EU: looking east, staying west? by Kalyani Unkule

Author: Kalyani Unkule

The US is not the only one to feel that the European Union is riven with schisms that are of modern origin like on issues of economic crises, unregulated migration and climate change. Nonetheless there is a general unanimity in the perception among European nations that the US is in decline. Conversely and unfortunately for the US, China is being seen as the rising power and that there is a great deal of realism in the conception that the euro or the Chinese yuan should replace the American dollar as the global currency.

Forging of a common position vis-à-vis the United States and China remains an elusive goal within the EU. Although the jury is still out on the extent of relative American decline and projection of this trend into the future, there is an unmistakable sense that Europe has fallen in the ranking of American priorities. This shift has not been lost on the Europeans and is ripe with potential for infusing a Common European Defence project with renewed purpose and vigour. Elsewhere I have argued that directing intra-European efforts in the security domain in perpetuation of transatlantic dependency would be ill-advised.

Meanwhile China's massive dollar denominated holdings of US public debt, coupled with the comprehensive investment and credit-extension it has recently engaged in, have led some commentators to posit the Sinicisation of the global economy. Estimation of future trends in EU Common Foreign and Security Policy assumes importance considering any future independence from the American position on vital issues will significantly structure possibilities for cooperation with China. This article evaluates key current aspects of the EU-China relationship and draws out their implications for interaction between either side of the Atlantic.

EU-China relations

Lacking a history of contention over territorial or geo-political interests, Europe has been able to maintain a favourable public perception in China. Yet, this positive image has fallen short of translating into adequate leverage for establishing the terms of the relationship. The Chinese for their part have done well to engage with member-States at the EU rather than bilateral level where possible. The country now finds itself the top recipient of European financial and technical assistance on clean energy and mechanisms are in place for sharing Europe's experience in the domain of social welfare. Notwithstanding such evolution in ties, they demonstrate a marked preference for sovereignty and national defence – both matters of depreciating concern in a unifying post-Cold War Europe. Add to this the fact that such predominant European concerns as economic crises, unregulated migration and climate change remain relatively low on the Chinese agenda and the realisation of a meaningful partnership appears not a foregone conclusion but more a prospect for the future.

Macro-economic benefits

Growth and expansion in the Chinese economy has been considered an opportunity in Europe and its inclusion in a rule-based international trading system a priority. The European Commission's External Trade office takes the view that "macro-economic benefits of China's export strength for European competitiveness and growth outweigh the losses suffered in particular areas". At the official level at least, the expectation is that growth in China promises positive gains to Europe's external sector and the emphasis is on exploring complementarities (e.g.: EU = High Tech while China = Low-Medium Tech) rather than playing up competition from Chinese manufacturers. There is widespread recognition however, that barriers to access to the Chinese market and less than reciprocal meeting of WTO commitments by the Chinese government hinder realisation of a balanced quid pro quo. In his address at Tsinghua University, Beijing in April 2010 President of the European Commission, Jose Manuel Barroso, suggested that "aside from mutual understanding and respect (time and again emphasised by the Chinese), another key principle of our relationship should be complementarity".

Intellectual property rights
Its external economy is not however the only source of worry where this rapidly emerging economy is concerned. Chinese adherence to intellectual property rights protection regimes is also a vital concern for an EU seeking to preserve its comparative advantage in high technology and high value added products through innovation. The Chinese economy’s high internal savings rate portends a steadily declining reliance on Foreign Direct Investment as a source of capital. Coupled with the fact that this rate is sustained through consumption squeeze, western capitalist economies are faced with simultaneous loss of market share and investment opportunity – to say nothing of accompanying political leverage.

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