

CRS Report for Congress

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Europe and China — An Emerging Relationship

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Summary

Reflecting in large part European concern to become more closely linked with China's rising market, the 16-member European Union (EU) has been unusually active in the past few years in building ties with Beijing. This report briefly reviews major policy pronouncements, high-level exchanges and limited assistance programs, backed by EU-China trade flows that have more than tripled over the past decade. Prospects for increased trade and economic interchange appear good, but broader political and security interaction remains constrained by the relatively low priority Beijing assigns to relations with Europe, organizational and institutional limitations in the EU and among its members, and divergence in EU-Chinese views on the importance of conformity to internationally accepted norms regarding trade practices, human rights, proliferation, the use of military force and other matters.

The report notes that U.S. policy concerns about the emerging European-Chinese relationship are mixed. U.S. policy makers sometimes complain that the combination of EU eagerness to trade with China and its relatively low-keyed posture on human rights, use of force, trade practices and other disputes with China complicates more forthright U.S. efforts to press China to conform better to these internationally accepted norms. Including information up to mid-1996, this report will not be updated.

Introduction

Representing 15 nations, including the bulk of the countries of West Europe, the European Union (EU) has been unusually active in the past few years in building ties with East Asia, and particularly China. The efforts have seen several exchanges of high-level visits, cultural exchanges, and use of development assistance and training aid. Highlights have included the European Union's 1994 statement on "A New Strategy Toward Asia;" the summit meeting between European Union leaders and those of East Asian countries at the so-called Asia-Europe Meeting (ASEM), which took place in Bangkok on March

1-2, 1996; and the European Union's July 1995 statement on a "Long Term Policy on Europe-China Relations."¹

Chinese leaders have appeared anxious to reciprocate the heightened European interest, with senior leaders including President Jiang Zemin and Premier Li Peng making highly publicized visits to major European Union countries over the last two years. Those visits have been accompanied by reports of major sales by EU countries of sophisticated transportation and other equipment to China.²

Impressive statistics, especially in the area of trade, lie behind the European Union's first formal declaration of policy toward and growing interaction with China. Members of the Union have seen their trade with China triple in ten years, from \$14.3 billion in 1985 to \$45.6 billion in 1994. The pace of growth has been accelerating, with trade levels in 1993 seeing a 65% increase over the previous year. China is now the fourth largest supplier and the fourth largest market for European Union members. This trend comes amid a broader wave of European-East Asian trade, which has seen the two sides trade with each other roughly equal to their trade with United States.³

U.S. policy reactions to emerging European-Chinese relations have been mixed. On the one hand, improved relations provide a number of benefits, including exposing China more to western ideas and institutions that over time might encourage change in China favored by the United States; and providing greater European experience in dealing with China which allows for improved U.S.-EU communication on China related questions. On the other hand, U.S. officials and other observers sometimes complain that greater European involvement with China complicates U.S. efforts to prompt the Chinese government to conform better to internationally accepted norms. Thus, EU representatives are seen to be less stringent in dealing with China on sensitive issues like human rights, market access, intellectual property rights and other questions. Assistant Secretary of State Winston Lord told the House Ways and Means Committee hearing on the issue of U.S. Most Favored Nation (MFN) tariff treatment for China on June 11, 1996 that European traders, among others, were poised to take commercial advantage of U.S. efforts to impose sanctions on China over human rights or other questions.⁴

¹For background, see Commission of the European Communities, "Towards a New Asia Strategy," July 13, 1994; Commission of the European Communities, "A Long Term Policy for China-Europe Relations," July 5, 1995; Commission of the European Communities, Communication of the Commission to the Council and Parliament, "Regarding the Asia-Europe Meeting (ASEM) to be held in Bangkok on 1-2 March 1996." This report also benefitted from conference papers, especially those submitted by Roberto Menotti and Michael Yahuda, and the in-depth discussion at the Castelgandolfo Colloquium on Atlantic Affairs, Rome, Italy, June 7-8, 1996; and the International Workshop on Europe and China, Rome, Italy, June 9, 1996.

²See notably the section on Europe in the chronology of Chinese events published regularly in the *China Quarterly*.

³Conference paper by Michael Yahuda, June 1996, *op.cit.*

⁴New York Times, June 12, 1996. Lord's remarks came the day after China's premier told the Financial Times that "If the Europeans adopt more cooperation with China in all areas, not just in economic areas but also in political and other areas...I believe the Europeans can get more orders from China." Financial Times, June 11, 1996.

Consultations with two dozen Asian affairs specialists from European Union countries and Chinese specialists on Europe during international meetings in Europe in June 1996⁵ combined with a review of available literature on the European Union-Chinese relationship have helped to clarify some of the motives, limitations, and future issues regarding Europe's recently high-profile effort to build relations China. What follows is a brief summary of the findings of the consultations and review.

Motives

The recent moves by the European Union toward China come amid a broadly felt sense among European leaders that the Union and its members have needed to take more decisive action in order to continue to be seen as an important actor in East Asian affairs. This was deemed particularly important as it became evident in Europe that East Asia's economic growth would surpass that of other major markets, and that Europe's future economic health would be determined on how well EU members adjusted to and profited from the opportunities in the region. The Europeans were said to be concerned that they had missed an opportunity to be included in the Asian Pacific Economic Cooperation (APEC) forum uniting the economic powers of the Pacific Rim.⁶ The Europeans also judged that China's rising power and influence have been central in determining East Asia's prosperity and that the EU needed to focus special efforts on building a closer relationship with China.

The European statements on China also have made clear that Union members are placing emphasis on China's importance to broader European interests regarding such issues as the world trading system, proliferation of weapons of mass destruction or related technology, environmental concerns, and others. China has been seen as particularly important in determining the future importance of the World Trade Organization (WTO), which is a top priority to the Europeans; and in influencing the future stability on the Korean peninsula (European Union members are concerned about nuclear proliferation and stability there).⁷ European Union members Britain and Portugal have special concerns with China because of the planned reversion of their respective colonial possessions, Hong Kong and Macau, to Chinese control in 1997 and 1999, respectively.

Limitations

Amid the rhetoric of European determination to build closer ties with China lie several realities limiting European-Chinese relations, according to European and Chinese experts:

⁵See meetings cited in footnote 1.

⁶For background on APEC see CRS Report 96-1 E.

⁷The size and growth of China's economy, especially in the area of trade and outside investment, is seen as particularly important in influencing the future of the WTO. Regarding security in Korea, some EU members have contributed to the Korean Economic Development Organization (KEDO), which was founded as part of the U.S.-North Korean compromise on nuclear issues reached in 1994. For background see CRS Issue Brief 91141.

- China's view of Europe. Beijing is anxious to gain economically from improved relations with Europe. Over time, Beijing is also anxious to foster greater European political and strategic independence from the United States as part of broader PRC efforts to foster a multipolar world more advantageous to China than the current international system. At present Beijing is seen to chafe under an international order that sees the United States as the dominant power, often pressing the PRC hard on a variety of international and domestic questions. Thus, for China, Europe is said to represent a kind of "card" that can be played in the more important game of U.S.-Chinese relations.⁸

This kind of thinking underlines some of the limits of Chinese interests in and attention to Europe. It reflects the fact that in the order of PRC foreign policy, first priority is given to the United States; next comes Japan and the important countries in the East Asian area; coming up a distant third are Europe and others.

Meanwhile, Chinese understanding of the European Union is said to be weak and confused, with many Chinese officials thinking of the Union as, at bottom, a protectionist trading bloc designed to keep PRC products out of Europe.

- European limitations. These focus heavily on organizational and institutional weaknesses, according to European and Chinese experts. Thus, several experts mentioned that Europe's interest in China is mainly economic and that the European Union is most effective when dealing with a country like China on the basis of economic issues.

As a diplomatic actor or as a force on security issues, the Union is said to be less well suited to take actions vis-a-vis China, especially as European Union members are reluctant to allow the Union very much leeway to deal with important defense or security issues. As an example, the Union was very slow in coming out in support of the American show of force off the Taiwan Strait in the face of provocative PRC military exercises in early 1996, while some member governments were prompt in supporting the move.

Some European specialists also suggest that the European Union's recent emphasis on China is being done in part to compensate for the Union's alleged inability to come to effective and decisive policies on more critical issues requiring European cooperation, such as Atlantic relations, European security and the Middle East. The EU has thus far been unsuccessful in meeting the 1993 Maastricht Treaty's call for a common foreign and defense policy.

⁸For background on Chinese policy toward Europe, see among others Michael Yahuda, "China and Europe: The Significance of a Secondary Relationship," in Thomas Robinson and David Shambaugh (eds.) *Chinese Foreign Policy: Theory and Practice*, Oxford U. Press, 1994.

Future Issues

As Europeans increase interaction with China, experts judge that several other areas bear watching in addition to the burgeoning bilateral trade relationship.

- Europe's weak profile in China. Will the European Union or its members increase educational and other exchanges in order to improve Europe's image in China and improve Chinese understanding of the Union and its members? At present, for example, the number of EU students studying in China and Chinese students studying in EU countries is only a small fraction of the U.S. students in China and Chinese students in the United States.
- How will the European Union handle the intense competition among member states that sees them foster trade benefits and other forms of subsidized economic competition in order to land trade deals for companies in their country? The competition for sales in China not only complicates EU-U.S. relations there but also works against unity among the EU members.
- How active are the Union and its members prepared to be on issues like security questions, human rights, Hong Kong reversion, Taiwan, and others that are important to segments of European opinion but thus far have been dealt with discreetly or not at all by the European Union in its new, mainly economically focused initiatives toward China?
- Will the European Union allow itself to be played as a "card" in China's dealings with the United States, in effect complicating or undermining U.S. efforts to press the Chinese government to conform to internationally accepted norms? (Chinese leaders have a long history of playing off one outside power against another and have been anxious to exploit perceived splits among the "Western" countries over human rights, WTO entry and other issues.) If so, what would or should be the U.S. reactions to such European accommodation of China?

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