What Drives Contemporary EU-China Strategic Engagement?

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Abstract: This study examines the determinants of the European Union’s strategic engagement with China, with reference to three competing analytical approaches: institutional, social, and agency/stakeholder. The article examines the utility of each claim and outlines complementary variables amongst the three approaches, with the aid of recent evidence looking at the E.U.’s arms embargo on China, E.U.-China engagement in Africa, and the E.U.’s longstanding dispute on granting China market economy status. The findings can reduce the misunderstandings and uncertainties embedded in European Union-China interactions by demystifying the factors and variables that drive their relationship.

Keywords: European Union; China; strategic engagement; norms; arms embargo; Africa; market economy status

Introduction

Received academic wisdom often advances contradictory claims regarding the determinants of the European Union’s strategic preference formation towards the People’s Republic of China. For instance, some scholars contend that the E.U.’s engagement with China can be explained through institutional theory (see Gidisoglu, 2010; Hasmath and Hsu, 2014). The train of thought is that ‘social norms in the European level are produced and diffused by the institutions’ (Gidisoglu, 2010: 19) and the structural make-up of the E.U.’s decision-making bodies (e.g. Council and Commission committees) determine the foreign policy practice with China.

Other scholars such as Regilme (2011: 15) argue that the E.U. subscribes to a normative engagement with nations such as China, which stems from the E.U.’s culturally ingrained self-perception ‘as a kind of political messiah [that] will bring salvation to areas of the world where human rights and democratic norms are nothing but chimeraical goals that have yet to materialize’. Hence, social explanations are prioritized, often with an acknowledgement of the economic drivers of E.U.-China relations.

We can also accentuate the realpolitik dimension of the E.U.’s behaviour towards China (see Wyzycka and Hasmath, 2017). Here, the E.U. is argued to ‘pursue good political relations with the Chinese in order to obtain commercial advantages for their national companies’ and ‘avoid the burden of ... confronting Beijing openly on matters of principles and values’ (Casarini, 2009: 264). Consequently, the E.U.’s strategic orientation is predominantly driven by agency/stakeholder variables where emphasis rests on a mercantilist strategy designed to bolster national power and resource deficiencies.

In an environment of multitude of, and potentially competing, claims to explain the E.U.’s strategic preference formation towards China, this article analyzes the utility of each claim in light of recent evidence looking at E.U.-China relations, viz. case studies looking at the E.U.’s arms embargo with China, E.U.-China engagement in Africa, and the longstanding disagreement

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with the E.U. and Beijing on granting China market economy status. It will further examine whether we can refine, amalgamate or closely link the institutional, social, and agency/stakeholder explanations for E.U.-China engagement. This exercise is necessary as it provides a clearer comprehension of both actors’ choices (and reaction to those choices), which has considerable impact on how the E.U. and China conduct relations with each other.

**Analytical Approaches**

The literature suggests that the major determinants to explain the E.U.’s contemporary engagement with China can be understood through three analytical approaches, outlined below. We posit that these approaches share potential commonalities and synergies that are yet to be fully exploited.

**Institutionalism**

From the outset, institutionalism argues that structural arrangements, including resource configurations, determine political orientations (Kitschelt, 1986). Accordingly, institutions are ‘hypothesised to have thick socializing effects on actors that go beyond instrumental adaptation and the strategic conception of rules to include the internalization of norms and rules into the definition of self-interest and its calculation’ (Gidisoglu, 2010: 5). From this perspective, the E.U.’s preferences are shaped by its institutional structures that create a series of ‘rituals’ and ‘regulations’ for individuals to abide by. Indeed, so strong is their indoctrination effect that these procedures ‘become a purpose in their own right’ (Jones and Evans, 2008: 41).

A number of issues are apparent with this approach. In particular, it presents a deterministic account of change that assumes a path-dependent preference formation once institutional outcomes are in place. In addition, the theory adopts a uniform view of institutional arrangements that cannot account for variations within regions/nations. This is significant as a plurality of institutional environments can create competing ‘rituals’ that favour no single guiding preference. Finally, there is an underestimation of stakeholder impact on political outcomes and an emphasis on national drivers at the expense of global ones.

**Social Theories**

Social theories broadly argue that socio-cultural factors motivate social actors. Here, institutions are perceived in terms of ‘cultural legacies’ and ‘historical heritages’ that typify individual behaviour. As a result, rather than acting as independent variables, institutions are shown to be deeply embedded in a cultural nexus that is undergoing constant negotiation and re-negotiation. Hence, their primary function is cognitive, rather than normative, and their life cycles are transient.

Social theories, however, often exaggerate the role of culture, presenting it as the universal variable that can account for the totality of actions. This significantly diminishes the tangible impact that collective rationality and resource constraint can exert on political preference formation. Certain social theories, such as world polity theory, attempt to ameliorate some of these issues by drawing on a much broader organizational environment (Drori, 2007). In particular, the influence of international variables (e.g. globalization) receives greater attention.

Nevertheless, this does not address the overtly normative view of behaviour. For example,
Braun (2014: 14) states that ‘some actors would be described as being more rational [than norms based]’. Likewise, the notion that actors ‘can stress and be aware of the normative foundations of their actions’ (Braun, 2014: 14) seems to undercut the homogenizing influence of cultural symbols and scripts that social theories underscore. Moreover, it is often a difficult task to accurately draw out the impact of culture on personal preference without steeping into sweeping generalizations or uncomfortably bold claims.

**Agency/Stakeholder Approach**

The agency approach, on the other hand, suggests that individuals are the primary determinants of their own behaviour patterns. Hence, considerations of rationality, efficiency and self-interest form the bedrock of decision-making. From this perspective, the impact of institutional and social forces is significantly downplayed due to the notion that actors actively shape, rather than reflect, their characteristics. Consequently, it becomes imperative to analyze the ‘personalities’ of E.U. and Chinese leaders to determine the political preferences of both sides. The stakeholder approach extends this analysis to relevant groups of social actors. Thus, it argues that the state, interest groups, companies, etc., independently create their preference orientations (Freeman, 1984).

The agency/stakeholder approach, however, once again present a series of analytical concerns. In particular, the overriding assumption rests on a controversial conception of the ‘individuated’ self, whose identity is an *a priori* independent of all ends and whose choices are determined by contingent, detachable preferences. This fixed atomic self, then, becomes akin to the isolated Crusoe who acts egotistically and rationally, unresponsive to social markers. However, as Hobhouse (1922: 162) argues, ‘take away the whole social [context] and we have not Robinson Crusoe, with his salvage from the wreck and his acquired knowledge, but the native savage living on roots, berries and vermin.’ Moreover, the agency/stakeholder approach disempowers individual autonomy as the self exists as an ‘*a priori*’ and so is not subject to choice.

**Complementary Qualities Among the Approaches?**

It is apparent then, that the three theoretical orientations are somewhat fragmented, with insufficient attention given to arguments across the various approaches. As a result, emphasis is cast on different variables that are often set out in competition with one another. For instance, institutional theories underscore structures, while social and agency/stakeholder theories stress culture and individual autonomy respectively. The limitations of each theory’s isolated scope, therefore, impact its success at accurately accounting for preference formation in E.U.-China relations. This has ensured that the study of decision-making when it comes to E.U.-China relations has remained compartmentalized and particularistic, unable to attain unity. From this perspective, it is a necessary exercise to merge complementary elements of the theories’ causal arguments into a framework that can transcend their restrictions and ameliorate their individual weaknesses.

One of the most basic elements in all three theories is an acknowledgement of dynamic cultural norms and their interaction with the surrounding environmental context. To this end, attention is directed at governance systems which embed institutions, cultural norms, strategic actors and stakeholders. This stems from the notion that, at their core, systems of governance
reflect specific configurations of power relations and contested interest alignments that support dominant cultural, institutional and stakeholder arrangements. For this reason, the three approaches should not be viewed in insular terms, but rather as deeply enmeshed complementary variables that structure, and are structured by, extant power dynamics within particularized governance systems.

Consequently, the aforesaid formulation possesses three important characteristics. First, culture serves as the most prominent underpinning element that predisposes institutional outcomes and actor preferences. In particular, institutions are seen as the embodiment of cultural systems of meaning, or the ‘[historical] negotiations that lead to shared typifications or generalized expectations and interpretations of behaviour’ (Barley and Tolbert, 1997: 94). Furthermore, stakeholder roles are depicted as highly situational and dependent on socially constructed variables (Mitchell, 1997). As a result, though stakeholders (e.g. governments, interest groups, social movements) retain some (individual and collective) agency to impact domestic strategic preferences, the dominant cultural/institutional context can determine their efficacy throughout decision-making phases, in terms of dictating stakeholder authority and significance.

Second, as dominant cultural norms are an expression of power relations, the nature of local resource configurations can propel certain culture norms into the forefront, while leave others outside mainstream pockets of power. Thus, the primary role of structural constraints is not so much to form cultural preferences, but rather to help determine which ones gain the most hold in governance systems.

Third, governance systems and strategic preferences are seen as transient and malleable due to the notion that their primary underpinning variable – cultural norms – experience construction and renegotiation through ongoing interest-based contestation.

Subsequently, from this conceptual framework a series of statements regarding the E.U.’s strategic behaviour towards China can be drawn. First, the fundamental cultural basis of strategic orientation formation suggests that the E.U.’s actions are inclined to be norms-based and guided by its historical heritage and cultural legacies. Second, the notion that governance systems are fluid and cultural norms are contested, suggests that the E.U. does not have perpetually fixed cultural legacies that influence its behaviour. Instead, it is comprised of semi-integrated, contending narratives that strive for social pre-eminence and are tied closely to changing dynamics of power. This inherent instability predisposes E.U.’s norms-based behaviour to change or re-alignment in priorities. Third, more institutional or agency-based strategic behaviour, such as mercantilism, realpolitik and rationalism, may be shown by the E.U. when it experiences particularly strong structural or organizational constraints. This is possible as structural contingencies/limitations can impact distributions of power and so, at times, overrule dominant cultural norms.

**Cultural Norms and Structural/Resource Constraints**

Understanding the E.U.’s cultural legacies and historical heritage, and to a varying degree, the relevant structural/resource constraints is paramount to discern the underpinnings behind the E.U.’s engagement with China. For the former, this stems from the notion that culture pervades a series of shared norms that serve to predispose certain types of action. Consequently, two interrelated conceptual groups emerge: ideational processes and strategic implementation.
Ideational processes refer to cognitive-type norms that characterize the E.U.’s self-interests. From an examination of pertinent policy documents and E.U. decision makers’ speeches, two overarching ideational processes are apparent: justice and democracy. For example, former President of the European Commission (2004-2014), José Manuel Durao Barroso proclaimed that ‘we must all contribute towards promoting European values – freedom, human rights, the rule of law and, first and foremost, peace’ (Barroso, 2009). Likewise, on ascending to E.U. presidency (2014-present), Donald Tusk underscored that ‘we must be clear about our fundamental values: solidarity, freedom, human dignity, including the right to live free from fear’ (Tusk, 2015). Herman Van Rompuy, the first E.U. president (2009-2014), spoke of ‘core European values’ as ‘democracy, the rule of law, human rights as well as respect for and protection of minorities’ (Van Rompuy, 2011). E.U. policy documents further stress similar notions. To this end, the Lisbon Treaty put emphasis on the importance of ‘peace, security … solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights’ (European Union, 2007: 5).

Strategic implementation refers to policy-type norms that characterize how the E.U. achieves its self-interests on the international stage. Here, the most overarching policy-type norm is the E.U.’s active and open promotion of its values, which are seen as a desirable ‘common good’. To wit, it is unsurprising that the E.U. attempts to actively promote its values as part of its dealings with China. For example, the European Agenda for Culture states, ‘the E.U. is, and must aspire to become even more, an example of a ‘soft power’ founded on norms and values ... which, provided they are upheld and promoted, can be of inspiration for the world of tomorrow’ (European Commission, 2007).

Another dominant policy-type norm rests on the E.U.’s primarily non-coercive pursuit of its interests. Here, as Tocci (2008: 329) writes, the E.U. ‘feels bound by action that does not harm or infringe upon the sovereignty of third states. Hence, its preferences for [methods] such as dialogue, persuasion and shaming’. This predisposition towards non-aggression is apparent in a multitude of E.U. policy documents. For example, Article 8.1 of the Treaty on European Union (European Union, 2002) underscores that the E.U.’s engagement with its neighbours is ‘characterized by close and peaceful relations based on cooperation’. The emphasis on peace-building has its most prominent precedent in 19th and early 20th century European-led efforts to form international agreements that limited war and established amicable conflict resolution mechanisms, as seen in the provisions of the Geneva Convention of 1864, and the Hague Conferences of 1899 and 1907. Thus, stemming from its historic legacies that often stressed non-aggression, Marsh and Makenstein (2005: 251) conclude that the E.U. has ‘a Mr. Nice Guy image in international relations on account of its devout multilateralism and its traditional non-coercive approach to its external relations’.

The aforementioned impact of culture predisposes the E.U. towards certain actions which can be constrained if the E.U. experiences particularly strong structural limitations, notably resource deficiencies. Foremost, the E.U.’s hard power, measured by defence expenditure, has remained relatively stagnant, with a budget of EUR 193 billion (~ USD 232.3 billion) in 2005 to EUR 192.5 billion (~ USD 231.7 billion) in 2012. Likewise, the E.U.’s economic power has been wavering – for instance, GDP growth rate has averaged 0.35 percent between 1995 and 2014. Suffice to say, these structural limitations may influence its culture-based strategic predispositions.
Context-Specific Considerations

Finally, there are context-specific considerations to bear in mind when it comes to the E.U.’s engagement with China. First, there is a fundamental divergence in political regime types. To this end, China possesses a predominantly corporatist, authoritarian regime dominated by the Communist Party of China (CPC) (see Hsu and Hasmath, 2014). However, it is not entirely politically closed, as the presence of open elections at the grass-roots level (village) make China often receive the designation ‘hegemonic electoral authoritarian’. The E.U., in comparison, is a liberal democracy with multi-party systems and full electoral competition at the member-state level.

Second, there is a general variance when it comes to international affairs: For example, China has an overriding contemporary commitment to non-interference at the cost of ‘tolerat[ing] gross violations of human rights [and democratic principles]’ (Ramcharan, 2006). Moreover, China subscribes to a notion of ‘common good’ not tied to a universal maxim or necessarily an international *jus cogens* (see Hasmath, 2012), which can be accompanied with strategic policy experimentation (see Hasmath, 2017; Teets et al., 2017). Meanwhile, as mentioned earlier, the E.U. places prime normative value to individual rights and freedoms and associates the ‘common good’ with notions of democracy and justice that it projects as a model for all nations.

Third, there is a growing imbalance in economic power between E.U. and China. In particular, China's GDP (as PPP) is already above the E.U.’s (USD 17,630 billion vs. USD 17,610 billion), with the gap predicted to substantially increase over the coming years. Similarly, China has become one of the E.U.’s principal investors, with bilateral trade exceeding USD 615 billion. On the contrary, the E.U. is experiencing a weakening Euro and cyclical economic stagnation.

These considerations, in sum, may suggest that the E.U.’s inclination towards norms-based action (due to the hypothesised pre-eminence of culture in determining behaviour) predisposes a normative clash between the E.U. and China over issues of democracy and justice. This clash can, conceivably, underpin even non-normative issues such as economic development due to the strength of the E.U.’s general dissatisfaction with China’s ‘incompatible’ values. The E.U. may be expected, on occasion, to disparagingly promote its ‘common good’ at the expense of improved relations with China. However, as cultural norm formation is a process of continuous interest-based contestation at sub-national and supranational levels, the inherent instability of norms-based behaviour means that the impact of norms may subside in certain E.U.-China engagement contexts. Similarly, the E.U.’s economic constraints, which pressurizes it to maintain lucrative trading relations with China, potentially predisposes the E.U. towards rational or realpolitik strategies when important economic ties may be put in jeopardy.

In the next section, three cases, spanning the last 25 years, are presented to assess whether our working framework can account for the multidimensional nature of the E.U.’s strategic engagement with China. If the case studies illustrate that the E.U.’s engagement with China is largely dependent on its cultural legacies, then even some non-normative issues, such as economic policies, can be heavily imbued with culture-based norm concerns.

The Arms Embargo

The E.U.’s arms embargo was levied on China in 1989 after the CPC’s reaction to the series of student protests in Tiananmen Square. The arms embargo can be conceived as a direct
response to what the E.U. perceived as China’s disregard for human rights and freedom of speech. The European Council’s Declaration on China, signed in Madrid on June 27 1989, ‘strongly condemn[ed] the brutal repression taking place in China’ and ‘request[ed] Chinese authorities to stop the executions and to put an end to the repressive actions against those who legitimately claim their democratic right’ (European Union Council Secretariat, 2005: 3). The Declaration emphasised that the ‘respect [for] human rights’ and ‘the hopes for freedom and democracy’ are ‘an essential element for the pursuit of the policy of reforms and openness that has been supported by the European Community and its Member States’ (European Union Council Secretariat, 2005: 3). It is apparent then, as it is now, that normative considerations underpinned the E.U.’s arms embargo against China.

Yet, was the E.U.’s stance rational at the onset of the arms embargo? Is the refusal to scrap the ban, in present-day, in the E.U.’s strategic interest? For the former, the E.U. seems to have adopted a rational policy to implement its normative ends. This stems from the following thought process: first, following Tiananmen, China had shown an unrepentant tone and refused to release political prisoners. Hence, the European Economic Community (EEC) sought to achieve the emancipation or sentence reduction of Tiananmen protestors. This succeeded for the most part – in May 1990, China released 211 political prisoners. Second, in 1989, China was still undergoing the first phase of its market reforms. The nation’s GDP was USD 344 billion – ranking outside the top ten largest economies and behind four EEC states: Spain, UK, Italy, France and West Germany – and its bilateral trade with the EEC amounted to USD 23.51 billion, which constituted an extremely small fraction of the EEC’s overall trade volume, but comprising a sizeable 21.1 percent of China’s foreign trade. From this perspective, it was rational to have an arms embargo as (1) China was not a major economic or regional/global power in 1989, and (2) the EEC was receiving comparatively low economic benefits from its trade with China, while China was heavily dependent on the EEC.

The E.U.’s retention of the ban, over a quarter a century later, is an entirely different proposition. There has been a significant change in the strategic positioning of the E.U., due to its weakening economic and military power relative to China. In particular, bilateral trade rose from USD 23.51 billion to USD 615 billion, China has surpassed the E.U.’s economy in terms of purchasing power parity (PPP), and the E.U. is experiencing stagnant growth in comparison to China’s consistently high single digit figures. In short, a fruitful partnership with China is more significant for the E.U. now than it was in 1989.

The arms embargo undercuts the complexities of E.U.-China relations. As the ex-E.U. ambassador to China, Klaus Ebermann, states: the embargo ‘continues to poison E.U. and P.R.C. ties’ (Weitz, 2013: 88). In China it is viewed as anachronistic, hypocritical and insulting to the point of being a deliberate act to constraint the nation’s global re-emergence. The P.R.C. has consistently underscored the embargo’s unfairness and how it ‘belittles the concept of a strategic partnership between E.U. and China’ (Gill and Small, 2012: 39). Although the Chinese have in recent years been intensively lobbying the E.U. to scrap the embargo, the decision to change it has not been made, nor has any compromise among the E.U. member states on this issue been reached. From this perspective, it seems that the E.U. is defending its norms at a potentially significant economic cost, thereby suggesting a strong normative undercurrent to its stance.

The issue attains extra complication from the realization that the embargo, in practice, is no longer capable of achieving its aim of transforming China’s human rights policy, and it does not significantly undercut China’s military capacity. To this end, China has repeatedly shown resilience in improving its human rights record. Since Tiananmen Square, minimal reforms have
been made with the major exception of abolishing the death penalty for minors in the late 1990s – which brought the nation in line to an international *jus cogens* (see Hasmath, 2012). Indeed, some commentators have argued that China’s human rights record is getting worse, notably when looking at the case of Liu Xiaobo/Chen Guangcheng, and policies towards ethnic and religious minorities (see Hasmath, 2010; Maurer-Fazio and Hasmath, 2015; Tam and Hasmath 2015), the situation in the Tibetan Autonomous Region (see Hasmath and Hsu, 2007), and the Xinjiang Uighur Autonomous Region (see Hasmath, 2014). Furthermore, the embargo itself has not significantly impacted China’s access to arms. (see Weitz, 2013: 88).

Potentially, the E.U. is constrained by the symbolism a lifting of the arms embargo would signal. Namely, it will suggest condoning China’s behaviour. Even if the arms embargo ‘as a tool to coerce better human rights practices … has been largely ineffective’ (Erickson, 2008: 20), the E.U. will face tremendous pressure from civil society actors for overlooking human rights violations, and going against its stated normative values.

The ineffectiveness of the arms embargo is underscored by the fact the E.U.’s enforcement mechanisms are weak. As the E.U.’s Council Secretariat (2005: 1) points out, ‘due to the nature of the declaration, the scope of the embargo is not clearly defined’. E.U. member states can interpret the ban on arms sale differently, whereby the assessment of military equipment exports is attributed to national authorities. In other words, the embargo does not completely ban all weapon sales to China. For example, despite the embargo, the UK has still been able to engage in trade of weapon components and technologies with China, granting licences to companies to sell GBP 500 million (~USD 660 million) worth of military technology and parts to China between 1997 and 2006 (Weitz, 2013: 89).

Again, this situation is occurring in spite of the fact the European Parliament has reiterated in a February 24, 2005 resolution that ‘unless and until there is a significant improvement in the human rights situation in China, it would be wrong for the E.U. to envisage any lifting [of] its embargo on arms sales to China’ and that it ‘requests that the Commission formally oppose such a move when it is discussed in the Council’. Not surprisingly, the E.U. Parliament and national parliaments in several nations altogether voted against lifting the embargo before more substantial progress in the human rights record is made (see European Parliament, 2005a; 2005b), giving way to norms they believe in and equally expect from others nation-states.

The aforementioned underscores the importance of norms in guiding E.U.’s policy regarding arms sales to China. While the E.U. may have security concerns over transferring cutting-edge military technologies to China – security interests is not the sole determinants behind the E.U.’s position. The E.U. is willing to abide to its strategy – reaffirming its core cultural norms relating to human rights – despite it being shown ineffective and actually hurting some of its other non-normative interests.

**Engagement in Africa**

The E.U. and China’s engagement in Africa is exemplified by the trilateral dialogue and cooperation framework put forward in 2008. This initiative sought to ‘identify and address a specific number of areas that are suitable for trilateral cooperation and to link this cooperation where possible with existing commitments in multilateral fora’ (Commission of the European Communities, 2008b: 5). In particular, issues of immediate importance to an E.U.-China strategic partnership in Africa included peace and security, infrastructure, and resource management. Due to the magnitude of these ambitious goals, it necessitated a co-operative
approach. However, minimum progress has been made on the trilateral dialogue's aims to date. This situation begs the following queries: What were the driving forces behind the trilateral dialogue initiative? Why has little progress been made on the initiative’s objectives?

The E.U. first proposed the trilateral dialogue framework to China when it sent out a communication concerning ‘whether more can be done between the E.U., Africa and China to reinforce their policy dialogue and cooperation through forms of trilateral cooperation’ (Van de Velde, 2011: 1). Here, the E.U. was acting out of its structural constraints. In particular, China’s emergence in Africa and active investment in its infrastructure and natural resources was perceived to minimize the E.U.’s opportunities, and potentially undermine its objectives (see Hsu et al., 2016). In addition, the weakness of the E.U.’s economic power and military leverage necessitated a co-operative approach with China. At the same time, the E.U.’s general interest in African development stemmed from a mixture of economic, normative and security interests. For example, the E.U. Africa Development Plan underscored the need to attract and facilitate foreign direct investment (Joint Africa E.U. Strategy, 2011); the E.U. Green Paper stressed democratic governance and respect for human rights as integral parts of the E.U.’s development strategies (European Commission, 2010); and, the E.U.’s Policy Coherence for Development featured energy as one of the ‘fiches’ (Van Sheik, 2006). In this vein, cultural norms, resource constraints and rational considerations underpinned the E.U.’s choice of instigating a trilateral dialogue initiative with China in Africa.

Interestingly, the trilateral dialogue failed to produce any tangible, actionable results. What is apparent, in hindsight, is that economic and security considerations were of tertiary importance to the E.U. initiative. China has on average accounted for only 5 percent of annual FDI flows to the continent, making it considerably smaller than investments from the United States and E.U. (Jafrani, 2012). Hence, the P.R.C. was not aggressively ‘buying up’ Africa to the point of squeezing the E.U. out of most markets there. Furthermore, China’s investment has predominantly gone into authoritarian and semi-authoritarian African nations that the E.U. would never have entered. For example, China supported Zimbabwe, during a period of E.U. sanctions. Likewise, China sold USD 55 million worth of arms to Sudan between 2003 and 2006, flouting the United Nations’ arms embargo (Enuka, 2011: 69). In fact, Sudan became the epitome of what is dubbed as China’s ‘complete package’ which includes money, technical expertise and even influence in international institutions. For instance, in 2004, China blocked U.S. efforts to apply UN sanctions on Sudan (which supplies about 5 percent of China’s oil).

It is apparent that China’s investment policy was not heavily impinging on E.U. markets or energy security. Rather, any contentions with China’s behaviour stems from normative considerations. This manifest in two forms: First, the E.U. was dissatisfied with the impact of China’s economic policy on the local African population. As Muchie et al (2012: 125) state, ‘Chinese companies unfairly import their own workers, thereby limiting local employment opportunities and keeping out African firms’. These trends are exacerbated by the arrival of cheap Chinese imports that are destabilising local African industry. In the case of South Africa, for example, most of the increase in Chinese market penetration has been at the expense of local production (Edwards and Jenkins, 2013: 22). It is estimated that over 75,000 jobs have been lost in the textile industry in South Africa due to low-priced Chinese imports.

From another standpoint, the E.U. perceives China’s economic involvement in Africa as spreading corruption and weakening transparency and governance. This derives from the notion that China’s FDI and development aid packages, unlike the E.U., come without clauses relating to promoting transparency, accountability and good governance (see Hsu et al., 2016). The E.U.
has been consistent in emphasizing the importance of such normative claims in its development policy towards Africa. For instance, as early as 1991, the European Commission produced a resolution on international development that provided a specific mandate for the inclusion of provisions on human rights, democracy and the rule of law in its relations with least developed and developing nations. Consequently, the 1995 Lome Convention relayed this sentiment to the E.U.’s approach towards Africa, underscoring the respect and enjoyment of human rights and the recognition and application of democratic principles, the consolidation of the rule of law and governance as cornerstone policy principles. Seemingly, China’s disregard for many of these norms has stalled cooperation. The E.U. has repeatedly dwelled on this point, for example, stating in a Parliament Report, ‘China's no-conditions investments in those African countries misgoverned by oppressive regimes contribute to perpetuating human rights abuses and further delay democratic progress and hinder recognition of good governance, including the rule of law and the control of corruption’ (E.U. Parliament, 2008b).

In sum, China’s involvement in many African nations reinforces the status quo, in terms of maintaining the strength of corrupt and mismanaged regimes. Expressed differently, the E.U. – who has an explicit political agenda in developing non-democratic nations – loses its position in Africa to China. The E.U. has shown unease that China and some African states do business regardless of the lack of protection for – and abuse of – human rights, and their leaders do not respect the frameworks of international conventions. Hence, E.U. parliamentarians have urged the suspension of China’s uncontrolled cooperation ‘with those governments that are responsible for human rights violations, are involved in conflicts or on the brink of war, such as Zimbabwe, Sudan, Chad, Democratic Republic of Congo, Ethiopia and Eritrea’ (European Parliament, 2008a). Likewise, the E.U. is dissatisfied that China employs the international system to protect the host nation that it engages with, from sanctions and other preventive measures in the face of serious allegations of genocide and crimes against humanity. It is apparent that variances in culture-based norms between the E.U. and China have been a major obstacle to enact the policy framework of the trilateral dialogues.

**Market Economy Status**

There has been a longstanding disagreement between the E.U. and China over granting market economy status. Article 15 of China’s Accession Protocol to the WTO allowed members to treat China as a non-market economy for anti-dumping purposes until the end of 2016, unless China can prove beforehand that it has a market economy. The E.U. refused to give China market economy status on technical grounds. The E.U.’s assessment of market economy status is based on five major criteria set by European legislation, covering government influence on firms’ decisions, public ownership, firms' accounting standards, bankruptcy regulation and exchange rate policies (Commission of the European Communities, 2008a). According to the E.C.’s assessment, China has only met one criterion – the absence of state-induced distortions in the operation of enterprises linked to privatization and the use of non-market trading or compensation system.

The most vocally expressed rationale underpinning these technical arguments centres on the idea that giving China market economy status will adversely impact the E.U.’s economy. That is, the E.U. feels exposed to China’s dumping practices – a situation which, in its opinion, can be made far worse if the P.R.C. is granted market economy status. In particular, if the status was granted, China would be in a stronger position. It will be able to protect its exporters (especially
those offering cheaper goods) and avoid paying high punitive tariffs in anti-dumping cases. It is estimated that China’s exports of manufactured commodities to the E.U. would increase by EUR 142.5 billion (~USD 171.5 billion) in the first three to five years after granting market economy status, at the same time increasing the E.U.’s trade deficit and reducing GDP by 2 percent (Wu, 2016). By minimizing the ability to impose tariffs on dumped goods and thus, undercutting domestic European production, the granting of market economy status will mean for the E.U. not only a loss of an estimated 1.7-3.5 million jobs, particularly in the steel industry, but also increased competition.

However, as China is decreasingly dependent on export markets and is looking to expand imports and generate growth by spurring domestic demands, the increase in China’s exports to E.U. may not be as large as expected, and thus, the E.U.’s economic arguments should be scrutinized. Foremost, less than 1 percent of all Chinese exports to the E.U. are affected by the E.U.’s anti-dumping measures. From this standpoint, giving China market economy status will have no real negative impact on the E.U.’s economy. According to Cornelis’ (2007) estimates, in conducting a cost-benefit analysis regarding China’s classification as a market economy, it transpires that market economy status might actually be detrimental to China. The logic here is that in a non-market economy classification, Chinese exporters can avoid applying market economy methodology by claiming market economy status without being subject to the European Commission’s countervailing duty rules. Further, market economy status will not put Chinese exporters in a better position as China’s reclassification as a market economy will not shield it from anti-dumping actions by its trade partners and will not prevent the use of data from third-party nations. Moreover, China’s growing middle class represents an opportunity for European companies and the E.U. will hope China will expand its investments in Europe.

Consequently, much of the E.U.’s economic reasoning is erroneous, and points to other issues behind its calculus. To illustrate this point, we can underscore the arbitrary nature of market economy status classification. There are no uniform standards with regards to what precisely defines a market and non-market economy in the W.T.O. Hence, nations create their own distinct criteria, which sometimes produce a number of conflicting standards. This is most clearly evident given 81 other nations, including Russia, Brazil, Switzerland, and Australia have recognized China with market economy status. Meanwhile, the E.U. continues to withhold recognition, and base their decisions on a dissimilar criterion. Nations such as Russia and in Eastern Europe have obtained market economy status from the E.U., but China, with a much higher degree of market economy does not. Interestingly, when Russia was given market economy status by the E.U., China ranked higher than Russia in terms of its economic liberalization index and market economy development.

It is evident that the E.U.’s refusal to grant market economy status to China stems from mercantilist/protectionist considerations as powerful industrial lobbies – in particular the steel, ceramics and textile – have been able to pressure the E.U. towards the maintenance of anti-dumping measures.

We also argue that cultural norms play a relevant role in driving the E.U.’s stance. Norms in E.U. policymaking are heavily filtered through the institutional system, which makes them less effective in trade policy (see Zimmermann, 2008). However, this does not discount the intent, and ideological and rhetorical commitment of E.U. institutions to have these norms in place, nor does it discount their actual presence, relevance and importance in the policy making process. For instance, the E.U. can use the market economy status as a bargaining measure to encourage China’s improvement of human rights and institution of democratic reforms. These sentiments
are supported by E.U. officials. As one high-level E.U. diplomat stated off-the-record: ‘the arms embargo and market status are negotiating tools if we want human rights improvements in China’ (Men, 2011: 84-85). Chinese leadership have voiced similar remarks: ‘we think the two issues [market economy status and arms embargo] involve political discrimination against China ... the sooner they are resolved, the sooner the burden on E.U.-China relations can be cast off’ (Men, 2011: 86-87).

Furthermore, there is a growing negative perception of China across Europe, which may add to the explanation of the current refusal by some E.U. members to award China its long coveted status (see Tocci, 2008). For our purposes, it is worth noting that the negative perceptions stem from the mismatch of cultural and normative expectations between the E.U. and China.

Implications and Conclusion

Norms, stemming from the E.U.’s cultural legacies and historical heritage, exert a significant impact on the E.U.’s strategic behaviour towards China. This is evident, to a varying degree, in the arms embargo, E.U. and China engagement in Africa, and market economy status cases. Each of these scenarios illustrate that the E.U.’s normative considerations is an interactive, and sometimes potentially overriding variable that greatly shapes and predisposes its policy approach toward China. The prominence of norms have been underscored by the notion that they underpin even non-normative issues, such as market economy status due to the strength of the E.U.’s general dissatisfaction with China’s seemingly incompatible values.

Naturally, there are certain limitations to which E.U. norms may impact its behaviour with China. Where there are overriding economic benefits, an analysis of costs and benefits may take precedence. Or, where there is a strong lobby presence – such as the U.S. lobbying the E.U. to withhold its arms embargo with China – the realpolitik may take precedence. While strategic interests undermine norms in such eventualities, it does not mean that norms have no importance at all. There is a constant negotiation and renegotiation process as to which claims should take precedence and to what degree, hence the competing behavioural approaches, which, in a sense, complement each other in helping us understand the factors that drive E.U. behaviour towards China. So, the various approaches do work together, but with different dominance levels according to the strategic interests or resource constraints. Notwithstanding, we argue norms still serve as a prominent element that predisposes institutional outcomes and actor preferences.

Understanding the major role norms play in E.U.-China engagement can minimize unintended foreign policy outcomes. For example, in another context, the E.U.’s normative efforts to support greater democracy in Eastern Europe was often interpreted by Russia as an aggressive realpolitik aimed to undermine its security and ultimately, its (authoritarian) regime. It will be prudent for the E.U. to bear this in mind in its dealings with China. This will promote greater and deeper cooperation, as state actors’ goals and intentions are more apparent and can be addressed directly. Furthermore, understanding the inherent norms in play by both sides can bolster states’ persuasion powers, as each state actor can build from each other’s shared normative premises. The net result, then, is a safer international order that improves global security.

It will be prudent for future studies to place greater emphasis on the context in which norms are formed – perhaps with the aid of evidence beyond archival and document evidence used in this article. This is important as, for example, even though China and Russia both deemphasize rights-based justice and democracy, Russia derives this normative standpoint primarily from its
opposition to the West, rather than as an extension of its national history, which is more akin to the case of China. As a result, nations with similar norms to China can still produce different behavioural responses from the E.U., based on the nature of their norm development. Here, then, it is important to focus more closely on the impact international-oriented variables, such as global norms or globalization, have on national norms formation.
References


