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EU-CHINA COOPERATION IN AN AGE OF UNCERTAINTY

REPORT



The Europe-China Forum is a joint initiative of Friends of Europe and the Mission of the People's Republic of China to the EU aimed at promoting greater EU-China engagement and cooperation and brings together policymakers, business representatives and leading academics from across Europe and China to discuss issues of shared interest and address pressing common challenges.

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INTRODUCTION

As the United States, under President Donald Trump, retreats from the global stage, the spotlight is on Europe and China as standard bearers of the multilateral, rules-based system.

But can a self-confident Europe and an equally self-assured China work together in this age of uncertainty and unpredictability? Can Europe and China consolidate their bilateral relationship while also working together on crucial questions of global governance – maintaining an open world economy – climate change, security, development? In other words, are China and Europe going to be true strategic partners?

These questions dominated the EU-China Annual Forum on 27 June, and the Policy and Practice Roundtable which was organised the previous day, with participants spotlighting that in a world of constant flux both Europe and China – and the wider world – would greatly benefit if their ties were made more robust and resilient. The events form part of a joint initiative of Friends of Europe and the Mission of the People's Republic of China to the EU. They brought together policymakers, business representatives and leading academics, with the aim of promoting EU-China engagement and cooperation. Other partners included the China Public Diplomacy Association (CPDA), the China Institute for Reform and Development (CIRD) and the China Daily.

Both China and Europe are on the road to better mutual understanding and have made many promises to work with each other on both the bilateral and multilateral levels. Such commitments are important in view of President Trump's decision to pull out of the Trans-Pacific Partnership (TPP), a trade agreement aiming to reduce trade barriers. Significantly, Chinese President Xi Jinping has underlined that "no one will emerge as a winner in a trade war". And, following Trump's decision to withdraw from the 2015 Paris Agreement on climate change, EU and Chinese leaders have reaffirmed their commitment to implement the accord.

China and the EU are responding to threats to free trade and the multilateral rules-based system with renewed efforts to promote their strategic, economic and cultural ties. Much more needs to be done by both sides, however, to make this a more dynamic and rewarding strategic relationship – and to translate good intentions and declarations into actions.

“China and the EU are steadfast and persistent in choosing the right options. We are joining hands and rising to the challenges”

Yang Yanyi

Ambassador and Head of Mission of China to the EU

A WORLD IN FLUX

“It is an age of uncertainty and unpredictable developments and events, but three things are certain,” said moderator **Shada Islam**, Director for Europe and Geopolitics at Friends of Europe. “Europe has bounced back after several crises last year: Brexit and the tide of populism that seemed to engulf parts of Europe. China is stronger too: Asia – and the world beyond Asia – benefits as China rises. We think EU-China cooperation is very important.”

“At a time when countries around the world are facing up to some very hard truths and have to take difficult decisions, China and the EU are steadfast and persistent in choosing the right options,” said **Yang Yanyi**, Ambassador and Head of Mission of China to the EU. Notably, the two sides are focusing on an open world economy, improved trade and investment structures and people-to-people exchanges, she said. “We are joining hands and rising to the challenges. Both China and the EU are of the view that we have both a great opportunity and a great responsibility to cooperate and work together.”

Such joint work should consist of several pillars, Yang said. Both sides should fulfil their international obligations and strive to foster an open world economy. They should also deepen their bilateral cooperation – notably by speeding up negotiations on an investment agreement and starting a joint feasibility study for a China-EU free trade area. People-to-people exchanges should also be expanded and cultural growth stimulated, in part through measures to boost mobility between China and the EU.

Yang also called on the EU and China to step up joint efforts to promote world peace and stability and – in particular – to implement the Paris Agreement on mitigating climate change. Whenever differences emerge, these need to be dealt with through constructive dialogue. “Going forward, there will continue to be problems and trade irritants from time to time,” she said. “Yet, sharing the belief in consultations and consensus building for mutually beneficial results, China stands ready to address differences creatively, constructively and confidently with the EU.”

A crucial aspect of the relationship between Europe and China is trade, which is vital for both economies. The EU is the biggest destination for Chinese exports and outward investment, while China is the EU’s second largest export market after the US. “These relations are a major source of wealth, jobs and development for both sides,” said **Cecilia Malmström**, EU Commissioner for Trade. “Millions of Chinese came out of poverty thanks to trade, and now they are tourists visiting our countries.”

Despite the growing common agenda between the EU and China, many Europeans think the economic relationship is unbalanced. “The EU’s trade deficit with China is not a problem in itself,” said Malmström. “But a big systemic deficit can be a sign of disparity of treatment and non-tariff trade barriers. So the first objective of a trade relationship would be to bring barriers down – for milk and beef exports and for telecoms operators.”

THE NEW SILK ROADS

One concrete way that China is trying to boost trade with Europe is the Belt and Road Initiative (BRI) – also known as ‘One Belt, One Road’ (OBOR) – a blueprint for deeper connectivity across Europe and Asia. The belt will be overland connections, especially rail, while the road refers to maritime links between Chinese and European ports. Better and faster transport connections will increase trade and investment flows.

“We need to promote free trade into Asia, so Asia-Europe cooperation will be important for implementation,” said **Chi Fulin**, President of the China Institute for Reform and Development (CIRD). “The Belt and Road Initiative will also have complementary effects. It is needed to upgrade China’s consumption structure.”

Services already make up about 40 percent of consumption in urban areas, and this is growing by 2 percent each year. “By 2020, if services occupy about 50 percent of consumption, then you can imagine how big the market will be,” Chi said. “So against this backdrop, the advantages that the EU enjoys in services can very much work in line with the demand from the Chinese market.”

Chi posed the question of whether it is feasible to create a free-trade zone between China and the EU. “Currently this is a question that we can ask DG TRADE,” he said. “Maybe I see you shaking your head. But I believe this is becoming more and more imperative, because when we are talking about an investment agreement, we are talking about trade in services. China is very much focusing its reforms on trade in services. So in that respect, as China is opening up its market, Europe also has to open up its market. If we can pragmatically promote trade along the Belt and Road, then I believe we will both be very successful.”

The Belt and Road initiative will be a source of economic activity for countries in central and southern Asia lying on the routes, as well as for Europe and China. “Done in the right way,” said **Hans-Dietmar Schweisgut**, Ambassador of the European Union to the People’s Republic of China, “more investment in cross-border infrastructure links will unleash growth potential with benefits for all.”

To that end, investment should respect four main principles, he said. First, connectivity must be inclusive, so that all countries involved can benefit from the new routes. Another important principle is reciprocity: operations should be opened to all interested parties, and the resulting network needs to be truly interoperable. The projects must also be sustainable – both economically viable and environment-friendly. Finally, low-carbon and innovative solutions should be given preference.

“Eurasian connectivity is not an end in itself,” said Schweisgut. “It must deliver concrete benefits to our citizens and to the poorer parts of the world. It is a great ambition – indeed at the level of a truly strategic partnership between the European Union and China. But in times of geopolitical unpredictability, it may well be the only way forward.”

First, however, people need to know just “which number to call” to get more information on BRI. They also need to figure out what they want from the initiative. “It is a great project and will have beneficial side effects on society,” said **Pino Musolino**, President of the North Adriatic Sea Port Authority in Italy. “But we have not figured out what we want to obtain through this vision. Probably on the European side we have not caught up with the idea. We need to be pragmatic, and we need to understand what we want in the short and long run, as we will reach the final goal through intermediate steps.”

“EU-China economic relations are a major source of wealth, jobs and development for both sides”

Cecilia Malmström

EU Commissioner for Trade

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Doing this needs a new way for China and the EU to talk and deal with each other. “We can’t think about national borders – the nation states built in the 19th century,” Musolino said. “We are focused on infrastructure to connect the eastern and western parts of the planet, but we need to talk about what we need this for. As a port, we are not just serving our country, but serving the whole Union as a point of entry for goods. So we need to ask, ‘What are the real, actual needs?’ – and move from there. It is an amazing world today: China is talking about free trade, and America is talking about protectionism.”

Some businesses – especially in Europe – are still trying to figure out the possibilities of the Belt and Road. “The Italian business community, like the German, is trying to understand the possibilities, which is not always easy to do,” said a participant in the Roundtable, which was conducted under the Chatham House Rule, allowing participants’ quotes to be used only without attribution. “The political level is actually looking at it with suspicion. They want to know what principles, standards and rules will be applied. They also note the ease with which Chinese companies invest in Europe compared with the difficulties for European companies in China. So the European side is still lukewarm, and they are looking for further signs of where it is going.”

One country that is already seeing good results is Latvia. “We have had a good outcome over the last five years of cooperation,” said **Andrejs Pildegovičs**, State Secretary for Foreign Affairs of Latvia. “As with most EU Member States, we used to have a very negative trade balance, of one to 10. But now it’s one to four, so it’s a visible, positive trend. The number of Chinese investments has grown, and we are not just talking about real estate, but about manufacturing. Technology is being transferred, not only from Europe to China, but from China to EU Member States.”

MOBILISING THE PRIVATE SECTOR

Still, BRI has already attracted interest from the private sector. “More than a hundred countries and international organisations have expressed interest in participating,” said **Zhao Jinping**, Director-General of the Research Department of Foreign Economic Relations at the Development Research Center of the State Council (DRC), China. “The United Nations and the UN Security Council, too, have confirmed the importance of BRI, so it is very high in global consciousness.” It will boost growth, investment and the free flow of capital, he said. “The AIIB has encouraged the participation of many international players, and has provided financial support from November 2015 to November 2017. This shows that the free flow of funding and capital plays an important role in the development of the Belt and Road.”

Now, BRI is shifting from bilateral to multilateral mode. In May, Xi Jinping hosted a two-day summit in Beijing – the Belt and Road Forum (BRF) – at which 30 world leaders signed a joint communique that championed globalisation and free trade. A total of 68 countries and international organisations signed agreements on furthering the concept. These ranged from free-trade agreements to energy deals to a strategic cooperation deal with Interpol. “We will set up through the BRF a platform through which people can further communicate,” said Zhao.

Some boosts for business come in unexpected ways, such as the adoption of western festivals in China. The Chinese have taken up Halloween, for example. These represent marketing opportunities for products ranging from whisky to chocolate. “We are very eager to be integrated into the global economy,” said Liu Miao, Chairman of drinks-maker Luzhou Laojiao. “A liberalised trade framework can reduce operational costs and improve the competitiveness of our products. We can set up joint ventures in European countries and enjoy the benefits of cooperation.”

THE DIGITAL CONNECTION

The Belt and Road infrastructure should be built with as many digital elements as possible, said one Roundtable participant. “We are a big investment and trade partner – with some Asian countries, the biggest trade partner,” the participant said. “We share the same land mass, so there is a big stake in inter-European and inter-Asian links. Connectivity is an essential element, and it is not only about infrastructure. Digital should be embedded in all actions: hard and soft, commercial, taxation, media, digital public services; all contribute to the transformation of society. The EU approach is the same as for infrastructure in general. It should be based on the basic principles of open platforms. We need to work together in full transparency to set up a true network of interoperability.”

Digitisation and e-commerce have become one of China’s industrial strengths, so applying digital innovations to BRI will increase China’s contribution to the next phase of world economic growth. “If we look at the four different industrial revolutions, each one brought a couple of countries to greatness,” said **Zhang Ying**, Professor and Associate Dean of the Rotterdam School of Management at the Erasmus University Rotterdam. “China was an exception, but in digitalisation China is leading. China is going to cut tax to make business easier, and it will offer more space and access for foreign investment. China is going to be responsible for development in the whole world.”

However, forum participants emphasised that several aspects of BRI still need to be addressed. “We are working with the Chinese to promote open markets,” said **Hans-Jörg Schmidt-Trenz**, Representative and Counsellor of the Hamburg Chamber of Commerce in Germany. “Entrepreneurs need the legal environment for a business contract to be fulfilled. We want to have a fair environment where personal business contacts work in a smooth way. So this initiative is an invitation to be part of such a multilateral approach. We should put the same energy we put into TTIP (the Transatlantic Trade and Investment Partnership, a proposed trade agreement between the EU and the US) negotiations into negotiations with all the countries along the Belt and Road – the roads, railways and seaway.”

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“We need coordination and a governance mechanism. For enterprises, there should be a BRI chamber of commerce. We should establish a communication mechanism between enterprises and governments”

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COORDINATING THE ROUTES

Some businesses would like a simple way to find out more about BRI. “It would be good to have a one-stop shop,” said Musolino – “but not a huge organisation. We should do this in a streamlined way. There should be a small, efficient office that can give direct feedback to businesses, and that works to the times of the market, not the government.”

One idea is for a kind of BRI chamber of commerce. “In the last three years we have seen the transformation of BRI from bilateral to multilateral way of thinking,” said Chi. “We need coordination and a governance mechanism. For enterprises, there should be a BRI chamber of commerce. We should establish a communication mechanism between enterprises and governments.”

An alternative is to work through organisations that are already up and running. “It is better to adapt existing institutions to deal with challenges,” said Pildegovičs. “We don’t need another European Commission.”

MORE CLARITY PLEASE

One Roundtable participant called for greater clarity from China over its intentions with BRI. “The EU rightfully insists on clarifying the core of the whole endeavour,” the participant said. “Some conceptions are not yet clear. So far, the Belt and Road has been serial bilateralism – or hub and spokes. If that is the concept, it will not meet with the level of response that the Chinese side is expecting. Will its standards be international or other standards? What kind of protection and governance will there be? There is homework to be done on all sides, in particular on the Chinese side. There is no point in denying that there is a geopolitical dimension to this. To move forward with the BRI conversation, we have to build trust and not paper over some of the conflicts we have. Yes, trade is mutually beneficial – but only fair trade. If it is unfair, it is not mutually beneficial. China has been dumping, and our markets are much more open than China’s for investment.”

To work properly, BRI will need a range of infrastructure development. That will include rail links – northern, through Siberia, and southern, via Turkey. The capacity of border crossings, such as that between Poland and Belarus, will have to be raised. Pipeline investments will be needed, as will schemes to manage water, roads and ports. Special economic and enterprise zones will also likely emerge. All this will involve the countries along the routes. “We have tried to extend the limits of BRI on a regional level,” said Pildegovičs. “This inclusive nature of the Belt and Road Initiative is important. For us connectivity throughout Asia is important – and bringing in the countries of Central Asia.”

The very ambition of connecting a large number of places means that BRI will have security implications for the region. “China should be commended for providing a vision of how something like this can function, as the Belt and Road Initiative has the potential to create stability,” said one Roundtable participant. “But it also has the potential to destabilise. Though it might not create structural fault lines, it could exacerbate existing problems. There are regimes along the routes that have poor records and are uninterested in raising the local standard of living. Will this change the mindset? This is something that China anticipates.”

FREE TRADE AND FAIR TRADE

Malmström praised Chinese President Xi Jinping's defence of free trade at the World Economic Forum in Davos in January – the occasion of his warning against a trade war. But she added that actions are important too, especially in areas such as food and beverage licencing, a functioning judiciary system and support for human rights. "Announcements like those by President Xi in Davos are welcome," she said. "Now they need to be delivered. The signs are mixed: We have been working very hard to get an agreement on environmental goods. The EU has always stood for openness – for silk roads, not great walls. This spirit will drive our policy in the future."

China has long urged a free-trade agreement with the EU. But Europe insists that an investment agreement is needed first. "There are lots of hurdles which need to be eliminated. Once that is done we could start discussing an FTA, but we need to do it in the right order," said Malmström. "It has been difficult to make advances on an investment agreement, which is a pity. We need a more-level playing field. The EU is very open, and there is concern that European companies cannot buy companies in China as Chinese companies can in the EU."

The trade imbalances have had social and economic effects in Europe and the US. "Norway and other European countries have experienced tremendous benefits from cheap goods from China," said a Roundtable participant. "But it also impacted the economy. Production has been moved out of Norway during these years. There is a question over how free trade is affecting work and incomes. This is a major concern that countries are focusing on. The election of Trump and Brexit may demonstrate some reaction to these economic changes. So we should focus more on the relationship between globalisation and work opportunities."

TECHNOLOGY AND RECIPROCITY

One issue that concerns Europeans is Chinese companies' acquisitions of European firms with leading-edge technology. "Both state-owned companies and the private sector want to gain technology and assets in Europe," said a Roundtable participant. "The UK has been most open to that kind of direct investment."

However, such acquisitions are often sensitive. "There has been a big increase in technology-seeking foreign direct investment – in particular aiming at the German *Mittelstand*," said **Paul Irwin Crookes**, Lecturer in the International Relations of China at the University of Oxford. "Does it matter? At a company level, no. But politically we cannot ignore this. Angela Merkel has made it clear that she finds it disturbing that this technology might be used to compete against Germany."

Reciprocity should be a key principle, said a Roundtable participant. "Why have a limit on Chinese investments into the EU?" the participant said. "Because the Chinese government imposes limits on direct investment coming from Europe. Every sector has a list of rules. We need a level playing field. Without one, we are going nowhere fast."

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Paul Irwin Crookes
Lecturer in the International Relations
of China at the University of Oxford

However, Europeans who hoped for reciprocity via rapid changes in China were wrong, said another Roundtable participant. “Too many expected China to become a market economy. But it still has Chinese characteristics.”

Another Roundtable participant called on China to assume its responsibilities in international business with more vigour. “We want to enjoy the same opportunities in China that Chinese companies get in the EU”, the participant said: “Transparency, the rule of law et cetera. It’s about competitive neutrality. What matters is that we all abide by the same rules. But our companies tell us that they feel less welcome in China, and the situation is not balanced. There is a slow opening up, but it is more numerical than substantial; it is sectors being repackaged rather than sectors being opened.” Greater transparency would dispel many of the fears, so the best way forward is investment negotiations.

MORE TRUST NEEDED

These frictions could worsen relations if they are not dealt with appropriately. “There is a risk of a crisis in trust between the two sides,” said Irwin Crookes. “There is trade and there are cooperative ventures between the two sides. But there are also some problems.”

One is China’s status at the World Trade Organisation as a market economy. Beijing thinks that, 15 years after its accession to the WTO, it should gain this status, which constrains the potential use of anti-dumping measures against China. But the US and the EU are still holding out against such recognition. “This is a running sore,” said Irwin Crookes. “Part of the issue is that the EU is not united. It’s less about whether EU member states are protectionist or not. It’s about whether you are a consumer or a producer. The consumer countries are more relaxed, but this is not shared by all member states.” Brexit could make the EU more protectionist, he pointed out. The UK represents 12 percent of the share in qualified majority voting, and it has voted against trade defence.

Other European concerns are access to China’s government procurement market and the way anti-monopoly rules are used against foreign companies in China. “The overarching perspective is that law is ultimately a servant of the party,” said Irwin Crookes. “We in Europe have to get over those differences. China is not like Europe and will not become like Europe. We need trust to get over this. Bilateral investment and an FTA will not make genuine progress unless you have the element of trust.”

Trust is particularly lacking at the political level, said a Roundtable participant. “Economic and trade cooperation are getting closer and deeper, but at a political level there is a rising frustration in the member states. To a large degree this is because of China’s rise: people are not sure what is going on as China becomes a world power, because China is so different. So there is a kind of anxiety or uncertainty, and this contributes to unfavourable ratings in member states. We have to think about how to deal with this issue before talking about more trade and investment.”

CHINA IS CHANGING...

Still, the Chinese economy is going through important structural changes that could have a positive impact on its relations with Europe. Overcapacity in industries like steel is declining. “From the point of view of comparative advantage, the high level of steel production in China means that it is more convenient to produce it there,” said **Cao Yuanzheng**, Former Chief Economist of the Bank of China and Chairman of BOCI Research. “But China is reducing its steel production and has laid off a large number of workers in the steel sector. It has introduced stringent anti-pollution measures, and a concern with environmental protection is now a big factor in evaluating the performance of officials.”

Moreover, since the 2008 financial crisis, China has realised that its traditional economic structure is not sustainable. So it is shifting from a model based on manufacturing to one involving more services, and from exports to domestic consumption. This benefits overseas farmers, for example, whose products are increasingly in demand in China. “Consumption has become the driving force of the economy,” said Cao. “My grandson buys things from Europe on the Internet.”

One of the goals of BRI is to stimulate this economic shift. “The impact of BRI spreads beyond China because there is a need for it,” said a Roundtable participant. “The goal of BRI is very clear. The core function is to facilitate a new globalisation. Its founding principle is one of openness and inclusiveness. Connectivity is a key point, and it allows others to enjoy more opportunities. The development of services in China will change the future landscape of growth. The importance of an open market is unequivocal, but it has to be open on both sides. It cannot work in just one direction.”

Economic shifts are going hand-in-hand with social changes. “Young people say they have more in common with young people in other countries than old people in their own country,” said **Eric Fish**, author of ‘China’s Millennials: the want generation’. “For young people in China the thing that gets in the way is their parents, who want their children to get a stable job and get married. You have a generation that came of age after the economic reforms – a generation that grew up on Hollywood movies. Young people are becoming more internationally oriented and keen to work together. If you look at other movements around the world – Brexit and Trump – young people rejected these.”

THE EAST IS GREEN

Other initiatives that could complement the EU-China trading relationship include the Energy Charter, an international organisation founded in 1991 to deal with global energy governance issues. Although China is not a formal member, it is an observer and has a close working relationship. “The Energy Charter treaty provides minimum rules for a transparent, open energy market,” said **Masami Nakata**, Assistant Secretary-General of the Energy Charter Secretariat. “Ten years ago, there was no mention of climate change. Now, we are using a renewable energy source in Mongolia to supply a low-carbon electricity market in the region.”

The need for green economic growth should keep Europeans and Chinese together after Trump and his decisions, said **Bogdan Góralczyk**, Director of the Centre for Europe at the University of Warsaw. “BRI should not only be about infrastructure and trade, but should make us think about the green economy, climate change, and the future of humankind”, he said. “These are deadly issues and we cannot neglect them.”

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“The Belt and Road and EU integration are two innovative initiatives, and they could provide Asian and Eurasian countries with a peaceful area for development”

Meng Hong
Professor at Renmin University of China

WHAT MODEL FOR THE FUTURE?

As the fields of cooperation between Europe and China grow, one challenge for Beijing is the variety of different countries it has to deal with, said **Meng Hong**, Professor at Renmin University of China. The EU consists of six core states, which founded it and have been the main drivers of integration. The UK joined later, and now appears set to leave. Then there are the eastern countries, plus the southern ones that suffered from the sovereign debt crisis. Moreover, there are a number of future members. “The diversified nature of Europe poses a challenge to further integration,” she said. “But it is necessary for China and the EU to have friendly relations no matter what is the future of EU integration. The Belt and Road and EU integration are two innovative initiatives, and they could provide Asian and Eurasian countries with a peaceful area for development.”

The futures of both China and the EU will be in large part determined by their approach to globalisation, said Yang. “Like it or not, globalisation is the big ocean one cannot escape from,” she said. “The right option should be acting pro-actively and managing economic globalisation as appropriate.”

An important aspect of that management will be the nature of cooperation between the EU and China. “The complexity of our age means that nobody can tackle alone the challenges we face,” said Schweisgut. “As major political, security and economic powers and strategic partners, the EU and China must – and do – work together on an ever increasing number of issues: climate change, research and innovation, security and defence, international development, and migration.”

Part of the challenge is to figure out what can be gained by working together, said a Roundtable participant: “We are now facing a turning point in globalisation, when we ask: ‘What is the point of globalisation? What is the rationale?’ We have deep respect for the founders of the EU; it has brought about great benefits. So how can we design a new system that will bring about more benefits?”

There are a range of different cooperative frameworks sprouting up round Europe, pointed out Góralczyk, so why not do the same for China and Europe? “Maybe it is time to talk about some kind of institutionalisation of our cooperation.”

Rather than setting up new groupings, institutionalisation could use existing processes, said a Roundtable participant. “Switzerland, Norway, Russia and India are in ASEM now,” said the participant referring to the Asia-Europe Meeting. “It has a multi-stakeholder approach. There is the business sector; there are governments; there are NGOs; and there is the foundation – the Asia-Europe Foundation in Singapore” – the branch of ASEM that promotes intellectual, cultural, and people-to-people exchanges.

In general, participants in the Forum and the Roundtable agreed that China and Europe are embarking on a new chapter in their relations. So big-picture thinking is needed – but not if that means procrastination. “China is not a rising power,” said **Juan Prat y Coll**, Special Advisor for International Affairs at Fipra and former European Commission director-general for external relations. “China is a returning power. Do we regard ourselves as competitors or partners? It is clear in the global world we must all be partners. We have to institutionalise our partnership in one way or another, but this is not easy. But from the European point of view it is very difficult to achieve. We Europeans have difficulties in dealing with this kind of agreement. Maybe we should look at things in another way. In this fast-reacting world, I don’t distinguish between rich and small countries, but between fast- and slow-reacting countries. We are slow in the European Union, and we have to speed up a bit when it comes to our relations with China.”

RECOMMENDATIONS

1. Both Europe and China should take a fresh and realistic look at each other, including at each other's strengths and fragilities and sensitivities, political pressures and public opinion.
2. The focus should be on making the relationship truly strategic rather than allowing it to remain transactional. This means looking at the bigger picture and not getting obsessed with details; looking at the longer term, not just at urgent questions.
3. Both sides must ensure a constructive management of differences – and also a constructive management of expectations. This will ensure being able to deal with inevitable trade disputes.
4. Europe and China should work more seriously on global governance issues, including climate change and anti-protectionism.
5. The two sides should ensure stronger engagement on innovation, science and technology, crucial areas where China is speeding ahead.
6. They should remain engaged in the very useful EU-China Connectivity Platform, established in 2015 to create synergies between EU policies and projects and the BRI.
7. The focus should remain on concluding the EU-China investment agreement, but not rule out serious exploration of the pros and cons of an EU-China free trade agreement.
8. The EU-China dialogue should be widened to really include input from business, think tanks and academics.
9. The EU and China should make the BRI into a joint vision, not just a bilateral drive between China and project participating countries but a truly multilateral blueprint for creating a peaceful and stable Eurasian space.
10. Finally, the BRI should be used to spark a strategic EU-China conversation on crucial issues of peace, security and development, including Africa.

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Special Advisor for International Affairs at Fipra and former European Commission director-general for external relations



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