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Transcript

EU RELATIONS WITH CHINA AND INDIA: COURTING THE DRAGON, WOOING THE ELEPHANT

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Transcript by Way With Words

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LIZZA BOMASSI: Welcome, everybody, thank you for coming. My name is Lizza Bomassi. I'm the deputy director of Carnegie Europe and thanks for bearing with us just a little bit. Welcome to today's discussion on Europe, China and India and [inaudible] timely discussion especially given Europe's current problems and [unclear]. The situation doesn't seem to be getting any better really. I mean, unemployment, I was reading in the paper yesterday has reached its new high, especially amongst the young. The euro crisis seems to keep persisting despite our best efforts. And the waning transatlantic relationship is especially worrying given the US's re-pivot to Asia, which obviously makes sense; the dynamics in the Asia Pacific are going to determine the new world order in the next decade and decades to come. So how can EU take advantage of all of that? What's the role for the EU in China? What's the role for the EU in India?

We're fortunate enough today to be joined by three distinguished panellists, one of whom is a Carnegie non-resident scholar, Bernd von Muenchow-Pohl, who actually wrote a paper on the very topic and I think they're available at the end of the room if you'd like to take one at the end before you leave. Bernd is a non-resident scholar in the South Asia Programme the Carnegie Endowment. He's a career diplomat in the German Foreign Service and he was the director of the German Information Centre USA at the German Embassy in Washington before joining Carnegie. He's actually now back in Berlin, but still, fortunately enough for us, maintains a Carnegie affiliation.

We also have with us Lawrence Sáez who is a professor in political economy of Asia and the chair of the Centre of South Asian Studies at the School of African and Oriental Studies at the University of London. And last but not least Xie Tao who is an expert on Chinese foreign policy and professor of political science at Beijing Foreign Studies University. He's also an honorary Carnegie scholar and spends a lot of time in our Carnegie Tsinghua Center. So on to today's topic and without further ado, Bernd, the floor's yours.

BERND VON MUENCHOW-POHL: Thank you, Lizza, I don't know if you had a chance to grab the paper which was put out there, the one about EU relations with China and India. This was basically a follow-up to an earlier paper I've done on EU-India, which is sort of more my speciality, because I worked in India for some time. I do need to start with all the clarifications. I saw that in the invitation I believe that we are going to examine the trilateral relationship. I'm sure we can talk about that, but my paper doesn't really deal with China-India relations. That's a very interesting topic and I'm sure we can expand it in the discussion. I also need to clarify just the usual disclaimer. As you mentioned that my desk now is back in Berlin. Of course, whatever I have to say or have written does not represent any German government view, nor does it... nor the view of Carnegie, but simply and solely my very own.

This being said, just the other day, I noticed the interesting media coverage of the EU-China summit here in Brussels and I don't think that the coverage I got in Germany was much different from the one you would have gotten elsewhere in Europe. What kind of struck me was all about China; Chinese assurances that it places great importance on the euro as a common currency; Chinese assurances that they would keep on buying European bonds; Chinese appeals to Europe to finally bring its economic house in order; and Chinese complaints about the things that didn't get done in the past ten years, namely the lifting of the EU arms embargo, or giving China market economy status. As far as the euro was concerned, there wasn't really much talk about it. what they said, or how they reacted to that... I mean, that's at least the impression I got from the media. They seem to be pretty much on the receiving end in that summit and if you look back how things started back in 2003, with the strategic partnership, I think that seems quite a change.

Basically the blueprint for the strategic partnership came from the EU side. 2003 was also the year the Europeans Security Strategy was published, so this grand vision of I think... what's the title? A Secure Europe In A better World, very poetically, of a rule-based order that is... that where either the EU works

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with its strategic partner to make this place, more secure in a better world. The question for me is what has happened in the last nine to ten years? Well, one thing that happened always is the C-word in Europe, crisis. It started back in 2005 when the constitution project went down in the Dutch and the French referendums, continued 2008 with the financial crisis and its fallout and now we're in the middle of the euro crisis and so far there's no end in sight. And simultaneously the Asian century has approached a little earlier than everybody has expected and I think also the financial crisis had something to do with it that happened.

Back in 2003, Europe had probably every reason to be optimistic about itself and the role it could play in the world. It just had overcome Europe's division, had integrated Eastern Europe and was now planning sort of to export its own internal norms on a global scale to come as a basis for a new multilateral... new global order based on what it calls effective multilateralism, which is basically the mantra of the European Security Strategy. The new emerging powers like China and India were considered vital for this... in this approach. The assumption that that would work was basically based that as these new emerging powers would expand their global footprint, there would be something like a natural convergence of objectives and of interests and I think now we know that this obviously has not happened, or it happened only to a much smaller degree than Europe had hoped for. And why things didn't work out the way the EU had hoped, I think there are basically three main reasons: Reason number one is the limited power of the European institutions; reason number two, competition and disunity among [?] European member states; and number three, very simple, unrealistic expectation about Europe's strategic partners.

If you go through the performance review with China and India, you know, you find elements of these three basically in all sectors. If you look at the economic relation with China today, we're carrying a huge deficit for which you can name a lot of reasons, but basically you can say that there is still no level playing field, if you compare conditions for European business in China and conditions for China's business in Europe, very simply. One case in point we just talked about prior to this meeting, to highlight this is what's happening in the solar industry. A few days ago, the European Commission started anti-dumping proceedings. This will take several months and might go to WTO or it might not, but if it were to go to the WTO, it would be the biggest anti-dumping case in EU history. There is a lot at stake and the country where I come from is probably the country where most of it is at stake in this respect.

With India, things look at first sight a little more even and they are a little more even, but it doesn't mean that the economic relationship is free of problems. You have also quite a number of market entry problems, market distortions and other structural problems, all of which are supposed to get fixed in one way or another by the free trade agreement. The problem is the free trade agreement right now seems nowhere in sight. It has been in negotiation since 2007. We've had a number of deadlines, new deadlines and the last one that was mentioned I think was October of this year. We are there now and I haven't heard anything more.

If you go to the political side of the performance review, I find it noteworthy that in the communication that the European Commission's put out to outline the strategic partnership with China, it specifically spoke of "shared interest and shared visions". If you do the reality check for that, how the EU and China have sort of faced off on different political issues, regional issues for example, places like North Korea, Myanmar, Sudan, Darfur, Zimbabwe, or more recently Iran or Syria. I don't quite see the shared visions or the shared interests. The same would go for the dialogue on human rights and democracy.

With India it's a little different, but you have to bear in mind that with India, Europe's expectations are a lot higher, because of the similar structure. It's an established parliamentary democracy and a pluralistic society. The expectations were higher, but then also, of course, proved... created frustrations of its own.

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The Indians might have moved their previous position on Syria, but in many other areas, they still stick to their idea of non-interference in the internal affairs of others. They definitely are adverse to the concept of the right to protect and so in a nutshell, the envisioned political operation still hasn't proceeded much past political dialogue, not exactly what Europe had in mind when they talked about strategic partnership.

The third area is also very interesting if you say that the proof is in the pudding. When it comes to global governance issues, I think nothing probably signifies better the idea or the EU [?] paradigm of effective multilateralism in the area of climate change and there I think probably the EU has experienced the greatest fiasco in Copenhagen in 2009, where basically it was the EU's own strategic partner that sidelined them and replaced the EU's own very ambitious goal of binding emissions reductions with non-binding commitments.

Things look a little better now since Durban 2011, but I would say that the relationship with both strategic partners, China basically from the European point of view was the climate arch villain in Copenhagen, kind of switched roles with India in Durban, say, a little bit oversimplified, but the relationship makes difficult on that topic. It remains to be seen what will happen in the follow-up to Durban. So where do we go from here?

Coming back to sort of the three reasons why things haven't worked out the EU had hoped would work out, obviously the EU needs to do better on all three accounts. Of course, problem number one is the most difficult to fix, the competence [?] deficit in Brussels. Basically, that would require a change of treaties. It is true that the current euro crisis has reignited a discussion, the discussion about more closer political union, but I think at the same time, we all kind of feel that this seems unrealistic to expect before we have put the current crisis behind us.

The second problem is something that is much easier to fix, more unity, less competition of European member states is something that is possible, especially in a place like China. I think it's fair to say that the Chinese have been especially adapt in exploiting the difference between EU member states with a sort of carrot and stick, or conquer and divide approach, rewarding those who are willing to commit economically and punishing those who stick their head out a little bit too much public criticism about things like Tibet or human rights.

And then, of course, the EU needs to dump unrealistic expectations, first and foremost about its strategic partners, but also, of course, about itself. I think some of the romanticism that still is carried in the European security strategy probably needs to be addressed. And I think the EU needs to realise that for the time being, its main levers are economic. When it comes to Asia, Europe, the EU will never be an Asian or Pacific power the way the US is. They were not able to have a regional impact in the neighbourhood [?] of China or India like the US has. Its presence is economic. Its levers are trade, investment and technology. But it can use those levers for its larger political goals if it has the will to do so and if it gets all its member states to sing from the same hymn sheet. I think that is important.

Regarding... if it comes to China, I read in one study that Europe needs to move from what the study called unconditional engagement to something it qualified as reciprocal engagement. I saw the other day that the current EU ambassador in China mentioned that they were hoping that both sides could agree on a mandate for a free trade agreement by the end of this year. Against the background of this missing level playing field that I talked about earlier, I'm not quite sure if that is a good way to go, but I would be interested in the discussion in the room what you think about that if an FTA with China really gives the right prospects for the EU.

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Which brings me back to India... other things I'd said about China about the EU's three problems also for India, but the one thing they really need to do is they really need to move ahead with a free trade agreement, because time is not on our side and we need this free trade agreement to stay economically relevant in India, not only in the medium, but also in the longer term. And the window of opportunity there is closing very quickly. There are elections coming up 2014 or even a year earlier, we don't yet, so something needs to happen at least by spring of 2013, or this window will be closing very fast.

To sum it all up... sorry for taking so long, Lizza. Yes, we read a lot about how much Europe has become dependent on these growth markets of Asia. That is true, but we need to bear in mind that this is a mutual [inaudible]. Asia has also become dependent on Europe and if you... the slowdown in growth which we have seen in both China and India, of course, has many reasons, but slacking European demand definitely also has to do with it to some degree, so the dependence is mutual. There's no reason to despair and I think we just need to be aware... we need to think of where Europe's comparative advantages lie in the longer term and we have tried to make [?] our best to use them.

LIZZA BOMASSI: Thank you, Bernd, thank you for that overview of the converging dynamics and the challenges in this EU-China, EU-India relationship and obviously the opportunities that exist that we can try to leverage. I'll hand the floor now to Lawrence who I know has some thoughts and comments to share.

LAWRENCE SÁEZ: Yes, I have [?] to comment generally on the paper. Normally I'm actually quite apprehensive to comment on any paper that uses the world tiger or elephant or anything like that and dragon and turtle or any suchlike animal. But this one actually was surprisingly... I was in agreement with it, which created a second problem. I cannot comment on a paper that I agree with and if you give me a couple of glasses wine, I would probably sign my name to it as expressing thoughts on the issue.

However, luckily enough I am an academic, so I will take a look at the paper as an academic and look at it, be critical on some of the assumptions that are being made by Bernd and not least the... you should read the report if only for the last sentence, which includes a very humorous German – German humour, I guess – line that I enjoyed particularly. But I think the paper really does have a problem generically... you know, I'm a student of behavioural economics and I like to read concepts of cognitive bias and so I think the paper suffers a little bit from this, even though I agree with most of the points that he raised. It is what is referred in cognitive behaviour as focusing effect or focusing illusion, which is the problem that you create when you try to extrapolate from the press [?] and to make assumptions about the future from what is occurring at a given moment.

And I think that at the core of paper is... I mean, he didn't really stress this in his presentation, but in the paper he is much more punch about the notion that the EU project's a failure and I question that. I mean, I'm not a particularly... I mean, I've done some work for the European Commission on EU-India issues and I have a realistic view as to what can be achieved through this organism, but I think that overall the EU project as a whole is not a failure. I think if we were to play [?] a full [?] experiment or a counterfactual and we would say, well, what would happen if we were here 30 years ago, you know, 1982, right, when I was 18 years old, at the peak of my physical powers and that's the year for my life as far as I can remember. We go back to that time and if I told you, well, Bernd, do you know that... could you imagine in where someone is born in Romania for instance and then goes to study in Germany and then goes to work for me as a research assistant in London and comes back to Brussels to work, hopefully for the European Commission, it would have sounded like some outlandish dream, idealist, but that's the reality. In fact, there's a person in this room who fits that profile.

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Essentially the notions of change that have taken place over the last 30 years show that the EU has been very effective. The coordination levels that require me to be here even, from London to be here in Brussels overnight, are a remarkable achievement of the EU, so I think that you should temper criticism of the EU as it is now, or the problems that the EU faces, in light of a greater timespan. Of course, if you go back 30 years before, I think 1952, I mean, forget it. I mean, people were eating cabbage and raw potatoes on the street. I mean, Europe at the time was a disaster. Now I think we have a crisis, but it's not a failure. It's a project that has problems.

If we were to keep the example of this, you know, 1982, I mean, at the time the prospect of China being a global power or... it would have been somewhat plausible perhaps, but the idea of India becoming a global power would have been an absurdity 30 years ago and so if you're trying to predict what is happening now, well, these countries are emerging. I wouldn't, you know, put my eggs on China and less on India, but 30 years from now we don't know what is going to happen and I stress this, because 30 years ago in the 1980s, people were talking about the rise of Japan. Japan's going to take over the world. It's buying American companies and so on and the same thing with Europe and now nobody talks about Japan. Nobody cares about... well, within reason, I guess, about Japan, or sees it as a threat to any one person.

And I think that there are very specific reasons for considering that China's emergence is going to be challenging... I mean, I could bore you with demographic trends and so on that are occurring in China, issues of pollution and so on that you're quite aware of that would make me be somewhat less optimistic about the emergence of China and the same thing with India, specifically which has many more serious problems and you begin to see a slowdown in growth currently.

I think that one... I mean, the paper thus is like a sort of slightly harder edge than your presentation, but is generally I think a perception of singularity in the decision making in India and China. I'm familiar with both countries, more so with India, but you're fairly well aware that decision in India is very chaotic, I mean, within the same ministry, within the same office. And so the expectation that these two countries have a sense of what... you know, how to engage with others in a super-intelligent way, doesn't hold water, because they can't figure out exactly what to do internally and much less at a grand scale, so there are issues in terms of strategic lack of vision from Europe, which Berne [?] [unclear] a supported... There are certainly with respect to what India wants in the future and what China wants in the future.

In the case of India, it is a democratic country. It is governed by a coalition. It's likely to be governed by coalitions for as long as I can see, so there's an inherent element of confusion and divergence as to what to do with respect to the other world, whether it be in terms of nuclear issues and so on, that were quite controversial and almost led to the collapse of the government in India.

And so, with respect to the case, of course, we have a vision of China that is very similar to a vision of China we had in the 1980s and it was the Soviet Union where everything seemed to be very cohesive, but we know full well and I'm sure that the last speaker will comment on this, or perhaps not, that China has the same level of factionalism that you find in other authoritarian regimes, problems with the same who's on top and who's on the bottom? Whose patronage network is favourite? And we find that throughout all other authoritarian regime that seem to be quite solid on the outside, but then when you start seeing how quickly they collapse... you know, to look Iran for instance, before the revolution, look at eastern and central Europe, all those regimes that seemed to be so monolithic. Now more recently with the Arab spring, all these regimes that seem to have a gloss of singularity of what they want to do strategically, they collapse as a result of internal factionalism, so I think you should incorporate that a little bit perhaps in your analysis to show that perhaps the lack of vision on both sides.

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I think the paper makes a brilliant critique of the EU's effective multilateralism. I think that is probably the highlight of the paper, but I'm not really convinced by your discussion about the need for symmetry in strategic partnerships between India and the EU and so on. I mean, just to use an example, the US had a very clear strategic partnership with Britain before the Second World War and so on and then, of course, it develops a strategic partnership with Russia, very specific, very precise, on a specific threat that the US and Russia wanted to remove. So, of course, if you were to look at the types of elements involved in the US-UK or British strategic partnership at the time, it would have been very different from those of Russia, one motivated by military cohesion and the other one a range of economic factors. And so I don't think that you really need to have symmetry. It's perhaps... I don't find that particularly convincing.

I also didn't find it convincing your discussion about India and China's access to European market. It is true, of course, that European companies that try to access the Indian and Chinese markets face many difficulties. I think that you're quite correct on that, but I think that you have to also consider that there is a problem in fact that will emerge or will hamper or impede, or whatever verb you want to use, the potential for an EU-India free trade agreement and that's the issue of the agricultural imports. The EU has in my view a rather hypocritical... well, not a rather, a very hypocritical approach in trying to limit agricultural products from Asia, Africa and other developing countries. That will be at the core of any type of effort to create an EU-India free trade area. I'm not sure how that's going to be resolved, but it is the case that Europe does put barriers to entry that we don't look at them as being barriers to entry, because of course, you're addressing a domestic constituency of French farmers and whoever that prevents domestically these types of actions from taking place.

Just to end on another... I also wasn't persuaded in your paper about the EU being solely responsible for the failure of the Kyoto Protocol. There are some multilateral issues where other players are present and perhaps it's just a personal opinion that I think that your expectations that the EU should be much more essentially carry the day are not there if you don't have other players, a global hegemon for one that is unable or unwilling to participate in this building of this type of regime. But other than that I love the paper and I hope that all of you read it, because it is brilliant, thanks.

LIZZA BOMASSI: Thank you, Lawrence, I think you've given me a different sense to the term agreeing to disagree. Those were very insightful comments and I'm sure Bernd is going to be taking them on board and I also think you've given everybody a reason to pick up the paper now and read it again. It's at the end of the room over there. We're going to switch sides now completely from India to China. I'm going to hand the floor to Xie Tao.

XIE TAO: Thank you, Lizza. This is my first time in Brussels, actually. I get a taste of the drizzle [?] and the very different weather from Beijing. What struck me, when I was on the flight and reading the paper by Bernd and other papers about the EU and China, I think there's a growing sense of frustration and disappointment. That's my first impression.

I used to study a lot about the United States, the presidential elections and the Sino-US relationship, but this time when I start reading the research and policy papers, I get a growing sense that both the EU and the United States are getting very much frustrated about China's behaviour in international affairs, so that's why in the EU you hear calls [or cause?] like Bernd about shifting from unconditional engagement to reciprocal engagement, or from unconditional to conditional engagement. In the US, the calls are even much more vocal, so you have the term [or determined?] by the US reengagement with Asia, or a pivot to Asia.

In the September/October issue of Foreign Affairs, there's this article by Aaron Friedberg, a former Whitehouse official and he's saying [unclear] China, so he's urging Americans to be tougher on China. I

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think the concerns are manifesting a number of areas: trade disputes, China's human rights behaviour; China's behaviour on Syria; UN Security Council; and DPRK; and a number of issues. I think both entities are justified in feeling that China has not reciprocated by cooperating on a long range of issues. So that's my first impression.

The second, I want to follow up what Lizza just said about this US rebalance to Asia and Europe is actually just getting a lesser importance and attention from America. I think if you go to China today, the debate and the focus among the scholarly community and also the policy community is about US rebalance to Asia and the purpose of that rebalance. To Chinese perceptions, US rebalance to Asia is not about giving up Europe. Instead it's about hedge against China, so the widespread perception there is that the United States comes back in such a high-profile way, because the United States believes the next biggest threat to US hegemony you call this, or US dominance in Asia Pacific, is from China. So Chinese leaders and scholars, you to go most conferences, you can feel that they really worry, regardless how much reassurance that US officials try to give to their Chinese counterparts.

I'll give you one example. Two weeks ago, the US embassy in Beijing had a meeting and we were invited there and the topic is about why Hillary Clinton was so much vilified in her most recent visit to China. A couple of newspapers openly had an editorial saying, you are not welcome. Now, this is the first time for Chinese media to openly attack such a high-ranking US official. And so Hillary Clinton becomes in my opinion the unfortunate personal face of Obama's return to Asia. So the US embassy folks want to find out why, what happened that the Chinese media became so unfriendly, so hostile? And most scholars agreed that because she was so straightforward about China's so-called misbehaviour on Syria and many other issues, so she used the word despicable. China is standing on the wrong side of history and these words are highly inflammatory and the Chinese media report on this and they think Hillary Clinton has a personal problem with China and so had not she been appointed secretary of state, probably US-China relationship would have been in a better shape. That's a belief and one of the sessions, the US officials got so frustrated and they said, you guys really believe that we at the White House and the State Department spend every minute thinking about how we can promote a fight between China and Japan? That's what they asked the Chinese scholars.

So I think this whole rebalancing get mis-publicised with the word reengagement and also the security side gets way hyped than the economic side. I think here Americans do have to rethink about this. One is if you come back for economic opportunities in Asia Pacific realm, that's fine. The United States proposes TPP, but for Chinese scholars myself included, if you come back for economic potential in the Asia Pacific, then why did you not invite China to become part of the TPP dialogue? Instead, you have all these measures, even though they are more symbolic than substance, like the deployment of 2,500 American marines in Darwin, Australia, but these get hyped a lot about... than the economic initiatives, so regardless of reassurance from the American side, the Chinese leaders and many scholars remain convinced that America's pivot to Asia is more about hedge against China than about really tapping the economic potential of China's big market.

My third point I was to say is that in my understanding, China-EU relationship is more like a one-way courtship of China. I say this because if you take the footprints of China's leadership, starting from 2008, almost every member of the Politburo Standing Committee has visited Europe and I think they have covered almost each and every 27 members of the EU. This is a very active and serious courtship of the EU. For what reasons? I believe there are two reasons, one for political reasons. We really, I think, we want to use the EU as... you call this a softer balancer against US initiatives in Asia, a softer balancer.

A second motive, I suspect, is that our government really wants to diversify this over 1 trillion foreign exchange reserve we have. We have this mostly in United States treasury bonds, but after 2008, I think

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the leadership realised in order to get ourselves out of this too much dependence on the American market, we need to diversify our investment to Europe. Actually, there aren't many alternative currencies. The Japanese yen, I think that's even worse than the euro. The Australian dollar used to look very strong, but again it's getting worse now, so I think there's no alternative. The Chinese government has to come to Europe to court your businesses. Of course the relationship is mutually dependent, but I think, at least it so far looks that China is really actively courting European businessmen, but again, like I said, there's a political motivation. The best proof of that is the discussion every time the Chinese leadership will bring up about the lifting of the arms embargo against China. Sometimes the leadership is thinking that that's a sign of trust. We have invested so much. We have tried our best to help in the financial crisis and as a gesture of reciprocity, why don't you guys just think about lifting the arms embargo against China?

What's the future? I think all of us agree that for the EU to be more effective as an international institution, it has to speak with a clear and unified voice and unfortunately this has not been a reality. Maybe a disappointment for many advocates of... actually, the first ever experiment in human history, such a large supranational institution. With this experiment, I think the EU itself [or it's yourself?] deserve a lot of praise, but today I think the problem is that China, like Bernd mentioned, that China is very good at playing the game of divide and conquer. I remember after 1989, the Tiananmen Square, China said, United States, you give the sanctions, that's fine. We're going to give the orders to Airbus and other companies and we do the same with European countries, like Sarkozy met with the Dalia Lama, we're going to give the orders to Germans, so that's why... I think that's the inherent problem for a supranational institution like the EU. I think today if there is a shared sense of frustration and disappointment across the Atlantic, maybe there are incentives and probably potential for the EU and the United States to work together to put a shared pressure on China.

My final point is that this is my personal observation and also realised by many scholars. The trade deficit between China and the United States gets much more publicity in the US than in the EU, so we ran a trade deficit of about \$300 billion with the United States and we run about half of the trade deficit with the EU, but in Europe I think the media discusses less about the trade deficit, but in the US, you get all this sort of coverage about how China is manipulating its currency, how the labour standards are low and the Chinese are violating many of the environmental standards. I think that's a very interesting phenomenon, but that's also good in a sense, because China can... that proves to China why it's good for us to court EU, because now we're in a bad relationship with the United States, so I'll stop here.

XIE TAO: Thank you, Xie Tao, for bringing a bit of Beijing to Brussels. We'll open the floor now to questions. Please introduce yourself and if you have a question addressed to a specific panellist, please state that. There was just that person over there, yes, please. Do we have roaming mics [?] somewhere? No, we don't. Okay, yes.

JURGEN [?]: My name is Jurgen [unclear]. I'm the European [unclear]. There was a [unclear] political [unclear] in the [unclear], but [unclear] about the EU-China relationship and the China ownership [?] of the euro [?]. To my mind [unclear] I believe that the EU also acted [unclear]. I believe in fact the EU actually has been courting China. I know personally the four years that I was there just being with [unclear] I can tell you [unclear] everybody came. The president of the commission, the president [?] of the parliament, the court of justice and I can tell you many [unclear] organising visits [unclear] and this is just without counting the bilateral EU member states leaders going to China. Everybody seems to have discovered China, in fact, [unclear] and they're still going.

And I have now a question to Bernd. In fact, on EU-China [unclear] also on the policies of individual EU member states to China, because this also exists and in fact as was mentioned earlier, this is often the

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problem that these policies are not often... don't usually, not always coincide with the EU mainstream policy, in particular, I'd like to ask about German policy towards China, which is very important. What is [unclear] we will follow the recent visit of the chancellor Angela Merkel to China, where unfortunately she made some statements and from an EU point of view seemed to contradict the [unclear] normal procedures of anti-dumping investigations against Chinese producers of solar panels [?] virtually competing against German producers, so it seems to be contradictory, one would... the only reason why she should say that is one would imagine [inaudible] perhaps just to say, because she wants a relation [?]. She wants to get large contracts for Siemens and BMW from Chinese companies [?], so at the end of the day, we can speak of an EU strategy, which is very nice from an intellectual point of view, but at the end of the day, then what seems to be the case that the member states made the policy eventually and the council... member states individually at the end of the day aim for the bacon, the economic advantage of their own companies, so that's what seems to drive the policy. That perhaps also explains why there's no consistency at the global strategic level. What do you think of that? What do you think in particular of Germany's policy towards China?

LIZZA BOMASSI: Philip [?].

PHILIP[?]: Well, [unclear] this is not a sunny day [?], but we spoke about sun power, yes, and [unclear] could become a very important [unclear] the case and the commission has started investigation. It doesn't mean that there's going to be an indictment [?], but probably there might be one, judging from what they've been doing in former anti-dumping cases. I find this personally... and I have written about it in Dutch, in my own language. I find it a very unfortunate really move from the European Union. Why? And there are various reasons, especially that particular case, because in sun power, what do you have? You have instruments, etc, that are composed of various components and even something which is produced in China has a lot of components that are coming from other countries, perhaps like Germany, from Taiwan [?], no doubt about that, from other countries, etc. So we have a product which really produced only in China. You have to rethink a lot of international trade. [Unclear] that's one. That's not important, of course.

And second one, while we also have already a lot of joint ventures, I just heard that two days ago that Ikea [?] has now teamed up with a Chinese producer of solar instruments to really to supply their own network in Europe and this has to do with the very factor those who use such solar instruments, the importers here in Europe, are fighting against the producers who complained about let's say Chinese imports, etc. Just [unclear] yesterday, China is going to take another track now in its policies. It has decided now since indeed a lot of the production of the solar industry in China was really headed for exports to the rest of the world. That could stop now because of these anti-dumping moves in the United States especially and they're going to work more for the Chinese market, which needs it a lot of course. The Chinese want also of course to move to solar energy and we should encourage that. And then my final point... I could make a few more. My final point is what we need to do in this particular case is to work together in the world to really have this new source of energy, which is fairly important and let me put this also not too long [unclear] that much on what is also a sort of dominance by OPEC countries. Sorry to have said it.

LIZZA BOMASSI: Ambassador?

AMBASSADOR: Robert [unclear] ambassador retired, may I first offer a word of consolation to Mr Xie Tao [?]. This is an election year in the United States, so the hype runs high, seven on the Richter Scale or even more, but wait until the elections are over and it will come to more reasonable levels.

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My question, I hear very often from businessmen that investing in both China and India is some kind of a Herculean issue. Multinationals have, of course, much power and finance in order to combat the red tape and bureaucracy, both in India and China. Medium size and small enterprises don't have that power, so what are, in our mutual interests, China and India doing in order to make the red tape less and attract more investment from Europe?

LIZZA BOMASSI: We just have two more questions and then I'll hand the floor to you. Fraser?

FRASER CAMERON: Fraser Cameron, the EU-Asia Centre, first a factual remark, what Marcus Ederer was talking about last week was starting negotiations about an investment treaty, not an FTA. FTA would be some years in the future he said. And on your points, though, I don't think it's a question of strengthening the powers of the institutions. We get the institutions the member states want basically. There are 27 stakeholders and they have to agree what they want to give the EU and we have to live with that and I would argue as I think Yan Teko[?] argued last week in a piece that we can actually do a lot with the existing structures if we have the political will of the major member states and that's what's missing at the moment. Germany has a special responsibility here. The question, though, is about the prospects now that we have official consultations between the US and Europe on Asia, with the first meeting in Phnom Penh between Hillary Clinton and Cathy Ashton and that's going to continue now. How is this perceived in China? What should be the agenda there? And what are the prospects for this making this into some kind of trilateral cooperation between the EU, US and China?

LIZZA BOMASSI: Okay, thank you and then just one last question at the back row there.

[UNKNOWN SPEAKER]: [Unclear] Egmont Institute. Thank you very much for the very interesting presentation. Basically, my question, I do agree with the points that you have made about the reasons of problems we have regarding the strategic partnerships. Now, we should be aware that this might not be the only causes for these weaknesses in the sense that China and India themselves have their own strategic partners and strategic partnerships and they are struggling themselves to define and to understand what actually they want to do with that. So it's not actually... it's a problem that was put to our attention recently by European leaders, but we've been struggling with that for the last ten years, but we're not the only ones, so that is something that we might need to take into account. In addition to that, we should not forget the possibly [?] positive dimensions that have been brought in by these partnerships. We should not forget that they have several dimensions, not only a bilateral dimension, but also a self-reflective dimension. This is an [unclear] dimension. This is about us saying the kind of place and position we want to have in the world, how we want to position ourselves globally and it is also a manner to say to the member states looking inwards what we're trying to do. This has this kind of narrative role that it is playing and we should not forget that either

And basically my question is also... this was more common, but the question is what kind of perspective do you have on the role of strategic partnership? And there if you take the academic point, you have the liberal view and the realist view. Some people with the liberal view would say that... for instance, ECFR has made this argument that we can only have strategic partnerships with democracies because there is an important liberal dimension to it, whereas some other people have a much more realist approach to it and say, a strategic partnership only has a strategic dimension if there is this kind of military hard-core strategic dimension to it and basically both of them are not necessarily reconcilable, so I do wonder how do you see this bipolarity in strategic partnership? Thank you.

LIZZA BOMASSI: Thank you. Bernd, do you want to explain [?]?

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BERND VON MUENCHOW-POHL: I can try, a lot of different points being raised there. I think I should start in chronological order. To my Italian colleague, I don't presume to know the motives that my head of government had for making this kind of statement and you will not expect... if I had a different opinion, you will not me expect to criticise her in public. It is true though what you said that most of the industries which are affected by this are German industries. I read different commentaries. Apparently there are also different... since different companies are differently affected, the organisation... not all of the German companies that are in this area of solar industry are part of the organisation that made the complaint to the EU commission. What's its name? Competition Commissioner.

But I am in agreement with you that it is a very interesting case. It's going to be a very interesting case to watch. I think the EU was aware of it, because the commissioner only two more days before his time ran out to formally launch proceedings, but then, if I read it correctly, I think it's at least another 15 months before the case can go to the WTO if it is so decided. But definitely and that goes along with what you have said, it's a huge business. I read somewhere that Europe stands for about 75% of the global export market, 75% market [unclear] of solar industry worldwide. And 90% of Chinese exports go to Europe, for the time being. I agree with you. China has done tremendously in trying to green its economy. There should be no doubt about that. that's a very laudable effort and it certainly can use its capacity at home, but we all know that they're still looking for export markets and their interests are clashing, whether it's in Europe or in third markets.

Let me see, the question about the red tape, I spend two years as head of the economic department in Delhi and a lot of the companies, actually a lot of the Germany companies that came to set up shop were not big companies, but what we call mittelstand, medium size enterprises, very often family businesses. Some of them had gone to China before, learned some lessons, but then they were also looking... definitely want to be India. They didn't want to miss India, so all I understand is they need to be there and everybody learned some lesson, had to pay some price for it. There is no magic bullet. There still is plenty of red tape. The Indian government has not been able to set up like one-stop agencies to do with that. I'm not sure if we have done that either quite honestly, but I would say all in all those who have gone sort through the initial headaches and most of them managed to muddle through, all the ones I've spoken to actually were very happy with their investments in India. I cannot speak about China because I have not done that kind of job, so from that respect I think the experience was optimistic.

The definition... and then I should stop probably. The definition of strategic partnership, yes, as you mentioned or alluded to right there, there's no definition. I don't know the ones from China all that well, but I understand it also has... within the EU it's a broad range from Ireland, I think, you mentioned, to France, UK, or Germany and in India, you have anything from Afghanistan, Vietnam, to the United States, China. You can say it's just a term for any sort of more interesting relationship. As far as the EU is concerned, I would beg to differ, because even there is no official definition, the term comes up in the European Security Strategy. In the first edition of 2003, it refers to the ones we already had with the US and Russia or Japan and then it mentions the new one China and then also in the making India. In the updated 2008, then a few other ones are being mentioned, Brazil, South Africa, so you get the general idea, but what the criteria are... the criteria are: the country needs to be large enough with an economy large enough to matter to European interests, first and foremost economic interests, mind you, and very important with a leadership role in its own region. Take South Africa, it's not in the same weight category as Brazil, but nobody will deny that it plays an important leadership role in the region. As far as the criteria of democracy is concerned, there China indeed is the odd man out. All the other strategic partners of the European Union are parliamentary democracies, in our understanding. China is not. [Unclear] Well, you have to see when it was concluded. I'll leave it at that. No comment.

LIZZA BOMASSI: Thanks, Bernd. Lawrence, would you like to come in on anything?

LAWRENCE SÁEZ: There were some very interesting question. Obviously the one that caught my eye was the one about the ease of investment and the red tape, but of course... a few years ago I did a study on Chinese outward investment in Spain where I grew up and so I find that Chinese companies trying to invest in Spain face many more layers of problems than perhaps we anticipated personally and so I think that we should examine what individuals countries do to attract investment form places like this, which at present is insignificant from both India and China. That will change over time, but I think that the European countries need to address to entries that they pose. Perhaps unintentionally, because the pose it for all companies in terms of labour costs and it's not easy to do business in some individual European countries.

LIZZA BOMASSI: Okay, Xie Tao.

XIE TAO: I just want to respond about this cancellation [?] about US presidential elections. Actually, you look at the currency issue, this started back in 2005 when Macey Graham [?] and Charles [unclear] from New York and South Carolina, they started like with a personal campaign, so I think there's, of course, presidential election dynamics there, but I think on balance the US-China trade deficit gets much more publicity and for that matter negative [?] in the US than in the EU presumably because the US is a single country with \$350 billion of trade deficit, whereas in EU, that's the total aggregate [?] number. So if you broke that down to individual countries actually, not many for each of its members.

About investment barriers, I would agree that the Chinese have justification in complaining about the red tape in other countries. In fact, there are so many reports about failed Chinese bids for foreign companies, in the US Unico [?] and the Chinese businessman who unsuccessfully tried to purchase a piece of land in Iceland and many others. I think today you go to China and you see how many German cars are on the streets. Audi and Volkswagen [unclear] about 60% of Chinese auto markets. Of course, we can argue that the Chinese do not have the technological knowhow to have to work [?] for FDI in Germany or in other countries, but I think, because China had these special economic zones and that concentrated the policy benefits and the one-stop policy for foreign investors really gets rid of many of these red tapes.

And finally about this EU-US consultation on China, I think this has not shown much attention from Chinese scholars. One reason I would suspect is because in the US now, the people are focusing too much on the US rebalance situation. The second is Hillary Clinton's visit to Myanmar, that really unsettled the Chinese leadership because if the United States can really have reproach [?] with Burma and then you look at the map and China is surrounded by mostly countries that are friendly towards the United States or have very important alliances and that leaves out only a couple of outliers, DPRK being the best example. But even with DPRK, there are signs that the Kim Jong-un regime may open up like China did back in 1972 with the United States, so I think that really gives an urgency for China's leadership to really try to divide the European Union and the United States from working together on this.

LIZZA BOMASSI: Thank you, Xie Tao. We have a question here.

NATALIE [?]: Thank you for the intervention. I'm Natalie [?] [unclear] from Oxfam International. I'm quite keen looking at relations between China and the EU and its impact in the global scene, global governance, and I'd like to pick up on the example that you put through on the climate change legislation back in Copenhagen. Obviously, looking at what are the measures that China is taking within China in terms of addressing climate change and the soft balancing that you were talking about compared to the US, is there any possibility... or what is the potential there to transpose that soft engagement between the EU and China towards the global governance flexible [?] on climate change if we are looking at the 2015

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climate two that we would like to see, how do you see China engaging with the EU basically this issue? Thank you.

THERESA FALLON: Theresa Fallon from the European Institute of Asian Studies. Is this working? First of all, thank you for your wonderful presentation. I read it in August on my summer vacation when it came out and I reread before I came today and I was really impressed by your view long term... well, for 2000 view, because EU-China relations have really had highs and lows. With the invasion of Iraq, Europe was looking for a new pole and they wanted to really elevate China relations and that was, in my view, really one of the main initiatives for EU to go to China and have the strategic partnership and there were books written at the time, EU will be the leader of the 21st century.

There was such a high. The EU was really on such a high and now you can get that book on Amazon for one cent and I'm not making that up. [Overtalking] But then you had this incredible high and then it was really followed by a period of disappointment and almost a diplomacy of disrespect with the cancellation of the EU-China summit after Sarkozy met with the Dalai Lama and we even had Chancellor Merkel say, I am the chancellor, I will meet with who I choose to meet. And now Der Spiegel wrote a nice article saying she's been domesticated and now she's undermining, in some respects, EU policy, so she would at one time with the Dalai Lama, now she's really worried about the bacon as someone here said earlier.

So we see this complete evolution from really highs to almost a low now with the pivot towards Asia and I should add that Donald Rumsfeld started moving... it was under Rumsfeld after the end of the Cold War that there was a real focus on Asia, because they thought, why do we need all these troops in Europe? We really should start moving them, but it was this one bureaucrat who chose this word and it's really made everybody get their knickers in a twist because it's really... Europe felt terrible with the euro crisis. They felt the US was just forgetting about us, we're moving to Asia. So my question is to follow up even further about this EU-US consultation. Would you say it's not even on the radar now? I'm really interested because it's like China and the US and vying for Europe's interest, because some corners of Europe will think, well, how can we benefit? How can we make money out of the situation? Whereas others, the US wants to pull them towards Asia, even though there's no military aspect. There would only be a financial or investment aspect. How do you see this shaping up?

You made a very sharp point that in the US, they're very focused on China, whereas in Europe, if you look at some studies, there's really not a lot of focus on Asia and you made a good point that in the US, if you look at the deficit stuff for the whole US, whereas in Europe it's divided by individual countries. I don't know if it's just a feeling on we in Europe that they just don't know... they're so focused on the euro crisis, but I'm wondering in Beijing, is there a focus on continuing to keep Europe in the China camp, or do you see this movement towards the US and is China worried about that at all, an EU-China... EU-US kind of alliance to get together on the South China Sea issues for example? Thank you for a very long [unclear].

LIZZA BOMASSI: Do we have any questions? The man over there.

[UNKNOWN SPEAKER]: Yes, thank you. I'm [unclear]. I'm an external speaker for the European Commission that this doesn't commit the commission indeed. My question is a bit naïve. Of course the Europeans are divided in many senses, but what about the unity of China? How long can the Chinese authorities guarantee that China will be as it is today, because there are potential divisions between the north and the south, the inland and the coastal regions and not to speak, of course, of historical regions? So is there any thinking about... from the Chinese authorities about that?

LIZZA BOMASSI: Thank you, yes. Can you speak up, please?

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[UNKNOWN SPEAKER]: I just graduated from HEC Paris and so my question would be about Africa, because there has been since the first Chinese-Africa conference in 2006 quite [unclear] relationship between China and Africa and so my question is how the Chinese feel the way that this new relationship is being monitored by the EU with all these agreements, trade agreements with Africa and even [unclear] former colonial powers, I think especially of France trying to rebind all the ties between, for example, France and African countries and even how the US keeps this relationship quite close, for example, with the rebalance of reshuffle the African growth opportunity act [?], so basically how China is trying to invest and to engage into developing Africa and extracting resources and minerals and having all this monitored quite closely by former colonial powers. The question is just how all this is felt from a Chinese perspective.

LIZZA BOMASSI: Okay, anybody else? We've got about ten minutes or so remaining, so I'll give the floor to Xie Tao first and then we can [overtalking].

XIE TAO: About this global governance and the EU and China, I think you need to wait for the time when Chinese people and the government, they have their own incentives to invest in global governance. I give you one example, IPR. For a number of years, China has been notoriously as perhaps the haven for IPR violation, but today this has been a much less serious problem. Why? Because Chinese own software companies are growing up and now they lobby the Chinese government to crack down on domestic IPR violation.

So I think maybe by the time when you see so many Chinese people are roaming around the world investing like the case in Libya where the Chinese government really has to talk to the Greek government and evacuate 30,000 Chinese citizens from Libya. I think by the time China's influence has grown to that point, you're going to see a China that is becoming more committed to global governance, but that, probably we'll wait for a long time.

About the EU and China relationship, I think what distinguishes... there are many differences that distinguishes the EU's approach to China and the US approach to China. One crucial difference is that the EU is not involved in any way in the China and Taiwan status quo. This is perhaps the most sensitive issues. Because of that, I think China is inclined to have more cooperation with the European Union than with America and especially think about... you look around China's borders. You have Japan, you have South Korea, you have the Philippines, all these security alliances where the EU do not have any of these military alliances. So I think by nature and by necessity, China will come more to Europe than to Washington DC.

Finally, about China and Africa, this is again getting very... a lot of hype about China's neo-colonialism in Africa. I know European countries have a special sense... would I say this is responsibility or have a special feeling about Africa because of past history? I think there are already signs that the Chinese investment is getting a strong backlash from African governments. I'll give you one example about Chinese investment in Africa. A big problem with Chinese investment in Africa is that these are opaque. These numbers are not published, so when people wanted to research about China's foreign assistance to African countries... for example, I wrote a paper which will be published next year. I cannot get even from the Chinese Ministry of Commerce any statistics about how much money we gave to African countries. The only thing I can get is the number of projects, but they don't give you the monetary value and so when people look at China's influence there, they can only make inferences and many inferences can be wildly off the mark.

And back again about Africa, a lot of people mention about Darfur, Zimbabwe, etc, I think that's because the nature of Chinese regime determines that we really have to prop up these regimes, otherwise if you

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follow this responsibility to protect, then some day when China has its own human rights violation crackdown and then China will face [?] the cause from international community that we need to intervene in order to save the Chinese from human rights violations, so I think the domestic nature really goes a long way to explain some of China's stance on foreign policy, like Burma, like DPRK.

LIZZA BOMASSI: Thank you, Xie Tao, Lawrence?

LAWRENCE SÁEZ: No, I think that there was nothing really specific about India, so I'll pass, I think.

LIZZA BOMASSI: Okay, Bernd, do you want to conclude?

BERND VON MUENCHOW-POHL: No, I think she has said it all.

LIZZA BOMASSI: Okay, well, if we have no more questions from the floor, I think we'll end a little bit early. I'd like to thank our speakers and everybody who participated. We had a broad spectrum of issues and opportunities and challenges that we've discussed here today. Thank you, everyone.