

BULLETIN

No. 73 (290) • July 15, 2011 • © PISM

Editors: Marcin Zaborowski (Editor-in-Chief), Agnieszka Kopeć (Executive Editor),
Łukasz Adamski, Beata Górka-Winter, Artur Gradziuk, Leszek Jesień,
Beata Wojna, Ernest Wyciszkwicz

Wen Jiabao's Visit to Europe and China's Increasing Engagement in the EU

Justyna Szczudlik-Tatar

The latest Wen Jiabao visit to Europe is another example of China's European marathon diplomacy. China offers to purchase bonds, provide loans and increase investments. The main PRC goals are to obtain technologies through mergers and acquisitions and diversify its exchange reserves. China also would like to show its international strength, gain bridgeheads in Europe, lift the arms embargo and gain market economy status. Despite the new orientation of EU policy towards China, the lack of unity in Europe, mainly because of the economic crisis, makes this policy ineffective. This unity is a prerequisite to the establishment of a real EU–China "mutual reciprocity" in relations.

China's European Marathon Diplomacy. The latest visit of Chinese Prime Minister Wen Jiabao (24-28 June) to Hungary, the UK and Germany is another example of China's European marathon diplomacy. Chinese leaders recently have frequently visited European countries. Wen Jiabao visited Greece in October 2010, Chairman Hu Jintao paid visits to France and Portugal in November 2010, and in January 2011, similar visits were paid by Vice Prime Minister Li Keqiang (presumably Wen's successor in 2013) to Spain, the UK and Germany. During those visits, Chinese leaders offered to purchase bonds, provide loans and increase investments. China revealed its confidence in the European market and support for European integration. Apart from economic goals, the visits have a political background, showing China's growing strength as a European partner.

The latest Wen Jiabao visit deserves attention. The countries Wen visited are supposed to be China's allies. Their policies are not fully consistent with the EU's new, harder stance toward the PRC. Moreover, the UK is an important Chinese financial partner; whereas for Germany, the PRC is the largest trade partner. These two countries represent influential members of "old" Europe, while Hungary is the closest Chinese partner among the new EU member states from Central and Eastern Europe (CEE).

To improve the political climate and avoid awkward questions about sensitive issues ahead of Wen's tour, China freed artist Ai Weiwei, who was detained in April for his criticism of the CPC. Germany and the UK stridently endeavoured to obtain his release. For Hungary, at the end of its presidency in the EU, Wen's visit had a symbolic meaning—stressing the importance of the CEE in China's Europe policy and the role Hungary plays in the region.

Results of Wen's Visit. In Hungary, Wen underlined the importance of the CEE region for China. He revealed five proposals for closer cooperation: increasing bilateral trade by opening markets and reducing barriers; promoting investments in telecommunications, new energy, agriculture, natural resources and decreasing market access restrictions; enhancing infrastructure construction cooperation; deepening fiscal and financial cooperation; and, expanding people-to-people and cultural exchanges. Wen praised CEE technologies, calling this region an attractive place for investments and a gateway to the EU. He claimed that China is considering purchasing Hungarian bonds and pledged to increase the bilateral trade volume to \$20 billion by 2015. The PRC also will provide €1 billion in loans for increasing development projects. Both sides also signed 12 agreements with a total value of \$1.8 billion.

Economic issues also were on the agenda during Wen's visit to the UK. The Chinese leader took part in the annual UK–China summit chaired by the prime ministers of both countries. This visit was preceded by Cameron's stay in Beijing in November 2010 and Li Keqiang's visit to London in January this year. It is assumed that these high-level meetings were the main leverage used to increase

British exports to China by about 20% and to reach deals worth \$2.6 billion. During Wen Jiabao's stay in the UK, 12 agreements worth \$4.3 billion were signed.

Wen's last stop was in Germany, a country which tightened relations with the PRC (e.g., Germany abstained on UN Resolution 1973 on Libya, as China did; Germany's exports to China increased dramatically, accounting for 45% of the EU's exports to the PRC; and during G20 summit in Seoul in November 2010, Germany and China together opposed the U.S. proposal to establish trade surplus limits). The significant event during Wen's stay in Berlin was the first-ever joint consultations, which were co-chaired by Angela Merkel and Wen Jiabao, with many ministers attending. This meeting was the result of joint communiqué reached in July 2010 during Merkel's visit to China. Among the achievements of the visit was a pledge to increase trade volume by 2015 to the amount of \$280 billion as well as 20 agreements worth \$15 billion and a Chinese offer to provide €2 million for closer cooperation between small- and medium-size companies.

China's Goals. Tangible achievements of the visit were mainly economic. However, it does not mean that those were the only goals China wished to achieve. The visit also sent a clear message that China wants to be a formidable player in Europe. This assumption is vindicated by the fact that Wen focused on improving bilateral relations with particular EU countries, especially those that need financial assistance or share China's foreign policy stance. Furthermore, Wen pushed forward a "go global" policy by offering more Chinese investments abroad. It is assumed that the PRC is taking advantage of the lack of a coherent EU policy towards China.

China defined well the economic and political goals it wanted to obtain in Europe. It is strongly interested in eurozone recovery. The EU is one of China's most important outlet markets and a source of advanced technologies. The PRC is not interested in a decline in the euro, which could seriously undermine Chinese exports. Furthermore, the PRC would like to diversify its currency reserves. The political goals are connected with the image of China as a responsible stakeholder that offers a helping hand to European countries in need. The other aim is to demonstrate China's strength during the crisis as it has done with the U.S. in the previous years. The PRC also is interested in gaining bridgeheads in Europe and, to some extent, tying European countries with China. But China's engagement in Europe, mainly its economic assistance, could be perceived as leverage to propel Europe to recognize the PRC as a market economy and lift the arms embargo.

Implications for Poland and the EU. Wen's latest visit to Europe and economic achievements are proof of the importance of bilateral relations. They should be based on frequent and regular political dialogue, which is inevitable for creating a positive climate and reaching economic goals. Despite a recent unsatisfactory experience with a Chinese consortium, Poland should continue its policy of intensifying relations with China by increasing exports to the PRC and attracting Chinese investment. But economic cooperation, which is the most important dimension of Sino-Polish relations, should be strongly supported by intensive political dialogue. Poland should strive for more frequent meetings at the highest level, including heads of state and prime ministers.

Bilateral relations should be supported by EU-China cooperation. A coherent and effective EU China policy is in Poland's interest. Recently, the EU tried to redefine its soft policy towards relations with China to one based on "mutual reciprocity." It is assumed that the EU intends to exclude China from the European public-procurement regime in retaliation for China's closed market to EU companies and modify China's participation in the EU's generalised system of preferences. In the face of China's engagement in Europe, especially under the circumstances with the crisis, this new policy seems to be unsuccessful. The particular interests of EU countries that want China to purchase its bonds and increasing EU integration scepticism inside Europe undermine the establishment of an effective EU policy towards China.

China's growing engagement in Europe should not be seen only as a threat. The EU is China's largest economic partner and provider of technologies. Purchasing bonds could help the European economy recover and protect the euro. Moreover, a presence in Europe means that China is tied to the EU because it is a still strong player. Furthermore, China needs Europe for its further development. A prerequisite for the EU's relations with China should be proceeding as a united entity. Without satisfying this condition, a policy of "mutual reciprocity" will be ineffective. The EU could benefit from China's economic clout, but it must be done carefully and without announcements of restrictions as acts of retaliation.