



# The European Union and China

On June 29, 2015 the European Union (EU) and the People’s Republic of China held their 17<sup>th</sup> annual leader’s summit in Brussels. The summit also commemorated the 40<sup>th</sup> anniversary of the establishment of formal relations between what is now the EU and China.

The first EU-China Summit took place in 1998, in London. Since then, these summits have been held on an annual basis, alternating between China and Brussels, with the exception of 2008, when China postponed the summit (two summits were held in 2009). The 2015 summit was the latest example of the EU’s long-term interest in, and maintenance of, its political and economic relations with China.

## Background

The predecessor to the EU, the European Economic Community (EEC), and China established diplomatic relations on May 6, 1975. The 40-year-old EU-China relationship initially evolved from a framework of economic cooperation when an EEC-China agreement on trade and economic cooperation was adopted in 1985.

Since 2003, the two sides have described themselves as engaged in a “Comprehensive Strategic Partnership,” which has continued to evolve and diversify. A High Level Economic and Trade Dialogue established in 2009 further consolidated economic cooperation. The economic relationship was complemented in 2010 by an enhanced political dialogue on both bilateral and global issues: the High Level Strategic Dialogue. Beginning in 2012, dialogues and cooperation mechanisms were established covering issues such as foreign policy, security and defense, high-tech innovation, tourism, energy, and the environment. At the 16<sup>th</sup> EU-China Summit held in November 2013, the EU and China launched the EU-China Strategic 2020 Agenda for Cooperation ([http://eeas.europa.eu/china/docs/20131123\\_agenda\\_2020\\_en.pdf](http://eeas.europa.eu/china/docs/20131123_agenda_2020_en.pdf)), which established the framework intended to guide EU-China relations until 2020.

Today, according to the EU, the EU and China have over 70 high-level and senior-level dialogues, working groups, and steering committees reflecting the wide-ranging scope of the relationship. The EU and China have apparently also agreed to further develop exchanges on legal affairs and digital connectivity, which could lead to the establishment of new dialogue mechanisms.

## Political Dimension

The 2015 EU-China summit was attended by Chinese Premier Li Keqiang and other Ministers. The EU was represented by Donald Tusk, President of the European

Council; Jean-Claude Juncker, President of the European Commission; and Federica Mogherini, High Representative for Common Foreign and Security Policy, as well as other key European Commissioners.

### EU - China

- \* EU: 28 member states
- \* Population: EU: 505 million; China: 1.3 billion
- \* European Union GDP (2014): approx. €14.0 trillion
- \* China GDP (2013); approx. \$10 trillion
- \* China is now the EU’s 2<sup>nd</sup> trading partner behind the United States, and the EU is China’s biggest trading partner.
- \* EU goods exports to China 2014: €165 billion; EU goods imports from China 2014 €302.5 billion. EU services exports to China 2013: €32.2 billion; EU services imports from China 2013: €20 billion.
- \* Neither the EU nor China are major investors in each other, though China’s investment in Europe is growing rapidly. EU foreign direct investment (FDI) in China was approximately €6.8 billion in 2014, while China’s investment in the EU amounted to €9.8 billion in 2014.

**Source:** European Commission, Eurostat.  
Exchange: €1 = \$1.1

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

The EU’s main approach is to engage China both bilaterally and on the world stage, through an upgraded political dialogue; to promote China’s transition to an open society based upon the rule of law and respect for human rights; to encourage the integration of China in the world economy and support the process of economic and social reform; and to raise the EU’s profile in China.

The main goal of the 2015 EU-China summit was to take stock of the progress achieved thus far in implementing the Strategic 2020 Agenda through the three pillars of the EU-China relationship: the High Level Strategic Dialogue, the High Level Economic and Trade Dialogue, and the biannual People-to-People Dialogue established in 2012.

Through these dialogues, the EU and China have committed to enhancing direct contact and coordination in order to meet regional and global challenges together, particularly in the areas of defense and security, cyber, transnational crime, economics, and the implementation of effective international climate change measures. An EU-China Business Summit, an Urbanization Forum, and a new Innovation Dialogue also took place on the margins of the 2015 summit.

## Economic Dimension

The European Union and China are two of the biggest traders in the world, with EU-China trade increasing dramatically in recent years. China and Europe now trade an average of well over €1 billion each day. Bilateral trade represents approximately 3.3% of the EU's GDP and close to 6% of China's GDP, underlining the large interdependence of China and the EU in terms of trade.

In the economic dialogue of the summit, both the EU and China, despite differences over market access, state-owned enterprises, and technology transfer practices, reaffirmed the importance of the annual High Level Economic and Trade Dialogue. Both sides view the dialogue as an essential forum for planning and guiding the development of EU-China economic and trade relations as well as taking strategic decisions on important trade, investment and economic issues. During the summit, the leaders of both sides reconfirmed their commitment to reinforcing cooperation on the protection and enforcement of intellectual property (IP) rights ([http://trade.ec.europa.eu/doclib/docs/2015/june/tradoc\\_153582.pdf](http://trade.ec.europa.eu/doclib/docs/2015/june/tradoc_153582.pdf)).

At the 16<sup>th</sup> EU-China Summit held in November 2013, both sides announced the launch of negotiations of the Comprehensive EU-China Agreement on Investment. The Agreement would provide for progressive liberalization of investment and the elimination of restrictions for investors to each other's market. The 2015 summit reaffirmed the intentions of both sides to continue negotiating for this agreement. Other issues within the economic dialogue include measures to strengthen policy exchanges, to facilitate industrial products trade, and to design concrete projects, for example, in ensuring food security and safety.

In a recent publication by the European Parliament Research Service, it was noted that the EU will soon conclude its debate on the European Fund for Strategic Investment (ESFI) regulation, which is expected to generate public and private strategic investment of roughly €315 billion in transport, communication, and energy infrastructure during the 2015-17 time period. China has made public its interest in participating in the EFSI with a particular emphasis on the digital economy.

Through the people-to-people exchange, both sides have committed to the continued development of sustainable tourism. Tourism between the EU and China is booming. There are already 70 direct flights daily between European and Chinese cities. Approximately four million Chinese travelled to Europe in 2013.

Another aspect of this dialogue is designed to promote intellectual exchanges between major cultural, scientific and educational institutions. As part of this dialogue, the China-Europe International Business School and the EU-China School of Law have, for years, successfully trained businessmen and legal experts to promote exchanges between China and Europe. More than 280,000 Chinese nationals are studying in Europe, while some 45,000 EU citizens are studying in China. At the 2015 summit, the EU and China agreed to launch a new research initiative ([http://erc.europa.eu/sites/default/files/press\\_release/files/erc\\_pr\\_2015\\_China\\_agreement.pdf](http://erc.europa.eu/sites/default/files/press_release/files/erc_pr_2015_China_agreement.pdf)) to facilitate young Chinese scientists to join projects funded by the European Research Council (ERC, <http://erc.europa.eu/>). The agreement is expected to lead to the first scientific exchanges later this year.

## China's Perspective

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

## Looking Ahead

In March 2014, President Xi Jinping of the People's Republic of China visited the European Union in Brussels, marking a historic first visit by the Chinese President to the European Union and highlighting a significant strengthening of bilateral ties between the EU and China. The EU's relations with China are predominantly focused on strengthening economic ties, through two-way investment flows and trade, while maintaining a political dialogue on critical global issues. With the anticipated signing of a new Transpacific Partnership (TPP) agreement between the United States and several Asian nations, the EU has recognized a need to strengthen its overall bilateral relations with China. In addition to activities mentioned above, the EU has suggested that negotiations on a Free Trade Agreement begin. The EU has also expressed interest in China's “One Belt One Road” version of a revitalized “Silk Road” reconnecting Asia, the Middle East, Africa, and Europe through trade as well as energy, transport, and communications. Although the EU cannot compete with China politically or economically in Asia nor complement the United States as an Asian power, it does appear that at least on the economic and trade front, the EU is determined to become an influence in Asia particularly through its evolving relations with China.

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