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A COMPACT BETWEEN CHINA AND THE EUROPEAN UNION

Both the European Union and China are committed to giving the Sino-European relationship a genuinely strategic dimension. Since they announced this objective in 2004, there has been a blossoming of 'strategic dialogues', both bilateral and multilateral. These have ensured that broader strategic and geo-political issues are now on the agenda when China talks to the EU and to the leading member-states.

The next step is to find ways of translating this dialogue into an expansion and deepening of co-operation at a practical level. This will involve efforts to advance a working partnership in areas where substantial scope for co-operation already exists, as well as further exploration and dialogue in areas where there are differences, or where the necessary groundwork still needs to be laid.

The EU and China have important relationships with third parties, in particular the US, that need to be taken into account. But both sides, while being mindful of the interests and preferences of key allies, should ensure that this does not act as a brake on taking forward co-operation in areas where there is a clear value to all sides in the further development of Sino-European partnership.

This short paper, written by researchers from think-tanks in China and from the EU, is designed to set out a concrete agenda for co-operation. By concentrating on some of the most important issues of concern on the global agenda – global and regional governance, development, energy and non-proliferation – it seeks to do three things:

- ★ Set out the outlines of a practical 'action agenda' for an EU-China strategic partnership.
- ★ Indicate some agreed principles that could lend themselves to a framework for future co-operation.
- ★ Suggest topics that should be addressed through the various EU-China dialogues, both at an official level and through a 'second track' process of unofficial dialogue.

Global governance

- ★ Europe and China have a common interest in promoting strong, effective multilateral institutions and in ensuring that their international partners support these institutions too.
- ★ Both sides are firmly committed to reforming existing institutions to allow them to maintain their relevance and efficiency in the context of changing global threats and shifts in the international power structure.
- ★ Both Europe and China have an interest in seeing a more prominent Chinese voice and presence in a range of different areas, from the UN reform debate to the promotion of Chinese diplomats to key posts in international bodies. One focal point for collaboration could be the new UN peace-building commission, where the involvement and expertise of both sides can help to determine its shape and direction. The European Union could also expand its support for the training of Chinese peacekeepers, and explore the development of a common approach to peacekeeping through shared academies.

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- ★ The EU and China need jointly to explore in greater depth the future mechanisms of global economic governance – for example by making institutions such as the IMF more representative and independent. They should also agree on a successor institution to, or expansion of, the G8 to ensure that major decisions about the global economy are taken with the full participation of the world's largest economies.
- ★ China and the EU have varying perspectives on some of the norms that guide contentious issues such as intervention, but both have a clear interest in ensuring that decisions about them take place through structures such as the UN Security Council. The two sides' thinking about questions such as the 'responsibility to protect' is going through significant shifts. A more substantive dialogue between Europe and China on this set of issues would be of great value in ensuring that commonly agreed rules are in place to prevent tragedies such as the Rwandan genocide.

Regional co-operation

- ★ The European Union and China believe in strong regional economic and security institutions as a means to building peace and prosperity. Asian regional institutions are still at an early stage of development and have been under greater external scrutiny than ever before. Meanwhile, the European Union suffered a setback in 2005 with the failure to ratify its Constitutional Treaty. There is an opportunity for a more pro-active mutual support for regional integration processes.
- ★ The EU is uniquely well qualified to share its own experience to help resolve issues of history in Asia that have acted as a block to progress.
- ★ The EU should also make a more conscientious effort to engage with Asian regional institutions where possible, rather than simply dealing with Asian countries bilaterally. One priority should be the reinvigoration of the Asia-Europe Meeting (ASEM) in time for the 2008 Chinese chairmanship. A specific 'second track' dialogue or joint taskforce should be convened on how to do this.
- ★ China in turn should commit to supporting the EU as an actor. It should therefore put less emphasis on encouraging the competitive bilateralism between member-states that may offer short-term rewards but in the long run is liable to reduce Europe's scope for operating in an effective manner on the world stage.

Energy and the environment

- ★ China and the EU recognise the pressing need to address the threat of climate change to economies and ecosystems, particularly in the developing world, as well as the significant problems of environmental damage that already exist.
- ★ Both sides are committed to advancing co-operation in a number of technical and technological fields. As two of the largest energy consuming regions which have committed to using energy more efficiently, the EU and China can play a leading role in pushing forward a post-Kyoto framework as they did at the Montreal talks.
- ★ China and the EU should develop and extend co-operation on renewable energy and energy efficiency technology; zero-emission power plants; market deregulation and other institutional and governance issues.
- ★ Both China and the EU believe that global energy resources are best managed through the market. They also believe that, in a context where energy security can only be achieved on an interdependent and global rather than an exclusive and national basis, the politicisation of energy is a threat to European and Chinese interests.
- ★ But it is clear that during a period of uncertainty, rising demand, instability of supply and high prices, energy's geopolitical dimensions will inevitably come into focus. This will require heightened efforts at co-operation among major importing countries if mutually damaging political competition is to be averted. The renewed talks about an Organisation of Petroleum Importing Countries are themselves a sign that the current international structures are inadequate for discussing and co-ordinating energy issues.
- ★ The EU and China should take a lead in establishing a far denser and more elaborate network of consultation than currently exists, on both an EU-China and a global basis. Such a network could address issues ranging from threats to regional and national stability to possibilities for joint exploration and protectionism in the energy sector.

Development

- ★ The EU welcomes China's shift in recent years from being an aid recipient to becoming a donor to poorer countries. Together with the dramatic increase in levels of Chinese trade and investment with the developing world, and China's own rapid progress in poverty reduction, this represents a tremendous boost to global development efforts.
- ★ Paired with the commitments to aid increases and debt relief made by the European members of the G8 at the 2005 Gleneagles summit, there is a substantial opportunity for Europe and China to work together on advancing an ambitious international development agenda.
- ★ To avoid repeating past mistakes of waste and support for corrupt and unstable governments, there will be a serious need for active co-operation among donors, pooling of experience and expertise, and close integration of development efforts with other dimensions of foreign policy.
- ★ Both sides should also engage in a thorough debate about what a successful and sustainable development model looks like, drawing on China's own experiences in lifting millions out of poverty, Europe's experience in advancing social justice alongside prosperity, and a hard-headed look at the challenges they face in future.
- ★ For both Europe and China, poverty within their own borders and in their near neighbourhoods will remain priorities that they are better placed to address than any other policy actor.
- ★ But both sides should also seek to co-ordinate their approaches. The most important region for this will be Africa, where the role of external actors such as the EU and China is uniquely large, necessitating an unusually high degree of co-operation if respective efforts are to be mutually reinforcing rather than counterproductive.
- ★ China shares an interest with the EU in political stability in Africa; in poverty reduction; and in other aspects of human development, including healthcare. At a strategic level, Africa could become a topic in the EU-China dialogue, as Latin America has been in China's dialogue with the United States. This could help to ensure that interactions are predictable, that issues of joint concern can be discussed systematically, and that respective approaches can be better understood. Dialogue could include discussion about co-ordinated approaches to support and reward good governance, transparency and the rule of law, and the prevention of conflict on the continent.
- ★ But this will often be best advanced by focusing on individual countries rather than general principles. At a practical level, co-operation in specific places is still progressing slowly and could be expanded substantially. This will be the best way of ensuring that the respective experiences and expertise of the two sides are used, and that differences in approach are understood.

Non-proliferation

- ★ The agreement signed at the 2004 EU-China summit showed that non-proliferation is a priority area for strategic co-operation. The two sides arguably have more in common on non-proliferation than most countries, despite some intra-European differences. Developments since then have only highlighted the importance of translating this common approach into practical effect.

Ways forward could include:

- ★ European support for Chinese membership of non-proliferation regimes such as Missile Technology Control Regime (MTCR), the Australia Group and the Wassenaar Group, including discussion about Chinese participation in the Proliferation Security Initiative.
- ★ European involvement in an extended version of the 'six party talks' on the North Korean issue.
- ★ Extensive dialogue at an official and second track level about developing meaningful incentives for countries to make the choice to give up the nuclear option; developing a better co-ordinated approach to crisis scenarios when these incentives fail and treaty enforcement through the collective security system is necessary; addressing the loopholes and defects in the existing non-proliferation regime; returning disarmament to the international agenda; strengthening export controls; and improving inspection regimes.
- ★ Co-ordination on approaching key partners, such as the US and powers bordering the nuclear-risk states, to play complementary roles in creating appropriate incentives for non-proliferation.

Next Steps

- ★ Advancing these proposals will require expanded contact at an operational level. One way of taking them forward would be for the forthcoming EU-China summit to highlight three or four priority areas for strategic co-operation. The two sides could then appoint working groups in these areas, encompassing regional and functional experts from relevant ministries and a small number of outside experts, who would meet over the course of the year to establish detailed initiatives in each area.

The ideas in this Compact are based on the discussions at a seminar organised by European and Chinese think-tanks at the Chinese Academy of Social Sciences earlier this year. The Chinese Participants included Chen Shuxun (China Reform Forum), Cui Zhiyuan (Tsinghua University), Feng Zhongping (China Institute for Contemporary International Relations), Gao Shixian (National Development Research Council), Gu Guoliang (Chinese Academy of Social Sciences), Huang Ping (Chinese Academy of Social Sciences), Pan Zhenqiang (National Defence University), Pan Jiahua (Chinese Academy of Social Sciences), Xing Hua (Chinese Institute for International Studies), Zhou Hong (Chinese Academy of Social Sciences). The European participants in the discussions included François Godement (Asia Centre), Charles Grant (Centre for European Reform), Mark Leonard (Centre for European Reform), Eberhard Sandschneider (German Council on Foreign Relations), and Andrew Small (Foreign Policy Centre). This document draws on the ideas that emerged during the discussions, but we have not asked the individual researchers or the institutions they represent to sign up to all its recommendations.

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EMBRACING THE DRAGON **The EU's partnership with China**

by Katinka Barysch
with Charles Grant and Mark Leonard, May 2005

The EU is now China's biggest trading partner. European companies are ploughing billions of euro into the booming Chinese market. The EU offers Beijing help in areas such as fighting pollution and writing better laws. Both China and the EU back a strong United Nations and they are wary of US hegemony.

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