in 1989. The perceived 'failure of the EU' to meet the Chinese 'condition' of 'lifting the embargo' has, for several Chinese observers, 'shown that Europeans are not fundamentally comfortable in their strategic thinking towards China'. It has also, they feel, confirmed two key Chinese perceptions of Europe. First, it has highlighted 'the close strategic links between the EU and the United States'. As one Chinese expert observed: 'We thought the end of the Cold War would have caused this to evolve towards a greater distinction of policy, but it has not.' Second and even more important, it has demonstrated the difficulty of engaging the EU either directly, as a whole, 'through the Commission or the Council, or even at the annual summits, or indirectly, through addressing individually influential member states'. The Chinese had expected that the critical attitude towards the embargo expressed by France's President Chirac, for example, would yield a change of policy.<sup>8</sup> Moreover, they feel that if 'we have failed to engage with all European countries on the arms embargo and have misread the collective European process of decision taking on the matter, this also suggests to us it is the EU, not China, that finds it hard to create the will to promote cooperation and genuine political dialogue as an entity'. They also argue that lifting the embargo would help narrow the trade deficit, as it would legitimize sales of non-defence-related technology that they need, but that are currently blocked for political rather than security reasons.<sup>9</sup>

### 3. The technology case

Many Chinese, do, indeed, have a very high regard for European technological capability. They 'strongly believe' that cooperation in this field is 'more attractive and less difficult' than with the United States.

#### *The environment*

Prominent among the sectors where this has proved to be the case is the environment. The Chinese recognize that Europe has been 'the champion and leader at the international level in combating climate change and pollution'. In 2005 a Climate Change Partnership between China and the EU was initiated, including cooperation on the development, deployment and transfer of low-carbon technology, such as advanced near-zero-emissions coal burning and carbon capture and storage.<sup>10</sup> There is also provision for exploring the potential of solar energy. However, some Chinese commentators are most keen to emphasize a clear distinction between such scientific and industrial initiatives and the wider controversy over China's place in the fight against global warming and pollution. They recognize that their nation's future growth 'must be energy-efficient' and that 'pollution in China will undoubtedly increase and must be brought under control'. Concerns over air quality for the Olympic Games, which are due to be held in Beijing in August 2008, led to China proposing, in June 2007, its first national strategy on global warming. This envisaged cutting its carbon dioxide emissions by 50 million tonnes by 2010. China will have overtaken the United States as the largest carbon emitter by 2008.<sup>11</sup> Neverthe-

less, remedial measures 'should not be detrimental to the growth of the Chinese economy'. As China's Premier Wen Jiabao declared during the last visit of German Chancellor Angela Merkel to Beijing at the end of August 2007: 'China has taken part of the responsibility for climate change for only 30 years, while industrial countries have grown fast for the last 200 years.'<sup>12</sup> Or as a senior diplomat put it: 'China is in the same position as Europe was in the 1960s and 1970s and will have to find answers to tackle pollution problems. This is an area where there is a huge potential for further cooperation between the EU and China, but also for confrontation. We must work hard to build the first and avoid the second.'

### *Nuclear energy*

Another sector in which the Chinese are 'very encouraged' by the progress made with Europe is thermonuclear fusion. China's decision to join the International Thermonuclear Experimental Reactor (ITER) in 2003 (providing \$1 billion funding for the project, which is expected to amount to \$12.8 billion, while the EU will finance about 50%) underlined the growing priority it is giving to energy security and the environmental impact of its over-reliance on fossil fuels. In August 2007, China became the latest member to ratify the agreement on the establishment of the ITER organization.<sup>13</sup> Some Europeans have expressed concern that China might be using this arrangement to sustain its independent efforts in the field. Chinese commentators are clear, however, that 'China has been welcomed because of its own achievements in fusion research.'<sup>14</sup> In September

2006, the EAST superconducting Tokamak, based at the Chinese Institute of Plasma Physics of the Academy of Sciences in Hefei, achieved its first plasma discharge.<sup>15</sup> Commentators also emphasize that the 'environmental aspect of fusion research' is but a part of a wider Chinese interest in engaging with Europe on the environment.

### *Space*

In October 2003, China agreed to join the Galileo satellite navigation system programme, which is foreseen to be operational in 2013.<sup>16</sup> (It was the first non-EU country to take part, followed by Israel, Ukraine, India, South Korea and Morocco.) Then it committed funding of €200 million to the project, matching the financial contribution of the main EU countries. This has led to quite a wide range of cooperative undertakings between the Chinese and EU aerospace and related sectors. Again, some European commentators have recently become alarmed that this has principally served to assist the Chinese to develop their own independent satellite navigation system (the so-called Beidou, which could ultimately also comprise up to 30 medium earth orbit satellites<sup>17</sup> and thus potentially present a commercial challenge to the EU system). The Chinese explain such fears (which they insist are unfounded) as reflecting disagreements between Europeans themselves on the financing of Galileo. They also point out that they have devoted much effort to space research, an area where they strongly believe 'Europe should engage more fully'. Since China's first manned mission in 2003 it has evolved a most ambitious programme. This includes a range of

unmanned missions to the moon, to explore for rocks rich in helium-3, a possible fuel for fusion reactors,<sup>18</sup> and a manned landing there within fifteen years (on 24 October 2007, the Chang'e I moon orbiter was launched atop the upgraded Long March 3-A carrier rocket from the expanded facilities at the Xichang Satellite Launch Centre), as well as plans for a new large-scale 'space port' on the southern island of Hainan.<sup>19</sup> It also includes a space defence system, as evidenced by the test in January 2007 of a satellite-killing missile.

#### **4. The defence case**

Despite the arms embargo, China has been keen to engage with Europe in a number of defence-related areas. Of particular significance has been non-proliferation. In 2004, the EU and China agreed a joint declaration. This was followed by a proposal in 2006<sup>20</sup> to include, in particular, training for Chinese customs officials in identifying and tracing sensitive products and materials as well as the sharing of practical experiences in enforcing export controls and a recommendation to consider further joint EU-Asia initiatives through the involvement of the ASEAN Regional Forum. There has been a modest trade too in non-lethal items to China's armed forces. (The embargo restricts only EU exports of lethal weapons.) The overall value of licences under this category amounted to €340 million in 2004, of which France (€169 million) and Britain (€148 million) were the most important.<sup>21</sup> China's official military budget has increased from \$15 billion in 2000 to \$46.4 billion in 2007, with an increase of 17.8% from 2006,<sup>22</sup> although

some estimates consider that these figures exclude a range of defence-related outlays such as purchases from abroad.<sup>23</sup>

Furthermore, China's growing interest in 'changing from being a land power to a sea power' has led to exchanges with a number of European navies. As one commentator explained, 'China has a great curiosity about Europe's maritime traditions and strategic experience', for it is becoming clear that 'as a country which depends on sea-trading for our development, we face the greatest threat to our survival in areas outside our own borders and so need a stronger navy to protect our interests'.<sup>24</sup> The Chinese fleet currently comprises 790,000 tonnes, as against Britain's 475,000 tonnes and France's 308,000 tonnes.<sup>25</sup> In the summer of 2007, Chinese warships undertook an 87-day tour including visits to Russia, Britain, France and Spain. China's naval vessels undertook with the Royal Navy their first joint exercise with an aircraft carrier and their first exercise in the Atlantic. This was followed by their first exercise in the Mediterranean with the French navy, named 'China-France Friendship 2007'.<sup>26</sup> (The previous year the Chinese navy had held its first joint search and rescue exercises with the US navy, in September off Hawaii and in November in the South China Sea.<sup>27</sup>)

Some Chinese foreign policy experts are clear that 'for the time being our engagement in the military sphere with Europe will follow what we undertake with the United States', since strategically 'there is no significant distinction to be made between the two'. A good example of this is seen to be the unequivocal support of both Britain

and France for US concerns over the nuclear ambitions of North Korea and Iran. Europe's two nuclear states have echoed both Washington's positive assessment of Beijing's role *vis-à-vis* Pyongyang, and the more critical tone that the Americans have adopted with regard to the Chinese government's dealings with Tehran. Nevertheless, the EU may evolve more united and thus more powerful armed forces, 'against which we would need to measure ourselves. This would be natural. But we do not think this will come anytime soon.' The effect of such a development would probably be to relieve the defence burden of the United States, 'for we cannot imagine any circumstances in which Europe would ever go against America'. Indeed, one Beijing expert even thought that China 'should not exclude the possibility' that the present defence relationship between the United States and the European members of NATO 'might eventually be so transformed that Europe could become the senior partner'.

## 5. The soft power case

China's clear and growing interest in 'hard power' has persuaded some European observers that it has little time for the 'soft power' which is widely claimed to be the EU's main contribution to international affairs. Certainly, it is not difficult to find some critics of Europe's record in, for example, the Balkans and the Middle East. As one commentator put it, 'the EU has either been utterly ineffective or has had to be bailed out by, or defer to, the Americans, at least thus far'. The same may be said of Chinese assessments of European engagement over the

crisis in Darfur. 'It is wrong to blame China, a newcomer from the other side of the world, for Europe's own failures in a region adjacent to it and where it has been dominant for centuries. Just as it is wrong for it to wait upon the United States to become engaged or trust to pan-African cooperation.'

This would not seem to bode well for calming European concerns about how China's rapidly growing economic interests in Africa<sup>28</sup> more generally, especially south of the Sahara, are sustaining tyrannical and corrupt regimes and undermining progress on human rights and democracy. In addition to the now notorious Chinese financing and construction of the 1,500km oil pipeline to the port terminal of Marsa-el-Bashair in Sudan, among the more striking recent examples of this have been China's substantial investments in, or purchases or loans for, natural resources extraction rights in Gabon, the Democratic Republic of Congo<sup>29</sup> and Zimbabwe. A few Chinese experts are ready to explain this simply as 'European hypocrisy'. But a more common reaction is to insist that 'while China maintains the principle of non-interference' in other countries' internal affairs, 'in Africa, this does not equate to indifference, especially concerning humanitarian crises'<sup>30</sup> or towards 'political conditions that ferment terrorism'<sup>31</sup>.

The last EU-China summit in September 2006 recommended the establishment of a regular senior official-level dialogue on Africa. Since then, some experts have indicated the potential for 'engagement also on joint projects, such as major infrastructure schemes'. Chinese observers are keen to point out that 'China has expe-

rience which is of interest to all developing countries' and that what really matters is giving absolute priority to economic growth. Recent Chinese assessments of Palestine, Iraq, North Korea, Iran, Sudan<sup>32</sup> and Burma have all stressed the need to address general problems of poverty and underdevelopment as the prerequisite for any eventual political objectives. For example, as one commentator considered, 'the Chinese investment in Africa would have brought more economic development in the last decade than all the Western aid.' Of course, underpinning this notion is the Chinese conviction 'that all economic growth anywhere helps China's own development and progress', especially in countries close to them or where they have substantial commercial interests. Although such an approach 'utterly rejects regime change in the way the United States has, for example, operated in Iraq', it 'has already allowed China a greater involvement in peace-keeping operations'. Some 1,000 Chinese soldiers have been sent to Lebanon. Their relations with their European partners, in particular, have been described as 'useful'. Certainly, some Chinese commentators seem to think that all this might constitute the emergence of some sort of doctrine of a 'Chinese soft power' and thus a 'convergence of foreign policy doctrine between the EU and China'. According to one leading Chinese analyst: 'Europeans also stress the importance of economic and trade development as the primary instrument of their influence' and 'they share our view of the importance of cultural engagement and the maintenance of cultural diversity.' This could form 'a basis of deeper understanding'.<sup>33</sup>

## 6. Europe's role in the West

Such sentiments are also evident in the oft-expressed Chinese claim that 'like their EU counterparts, China's strategic thinkers consider future international relations in a multipolar framework' – the framework, they feel, 'which alone will be able to ensure the necessary stability and predictability' for China's 'peaceful rise' to its 'proper place' among the other great 'powers or regions' of the twenty-first century. However, in fact, China's *Weltanschauung* is essentially bipolar. As one Chinese foreign policy analyst observed: 'The only player that truly matters right now for China is the United States. We would wish to see a stronger Europe in the world. Europe could become one of the poles of an eventual multipolar order, but 'the American factor provides a long-term external constraint on any EU-China strategic partnership'.<sup>34</sup> Instances of European detachment from the United States, such as that of many EU member states over the invasion of Iraq, are welcomed. The hope is sometimes expressed, or at least implied, that something similar might arise were there to be a crisis over, say, Taiwan.<sup>35</sup> Nevertheless, 'Europe is not seen as capable of being a counterweight, or an alternative, to the United States'.

Usually this is attributed to the EU's lack of internal integration and external strength. Europe appears to be 'more an idea than a power'.<sup>36</sup> There are 'very severe limitations to seeing Europe as a united and coherent force in the world'. This is because: 'There are still 27 individual China policies behind the strategic partnership that the EU is seeking with us. What matters more is build-

ing up our bilateral relations with the major European nations, each of which has different ways of dealing with the Chinese government.' For Kishore Mahbubani, dean of the Lee Kuan Yew University in Singapore, China is 'emerging as the shrewdest geopolitical actor in the world', whereas 'the EU is a structurally crippled geopolitical actor'.<sup>37</sup> Europe is seen by some Chinese experts as 'deeply defensive' and 'devoting too much energy to addressing internal problems' rather than to 'engaging externally' in global affairs, 'which is the best way to overcome such difficulties'. Crucial to this is 'the Europeans waking up fully to the rise of Asia generally and of China in particular'. But it is also 'evident that Europe does not have any fundamental interest in acting as a rival of the United States as they are both part of the West'. As one put it: 'The bottom line is that in many respects we Chinese do not differentiate culturally between Europeans and Americans, just as Europeans do not differentiate culturally between Chinese and Japanese.'

What was meant by this singular formulation was more the Chinese conviction that Japan's present alignment with the United States (which in traditional Cold War terms makes it part of 'the West') will, in time, be superseded by 'a profound and peaceful friendship' with China (which would make it once more part of 'the East'). It suggested a parallel between the possible evolution of Europe's relationship with America and that anticipated in China's relationship with Japan. Since 1945, and indeed earlier, Japan has outperformed China, just as the United States has outperformed Europe. Now, however, China is regaining a 'traditional

leading position, culturally, economically and politically'. Might not the same happen for Europe? Certainly, there are intriguing comparisons between the 'combined inferiority and superiority complex' that seems to characterize both Chinese and Japanese assessments of each other and some Europeans' sentiments regarding America. Nevertheless, if it happens at all, Europe's revival compared to the United States, in political terms at least, would take far longer than that of China compared to Japan. The most China can hope for, at the moment, is to create enough common ground so that the EU does not act instinctively against its interests and is able to influence the US accordingly.

## **7. Europe and China's shifting perceptions of East and West**

Some commentators who see China as having a fluid definition of East and West explain it as its determination 'not to allow any of the other major regions of the world to drift under the American sphere of influence by neglect'. Another expert sees in it a modernized version of the Maoist 'South Solidarity' ideology of the 1960s and 1970s. China's engagement with sub-Saharan Africa has already been noted. Its engagement in North Africa and across the Middle East is also significant. In addition to the initiatives already referred to, in Sudan and in Lebanon, the Chinese National Oil and Gas Exploration company has invested in the Zarzaitine oil extraction plant in Algeria, which is expected to offer 1.3–2.5 million of tonnes of oil per year, and is shortly to start building a refinery near Adrar.<sup>38</sup> China also has a signifi-

cant presence in Libya, where it has recently constructed over 500km of gas and oil pipelines. This is in addition to long-established and substantial petroleum and other exchanges, investments and interests, including arms sales,<sup>39</sup> with Saudi Arabia and, above all, with Iran.<sup>40</sup>

Europe and Islam do seem to be understood by several Chinese as being 'both part of the religious and geographical world of Western civilization, so that North Africa and the Middle East are part of Europe's strategic sphere'.<sup>41</sup> However, what the particular consequences of this might be are unclear. Perhaps, as a Singapore-based observer put it bluntly: 'Islam is an American and a European problem.' However, such a view would seem to utterly ignore not only India's but also China's own long and extremely important experience of Muslim minorities, to say nothing of Malaysia and Indonesia which are plainly very important for Chinese interests.

China's readiness to imagine the West as changing is perhaps most dramatically demonstrated in its engagement with South America. This is deeper than its involvement with Africa, despite the fact that 'Latin America is much more clearly aligned to European culture than sub-Saharan Africa is.' Nearly 50% of China's direct foreign investment goes there, and some predict that two-way trade will reach \$100 billion in the next five years or so.<sup>42</sup> Many Chinese also welcome 'the growth of Asian influence more generally in South America' (in September 2007, Japan, for example, signed a strategic economic partnership for a free trade agreement with Chile, the first of its kind in the region, while Brazil is Japan's eleventh destination for direct investment<sup>43</sup>), as

a possible 'harbinger of what may happen in the very long run, even in North America' with 'obviously important geopolitical consequences'.

What most immediately interests the Chinese is the greater 'integration and cohesion' of Asia, especially East Asia. Some see this as addressing the 'apparent policy of encirclement' that they discern in, for example, Japan's closer ties with India.<sup>44</sup> Others, however, present it much more idealistically as an awakening of Asian solidarity. For Wu Jianmin, President of China's Foreign Affairs University,<sup>45</sup> 'Sino-Japanese ties should be framed in the 2,000-year-old history of bilateral exchanges', during which time relations have been 'good on the whole'. China should 'follow the stream of peace with Japan'. In so doing, the example of 'the EU's greatest achievement: to have made war in Europe impossible, especially between France and Germany', is seen as 'very relevant'. So, for another expert, was 'the example of the end of the Cold War in Europe and of German reunification for the Korean peninsula', and Korea's relations with both China and Japan. For this experience of employing economic integration as the means of overcoming political animosities and insecurities 'is a potential source of inspiration for our working towards a closer cooperation between China and Japan, as well as for our idea of greater integration across the rest of Asia'.

## **8. EU enlargement**

It may be for this reason, more than any other, that Chinese experts are interested in the EU's mechanism for expansion. Some see this 'as Europe's greatest politi-

cal as well as economic advantage over the United States'. They also see 'the course of Europe's further enlargement as being decisive for its future status as a global power'. Others, however, were initially puzzled by the accession of the former communist countries of Eastern Europe (since it undermined their view of the EU as a 'rich man's club'). Although some scepticism persists, there is now growing recognition that this process has been a success and that the prospect of its continuing constitutes an important potential expression of European power. Several experts seem to favour Turkey joining the EU, a development they see as 'natural'. Other stress, however, that China 'understands perhaps better than Europe that Turkey is not just a bridge to the Middle East but also to Central Asia'.<sup>46</sup> Similar sentiments and expectations are expressed about Europe's closer relationship with the countries of the Maghreb and perhaps other countries of the Middle East. This would also include, for one Chinese observer, 'the EU making more of an effort' to engage with Israel, alongside its engagement with Muslim countries, 'to balance the United States' influence'. But much more important is whether the EU will eventually expand into the rest of Eastern Europe, Belarus and Ukraine and, eventually, perhaps even embrace Russia.

So do the Chinese see Russia as European? Russia is China's 'traditional partner', a most important provider of weapons and of energy. It supplies 80% of China's arms imports<sup>47</sup> and was its fifth-largest foreign oil supplier in 2006. In 2005, China and Russia held their first major joint military exercises since Mao Zedong's breach with the then Soviet Union. For some, 'in Russian eyes, the

lure of arms purchases by China is counterbalanced by anxiety about the future control of Siberia<sup>48</sup> – anxiety ‘exacerbated by the growing Chinese presence in Russian cities’, particularly in Vladivostok, Khabarovsk and Irkutsk, but also in Moscow. There is anxiety on the Chinese side too. Despite major recent deals, such as that in 2006 to develop a pipeline to deliver some 80bn cubic metres of gas annually within 5 years,<sup>49</sup> there is considerable caution in Beijing about increasing too significantly China’s dependency on Russian energy supplies. China’s relations with Russia are ‘intimately linked to its relationship with Central Asia’. It is, apparently, ‘a strong believer’ in the Shanghai Cooperation Organization (SCO).<sup>50</sup> However, since its creation in 2001, as one European commentator suggests, ‘The SCO has shown little development of reinforced cooperation’.

Some Chinese experts seem to think that Russia has remained a ‘basically unbalanced economy, over-dependent on energy production’ and thus vulnerable to the adverse consequences of its population decline.<sup>51</sup> Its elite is also perceived as ‘not having been equal to the requirements of reviving a great nation’. These weaknesses, while raising doubts over Russia’s ability to sustain its status as a major power, are less indicative of whether it will look, in future, more to the West or to the East. Some Beijing-based experts favoured ‘the assumption of many Chinese that Russia is European’. This will mean that it might ‘eventually become, after Ukraine, a very close partner, or member of the EU’. Certainly, if Russia ever joined the EU this would be ‘a positive European achievement’. However, other, often Shanghai-based observers, focusing perhaps more on economic rather

than on political or cultural trends, believe that 'Russia has failed as a democratic, Western-style country'. Even though it may 'claim to be European, or to have not yet made up its mind, it is drifting inevitably into Asia'.

## **9. What prospects for the European Union?**

### *The need for a coherent European strategic vision*

What seems to emerge from all this is a very fragmented political perception of Europe, one that is simultaneously very pessimistic and very optimistic. Overall, Chinese strategic thinkers feel that 'a more united Europe would fit into China's concept of a so-called harmonious world'. Though it has interests in keeping bilateral ties, many Chinese consider that it would ultimately 'rather wish to develop a relationship with the EU as one voice'. Some agree with those European commentators who have argued that if Europe does not want to be eclipsed by the United States in its dealings with China, it must be able to shift from a predominantly technical engagement to encompass a more political dimension, but this can only be done by 'developing a much stronger common foreign policy voice for the EU'. There is general agreement that the new institutional reform treaty 'will be a significant step forward' in this regard. By resolving the procedural issues raised by enlargement, 'it will give the Union greater efficiency internally'. Its provision for both a two-and-a-half-year EU presidency term, renewable once, and a high foreign policy representative with enhanced powers would provide Europe with 'an important additional mechanism for focusing its power externally'.

### *Defence, the euro and enlargement*

Three further policy areas, in particular, will determine the EU's 'seriousness of purpose over the coming years':

(1) Progress on forming a common European foreign and defence policy. China will be interested, particularly, in whether 'the balance of power between the Europeans and the Americans within NATO shifts in Europe's favour, with a stronger European pillar, and what part EU institutions play in formulating and delivering a coherent foreign policy and defence capability'. This will require above all 'closer relations between Britain and France'.

(2) The progress of the euro as a global reserve currency, which some see as a political as well as an economic development (see above, Chapter 1).

(3) The pace and scope of further enlargement of the Union. China will wish to see 'if this occurs in a manner that enhances rather than diminishes Europe's internal cohesion and external clarity of purpose'. In the medium term, 'one particularly interesting country in this regard is Ukraine', as a step towards 'a closer EU relationship with Russia'.

It has to be said that several Chinese observers remain sceptical as to the EU's ability to overcome its weaknesses. 'Europe has great divisions' and 'great difficulties of transition'. However, many believe this can be overcome with time. So, 'though it is impossible to tell how long this transition will last', ultimately, 'the future of Europe looks bright'.

### 3 CHINESE CULTURAL VIEWS OF EUROPE

#### 1. A cultural estrangement?

There is no escaping the fact that although the Chinese are keen to underline how much they have 'basically good feelings for Europeans', there persists a long accumulation of historical resentment, 'a cultural estrangement tinged with suspicion'. This sometimes surfaces in anger at European media coverage of issues such as human rights, product counterfeiting, industrial espionage or environmental pollution. There is quite a widespread assumption that 'for the Western media, China never does the right thing'. In particular, there is a sense that European commentators on China 'frequently seem little interested in Chinese culture or history' and 'even less interested in the complexities and contradictions of our current development'. As one Chinese foreign policy expert puts it, 'such condescension is seen as very unattractive'. On the other hand, there is great appreciation of European efforts to engage with contemporary Chinese culture, such as the 'Chinese Year' in France in 2003–04, which was followed by similar programmes in Italy in 2006 and Russia in 2007. As Kerry Brown, a European expert on China, suggests, 'a European Year in China' should be also promoted.<sup>1</sup>

But valuable though such initiatives are for individual countries, many Chinese saw 'great scope for a genuine

engagement between the EU and China in the cultural sphere'. As one Chinese historian puts it: 'We feel that much of the misunderstanding which exists between us and Europeans derives from Europe's difficulty in grasping the scale of what we are undertaking in our national modernization, and thus the scale of the obstacles we have to overcome. This seems not to be such a problem for Americans.' If the Europeans realized 'the vast project that is their own continent-wide integration', and if they had more engagement in it at a popular or even elite level, 'they would have more insight about China'. As it is, 'misunderstanding' is thought, by some, to be making the West – and again, particularly Europe – 'frightened of the rise of China'. And fear is 'a poor basis for greater cultural engagement'.

## **2. China and the European Union: the yin and yang of world civilization**

Underpinning China's so-called 'bipolar' *Weltanschauung* (see above, Chapter 2) is the consideration that there are two basic aspects of human civilization, an Eastern one, of which it is the leading expression,<sup>2</sup> and a Western one, of which 'Europe culturally is the leading expression'. The balance between these two determines the harmony of the world. Both are necessary, and they complement each other. Globalization is causing some convergence of culture, but it is also 'increasing the significance of cultural differences'. For one Chinese observer, 'the principal cultural effect of the rise of China has been to explode the myth of the so-called "end of history"<sup>3</sup> as superficial Western triumphalism'. Many Chinese, in any

event, believe that 'since the end of the colonial era most Europeans, in contrast to some Americans, 'have rejected this aberration'. They see the EU as being, in part, 'based upon the principle of the protection of cultural diversity and a reaction against Europe's imperial past, which only led to tragedy, not least within Europe itself.

The defining feature of European civilization is perceived 'through its foundations in religion'. Europeans value change (progress) more than stability, because 'they believe in a divinely determined meaning to history'. This is in contrast to the Chinese, who value stability (harmony) more than change because they do not. The foundations of Chinese civilization are in philosophy.<sup>4</sup> There is a sense that European culture is becoming 'less interested in change and more interested in stability', which is dangerous, because despite the fact that it is now predominantly secular in form, 'values that can have their origins in religion may reassert themselves', as is the case in Europe's apparent declining commitment to science.<sup>5</sup> China, on the other hand, may be becoming too interested in change, and neglecting harmony, which is also, clearly, dangerous, as a lack of values that can have its origin in philosophy may reassert itself and erode social cohesion. Thus 'both civilizations need to revert more towards their core aspirations'. Or to put it another way, Europe and China should engage culturally so Europeans can come to understand Chinese notions of the distinction between mere stability and harmony and the Chinese can come to understand European notions of the distinction between mere change and progress.<sup>6</sup>

### 3. Cultural engagement between Europe and China

The chosen vehicle for this possible mutual understanding, from a Chinese perspective is the promotion of its greatest national philosopher, Confucius. Having been denounced in the Cultural Revolution of the late 1960s, Confucianism has staged a slow and uneven come-back to its present status as a quasi-state philosophy.<sup>7</sup> On 28 September 2007, Confucius' 2,557th birthday was celebrated officially for the first time since the Communists came to power. The ceremony in his home town, Qufu, was conducted in great style and included the presence of a direct descendant of the sage. This development may be attributed to the government's growing concern that contemporary China is in need of 'a new idea' to promote 'strong shared principles' and bring 'internal cohesion' since the old certainties of Maoism have melted into 'Socialism with Chinese characteristics'. China takes immense pride in its uniquely long record of unity.<sup>8</sup> But China's diversity is almost equally striking and in important respects is now, with the growing disparity of wealth and exposure to modernization between the regions, greater than that of the EU. It is surprising how often Chinese experts enquire: what is the cohesive idea of Europe? 'Could it be', one leading Chinese expert suggests, 'the dream of the founding fathers of the European Union?'

The Chinese have developed a network of Confucius Institutes, first in China, and since 2004, abroad. The inspiration for this initiative came from 'the observation of similar movements in the United Kingdom,

France and Germany, with their worldwide reach – respectively the British Council, the Alliance Française and the Goethe-Institut.<sup>9</sup> A total of 190 Confucius Institutes have been opened around the world, including ten in Britain and five in France.<sup>10</sup> China plans well over a thousand worldwide by 2020. Some commentators believe that such institutes should be a means to enhance Chinese cultural ‘soft power’ in the world. The Chinese are keen to find better ways, for example, to promote their films and books, especially in Europe, and to encourage more Europeans to visit their country. China exported only a limited number of films in recent years, while its trade in books amounted to less than 1% of that of the United States and Europe in 2004.<sup>11</sup> By contrast, according to the World Tourism Organization, China will become the world’s second tourist destination by 2010, ahead of Spain, and the first by 2020 (if not before), ahead of France.<sup>12</sup> Like that of their European equivalents, however, to date the chief function of the Confucius Institutes outside China has been language teaching.<sup>13</sup> (Doubtless it is this emphasis that has also prevented European countries from coordinating their cultural efforts in China more closely.) Nevertheless, both Chinese and European commentators agree that these networks of cultural representation could form the infrastructure for a much deeper interaction between China and the EU.

One way of doing this would be to build on the example of the China-Europe International Business School in Shanghai, created in 1994 (and jointly funded by the European Commission and the Chinese government). In January 2007, it was agreed to create a companion

Europe-China School of Law (with funding of \$23.5 million from the EU.) Another way would be to extend the recent initiative (September 2007) of the Charles de Gaulle Foundation<sup>14</sup> to foster cross-cultural ties between young French and Chinese leaders, so that it could constitute an EU-wide engagement. Almost all Chinese contributors to this study considered that if there was one thing above all others that Europe and China could share, it was the need 'to protect cultural diversity in a globalized world'. There is 'also the need for wider cultural exchanges'. Jean-Pierre Raffarin, former French Prime Minister, has proposed that the EU should create a 'Confucius Programme' with China, along the lines of the Erasmus Programme for fostering academic ties across Europe.<sup>15</sup>

#### **4. Chinese appreciation of European culture**

Even though it may be principally expressed in British, French or German, as opposed to European terms, Europe is a 'powerful cultural influence', at least upon China's business elite. Chinese billionaires build Versailles-style mansions. The new middle class is fascinated by European luxury goods<sup>16</sup> and European holidays. As one Chinese observer puts it, 'Chinese relate to the idea of a European lifestyle more than they do to an American one'. More practical considerations, however, have determined that in 2005 the United States was the preferred choice for Chinese who leave their country to study abroad.<sup>17</sup> The number of Chinese students in Europe has actually been declining, in part, because of visa problems.<sup>18</sup> Chinese commentators frequently

mention how much they wish Europe would improve the divided regime on visas, which are dealt with on a bilateral basis with member states. They are especially keen to see an expansion of the Schengen area. If this could also include Britain, it would be 'very positive for Chinese students, workers and tourists'.

There must also be some doubts over the breadth, and the depth, of China's real engagement with European culture. For example, it is striking that when asked about their dreams for the future of their country, some mention, quite readily, more democracy. But usually when this aspiration is probed more carefully, it becomes evident that what is meant differs very radically from European conceptions of representative government and popular suffrage.<sup>19</sup> The same can be said about discussions on the rule of law.<sup>20</sup> On the other hand, if the means of achieving it are often misunderstood, the ends of 'the European way of life' are increasingly clearly perceived and appreciated. As one Beijing academic explained, 'The European model for us is one of social equity and environmental quality balancing economic efficiency. It is one which differs from the United States and is much closer to our ideal of a harmonious order.' This seems to suggest that the history of cultural perceptions may be coming full circle. Early European admirers of China, such as Ruggieri, Leibniz, Montesquieu and Voltaire, imagined that they saw in China values and principles that were much closer to their ideals than they had found at home. Now Chinese intellectuals seem to be repaying the compliment. Whether this produces the same quality of creative consequences for them as it did for Europeans remains to be seen.

## 5. Great civilizations suffer but they never die

Of course, it was not long before the admiration and fascination that Europeans felt for China in the 18th century gave way to the contempt or the pity of the 19th century. Most Chinese are unsure whether modern Europe 'is more an edifice of history rather than of the future'. To some, 'Europe does look defensive, introspective, decadent and tired, too prosperous still to take risks, too complacent to accept change, a continent that has lost its ambition and its place in the world.' Or as a leading foreign policy analyst puts it: 'It is very sad to see Europe in difficulty on account of its internal divisions. Only at the level of the European Union can the member states expect to have influence and make a difference in the future international order, both in economic and geopolitical terms, and find the strength necessary for a strategic partnership with China.' There is a feeling among many Chinese commentators that Europe 'faces an urgent need to revitalize itself', a process 'which could come through asserting Europe's own identity, of which its Christian heritage and values inherited from the Enlightenment are part'. For ultimately, 'it is the common cultural cement of Europe which determines its ability to remain a world power'.

Such sentiments do not differ markedly from the pessimistic, or realistic, assessments of other non-European observers of the EU and of Europe as a whole. They are common currency now in the United States, India or Japan. They are also heard in Latin America and in Southeast Asia. But China's judgment is unique in this respect: even if Europe were to fail in the short

or medium term to achieve the greater unity and drive essential for world power, 'this would not be final'. Because China itself has been there before: a great civilization, once brought low, but now 'having rediscovered its innate strength', rising again 'to its natural position of eminence'. Europe is the only civilization China recognizes as comparable to its own. At some point this fact will become decisive in world affairs.

## APPENDIX

### 1. EU-25–China trade

Year	Exports (billion €)	% change	Imports (billion €)	% of change	EU-25 trade deficit with China (billion €)
2002	34.9		89.6		-54.7
2003	41.2	18	105.4	18	-64.2
2004	48.2	17	127.5	21	-79.3
2005	51.6	7	158.5	24	-106.9
2006	63.5	23	191.8	21	-128.3

Source: Eurostat (September 2007).

### 2. Mainland China's imports with major trading partners

Largest trading partners	2006 (billion \$)	% growth	% of total 2006
Japan	115.7	15	15
EU (then 25)	90.3	23	11
Korea	89.8	17	11
ASEAN 10	89.5	19	11
Taiwan	87.1	17	11
USA	59.2	22	7
Latin America	34.2	28	4
Africa	28.8	37	4
Hong Kong	10.8	-12	1

Source: Customs General Administration of the People's Republic of China (December 2006).

### 3. Mainland China's exports with major trading partners

Largest trading partners	2006 (billion \$)	% growth	% of total 2006
USA	203.5	25	21
EU (then 25)	182.0	27	19
Hong Kong	155.4	25	16
Japan	91.6	9	9
ASEAN 10	71.3	29	7
Korea	44.5	27	5
Latin America	36.0	52	4
Africa	26.7	43	3
Taiwan	20.7	25	2

Source: Customs General Administration of the People's Republic of China (December 2006).

## NOTES

- 1 Hubert Védrine, *Rapport pour le président de la République sur la France et la mondialisation*, Fayard, October 2007.
- 2 According to the International Monetary Fund, October 2007 forecast. It is expected that its GDP growth will slow between 10.5% and 10% in 2008.
- 3 Measured at purchasing power parity, according to the Economist Intelligence Unit. Other experts estimate that China will have increased its current GDP by three times by 2025, and will become second by then behind the United States. (*Le Monde en 2025*, directed by Nicole Gnesotto and Giovanni Grevi, Robert Laffont, October 2007.)

### 1 Chinese economic views of Europe

- 1 According to Chinese estimates (Customs General Administration of the People's Republic of China, Mainland China, *Statistics with the World*), from January to September 2004, bilateral trade amounted to \$128 billion, above the \$122 billion for China's trade with the United States over the same period.
- 2 Eurostat. [http://ec.europa.eu/trade/issues/bilateral/countries/china/index\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/countries/china/index_en.htm). Chinese statistics are consistently lower than US and European sources on account of the exclusion of re-exports through Hong Kong.
- 3 The GSP scheme allows the EU to grant autonomous trade preferences to imports from a list of beneficiary developing countries.
- 4 The European Commission's delegation in China, trade statistics. <http://www.delchn.cec.eu.int/en/>.
- 5 Xinhua.net, 10 January 2007.

- 6 The European Union Chamber of Commerce in China, *China's Position Paper 2007-2008*, October 2007.
- 7 Eurostat, *EU-25 Foreign Direct Investment in Brazil, Russia, India and China*, No. 111-2007, 13 September 2007.
- 8 Statistics from Invest in China, <http://www.fdi.gov.cn/>.
- 9 French economic mission in China, *Les investissements chinois en France et en Europe*, 18 October 2006.
- 10 According to Chinese statistics (Customs General Administration of the People's Republic of China, Mainland China, *Trade Statistics with the EU* (then 25)).
- 11 Statistics from the German embassy in China.
- 12 *Le Monde*, 5 December 2005.
- 13 'EPR chinois: la commande finalisée prochainement', *Challenges*, 20 September 2007.
- 14 Already, China is set to replace Germany as the third-largest national economy in the world by the end of 2007, having overtaken Britain as the fourth-largest in 2005. In the next 10–15 years or so, most analysts predict that it will surpass Japan to achieve second place and by 2020 will have matched the US and the EU, finally overtaking the United States a decade later on a purchasing power parity basis, when it will also have the largest technology sector in the world.
- 15 Kishore Mahbubani, in 'Charting a new course', *Survival*, IISS Quarterly, Vol. 49, No. 3, Autumn 2007, p. 203.
- 16 The US Congress has legislation pending penalizing China for its currency controls.
- 17 China is currently running both an external commercial and financial surplus.
- 18 Whilst China has accumulated in excess of \$750 billion of FDI, important sectors still remain restricted, notably the limitations on investment in certain industries such as automotive, telecoms, petrochemicals and energy, and finance. In the latter, foreign companies are limited to a 20% shareholding or up to 25% through an international consortium. Technical barriers are still placed in the way of foreign companies and there is an emerging trend towards unequal treatment by some Chinese regulatory bodies.

(The European Union Chamber of Commerce in China, *China's Position Paper 2007-2008*, October 2007.)

- 19 On 18 October 2007, the G7 called for the revaluation of the Chinese currency.
- 20 In speech delivered by Peter Mandelson, EU Commissioner for external trade, at the European Parliament in Strasbourg on 10 July 2007.
- 21 From January to May 2007, the EU deficit with China increased by nearly 53% (primarily due to a 138% increase of Chinese exports of steel goods to the EU over the period) to reach €61.1 billion. Eurostat, in *External and Intra-European Union Trade, monthly update*, Monthly statistics, Issue number 9/2007 and French economic mission in China, in 'Note de conjoncture Chine', *Economic Review*, August 2007.
- 22 Since 2002, it has depreciated by 30% against the euro, with a depreciation of 1.8% from January to August 2007. By contrast, it has steadily appreciated against the dollar since July 2005 by around 8.8%.
- 23 For example, a few experts wondered whether Peter Mandelson's influence as Commissioner for external trade had diminished since the departure of Tony Blair from the office of British Prime Minister. Or they would analyse the dispute between France and Germany over the monetary policy of the European Central Bank as the critical determinant of the euro/dollar exchange rate.
- 24 In 2006, China displaced Japan as the largest foreign exchange reserves in the world, estimated to \$1.43 trillion in September 2007, a 5% growth from June 2007 (then estimated at \$1.33 trillion). It is believed that over 70% of these are held in US dollars, mostly in Treasury bonds.
- 25 While it is obvious that full convertibility of the renminbi would require further improvements in China's banking sector, most European experts do not see this as being a prerequisite for a managed revaluation of 10% or 20%. There is even less sympathy for the other two arguments for inactivity, which the Chinese sometimes advance: that they resisted Western calls for a devaluation during the

- 1998–99 Asian financial crisis and were vindicated, and that the successful US campaign to force the revaluation of the yen in the 1970s and 1980s led to the Japanese asset bubble of the 1990s. Neither case really bears comparison with China's current circumstances.
- 26 Such predictions assume the disappearance certainly of sterling and probably also of the yen.
  - 27 This follows a spectacular rise in Chinese strategic investments abroad – for example, in May 2007, \$3 billion in the American private equity group Blackstone and in July 2007 a 3.1% in the British Barclays Group for €2.2 billion.
  - 28 On 28 September 2007, Joaquín Almunia, the European Commissioner for economic and monetary affairs, indicated that sovereign wealth funds investment will be restricted in Europe unless they are more transparent.
  - 29 How this squares with Chinese assessments of the modalities of a potential Asian currency union is unclear.
  - 30 This would be 'the modern geopolitical meaning for China of "the Middle Kingdom"'.
  - 31 The Association of South East Asian Nations currently comprises Brunei, Cambodia, Vietnam, Thailand, Singapore, Philippines, Burma, Malaysia, Laos and Indonesia.
  - 32 Given the scale of China's requirements, some analysts expect these to be overtaken by joint energy projects. Important recent agreements include that signed during the Sino-Japanese Energy Forum held in April 2007 by Nippon Oil and China National Petroleum Corporation for joint oil and gas exploration, production and supply both in China and overseas; and that between Japan's Sumitomo Corporation and Kyushu Electric Power Corporation and the China Datang Corporation to build and operate wind power generators in Inner Mongolia.
  - 33 Gareth Price, *China and India: Cooperation and Competition*, Asia Programme Briefing Paper, Chatham House, May 2007.
  - 34 See also Jairam Ramesh, *Making Sense of Chindia*, India Research Press 2005.
  - 35 There is also the redevelopment of the old Stilwell Road

- connecting China and India through Burma, currently being restored as a highway to boost bilateral trade. China, and also India, are expected to help rebuild the Burmese section (*Financial Times*, 19 October 2007).
- 36 To date, the most considered proposal has come from the Asian Development Bank, which mooted an Asian Currency Unit (ACU) based on a weighted index of the currencies of ASEAN + 3 countries i.e. including Japan, South Korea and China.
  - 37 'New attempt at East Asia financial cooperation', *People's Daily*, 6 February 2006.
  - 38 'Asean deal with China paves way for free-trade zone', *The Times*, 15 January 2007.
  - 39 'New free-trade harbor area approved for trade with ASEAN', *China Daily*, 11 October 2007.
  - 40 French economic mission in China, in 'Note de conjoncture Chine', *Economic Review*, August 2007.
  - 41 In 2004, research and development amounted to 1.93% of the EU's GDP against 2.59% for the United States. By contrast, 1.44% of the Chinese GDP is devoted to research amounting for nearly €20 billion in 2006, a sharp increase from respectively 1.31% of GDP in 2004 and 0.6% of GDP in 1996. China now ranks 5th worldwide among scientific publications, behind the United States (30.5%), Japan (8.9%), the United Kingdom (8.5%) and Germany (8.1%). It is also qualifying over 300,000 new engineers a year. By contrast, there were some 30,000 new engineers qualified in Britain and 28,000 in France in 2006.
  - 42 According to Chinese statistics, in 1999, China already allocated 9% of its national crop research budget to biotechnologies (*Shanghai Daily*, 7 September 2007).
  - 43 Investment in high technology has been reasserted in the wake of the 17th Congress of the National Communist Party of China in October 2007 as the key priority for China's development with the concept of 'a scientific view of development' to be enshrined into the Chinese party's constitution.
  - 44 There is particular emphasis on the positive achievements

- of the French-Chinese Scientific House in Beijing created in 2001.
- 45 'Hungary: gateway to Europe for Chinese business', *China Daily*, 3 September 2007.
  - 46 'Chinese firm, Polish road', *China Daily*, 12 September 2007.
  - 47 As embodied in the traditional Chinese saying, 'everybody is responsible for the rise or fall of the country'.
  - 48 For example, the admission of the serious problem of corruption in the opening address of the Chinese president to the 17th Congress of the National Communist Party of China on 15 October 2007 (*Le Monde*, 16 October 2007).
  - 49 *Food Policy Report, Foresight 2020*, International Food Policy Research Institute, October 1999.
  - 50 Sixteen out of the twenty most polluted cities in the world are Chinese.
  - 51 World Bank, *Statement on the 'Cost of Pollution in China' Report*, 11 July 2007. <http://www.worldbank.org/>.
  - 52 'China must come clean about its poisonous environment', *Financial Times*, 3 July 2007.
  - 53 It is also expected that the urbanization rate will increase from 41% in 2007 to 57% by 2025 with an overall 824 million people living in the cities.
  - 54 The 11th Five-Year Plan has set targets to reduce energy consumption and to meet 10% of China's energy needs from renewable sources by 2010. It has also pledged to reduce total discharge of major pollutants by 10% by 2010. See *Changing Climates: Interdependencies on Energy and Climate Security for China and Europe*, Chatham House Report (November 2007).
  - 55 The Chinese middle class will comprise some 300 million by 2011 (out of a total of 1.3 billion) and 520 million by 2025, according to McKinsey estimates, June 2006. <http://www.mckinseyquarterly.com>. Also some 35% of multinational companies' senior management teams are made up of mainland-born executives.
  - 56 One element of the 11th Five-Year Plan is to set out the

need to achieve five balances: between rural and urban development, interior and coastal development, economic and social development, people and nature, and domestic and international development.

- 57 European Commission, IP/06/1502, 31 October 2006, <http://europa.eu/rapid/>.
- 58 The retired population of China will rise from 7% in 2007 to 20% in 2025, with a dependency rate of 25 young people to 24 elderly by 2030, against respectively 26 and 13 in 2015. By contrast, by 2050, the EU will have lost 48 million people of working age and the over-65 population would have increased by 77%, when there will be approximately one inactive person for every two of working age against one inactive for every four in 2004. (*Le Monde en 2025*, directed by Nicole Gnesotto and Giovanni Grevi, Robert Laffont, October 2007.)
- 59 Projections by the United Nations. India will have overtaken China by 2030 with estimate of 1.59 billion in 2050. One of the principal reasons for this has been China's 'one child policy' which has also led a growing gender imbalance. A 'bride shortage' of some 30 million is expected within the next 15 years or so.

## 2 Chinese political views of Europe

- 1 European Commission, *A Maturing Partnership – Shared Interests and Challenges in EU–China Relations*, Brussels, COM (2003) 533 final, 10 September 2003.
- 2 Joint Statement of the 8th EU–China Summit, Beijing, IP/05/478, 5 September 2005. [http://ec.europa.eu/external\\_relations/](http://ec.europa.eu/external_relations/).
- 3 Galileo has been developed jointly with the European Space Agency as an alternative Global Navigation Satellite System. Unlike the current American GPS, it will be administered and controlled by civilians.
- 4 Jean-Pierre Cabestan, in *European Union-China Relations and the United States: Asian Perspective*, Vol. 30, No. 4, 2006, p.15.

- 5 The Joint Dialogue on Human Rights has continued to be held regularly twice a year even though China has yet to ratify the International Covenant on Civil and Political Rights, which it signed in 1998.
- 6 Stephen Green, 'China's Quest for Market Economy Status', Briefing Note, Chatham House, May 2004.
- 7 For example, in August 2007 the US government requested the initiation of the WTO dispute settlement proceedings against China over deficiencies in the Chinese legal regime for protecting and enforcing copyright and over its barriers to trade in cultural goods.
- 8 Jean-Pierre Cabestan, *op. cit.*, p. 26.
- 9 It is worth noting that the latest EU position on the matter highlighted that 'the EU has agreed to continue to work towards lifting the embargo'. Communication from the Commission to the Council, and the European Parliament, *EU-China: Closer partners, growing responsibilities*, COM(2006) 632 final, 24 October 2006.
- 10 The near-Zero Emissions Coal (nZEC) project has been developed around a threefold process beginning with a three-year feasibility study, examining the viability of different technology options for the capture of carbon dioxide emissions from power generation, leading towards a demonstration project between 2010 and 2015. Britain is leading the first phase of this project, with a £3.5 million funding. [http://www.defra.gov.uk/environment/climate change/internat/devcountry/china.htm](http://www.defra.gov.uk/environment/climate_change/internat/devcountry/china.htm).
- 11 'China admits Three Gorges dam danger', *Financial Times*, 26 September 2007.
- 12 'Merkel presses China on climate change', Reuters, 27 August 2007. On 9 September 2007, China signed, along with the United States and the members of Asia-Pacific Economic Cooperation (APEC), the APEC leaders' declaration on climate change, energy security and clean development (setting an 'aspirational goal' to increase energy efficiency by a quarter by 2030).
- 13 The ITER agreement, signed on 26 November 2006, came into force on 24 October 2007. The agreement aims to

show the feasibility of fusion as an energy source. The first session of the ITER Council is planned on 27 and 28 November 2007. ITER currently comprises seven members: the European Union, China, India, Japan, South Korea, the United States and Russia.

- 14 'China to play major role in ITER', *China Daily*, 30 November 2006.
- 15 [http://www.iter.org/newsline/issues/06-10-18/ITER\\_newsline.htm](http://www.iter.org/newsline/issues/06-10-18/ITER_newsline.htm).
- 16 The European Commission recently proposed a regulation providing that the deployment phase of Galileo would be fully funded by the European Community acting on its own. The budgetary resources required for funding the last phases of development for the period running from 1 January 2007 to 31 December 2013 for Galileo have been set at €3.4 billion (European Commission, IP/07/1358, 19 September 2007).
- 17 'China launches navigation satellite', *Financial Times*, 4 February 2007.
- 18 Stéphane Marchand, *Quand la Chine veut vaincre*, Fayard, October 2007.
- 19 *NewScientistSpace*, 3 February 2007.
- 20 Communication from the Commission to the Council and the European Parliament, 24 October 2006, op. cit.
- 21 *Seventh Annual Report of the EU Code of Conduct on Arms Exports*, Council of the European Union, December 2005. The current EU Code of Conduct on Arms Exports (adopted in 1998) is based on the principle of sharing information with other member states when a country denies an export licence to a company.
- 22 'Major step in military opening', *China Daily*, 3 September 2007.
- 23 On 2 September 2007, China eventually agreed to participate in the United Nations Military Transparency Mechanism and to resume providing data on trade in conventional weapons to the United Nations register on an annual basis, stopped since 1996. There is still concern, however, over the accuracy and transparency of China's

- military statistics. According to US estimates and the International Institute for Strategic Studies, China's annual military spending in 2006 was between \$80 billion and \$122 billion, an increase of up to 18.4% over the previous year (in *Military Balance 2007*, January 2007).
- 24 The recent Chinese documentary broadcast twice in winter 2006 on the Chinese CCTV, 'The Rise of Great Nations', emphasized how historically Japan, the United States and European countries, in particular Britain, became dominant by sea power.
  - 25 Stéphane Marchand, *Quand la Chine veut vaincre*, op. cit.
  - 26 *China Daily*, 29 September 2007. On 19 September 2007, the Chinese navy held a similar exercise with the Spanish navy in the Atlantic.
  - 27 'Coming over the horizon', *The Economist*, 6 January 2007.
  - 28 The EU is currently Africa's largest trading partner, with trade totalling more than €200 billion in 2006. China ranked third the same year, with trade amounting to €43 billion. However, China's share is growing over three times faster than that of Europe.
  - 29 Recently, China granted a \$5 billion loan to the Democratic Republic of Congo to develop its infrastructure network.
  - 30 'L'heure de la Chine', *Le Monde*, 2 October 2007.
  - 31 For example, on 24 April 2007, the attack of the Ogaden National Liberation Front, in Ethiopia's Somali region at an oil field in Abole, in which nine Chinese oil workers from the China Petroleum and Chemical Corporation were killed.
  - 32 China recently granted a \$200 million loan to the Sudanese government for a compensation payment to the Darfur region.
  - 33 There is, however, deep scepticism by European observers about such an exposition.
  - 34 Pang Zhongying, 'On Sino-European strategic partnership', *International Review*, Shanghai Institute for International Studies, Vol. 46, Spring 2007.
  - 35 Though it is felt that the European position on Taiwan is

- very similar to that of the United States. While recognizing the 'One China Policy', the EU has taken 'a significant stake in the maintenance of peace and stability'. (Communication from the Commission to the Council and the European Parliament, 24 October 2006, op. cit.)
- 36 Though this Chinese commentator added: 'We Chinese have a great respect for the power of ideas.'
  - 37 Kishore Mahbubani, in 'Charting a new course', *Survival*, op. cit.
  - 38 *Information report No. 400*, Central Asia, Foreign Affairs Committee of the French Senate, 15 June 2006. <http://www.senat.fr/noticerap/2005/r05-400-notice.html>.
  - 39 Marcin Zaborowski, 'US-China relations running on two tracks', in *Facing China's Rise: Guidelines for an EU Strategy*, Chaillot Paper No. 94, December 2006.
  - 40 This has led some Western observers to question the reliability of China in addressing the problem of terrorism in the Middle East and more widely, which Beijing, of course, strenuously denies.
  - 41 The Chinese commentator who compared Europe and America to China and Japan also drew a parallel between Europe's relationship to the Middle East and China's relationship to India. China is indebted culturally and ethically to India, above all as the home of Buddhism, 'like Europe's debt to the ancient cultures of Mesopotamia and Egypt and to Middle Eastern monotheism'.
  - 42 In 2004, China announced a \$100 billion investment in Latin America by 2014.
  - 43 Japan Ministry of Foreign Affairs. <http://www.mofa.go.jp/>.
  - 44 There is some wariness about the new initiative in the form of a 'quadrilateral' grouping to discuss security issues in Asia between the United States, Japan, India and Australia, termed by some critics the core of 'an Asian NATO'. This followed the four respective foreign ministers' meeting in the margins of the ASEAN Regional Forum held in Manila in May 2007. In May 2007, India participated in military exercises with the United States and Japan, not far from China's eastern coast.

- 45 Wu Jianmin, 'A broad perspective on common interests', excerpt of a speech given during the Third Beijing-Tokyo Forum, *China Daily*, 30 August 2007.
- 46 The Chinese are proud of the huge influence their ceramics have had on Ottoman art. They are also very interested in Turkey's post-Ottoman history and especially very recent developments, both economic and political, where they see issues of modernization in some ways comparable to those they face themselves.
- 47 *Information Report No. 400*, Foreign Affairs Committee of the French Senate, op. cit., p. 15.
- 48 François Godement, 'Neither hegemon nor soft power: China's rise at the gates of the West', in *Facing China's Rise: Guidelines for an EU Strategy*, Chaillot Paper No. 94, December 2006, p. 53.
- 49 There is also the potential negotiation to build a \$11.5 billion pipeline from Anagarsk in Russia's Siberia to the Pacific Ocean, with a connection to the Daqing oil fields in eastern China, a very contentious issue for Japan. 'Russia signs gas deal with China', BBC, 21 March 2006.
- 50 For example, in August 2007, a large-scale exercise was conducted in the Ural mountains, with some 6,000 Chinese and Russian troops taking part, together with smaller contingents from all the other SCO States. The SCO was created in 2001 (as a successor to the Shanghai Five grouping formed in 1996) as an intergovernmental organization between Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and a sixth new member, Uzbekistan. It is primarily centred around security-related concerns in the region, and particularly counterterrorism and drug-trafficking. Mongolia, since 2004, as well as Iran, Pakistan, and India, since 2005, have been granted an observer status.
- 51 The United Nations estimates Russia's population of about 140 million in 2005 could fall by a third by 2050.

### 3 Chinese cultural views of Europe

- 1 In *China Daily*, 7 June 2007.
- 2 As the Chinese Premier, Wen Jiabao, put it: 'Our unique 5,000-year-long, uninterrupted civilization is the source of pride of every Chinese.' *Turning your eyes to China*, Speech delivered at Harvard University, 10 December 2003.
- 3 Although this commentator notes: 'The end of history is a very Asian idea as we would perhaps expect from M. Fukuyama.'
- 4 As one commentator explained: 'Chinese do not believe in original sin but in cultivated virtue as the fundamental human characteristic.'
- 5 To many Europeans, however, the Chinese seem particularly superstitious, as evidenced, for example, in the fact that the site of the Olympics has been chosen in the alignment of two of the greatest Chinese cultural centres, the Temple of Heaven and the Forbidden City, and that the opening has been scheduled at 8:08 pm on 8 August 2008.
- 6 It is possible that this exposition is highly coloured by current Chinese concerns about Buddhism, especially groups such as Falun Gong, which are presented as fostering selfish and anti-social values in contrast to the much more officially favoured Confucianism.
- 7 'Party Chief admits that what Confucius says ... is good for the nation', *The Times*, 29 September 2007.
- 8 One Chinese commentator suggested that one of the best ways to understand China was to imagine Europe if the Roman Empire had not fallen. 'Our wall worked.'
- 9 'Confucius Institutes Taking Chinese to the World', *China-gate*, 24 March 2007.
- 10 Estimates from the office of the Chinese Language Council International.
- 11 Gong Yidong, 'China features', Chinese embassy in the United Kingdom, 29 September 2006.
- 12 There were some 21.5 million visitors to China for the first five months of 2007, a 10% increase over 2006, which saw

- 3 million visitors from Japan and Korea. According to the latest estimate of the World Tourist Organization, China could even become the first destination as early as 2014.
- 13 According to the Chinese Ministry of Education, in 2006 there were 30 million foreigners studying Chinese worldwide. Some 2,500 colleges and universities offer Chinese courses in more than a hundred countries, while the number of foreign students studying in China has increased from 8,000 in the mid-1980s to 110,800 in 2005.
  - 14 The Chinese have a great reverence for General de Gaulle, not least because he ensured that France was the first Western power to recognize the People's Republic of China.
  - 15 Jean-Pierre Raffarin, 'Pour un programme euro-chinois', *Les Echos*, 18 April 2006.
  - 16 There was extensive media coverage, for example, on 19 October 2007, for a Fendi fashion show held on the Great Wall.
  - 17 *China Daily*, 16 July 2005.
  - 18 According to Britain's university admissions body (UCAS) acceptances from China for undergraduate degrees for the 2006 academic year were down by 21.3% from 2005, from 4,401 to 3,464. This fall was considered by some to be mainly due to visa constraints.
  - 19 One common formulation is that democracy is 'the apparent process of legitimization of good governance'.
  - 20 It is, however, plainly of considerable significance that the new 7th most senior member of the ruling politburo of the Chinese Communist Party and the man seen by some as likely to be the next premier, Li Keqiang, translated the British jurist Lord Denning's *The Due Process of Law*.