

C hina & Europe: Confrontation or Dialogue?

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While the West doubts itself and is clutched by a kind of “democratic fatigue”, China resolutely asserts its ambitions and projects itself into the future with a self-confidence that contrasts with its past restraint. “[In the middle of this century] ... China will rank first in the world in terms of global power and international outreach,” President Xi Jinping told the Chinese Communist Party Congress in October 2017. To become the first power in the world and thus to put an end to Western domination, this is the “Chinese dream” he announced when he came to power in 2013. The challenge thus posed to the West is not only economic and geopolitical, it is also ideological and cultural. Given Beijing’s ambitions, the risk is that relations between China and the West will be dominated by confrontation. To avoid it, what are the conditions necessary for a constructive dialogue that could lead them to cooperate for greater security in today’s unstable world, undermined by inequalities and threatened by the rise of nationalism?

The Chinese Challenge: Three Global Ambitions

In order to recover its past position and become the world’s leading power, China has three main ambitions: to assert its economic supremacy, to rebalance in its favor the international system currently dominated by the United States, and to develop a soft power proportionate to its economic weight.

Economic, Technological & Financial Supremacy

Most forecasters predict that by 2030, China’s GDP will exceed that of the US. The gap is expected to widen further and in 2050 the Chinese economy will represent one and a half times the US economy. However, in parallel, the quality of growth will have to be greatly improved so as to correct the serious dysfunctions of the Chinese model today, especially the social divides and the ecological disasters. While China will dethrone the US as the world’s largest economy by size, the income per capita will still be half of the American level. From the point of view of productivity, it will therefore still be in a phase of catching-up with advanced economies. To accelerate this process, technical progress will be essential, and Beijing’s ambition is therefore that China, as the world’s largest economy and a society of “moderate prosperity” by 2030, become a major technological power.

China is currently the first industrial power in the world, but it does not shine by the quality of its industry, which is still very

polluting and of low added-value. In addition, the country is still very dependent on foreign technologies. Beijing is pursuing a very proactive policy to become the “laboratory of the world” and no longer its “workshop”: China has already surpassed the US in the publication of scientific articles and has emerged as the top applicant of patents in the world with 35% of the total. Its voluntarism and determination to become a technological leader is reflected in the ambitious program “Made in China 2025”, which targets virtually all high-tech industries.

As the world’s largest economy by 2025-2030 and a major technological power, China will also be a leading financial power, thanks to its exceptional savings capacity. It is already becoming the world’s banker in terms of foreign direct investments and lending. Raw materials, foreign companies, financial assets: the Chinese dragon is pursuing acquisitions all over the planet. In addition, China acts as a banker to the rest of the world, including the US and developing countries. It is not, however, a major global financial power, as it does not yet have the tools and technologies needed to turn its savings into high-value financial services. It lacks a successful financial system and its currency is not widely used in the world. But ultimately, China should assert itself as a global financial power, once its institutions and markets are fully liberalized.

Reforming the World Order

For the Chinese government, economic expansion is of course, like elsewhere, aimed at increasing the population’s standard of living, but it must also serve its strategic objectives: China strives to translate its economic weight into geopolitical benefits in order to recover its “fair place” in the world. China’s foreign policy pursues two goals: on the one hand it wants to assert its supremacy in Asia, and on the other it aims to become a global power with economic supremacy and proportionate military means.

The first step is to establish itself as the undisputed leader of Asia, where it wants to be an active and “benevolent” regional player. To achieve this aim, its strategy covers three main areas: stabilization of borders, economic diplomacy and regional security. Deeply marked by its history of foreign domination, China is very touchy on issues of sovereignty: this is of course the case with Tibet, Xinjiang and Taiwan, but also with the South China Sea which it considers almost as an inner sea, under the so-called “Nine-Dash Line”, unilaterally determined by China and not recognized in international law.

Economic diplomacy is the second part of Beijing’s strategy in

Asia with the main objectives of access to natural resources in the region and the development of exports through the intensification of trade flows. It focuses on free trade agreements, direct investment and development assistance, trying to conclude with each country a bilateral “strategic partnership” in a spirit of “good neighborhood and friendly cooperation”.

The third field of China’s policy in Asia concerns regional security initiatives. However, its ambitions in this respect are largely hampered by the overwhelming military domination of the US in the region, complemented by their alliance with Japan which despite its pacifism is seventh in the world for military expenditures. China’s aim is very clear: it wants to put an end to American domination with respect to regional security and establish in Asia a new order where it will play the central role as justified by its economic and strategic weight. Beijing knows that the moment is favorable because the abandonment by President Donald Trump of the Trans-Pacific Partnership (TPP) means a renunciation to the “pivot to Asia” policy advocated by his predecessor.

China wants supremacy in Asia but within a logic of world power, because its vision is global and not regional. To realize this global ambition, it deploys worldwide an offensive diplomacy, mostly based on bilateral economic partnerships. At the Davos Forum in January 2017, Xi stood up as a champion of globalization and free trade, of which China is in fact the main beneficiary, in spite of its constant rhetoric for “win-win” relations and mutually beneficial agreements. Except with Australia, Chinese has a trade surplus with every region of the world and its global surplus — \$422 billion in 2017 — has more than doubled since 2008. In the least developed countries (LDCs), China is actively promoting its development paradigm along with trade and financial support. This model, which Beijing prefers to call “the Chinese way”, is opposed to Western political and economic models based on democracy and Anglo-Saxon liberal capitalism. China believes that its own record in reducing poverty speaks for itself in favor of its economic and social model. In just three decades indeed, some 700 million people have been pulled out of poverty in China — a first in human history — and an exhausted country after the Cultural Revolution has become the world’s second-largest economy.

Moreover, the Chinese way advocated by Beijing postulates that economic liberalization does not imply political liberalization, which is good news for authoritarian regimes and dictatorships. Far from limiting its influence to the developing world, China believes that the time has come for it to put its mark on the global economic order. China is no longer the “free rider” of globalization, as former US President Barack Obama said in 2014: on the contrary, it wants to be its leader, as shown by the spectacular initiatives that it has taken over several years. It is working on the reform of existing institutions, the IMF for example, and does not hesitate to create new

ones, such as the “BRICS Development Bank” and the Asian Investment Bank for Infrastructure (AIIB), the latter having been a great diplomatic success despite the hostility of the US. The launch of the “One Belt, One Road” in 2013 was the most spectacular initiative taken by Xi and the heart of his strategy in Eurasia. This pharaonic project will give substance to Beijing’s dual ambition for the coming decades: to guide the world economy in the direction of its interests and to offer Asia a mobilizing project that will consolidate China’s regional leadership coupled with the declining influence of Japan.

At the same time, China is strengthening and modernizing an army of more than 2 million men, whose budget has increased five-fold since 2000. The primary objective is to maintain the “absolute leadership of the Party over the army”. Xi’s vigorous anti-corruption campaign at the highest levels eliminated hostile elements and ensured the army’s total loyalty. The second axis of the reform is to increase operational capabilities through a redesign of the chain of command, a restructuring of forces and a reorganization of the military regions covering the territory. The moment when China can threaten American military power in Asia is still very far away. For the time being, it is somehow comfortable with the status quo, which allows it time to consolidate its economic power, strengthen its military might and deploy the third component of its “peaceful development”, the international influence of its soft power.

The Conquest of Soft Power

“We must make our country a cultural superpower ... we must increase the soft power of China, formulate an attractive national narrative and better communicate the messages from China to the rest of the world.” These statements by Xi express both a fact — China’s image deficit today — and an ambition: to recapture the cultural outreach of the Middle Kingdom that had so much struck the Jesuits when they arrived at the end of the 16th century. China knows that alongside its economic success, its universally admired cultural heritage is its best asset for the development of its soft power abroad. For the past 15 years, it has launched a vigorous offensive to publicize its immemorial culture and its contemporary achievements. To promote its image, China also uses all the resources of “public diplomacy”: hosting major global events, deployment cultural centers and media abroad, promotion of language, hosting foreign students, etc. The Confucius Institutes, whose main mission is to teach Chinese language and culture, have developed tremendously. China is also making great efforts to promote its cultural heritage — ranked second in UNESCO’s world heritage list — but also to highlight its creativity and current performance in the arts, literature and even sports. This proactive strategy of influence and seduction also translates into huge investments in a vast worldwide network of press, radio and

television.

However, its international influence is greatly handicapped by its policy of internal repression which stifles the contribution of civil society, absolutely crucial for the development of soft power. Despite the considerable resources deployed, estimated at \$10 billion a year, the results of Chinese soft power remain disappointing because, lacking the decisive contributions of society, it remains essentially government-led. The authoritarian and repressive nature of the regime also contributes to blurring the image of China, which remains negative in many countries. However, it is positive in Africa and Latin America, which confirms the major role played by economic diplomacy in Chinese soft power.

Europe-China Dialogue in Action

Rivalries for world supremacy, antagonistic political views, clashes of cultures: dialogue with China is fraught with difficulties. Some seem insurmountable for the time being, especially in the political field, but that should not prevent an obstinate search for common values and a shared horizon in world affairs. The difficulties of such dialogue, both open and demanding, must not be underestimated, as it excludes two attitudes: the claim to consider one's own values and practices as universal norms and, on the opposite side, relativism that locks everyone into their own specificity. A historical precedent, the Jesuit mission in China in the 17th and 18th centuries, can be a source of inspiration for initiating such exchanges. This first encounter between the Middle Kingdom and the West was "the golden age of relations between China and the West": for two centuries Jesuit missionaries, especially the pioneer Matteo Ricci (1552-1610), deeply immersed themselves in Chinese culture and society, becoming Chinese with the Chinese. They transmitted to their country of adoption the many European advances in science and technology and as such enjoyed a high prestige among the elites. In return, their reports made Europe discover many aspects of Chinese civilization and thus fed the intellectuals' reflections at this crucial moment in the history of ideas in Europe, which saw the emergence of the Enlightenment. Obviously, those contexts are too far away to hope to restore today such a "golden age". They also showed certain limits: for example, the image of China reported by the Jesuits was highly idealized. However, this exceptional model of intercultural dialogue can inspire, to a certain extent, an authentic encounter between Europe and China today, beyond clichés and prejudices. At which levels can such exchanges be developed? Cultural dialogue is promising, economic dialogue is essential though very difficult, but political dialogue is for the moment impossible.

Rich Cultural Exchanges but Very Difficult Economic Dialogue

The first meeting between Europe and China was one of two cultures. Even today, cultural exchanges remain the cornerstone of a dialogue based on respect and the constant search for better mutual understanding. The number of students studying Mandarin in Europe has exploded in the past 10 years and European languages are all offered in Chinese universities. More broadly, beyond the linguistic field, exchanges of students, researchers and artists are intensifying; many scientific and technological cooperation projects have been set up between Chinese and European laboratories, such as the Pasteur Institute of Shanghai for Infectious Diseases. Numerous thematic colloquia and major cultural events are organized both in China and in Europe to develop mutual knowledge, to which contributes also the expansion of tourism, with about 5 million tourists both ways. All these cultural, artistic and tourist exchanges are all the more necessary for a better mutual understanding given that economic dialogue is proving extremely difficult because it involves major interests for both Europe and China.

In the economic field, dialogue does not mean weakness and the approach of the European Union (EU) should therefore be two-fold: a constant search for equitable compromises, but at the same time a great determination in defense of the interests of millions of European citizens. Economic relations with China present two major difficulties: unfair competition in Europe from China in commercial matters and a difficulty of access to the market for European companies investing in China. Trade is at the heart of EU-China relations: the EU is the first partner of China, which is itself its second partner. But trade remains marked by deep imbalances and the European deficit reached 176 billion euros in 2017. The EU believes this is largely attributable to unfair practices of China: non-tariff barriers to imports of foreign products in China and in the opposite direction a flood of exports at cheap prices due to Chinese overcapacity. Among the measures taken by the European Commission in the anti-dumping fight, the majority concern China. On several occasions, it had to impose high duties to protect a particular sector of European industry, threatened by these Chinese products almost sold off at give-away prices (solar panels, some steels, etc.). In December 2017, the Commission issued a damning 500-page report on China's anti-competitive practices that will form the basis of its future actions against Beijing in the WTO. It is estimated that without these safeguards, between 1.7 million and 3.5 million jobs could be at risk in Europe.

China is pushing for a swift conclusion of a free trade agreement, but Brussels believes it is more urgent to conclude an investment treaty. Indeed, many European companies feel that they suffer discrimination — explicit or implicit — in access to the Chinese market. In the other direction, Chinese investors in the EU are

essentially seeking access to markets, brands and technologies. Although these areas are largely open to them, they often face deep distrust in the host countries, because when the investor is a Chinese state-owned company it is feared that it is the Party-State itself that is pursuing its own economic goals and geopolitical ambitions. There is a particular area where Chinese investments can be problematic and where vigilance is needed — that of national security. The risks are numerous when it comes to dual or highly sensitive technologies, the control of strategic installations such as ports or airports, the manufacture of mixed civilian and military components, etc. A prime area of cooperation could be infrastructure investment, given the EU's ambitious goals under the “Juncker Plan” and China's “One Belt, One Road” initiative. This has already been enforced financially by European participation in the Beijing-based AIIB, and in the opposite direction by China's accession to the European Bank for Reconstruction and Development.

Political Deadlock but Possible Cooperation for Better Global Governance

On the political front, two models clash in a dialogue of the deaf that leaves little room for common understanding: China praises its meritocratic model as opposed to the dysfunctions of representative democracy, while the West denounces the serious flaws of the Leninist regime in Beijing, including recurrent violations of human rights. The latter have become even more serious since the coming to power of Xi, who attributes to “foreign infiltration” the aspirations of Chinese society for more freedom. The regime seeks only to consolidate its power by crushing any embryo of contestation, in defiance of the law and the Constitution, which the Communist Party interprets according to its interests. The issue of human rights remains an insurmountable stumbling block in political dialogue. Yet this stalemate is no obstacle to cooperation between the EU and China to improve global governance and tackle the world's major problems. This is particularly the case in two areas which are also partly linked — the future of Africa and climate change.

The population of the African continent is expected to double to 2.5 billion in 2050, a quarter of the planet's population. Its development is therefore a global issue. It would take a minimum growth rate of 7% per year for the continent to take off, because it would be the minimum to gradually reduce its high unemployment, in particular for youth (45% for 15-24 year-olds). We are still very far from it, as growth should not exceed 3% in the coming years. The disappointing performance of African economies can be explained by insufficient investment. According to a report by the United Nations Conference on Trade and Development (UNCTAD) published in 2014, a minimum investment rate of 25% of GDP would be needed to achieve growth of 7%, while this rate has been only 18% over the last 20 years. This report recommends three priority sectors:

infrastructure, agro-industries and the manufacturing sector. Europe must realize that their future depends in part on successful development in Africa. From the economic and security point of view, the cooperation of the EU and China in certain sectors could therefore be beneficial, given their comparative advantages: soft power and long experience on the ground for Europe, especially France, and economic and financial power for China. Not only does Europe have historical responsibilities towards Africa, but it is also concerned by the problem of terrorism which is spreading there, and it is facing a strong migratory pressure which will only be intensified. Without strong economic growth, population expansion but also climate change in Africa will lead to large-scale migrations: climate migrants will thus be added to current flows of political refugees and economic migrants to Europe. All these factors make it all the more urgent that European nations get strongly involved in the development of the African continent, the effectiveness of which would be enhanced by closer coordination with China.

The second area where Europe and China must join forces is in leadership in the fight against global warming. Moreover, these two problems — Africa and climate — are also partly linked, because we can already see the effects of climate change in the Horn of Africa with the return of famines. The principle of this cooperation on the climate issue was decided at the 19th EU-China Summit in June 2017. The EU and China share common visions for energy security and are both major energy importers. Under the Paris Agreement, China, as leader of emerging and developing countries on the one hand, and the EU, as a leader among advanced countries on the other, could play a crucial role in encouraging all signatory countries to implement their commitments. Besides, both parties can benefit economically: China is the main supplier of green growth products, especially of wind and photovoltaic plants, while EU companies hold 40% of global patents for renewable energy technologies.

In conclusion, cooperation on major multilateral issues, economic dialogue and cultural exchanges are the main fields of a fruitful EU-China relationship. The EU must therefore engage in a constructive partnership, based on the search for points of convergence with Beijing, as stressed by French President Emmanuel Macron on Jan. 8, 2017 in Xi'an, the former capital of the Qin Dynasty. But the EU's defense of its own interests and values is just as important. It must therefore strengthen its protection instruments in commercial matters and not compromise on its founding principles, particularly in terms of fundamental freedoms and the protection of human rights. **JS**

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