

# Third Sino-European Strategic Dialogue

Beijing, November 14-15, 2008

First session:

**Countering proliferation and the Korean peninsula**

Second session:

**The consequences of the financial crisis on Europe and China**

Third session:

**Europe and NATO and the external cooperation to the test: The Georgia-Russia conflict**

Fourth session:

**The road after Dublin**

Fifth session:

**American foreign policy after the upcoming election**

Sixth session:

**Current state of the EU-China relations**

This « second-track » dialogue was launched in September 2006, in Beijing, by Asia Centre at Sciences Po and the China Institutes of Contemporary International Relations (CICIR). After a second session in Paris in 2007, this third session was organised in Beijing with the support of the Policy Planning Staff (Centre d'analyse et de prévision) of the French Ministry of Foreign Affairs and the participation of the European Council on Foreign Relations (ECFR).

The meeting took place at the end of a year that has experienced ups and downs in the Sino-European relationship as a senior Chinese participant remarked. One of the European organisers of the conference also underlined that, as the relationship goes up, it naturally experienced more problems. This strategic dialogue therefore aims at matching European and Chinese points of views, as the relationship between the EU and China cannot be reduced to its economic and trade dimension but also needs a political mutual comprehension.

Among the numerous discussions of the dialogue, the following elements can be stressed:

## 1. Countering proliferation and the Korean peninsula

**On the evolution of the Non-Proliferation Treaty (NPT)**, a Chinese speaker described the major changes since the collapse of the USSR: the US gain of military capability, the loss by non-aligned countries of their independent voice on arms controls, the loss of Russian influence on countries which used to be under the Soviet influence. He highlighted the “revisionist” violations of the NPT by the US through its nuclear cooperation with the UK, and the violation of the Missile Technology Control Regime (MTCR) by the US, Japanese and Israeli through their efforts in Theatre Missile Defence (TMD). A European participant called for a modernisation of the treaty without destroying it and also called on Europeans, Chinese and Russians to avoid any reflex of “anti-Americanism” at all cost.

**On the evolution of relations between DPRK and its neighbours**, another Chinese speaker emphasised the importance of the Japan-DPRK relation in this issue. He listed the following stages in the relationship: the incoherence of the Japanese Foreign policy toward

Pyongyang, a cold era under Koizumi, a slow normalisation under Fukuda and status quo under Taro Aso, as the new Prime Minister doesn't have enough political power to tackle the North Korean issue. Despite overall improvement, the relation has deteriorated this year because of the unresolved kidnappings' issue: Tokyo stated that it wouldn't provide energy assistance to Pyongyang for at least half a year. According to a Chinese participant, Inter-Korean relations have seriously deteriorated since the beginning of this year and President Lee Myun-bak's inauguration, reaching their worst level since June 2000. Pyongyang took two important diplomatic decisions: further restrictions on traffic across its borders, and the shutdown of the Red Cross office at Panmunjom. Pyongyang's hardening stand finds an easy pretext with the common signing of South Korea, Japan and the EU of a human rights resolution against the DPRK at the UN Human rights Council. A European speaker declared that North Korea has probably more interest to compete with China than with South Korea. Finally, a Chinese speaker said that allies lose their own influence on North Korea when they follow the US position: in September, the UK and South Korea approved the US refusal to take North Korea off the terrorist list one week before the US changed its position.

**On future US policy under Obama,** a Chinese participant commented on the removal in October 2008 of the DPRK from the terrorist countries list, as revealing of the new multilateral and moderate US approach. He praised the new administration to put the denuclearisation on the top priority list of Obama's foreign policy. An Asia-based European participant remarked that the only efficient measures against North Korea have been US financial sanction. Therefore Obama's victory opened an era of new possibilities: contrary to the Clinton era, Obama will have the support of Congress and can therefore achieve much more.

**On the evolution of the Six Party Talks,** the same participant said that the talks were becoming more bilateral and less multilateral, as all parties do not share same reasons to participate. Despite admitting that it was impossible that the talks would solve the main issue, Chinese and European participants agreed that the talks were useful as they prevent Pyongyang from becoming stronger, whilst providing soft power exchanges. A European participant recommended to focus more on domestic issues rather than on the nuclear problem, as Kim Jong-Il has no possibility to give up the programme without losing his own domestic legitimacy. A Chinese participant called for an extension of the talks in an informal way to avoid structural discrimination, such as the US bilateral bias, and for preventing the spread of DPRK-related security issues, such as preventing a "regime flow" to China in case of abnormal event.

**On the importance of Chinese influence on Pyongyang,** a European participant noted that we never see Chinese pressure on North Korea, apart from its useful role of intermediary. And this was in spite of the fact that China also didn't have an interest in a nuclear North Korea. Another European speaker underlined that China had overall made a big step toward an active role, since 1994, especially by popularising its role in the issue. a Chinese speaker finally remarked that China did not have that much influence on DPRK. It only played a big role when the US wanted it to. Otherwise, "China isn't a leader in the region".

## 2. Keynote address on the consequences of the financial crisis on China and Europe

The first Chinese speaker presented an analysis of the direct consequences of the financial crisis on the Chinese economy. Despite maintaining a high growth rate (9,9%) and a low inflation (below 4,0%), the growth rate of Chinese exports and of the property market have slowed down during the last months and consumer confidence is falling.

He also stated that maintaining growth is still a top priority for the Chinese economic policy. In order to so it, there is a need to reduce interest rates and expand investments on welfare and environment protection. He reminded the audience that as a developing country, China still wants to increase its domestic demand. He therefore pointed out the importance of reducing the tax burden, half of the stimulus package being financed by the state.

The speaker finally emphasised China's will to take part in the reform of the international financial structure, towards a more orderly and just system.

The European speaker first explained that financial innovation itself is at the root of this modern banking crisis. He stated that the crisis is most probably not over yet, as there is still a strong information asymmetry on the markets. We have fallen in a liquidity trap: money tends to go to state bonds when it should be invested in markets.

The financial crisis affects the world economy through two main channels: credit, because not only in the US, UK or France but also in emerging countries, where most lending was labelled in US dollars; and the trade channel, where a global slowdown has been observed. To recover from the slowdown, he advised a support for demand through state fiscal policy, applauding the Chinese plan, and a change in financial architecture, especially through a reform of the IMF and its funding.

In dealing with this crisis, the European speaker cautioned against the risk of division. There should not be too many expectations,, and the speaker reminded the audience that cycles are a long-standing economic phenomenon. Finally, he asked for newcomers, such as China, to bring ideas towards a global financial reform and reminded fellow participants not to forget other issues shadowed by the financial crisis, such as climate change, energy, food and the Doha round.

## 3. Europe and NATO and the external cooperation to the test: the Georgia-Russia conflict

**On the global diplomatic role of the EU and the "European Way",** a European speaker encouraged Europeans to review the security agenda, to stop competing between themselves and to set up a European leadership. Another speaker remarked that Europe has changed a lot and has become a "post-modern" power, a soft power that believes in stability.

On the "European Way", a Chinese speaker remarked that this has been working well in terms of security building and has allowed the EU to become a strong economy, a soft power and to acquire military power as well. Another Chinese speaker also raised the question of emulating the European way through "complex cooperation structures": according to him the EU cannot indefinitely accept all its

neighbours, its borders have to stop somewhere. Also, Russia has no hope to be integrated in the EU, but the EU should avoid wrongdoings toward Russia, such as the Kosovo air raid campaign. A European participant also stated that the EU still has a European neighbourhood policy, and that Georgia was part of it. Sarkozy demonstrated this concern by tackling Russia strongly.

**On the relation between Russia, NATO and EU**, according to a European participant, Russia will be a major power and must be recognised as such. Russia is still mostly seen as a major ally against global political and strategic instabilities. Americans and Europeans however have different views on how to deal with Russia, but any attempt to marginalize Russia will lead to resistance. The US and the EU must develop a coherent strategy towards Russia, a firm but not provocative one, based on the respect of international law and the UN charter. Despite its long history and strategic importance, Russia doesn't have any special rights. Another European participant remarked that most of the EU member states view the cooperation with Russia as necessary to achieve stability in the EU neighbourhood, while Warsaw, Riga or Tallinn still see it as a threat. On the other side, Russia views NATO as a much bigger threat than the EU. Russia has also made it clear that it considers NATO an enemy.

There was a EU-Russia summit happening at the time of the conference but the same participant didn't expect much from it, as he thought the EU should not move that fast, while it cannot even agree on the nature of the agreement. Russia wants a "vague political agreement" while the EU wants a strong, legally binding agreement. On the EU response to the crisis, this European participant expressed the need for the EU to be tougher towards Moscow, stating that it wouldn't tolerate arbitrary use of force in its neighbourhood. According to a Chinese participant, NATO is frozen out of the picture, and it is the EU that has to play an active role to act between the two sides. A European participant also emphasised the need for Europe to engage Russia and not to overestimate European weaknesses. Russia depends a lot on the EU, to which it has to sell its gas. This participant also underlined that Europe tends to overestimate the Russian influence. The outflow of FDI since the August crisis showed that it is still a risky investment destination. It is therefore not so much Europe that needs Russia but rather Russia that needs Europe.

**On Russia and its neighbourhood**, a European participant remarked that the real issue is not only about Georgia but about the Russian neighbourhood. Russia still sees the world as a zero-sum game, and does not believe in win-win situations. Its neighbourhood is still seen as a sphere of influence. The main long-term goal of Russia remains restructuring the European order after the frustration of being excluded from the main decisions of the 1990's, such as the Kosovo air raid campaign. Countries in the EU and NATO that see NATO as the ultimate guarantor of Europe security, particularly the Baltic countries, Poland and some other EU members, are therefore unlikely to discuss a possibility of including Russia in a "new security pact". It is a tricky issue, especially for the ex-Soviet satellites: being members of both EU and NATO gives them the ability to stand up to Russia as, at least formally, equal partners.

**On the evolution of NATO**, a European participant thinks it would be extremely dangerous to extend NATO to Georgia and Ukraine. He reminded participants that one fundamental criterion in order to join NATO is that all border disputes have to be resolved. Another European participant remarked that this crisis opens a new perspective. The European space was strategically devaluated, and NATO was transformed into an expeditionary force. This participant also underlined the possibility to debate on the role of NATO, especially by specifying its article 5. But this question is quite dangerous as, by defining limits, we may also devalue the alliance.

#### 4. The road after Dublin

In this very active session, particularly among European participants with Chinese experts listening closely, the following points were raised:

**On the Lisbon Treaty** itself, one of the European speakers stressed its two main improvements. On foreign policy, Europe is still willing to become a civilian power that is able to exercise influence through its power of attraction. By enlarging to 27 and perhaps 34 states, by its "conspiracy to make peace", Europe demonstrated its power of attraction. In order to be sustainable, the EU needs to act in the global framework. Lisbon wanted the creation a European foreign minister to act with a single voice and to organise the action of the European Commission and the European Council in a coherent way. On the democratisation of the European decision process, according to the same speaker, "two political projects decided what the people needed in an elitist way: the USSR and the EU". Yet the intent of the Lisbon Treaty was to give more power to the Parliament.

**On the reasons for the Irish "no"**, this European participant thinks citizens wanted more Europe rather than less Europe. It was the only opportunity for them to vote "no", and people thought that if they voted yes, nothing would change. Irish polls show that Irish people were in favour of European policies on defence, security etc. A Chinese speaker noted that the Irish felt their influence in the EU would have decreased but sooner or later, Ireland will vote yes. Disagreeing on this, An Asia-based European participant stated that Europeans just did not want the treaty. This situation came from the policy process itself and from its democratic deficit. The treaty does not solve the fact that Europeans citizens still do not choose a European government. The other European speakers did not accept the "democratic deficit" argument. The Constitution has been rejected despite the process never having been so democratic. According to him, the EU is sometimes more democratic than our governments, especially with regard to appointments.

**On the future of the EU without the Lisbon Treaty**, according to one of the European speakers, the treaty would have given more consistency and coherence, but we can still move forward. On the Georgian crisis, we have seen that Sarkozy acted along with Barroso in a coherent way. On the financial crisis, a European participant remarked that if there wouldn't have been a strong response from the European presidency, we would probably not have the Euro anymore today. One of the European speakers

stated there was no institutional vacuum in Europe after the no, that the EU could still improve its action under the current legal framework. However, rising populism doesn't play in favour of Europe. A Chinese speaker remarked that it was almost impossible for 27 countries to issue significant policies as national interests differ. The EU should work on shaping the common interest, and he therefore proposed to abolish the rotating presidency and replace it with a group of countries sharing the presidency at the same time. Europe could function in a multi-track way and is in need of a strong leadership – perhaps from the bigger member states and Poland? A Chinese participant stated that without the Lisbon treaty, the EU will go along, pushed by big countries. In order to further develop the EU, the weakening of identities is essential. The Europeans follow their emotions and national interests too much. They could not, and would not in the future be able to harmonise their economic and social policies. A European participant finally recommended solutions to take referenda out of their national context. The European Parliament would then have to choose between a vote at the super-qualified majority and a pan-European referendum.

**On the Franco-German couple,** most participants stated that this relationship is central but not sufficient to go forward and that we shouldn't think in term of "big" and "small" member states. A European participant also underlined that when Germany and France manage to agree, it is hard for the other countries not to follow them. Another European participant explained that Franco-German leadership "was a joke". The UK had led on the financial crisis, France on Georgia. The couple seemed to have played against triangular cooperation with the United Kingdom.

**On the "European idea",** a European speaker underlined that on the one hand, a lot of questions remain unanswered: "where are our borders? What is our identity? Do we still have enemies?" On the other hand, everything that happens on the international scene confirms the validity of the European idea. A Chinese participant remarked that Europe felt lonely in the world in its approach towards multilateralism. He also described China approach as "selective multilateralism". As to the Kremlin, "I am not sure it knows this is a multilateral world". On European CFSP, A European official remarked that the Treaty gave many possibilities for action, not enough about forming policies.

## 5. American Foreign Policy after the upcoming election

**On Obama's overall position toward the Bush's era foreign policy,** a European participant first remarked that the great speculation around Obama's foreign policy is due to the information gap during his campaign, which was based more on a set of precepts and positions rather than on a concrete strategy. A European participant added that the president-elect wants to be pragmatic and think in terms of collective action. One of the Chinese speakers underlined that Obama would not follow the Bush doctrine (unilateralism, pre-emptive attacks, regime change) and would come back to multilateralism and strengthen cooperation with Europe and Asia. He will continue counterterrorism but will focus mainly on Afghanistan and Pakistan while leaving Iraq

safely. However, Obama overall will not change the US foreign policy. Bush has done well in foreign issues such as North Korea, cooperation with South and Latin America, increase of aid to Africa, cooperation with South-East Asia. A European speaker pointed out that far from the "Anything But Bush" approach, Obama's administration is overall likely to extend the Bush foreign policy, especially in Asia. Speaking from a Chinese perspective, a participant declared that he "would miss Bush". Another European speaker is impressed by how much Obama had moved to the centre. The president-elect was very prudent towards Iraq and non-traditional security issues and asked for more troops in Afghanistan.

**On the countering of nuclear proliferation,** A Chinese participant said that Obama will continue to prevent the nuclear proliferation. The Iranian issue is the result of the relation between the US and Iran. Obama will have to strengthen this relation and be more pragmatic toward Iran. A European participant urged to nuance the point of view of his Chinese colleagues: he didn't think the Iranian attitude is only connected to the US policy. Iran has its own agenda, and it is a dangerous one.

**On NATO and alliances,** a Chinese speaker thinks that the US pushed hard for NATO expansion to ex-URSS countries by insisting to deploy missiles in Central Europe to counter Russia. The Georgian conflict is the product of this continual intimidation by the US. Obama will have to rebuild a relation with Russia as an equal partner. Obama probably won't accept Ukraine and Georgia in NATO. A European participant remarked that Obama is most likely to focus on rebuilding alliances and the US image in the world, as demonstrated by his visit in Berlin.

**On climate change,** a European participant underlined that the issue still divides EU and the US. A Chinese speaker said Obama will join the Kyoto protocol and put more pressure on China. A European participant stated that climate change would be a positive test for Obama's administration and that the US' policy will also be a competitive offer to the EU's, as the US still has a huge influence on Chinese energy choices.

**On the Sino-US relationship,** a Chinese participant thought Obama will pay more attention to China and less to India. Both Chinese and European participants agreed that neither Obama nor McCain would have challenged Bush on its Chinese policy. Obama will however be more cooperative and will push harder on trade issues but seek cooperation on economic issues due to the financial crisis. A European participant pointed out that we don't know much about the future Asian foreign policy of the upcoming US administration, except that Obama's team has "every single American expert who is not a neocon". However, towards China, Obama will follow a pro-active trade policy and is not likely to follow Clinton's "win-win strategy". A European official underlined that for half a decade we have been under a "Chinamerica" regime : the US market was the biggest for China. Now that Europe has become the biggest Chinese partner, what are the implications for the long-term dialogue? A Chinese participant thinks that the US-Taiwanese policy should follow its own agenda, regardless of American elections. He also said there will be no serious conflict with Taiwan under the new administration. Finally, on the perception of Obama by the Chinese opinion, a Chinese participant

believed the Chinese public prefers Obama because he is “young, black, cool, charismatic and represents something new” and officials also prefer him because he is easier to approach on trade, Taiwan and geopolitical issues.

## 6. Current state of the EU-China relations

**On the end of the “honeymoon”**, a Chinese participant recognised that this year, the relation has experienced more problems than ever. He also reminded the audience that keeping good relations with Europe is a priority for the Chinese diplomacy. Tough comments against Europe (such as Carrefour’s boycott) were not popular and were not supported by the government. Secondly, China supports EU construction for diplomatic and practical reasons. Diplomatically, it supports the effort of the EU to grant CMSP and it respects the EU’s interests. Practically, China believes that it has no conflict of interest with the EU. The EU is more sympathetic towards Chinese reforms and opening efforts and the European international multilateral mentality meets the Chinese style.

A European speaker was surprised that, since the failure of the French and Dutch referenda, China reversed its positive appreciation on EU integration, moving on towards a “wait and see” position and even a negative appreciation. Although this speaker noted a brilliant Sino-EU understanding during the preparation of the ASEM summit in October, he doesn’t think that China today has a multilateral point of view of the world. On the other side, Europeans have been unable to translate the Chinese opportunity into a diplomacy policy, apart from the human rights issue, the EU has been unable to have a unified Chinese policy. Another European speaker pointed out that China has difficulties understanding the European method, especially in the diversity of positions on the integration process. China is consistently denying that it is a major power and claims to have a developing country status. The financial crisis will push China to change its stance. A European participant was more positive toward EU-China relations and stated that current diplomatic difficulties should not obscure long-term policies, the EU still looking for a strategic partnership with China. A Chinese participant described the relation between EU and China as a relation between two emerging powers struggling with the one another.

**On the increasing competition between the EU and China**, a Chinese participant thinks that competition has increased, especially on economic issues, between EU and China. The EU is however the biggest market for China and the economic relation is also a part of the strategic partnership. He also asked for more realism on the questions of the embargo. On the other

hand, a Chinese participant underlined that there is no real competition between the EU and China as the Chinese developing process and model are not strong enough to compete with Europe.

**On the American factor in the EU-China relation**, a European speaker thinks the end of the honeymoon between EU and China happened after Obama’s election. This participant underlined that since then, there had been an overall comeback in China of an “American tropism”. The Chinese government concluded closer ties with the US government, the setup of the Strategic Economic Dialogue in 2006 had been a signal. A European speaker added that G.W. Bush was initially the toughest American president China had to deal with, and that Chinese political expectations with Europe were hard to fulfill compared to much lower expectations with the US. A Chinese participant finally remarked that the US factor is declining but will still remain the first partner for China as the US is a superpower and China cannot ignore it.

**On the strategic partnership**, to maintain good relations between the EU and China, A Chinese participant recommended to push forward a strategic dialogue, a cooperation that Denmark has been the first to understand. Two European participants called for the need of a concrete and defined strategic relationship between China and the EU to tackle issues such as terrorism, Afghanistan, piracy or energetic competition.

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