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2013

The Efficacy of Post-Lisbon Treaty EU's External Actions and China–EU Strategic Partnership

Zhimin Chen



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The EU's Foreign Policy
What Kind of Power and Diplomatic Action?
Edited by Mario Telò and Frederik Ponjaert



A very timely and topical volume concerned with the impact of the Lisbon Treaty on the European Union's (EU) capacity to further develop a distinctive foreign policy in accordance with the various policy instruments necessary to fulfil its role as a global actor. This edited volume brings together a host of scholars in the fields of European Studies and International Relations whose contributions offer both innovative theoretical perspectives and new empirical insights.

Overall, the book emphasizes the question of the EU's evolving legitimacy and efficiency as a foreign policy and diplomatic actor on the regional and global stage. This shared concern is clearly reflected in the book's three-pronged structure: Part 1 – *The EU: A Controversial Global Political Actor within an Emergent Multipolar World* with contributions from A. Gamble, M. Telò and J. Howorth; Part 2 – *After the Lisbon Treaty: The Common Foreign Security Policy and the European External Action Service*, includes chapters from C. Lequesne, C. Carta and H. Mayer; Part 3 – R. Gillespie, F. Ponjaert, G. Grevi, Z. Chen, H. Nakamura and U. Salma Bava assess the CFSP and the EU's external relations in action. The Foreword is by S.E.M P. Vimont. As a result, the book is a useful and relevant contribution to European Union studies and International Relations' research and teaching. It offers any interested party informed and comprehensive insights into EU foreign policy at a time when it seeks to undertake an increased role in World affairs and this despite economic crisis.

Commentators have often projected their own hopes and fears onto the EU and its Common Foreign and Security Policy. Does the EU, in its foreign policy aspects, represent a 'post-modern' world of persuasion and public-spirited action or is it just a hapless would-be state that has to appeal to the United States, as in Bosnia and Libya, to act effectively? The contributors to The EU's Foreign Policy reject simplistic dichotomy, exploring how EU policy actually functions and describing its contributions to modifications in the structure of world politics. How the influence of the EU can be maintained despite financial crisis and long-term recession ... remains a major question, not resolved but illuminated by this thoughtful volume.

Robert O. Keohane, Professor of Public and International Affairs, Princeton University

This volume is original for three main reasons: it provides a conceptual framework for grasping the EU's idiosyncratic international power and diplomatic action; it offers a fresh analysis of the EEAS, its structure and relationship to the EU external action system; and it offers new research on EU diplomacy in action in the near and far abroad. In addition, contributions from scholars from China, Japan and India provide an invaluable perspective from the outside-in. The book will be especially useful for master and PhD students in EU studies.

Kalypso Nikolaidis, Professor at European Studies Centre, St Anthony's, University of Oxford

This volume critically assesses the changes that have been implemented since the Lisbon Treaty, and considers the EU's influence in the increasingly multipolar world of the 21st century. The contributors are all highly respected experts, and include academics from well beyond the EU's borders. Highly recommended.

Karen E. Smith, Professor of International Relations, London School of Economics

Mario Telò is a member of the Royal Academy of Sciences and professor of international relations at the Université Libre de Bruxelles, and of EU institutions at LUISS University, Rome. **Frederik Ponjaert** is researcher at the ULB and Katholieke Universiteit Leuven, and teaches comparative regionalism at Sciences Po, Paris.

Edited by
Mario Telò and Frederik Ponjaert



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THE EU'S FOREIGN POLICY

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Robert O. Keohane, Princeton University, USA

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The EU's Foreign Policy

What Kind of Power and Diplomatic Action?

Edited by

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Chapter 10

The Efficacy of Post-Lisbon Treaty EU's External Actions and China–EU Strategic Partnership

Chen Zhimin

Abstract

At the time of EU's new post-Lisbon foreign policy apparatus being put into place, the relationship between the EU and China was experiencing its low point after the launching of a bilateral strategic partnership in 2004. The chapter argues that, with the uplifted focus on EU's bilateral strategic partnerships, new EU foreign policy leaders and institutions have made a series of important steps to revitalize relations with China. Such a more pragmatic China policy is also partly shaped by the economic challenges stemming from Europe's sovereign debt problem, even though the overwhelming focus on managing this internal economic crisis has distracted the EU's attention from foreign policy, including its relations with China. Nevertheless, the improved atmosphere in bilateral relations has not so far been translated into substantial achievements in the relationship in addressing the key concerns of the two sides. Furthermore, the existence of the two-level system in the EU, hence the development of two-level strategic partnerships with China, has complicated the process of partnership-building.

Introduction

The Lisbon Reform Treaty created a vastly different EU foreign policy apparatus and facilitated renewed efforts to revitalize the EU's bilateral strategic partnership strategy. This chapter will assess the efficacy of post-Lisbon Treaty EU's external actions in the context of EU–China strategic partnership building. It will investigate if a reformed EU foreign policy institution has contributed to reverting the hollowing-out of a once thriving EU–China strategic partnership before the Lisbon reform. It will also discuss the impacts of the European financial crisis on the EU's handling of its relations with China, and explore how the two-level nature of the EU foreign policy system complicates the development of this partnership.

The EU–China Strategic Partnership: The Pre-Lisbon Treaty Ups and Downs

Amid heightened concerns over American unilateralism in the wake of the American invasion of Iraq, in September 2003, the European Commission issued a new China policy paper, which stressed that ‘the EU and China have an ever-greater interest to work together as strategic partners to safeguard and promote sustainable development, peace and stability’.¹ A year later, the EU and China announced the launching of a China–EU strategic partnership.

From the mid-1990s, China has initiated partnership diplomacy, aiming to form closer collaborative relations with major players around the world, but avoiding any formal security alliance. The new strategy saw its first bilateral partnership with Brazil in 1993, then with Russia in 1996, and a short-lived one with the United States in 1997. After the 1998 announcement of a China–EU ‘comprehensive partnership’, a further lift to a strategic partnership is anticipated as a logical development from the Chinese side. On the EU side, the EU used the expression ‘strategic partnership’ for the first time in its relations with Russia in 1998. The reason why the EU is a latecomer in developing strategic partnerships ‘is that strategic partnerships cover two dimensions in which the EU has traditionally been quite ineffective, i.e. a strategic approach to foreign policy and bilateral relations with other powers’ (Renard 2011: 7). As the EU tried to find common ground for its Common Foreign and Security Policy (CFSP) and European Security and Defence Policy (ESDP) after the bitter internal division over responses to the American military intervention in Iraq in March 2003, the European Security Strategy, drafted in June and finalized in December 2003, enlisted six EU strategic partners, which included China.²

The launching of China–EU strategic partnership in 2003 was of real substance. The bilateral economic relationship was booming, a wide range of sectoral dialogue mechanisms were in place, and the relationship was increasingly institutionalized with an annual China–EU summit at the top level, supported by regular meetings of ministers and senior officials. More importantly, on some real strategic matters, EU countries, particularly those who opposed the war in Iraq, like France and Germany, intended to develop closer cooperation with China with a shared interest in constraining American unilateralism under the Bush administration. The EU and China signed an agreement on cooperation in the EU’s Galileo satellite navigation programme in 2003, which was seen by the United States as a rival to the American GPS system, thus not welcomed; and later that year, French President Jacques Chirac and German Chancellor Gerhard Schroeder both publicly supported a re-examination and possible lifting of the EU’s arms embargo policy against China. The rapid warming of relations between the EU

¹ European Commission, ‘A Maturing Partnership – Shared Interests and Challenges in EU-China Relations’ (2003). COM(2003) 533.

² See ‘A Secure Europe In A Better World: European Security Strategy’, Brussels, 12 December 2003.

and China in 2003 and 2004 led observers to proclaim that a China–EU ‘Axis’ was in the making (Shambaugh 2004: 243–8).

However, the ‘love affair’ between the EU and China did not last long. As the United States faced a prolonged struggle in both Iraq and Afghanistan, the second Bush administration started to improve its relations with its European allies, thus reduced the European anxiety over a more hegemonic United States, and hence the incentive to forge closer strategic ties with China. After leadership changes in Germany (2005) and France (2007), German Chancellor Merkel and French President Sarkozy both put the United States on top in their foreign policy agenda, and embraced at a certain point a so-called values-based diplomacy, which triggered a number of political problems with China, such as more official meetings between the Dalai Lama and Chancellor Merkel and President Sarkozy. The latter event was especially annoying to the Chinese side, as President Sarkozy at the time was also presiding over the European Council. In the aftermath of this meeting, China cancelled the China–EU summit during the French presidency, which was a major setback for both China–France and China–EU relations. Moreover, China’s investment and participation in the development of the EU’s Galileo satellite navigation programme was seen as a symbol of the ‘strategic partnership’. However, a few years later, the EU changed its mind, and in 2008 finally decided to exclude Chinese contractors in the procurement scheme for the second phase of Galileo. With that decision, some observers argued that, by the summer of 2008, the ‘Sino-European techno-political linkage would be largely over’ (Casarini 2009: 2). In return, China decided to launch its own Beidou satellite navigation system, and the two sides locked in a head-on competition for the same frequency (He 2009).

While the political and strategic substance of the partnership is being diluted, bilateral economic relations, which used to be seen as perfectly win-win and complementary, also became somewhat controversial. After the EU became the number one trading partner of China, the EU complained about its enlarging trade deficit with China, and stepped up its pressures on China to open its market. The 2006 Commission China policy paper labelled China as the EU’s ‘single most importance challenge to EU’s trade policy’.³ The change of tones and approaches in the EU’s trade policy towards China led one American scholar to claim that the EU was adopting an Americanized style (Bates 2008: 276).

Lisbon Reform Treaty and its Boost for China–EU Strategic Partnership

The Lisbon Treaty created a brand new foreign policy apparatus for the EU: the EU takes over the European Community as the legal person under international law; at

³ European Commission, *Accompanying COM(2006) 631 final: Closer Partners, Growing Responsibilities. A Policy Paper on EU-China Trade and Investment: Competition and Partnership*, Commission working document, Brussels, 24 October 2006.

the summit level, it puts in place a permanent president of the European Council, abolishing the rotating system to ensure policy continuity; at foreign minister level, the new High Representative for Foreign Affairs and Security Policy (HR), combining the functions previously held by the High Representative, the foreign minister of the rotating presidency and the Commissioner for external relations in the European Commission, is empowered to preside over the Council of foreign ministers, lead and coordinate the external actions of the Commission, and shall be supported by an integrated European External Action Service (EEAS). The EEAS is 'a functionally autonomous body of the Union under the authority of the High Representative'⁴ and modelled after national foreign ministries, has its central administration in Brussels and 140 delegations in third countries or international organizations. By the end of 2011, the EEAS had 3,611 staff, including 1,551 working in Brussels and 2,060 in delegations.⁵

Many observers deplored the fact that member states decided to install two low-profile politicians, Mr Herman Van Rompuy of Belgium and Lady Ashton of the UK, to fill the two new positions, which seemingly underused the potential offered by the treaty reforms (Patten 2009). Nevertheless, as the system starts to function, a new momentum for a more purposeful and strategic EU foreign policy is activated.

After a preparatory informal Gymnich meeting of foreign ministers chaired by Lady Ashton, a special EU Council was held in September 2010 to discuss the EU's strategic partnership, a first attempt in the EU to address the issue at the highest level. In the President's Conclusion after the meeting, the European Council stressed that the European Union and its member states should 'act more strategically so as to bring Europe's true weight to bear internationally'. In doing so, the EU has to clearly identify its strategic interests and objectives at a given moment, as well as the means to pursue them more assertively. In that context, 'the European Union's strategic partnerships with key players in the world provide a useful instrument for pursuing European objectives and interests'.⁶

While European leaders acknowledged the emergence of new players with their own worldviews and interests as an important new feature in the international environment, they seemed to set their strategic priority in relations with emerging powers on securing Europe's balanced share of the growth benefit, and ensuring the even sharing of international responsibilities by the emerging powers, in the name of 'reciprocity'. In particular, regarding the October 2010 EU–China summit, the

4 Council of the European Union, *Council Decision of 26 July 2010 Establishing the Organisation and Functioning of the European External Action Service*, 2010/427/EU. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:201:0030:0040:EN:PDF>.

5 Report by the High Representative to the European Parliament, the Council and the Commission, 22 December 2011, para. 21. http://eeas.europa.eu/images/top_stories/2011_eeas_report_cor+_formatting.pdf.

6 European Council. European Council conclusions on 16 September 2010. Brussels.

Conclusions called for the EU to 'actively pursue its strategic interests, including as regards the promotion of bilateral trade, market access for goods and services and investment conditions; the protection of intellectual property rights and the opening up of public procurement markets; stronger discipline in the field of export subsidies; and the dialogue on exchange rate policies'.⁷ On appearance, the demands were all economic, neither political and security issues were mentioned, nor a trade-off formula was offered.

The October 2010 EU–China summit was a failure, ending up with a very short joint statement of only 11 paragraphs. One analysis of the failure was that reciprocity was applied too bluntly and without the necessary preparation that negotiation with China requires (Vaïsse et al. 2011: 28). In other words, while the EU was not prepared to lift the arms embargo, its counter-demands for granting China a market economy status (MES) were far beyond what China was willing to accept. For China, MES has been a top demand in its relations with the EU. However, according to China's WTO accession agreements, China will automatically enjoy that status by 2016. So the value of MES has been depleting year by year. China may offer some economic concessions in exchange for earlier obtainment of that status, but it seems that Europe's demands were way beyond what China was willing to accept.

Under Van Rompuy's request, Catherine Ashton presented to the December 2010 European Council meeting a first 19-page progress report on the EU's strategic partnerships, which focused on the United States, China and Russia. According to media reports, Ashton adopted a pragmatic approach with regard to China. Catherine Ashton reopened the issue of the EU's arms embargo against China, saying the current arms embargo is a 'major impediment for developing stronger EU-China co-operation on foreign policy and security matters', and the EU should 'assess its practical implication and design a way forward'. On human rights issues, although Ashton would continue to promote the EU's norms, she admitted that the EU can do little to change Chinese society. 'China will not match EU standards of human rights and rule of law for some time to come. Future convergence is best sought by concentrating on common ground.' Acknowledging widespread negative views about China in Europe, she also proposed that the EU should 'design a coherent communication strategy' to 'explain' its view of China to the European public, with 'facts about China [to] be mainstreamed at all levels of education' (Rettman 2010).

Ashton's proposal did not get off to a good start. She failed to persuade the UK and other Beijing-critical member states to lift the EU arms embargo on China. In the following meeting of EU foreign ministers, the arms embargo issue was not discussed, and apparently there was no new consensus on lifting the arms embargo (Rettman 2011).

On 12 May 2011, Catherine Ashton met in Prague with her Chinese counterpart, State Councillor Dai Bingguo, for a second EU–China strategic dialogue. China

7 Ibid.

and the EU had established strategic dialogue at the vice-ministerial level from 2005. After the Lisbon Treaty, both sides agreed to upgrade it into a HR–state councillor level between Ashton and Dai Bingguo, equivalent to the same dialogue level between China and the United States, a sign from the Chinese side that they took seriously the enhanced role of Ashton in the EU foreign policy system, and its attempt to make use of this reform to move the relationship forward. The first strategic dialogue was held in Guizhou, the hometown of Mr Dai and the capital of one of poorest provinces in China, designed to add personal attachment to the relationship-building and allow Ashton to get a glimpse of the developing part of China. Like the first one, the second strategic dialogue functioned as the platform for the two sides to engage in an in-depth exchange of views on a wide range of issues to enhance mutual strategic trust, and was not intended for substantive negotiations on concrete issues.⁸

Just few days later, Mr. Van Rompuy the President of the European Council, made his first visit out of Europe to China. The meeting was mainly a get-to-know-each-other one. Besides meetings with Chinese top leaders, Mr Van Rompuy delivered a major speech on EU–China relations at China’s Central Party School which trains current and future senior leaders. In the speech, Mr Van Rompuy stressed that, since he took office, he has placed the EU–China relationship ‘in the centre of an important internal debate’ focusing on the strategic partners of the EU. To his understanding, European leaders have shown a great desire to develop a ‘reliable, constructive and forward-looking strategic partnership with China’, which should be based ‘on the principles of shared responsibility, cooperation and openness’.⁹

On 24 October 2011, Catherine Ashton met Chinese Defence Minister Liang Guanglie in Beijing to explore possible new military cooperation. The two sides exchanged views on promoting China–EU military ties and enhancing maritime escort cooperation and reached several agreements. Maritime escorting in the Gulf of Aden and waters near Somalia has become a new area for cooperation between China and the EU. Both sides have cooperated well during meetings of the UN-led International Contact Group on Piracy off the Coast of Somalia since international escort initiatives began in 2008.¹⁰

The fourteenth EU–China Summit was held in Beijing on 14 February 2012. The Joint Press Communique released after the summit set a positive tone for the relationship. It said that ‘the EU-China Comprehensive Strategic Partnership

8 Yuanfang Zhao, ‘zhongou zhanlue duihua de “xu” yu “shi”’ [‘China-EU Strategic Dialogue: Its “Conceptual” and “Substantive” Roles’], China Radio International, 13 May 2011. <http://gb.cri.cn/27824/2011/05/13/2225s3246082.htm>.

9 Herman Van Rompuy, ‘Europe and China in an Interdependent World’, Speech at the Central Party School, Beijing, 17 May 2011. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/122013.pdf.

10 Defence Ministry, China, ‘China to Promote Defense Cooperation with EU’, 27 October 2011. http://eng.mod.gov.cn/MilitaryExchanges/2011-10/27/content_4309092.htm.

is entering a new important stage of development', with progress 'both in width and in depth'. The two sides expressed 'the determination to set a good example for international cooperation in the 21st century, fully contributing to the cause of making this century one of peace, cooperation and development'. Progresses are mostly in the bilateral relations as they announce a series of new initiatives: establishment of the EU–China High Level People-to-People Dialogue, launching of a new negotiation on an EU–China investment agreement which would promote and facilitate investment in both directions, setting up a new EU–China High-Tech Trade Working Group to facilitate trade in high technology, the establishment of the EU–China Partnership on Urbanisation, the convening of a EU–China High Level Energy Meeting, etc. The two sides also found new common ground on thorny issues (MES and Galileo) in the bilateral relations. On the MES issue, the two sides 'stressed that particular importance should be given to working for the resolution of the Market Economy Status (MES) issue in a swift and comprehensive way'. On the Galileo issue, the two sides 'reaffirmed that they will continue the cooperation on the Civil Global Navigation Satellite System (GNSS)-Galileo following the 2003 Agreement, with an effort to make positive progress in the cooperation, and to seek and foster new cooperation areas in satellite navigation science and its application'.¹¹

However, the Communiqué only has six paragraphs to address regional and global issues. Among them, five are about global non-political issues, with only one short and vague paragraph dealing with political and security issues. Leaders from both sides could be satisfied with their cooperation on many non-political issues. China has been vocally supportive of Europe's management of its sovereign debt crisis, either through the IMF or G20. On the climate change issue, after the bitter experience in Copenhagen, both China and the EU adopted more pragmatic approaches, which facilitated better convergence between the EU and China. In the December 2011 climate change conference in Durban, South Africa, the EU committed itself for a prolonged period to the Kyoto Protocol and in return China was flexible to commit itself for a future legally binding global pact. However, on the political front, China and European countries found themselves at odds over the handling of the crises in Libya and Syria. China, along with European countries, supported international sanctions on the Qaddafi regime in February 2011. However, China became increasingly critical of the regime change efforts by the French, British and NATO forces in their Libyan military operation, on the basis that it went beyond the authorization by the UN Security Council resolution 1973 to protect Libyan civilians. China did not support the resolution, but also did not block it. The bad feeling from the Libya case has since prompted China, together with Russia, to veto three draft resolutions sponsored by European countries concerning the Syria crisis.

¹¹ Council of the European Union, 'Joint Press Communiqué of the 14th EU-China Summit', Beijing, 14 February 2012. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127967.pdf.

In contrast, the Joint Press Communiqué issued after the EU–India summit just a few days before the EU–China summit had 14 paragraphs on regional and global issues, with eight paragraphs underlining their common grounds and joint approaches in dealing with international political and security challenges,¹² a fact which indicates the serious lack of common grounds in the political and security policies between the EU and China.

The Ongoing European Financial Crisis: Torpedo or Opportunity?

As Lisbon Treaty lifted the EU's institutional capacity to pursue its foreign policy, the EU was almost at the same time hit by a serious sovereign debt crisis in the Eurozone area with profound foreign policy implications for the EU. This section will look at how the crisis has an impact on the building of a strategic partnership with China.

EU countries were heavily hit by the global financial and economic crisis that originated in Wall Street in 2008. As the United States was seemingly pulling itself out of the crisis at the beginning of 2010, Europe was reaching the second wave of the crisis, and this time, it originated from within. Since then, managing the sovereign debt crisis has become the overwhelming priority of the European leaders. On 9 May 2010, EU finance ministers decided to create the European Financial Stability Facility (EFSF), with €440 billion lending capacity to ensure financial stability across Europe. Additional financial support was also secured from the International Monetary Fund (IMF). Substantial bail-out loans were offered to crisis-hit countries, but the contagion still spread to larger economies in Southern Europe. To save the financial stability, European leaders had to engage in numerous summit meetings, which distracted them from their external relations, including relations with key strategic partners of the EU.

In October 2011, the EU scheduled its annual summits with India and China, respectively, on 24 and 26 October. However, a European Council meeting to enlarge the EFSF lending capacity and to decide on the conditions for a second bail-out loan for Greece before these summits had to be postponed to 23 October, due to the deadlocks at the ministerial meetings. Apparently, the EU decided first to postpone the EU–India summit, and hoped that a successful EU Council on 23 October might still allow the EU–China summit to take place. This caused some observers to deplore the fact that the EU was favouring China over India, and 'the EU's Asia policy looks increasingly like a China policy' (Youngs 2011). However, as the prospect for a deal on 23 October became dim, Mr Van Rompuy had to call Premier Wen Jiabao of China to postpone the EU–China summit. A package deal

¹² Council of the European Union, India-European Union summit – Joint Statement, New Delhi, 10 February 2012. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127934.pdf.

among European leaders was reached on 26 October, the cost was first the EU–India summit, and second the EU–China summit.

The financial crisis not only disrupted the EU's handling of its relations with outside players, it also affected the EU's aid policy with regard to emerging powers, including China. In the middle of 2011, the European Commission conducted a review on its development policy. The review argued that the EU needs to focus 'its limited resources in a strategic manner', which implied 'the cessation of EU development assistance, or its diminution' for countries such as Brazil, China, India and South Africa, other G20 members and some middle income countries in Asia and Latin America. Instead, priority aid will be given to 'Neighbourhood' states, sub-Saharan Africa and the world's least developed countries in future (Willis 2011).

In the aftermath of the financial crisis, the EU, which has been a leader in economic liberalization, has witnessed some reversal of the spirit of economic openness. Many new regulations discriminate against non-EU states and companies. Export subsidies have increased significantly. Covert forms of protectionism abound. Scholarly works and official figures all confirm that the EU has resorted to such covert, non-border measures more than any other region since 2008 (Youngs 2011: 6).

Furthermore, to some Europeans, Europe's current crisis has tempered its efforts to build a strategic partnership on EU terms. In the view of the 2012 ECFR report, it is of course easier for member states to cut their own deals with China, especially when they feel other EU member states are not being as supportive as they should be, than to collectively develop a coherent China policy that is able to secure equal access and fair competition. But in putting short-term need above a long-term vision, 'Europe risks reducing its supposedly strategic relationship with Beijing to a profit-making opportunity – for China' (Vaïsse et al. 2012).

The wide reporting of the economic difficulties in Europe also created a tarnished image of Europe in China. Chinese people previously tended to view Europe and the European integration process in a very positive light. As the current crisis exposed the weakness within the EU and also its international standing, Europe is starting to be seen by China as of declining influence. Yang Jiemian, an expert in China on the United States and the head of the influential Chinese think-tank, the Shanghai Institute of International Studies, in his 'Four Groups' theory in early 2010, put Europe in the Losing group, with the EU gradually losing its 'No. 2' status in the world, becoming a reform target in the international institutions, and having to 'transfer' some power and interests in the IMF and World Bank (Yang 2010: 5–6). In January 2011, China's newspaper *Global Times*, an affiliated newspaper to the official *People's Daily*, released its new annual survey on Chinese attitudes towards the outside world. The newspaper has conducted such surveys for five consecutive years. For the first four years, China–Europe relations were seen as the least important bilateral relations that China engaged with major powers, including the United States, Japan and Russia, although it jumped in 2009, almost on par with Japan and Russia, possibly because of the ratification of the

Lisbon Treaty. Nevertheless, in 2010, while Chinese people still overwhelmingly regarded relations with the United States as the most influential one for China, the importance of relations with Europe suffered a dramatic fall, from 19.9 per cent down to 7.3 per cent, which was also significantly lower than in 2006.

Against all these odds, a more positive view would argue that the arrival of the sovereign debt crisis offers a much-needed opportunity for the revitalization of the EU–China strategic partnership.

Over the last three years, the economic relationship between the EU and China has become more balanced in terms of mutual dependence. The EU's yearly growth rate of export to China rose 5.3 per cent, in contrast to an overall decline of 16.2 per cent in 2009. In 2010, while EU exports registered an impressive 23 per cent, its exports to China rose 37.4 per cent.¹³ EU exports in both goods and services in 2011 were up to €156.4 billion from €133.3 billion in the previous year. EU imports from China rose only slightly from €299 billion in 2010 to €308 billion in 2011. This clearly shows the EU has reduced its overall trade deficit with China.¹⁴

At the same time, Europe also becomes a favoured destination of China's overseas direct investment. According to estimates by A Capital, a private-equity firm, in 2011, China's direct investment in European firms surged to \$10.4 billion, from \$4.1 billion in 2010, which makes Europe the leading destination for Chinese firms' investment abroad in 2011, accounting for 34 per cent of all outbound merger and acquisition activity (Back 2012).

On the finance aspect, as China emerged as the world's largest foreign currency reserve country with \$3.3 trillion in hand as of March 2012, China could be of some serious help for the Europeans in dealing with their financial crisis. The current euro crisis, triggered by the debt crisis of Southern EU countries, has erupted at a time when other major developed economies, such as the United States and Japan, are in financial strife. China, in pledging not to divest from euro assets and its gesture to buy further government bonds from EU countries, has contributed to the European efforts to calm the volatile European financial markets, something few other non-EU countries have done. China contributed \$50 billion to strengthen the lending capacity of the International Monetary Fund in 2009. During the February 2012 EU–China summit, Premier Wen Jiabao stated publicly that 'China is ready to be more deeply involved in solving the European debt issues and would like to maintain close communication and collaboration with the EU'.¹⁵ In the G20

¹³ DG Trade, European Commission, 'China: Trade Statistics', 12 January 2012. http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf.

¹⁴ 'EU-Asian Cooperation in an Era of Transformation', Speech by Commissioner De Gucht at the Foreign Correspondents' Club, Hong Kong, 16 February 2012. http://trade.ec.europa.eu/doclib/docs/2012/february/tradoc_149130.pdf.

¹⁵ Chinese Premier Wen Jiabao, European Council President Herman Van Rompuy and European Commission President José Manuel Barroso Jointly Meet Journalists 2012/02/15. <http://www.fmprc.gov.cn/eng/zxxx/t905503.htm>.

summit meeting of June 2012, China announced its decision to participate in the IMF second round of resource boost with a pledge of \$43 billion.¹⁶

From a Chinese perspective, the difficulties in EU–China relations during the past years are mostly due to assertive European policy towards China, either on normative or economic grounds. As Europe is now in much need of Chinese cooperation, its China policy is bestowed with a growing sense of pragmatism, which might lead to more common ground between China and the EU and hence more substantial cooperation. Accordingly, China should grasp this ‘historical opportunity’ to strengthen its strategic partnership with Europe (Pang 2012). Surely, Europe would be even less capable to advance its normative political and societal agenda towards China, be they in domestic development in China, or in the handlings of many global and regional affairs. However, a more pragmatic China policy will lead to enhanced cooperation between the EU and China, and strengthen Europe’s capacity to deal with its more urgent and important issues, such as economic growth and the debt crisis. It might be difficult for the European side to fully acknowledge this new change, but recent developments in bilateral relations indicate that European leaders are moving in that direction.

Partnerships in Two Levels: To Whose Advantage?

Corresponding to the launching of a China–EU strategic partnership, China announced in 2004 three bilateral strategic partnerships, respectively with France, Italy and the United Kingdom. Strategic partnerships with Spain (2005), Portugal (2005), Denmark (2008), Germany (2010) and Poland (2011) were launched afterwards. While the strategic partnership with Portugal is mainly due to the Macao link between the two countries, clearly, except for the case of Denmark, the rest of the strategic partnerships are all with large member states. China’s relations with Poland after the end of Cold War were never warm due to latter’s staunch pro-US and anti-communist policy orientation. Therefore, the 2011 launching of a China–Poland strategic partnership signalled a major uplift of China’s relations with the biggest new member state, as well as the improvement of China’s relations with Central and Eastern European countries at large. A strategic partnership usually means the establishment of intensified high-level dialogues which cover a wide range of important issues. For example, China and the UK established an annual summit mechanism, a vice-premier level economic and financial dialogue, and a vice-ministerial level military strategic consultation mechanism. In the German case, annual inter-governmental consultation meetings were launched in 2011 where government leaders and key cabinet ministers meet to address common problems, a format of dialogue that China has only engaged with Russia before.

¹⁶ People’s Bank of China, ‘China Announced Participation in IMF Resource Boost’, 20 June 2012. http://www.pbc.gov.cn/publish/english/955/2012/20120628155805079171579/20120628155805079171579_.html.

On 26 April 2012, a China-Central Europe-Poland Economic Forum was held in Warsaw. Speaking to representatives from 16 Central and Eastern European countries, including 14 heads of state or government, Chinese Prime Minister Wen Jiabao announced the creation of a \$10 billion credit line to support Chinese investments in Central European infrastructure, new technology and renewable energy, and proposed a goal to reach a volume of \$100 billion in trade with Central Europe by 2015 (Milner 2012).

The existence of the EU's two-level foreign policy system explains the persistence of substantive bilateral relationships between individual member states with China. In the common foreign and security policy aspect, as the EU only acts when there is a common position, there are still broad areas that member states need to deal with China directly. For the EU permanent members of the UN Security Council, France and the UK, and a few other member states which occasionally sit in the Security Council as non-permanent members, such as Germany, bilateral contacts with China would be essential for them to pursue an effective role in the Security Council. Also, as China's influence in various regions and other global affairs continues to rise, any member state which has a vested interest in a certain region or a certain policy issue needs to engage in bilateral coordination with China.

Even in the trade policy area where the EU develops a supranational Common Commercial Policy, member states still need to promote their business interests with regard to China. These interests include promoting sales of big items, like Airbus planes and nuclear power plants, to China, lobbying for market access into a particular sector of the Chinese market where a particular member state has a competitive edge, though this is usually done concurrently alongside efforts from the European Commission.

Furthermore, as economies of the member states suffered in the global financial and economic crisis and the ongoing European debt crisis, the re-nationalization of European foreign policy may add new imperatives for member states to engage proactive bilateral relations with third states, including China. As the EU's key member states either run into their own economic difficulties, or take on the heavy burden of bailing out the crisis-hit economies in Southern Europe, a growing number of member states feel the urgency and necessity to seek external help for themselves. Promoting export and seeking inward investment become even more important than before. Coincidentally, Chinese companies are seeking new markets for their direct foreign investments, and the Chinese government is trying to diversify investment of its \$3.2 trillion foreign currency reserves. Therefore, attracting Chinese investments in the government bonds or domestic market becomes a new incentive for a member state to develop bilateral ties with China. So far, inward investment is an area where EU common rule and policy is not fully established, therefore is still largely managed by individual states.

The existence of parallel two-level bilateral relations with China produced very complicated consequences. For some Europeans, this means that China can exploit the divisions among EU member states, and hence obtain an upper hand

over the EU (Fox and Godement 2009). On the Chinese side, after a period of wishful embracing of the EU as an increasingly important international player, Chinese observers tend to complain of the lack of unity within the EU and deplore the inability of the EU in forming internal consensus on key policy issues with regard to China, like granting China market economy status and lifting the arms embargo. As one retired senior diplomat argued, 'China rather hopes that EU could coordinate internally with regard to its China policy, instead of using internal differences as excuse to shed off responsibilities and run around' (Ding 2009: 32). The immobilism in China–EU relations pushed the Chinese side to rethink its sanguine views about the EU in recent years, and to pay increasing attention to the complicated nature of the EU. As China's former ambassador to Germany later commented, 'we Chinese gradually realize that we have overestimated and been too optimistic about the EU and its attitude towards China. Using the terms of economics, we can say that there are many "bubbles" in there' (Mei 2009: 18). To some extent, such a reassessment leads Chinese observers to reprioritize the member states of the EU. Feng Zhongping, one of leading European experts in China, even goes further to argue the paramount importance of the member states. As he argued, one lesson China possibly learned from China–EU relations over the past years is, no matter whether the issue is a political one or of another sort, the basis for China to deal with and develop relations remains those specific member states. In China's dealings with the EU, China has to remember member states first and EU institutions second. The relationship between the member states and EU institutions can be characterized as the following: it may be very difficult to achieve anything without the EU institutions, but if without the member states, nothing could be achieved (Feng 2009: 66–7).

The resulting mutual frustration suggests that the two sides need to reduce the opportunistic manipulation of the EU's two-level system: China needs to refrain from playing one player in the EU against the other, and the EU institutions and member states need to narrow the credibility gap in the eyes of the Chinese, work together to develop a more coherent and sensible China policy, balancing EU's concerns with Chinese ones, so that future EU–China dialogues and negotiations could lead to mutually beneficial and real results.

Therefore, it is encouraging that EU leaders have made efforts to revitalize the strategic partnership with China, and seemingly attempted to grasp the opportunity that has arisen from the European debt crisis, with some people even floating the idea of some kind of 'great swap' (Phillips 2011).

Conclusion

The new EU foreign policy apparatus added new momentum to the revitalization of the EU–China strategic partnership over the past three years, with the proactive efforts from the new European leaders, such as a special summit on strategic partnership, Lady Ashton's review report on key EU's strategic partnerships, and

