



# Xi Jinping and the EU

by Nicola Casarini

Xi Jinping's recent stopover in Brussels added further substance and meaning to the upgrade of EU-China relations which began at the last bilateral summit in November 2013. Moreover, his decision to visit the EU institutions as part of a broader mission to Europe is a clear recognition of the Union's growing political importance for China. Xi is not only the first Chinese president to visit the EU headquarters; he also commands more power than any other Chinese leader in modern history bar Chairman Mao. Xi is the general secretary of the Communist Party of China as well as the president of the People's Republic of China. In addition, he chairs both the Central Military Commission and the newly-created National Security Commission. As general secretary, he is also an *ex officio* member of the CPC Politburo Standing Committee, China's *de facto* top decision-making body.

The commitment of the Chinese president to improving relations with the Union is not new. Back in October 2003, when he was party chief of Zhejiang province, Xi Jinping took part in the plenary Central Committee meeting that decided to prioritise relations with the EU and mark that year as the 'year of Europe'. The first official policy paper on the EU by the Chinese government was also released in the wake of this meeting.

Up until that point, top party leaders in China had not paid much attention to relations with Brussels. It was the establishment of the strategic partnership with the EU – concomitant with the US-led Iraq

war and the divisions within the Western alliance over the policies of the Bush administration – that changed their outlook. Between 2003 and 2005, the EU became a top priority in Beijing, but the eventual shelving of the proposal to lift the EU arms embargo (made official at the June 2005 European Council), coupled with the refusal by the European Commission to grant China 'market economy status' within the WTO, led Chinese leaders to refocus their attention away from Brussels and towards individual EU member states. While between 2005 and 2010 there was a kind of 'renationalisation' of Sino-European relations, the creation of the EEAS in 2010 and the establishment of an annual EU-China High-Level Strategic Dialogue in 2011 have partially redressed the balance.

While still not as important as the US in terms of bilateral ties, the EU is clearly gaining in importance for China. And the EU-China agenda is no longer exclusively dominated by economic issues, though they continue to remain the backbone of the relationship.

## The economic agenda

Today, investments are the litmus test of EU-China economic relations. Chinese investments in the EU have more than doubled over the last few years and now account for around 3% of the EU's total inward flow. Chinese outward foreign direct investments (FDIs) in Europe are aimed at exploring new



markets, improving the efficiency of operations across borders, and buying strategic assets – in particular, technology and know-how. Chinese FDIs in Europe are also directed towards local trade-facilitating infrastructure and logistics operations. For instance, COSCO – China’s largest shipping firm – has heavily invested in European ports such as Piraeus, Naples and Antwerp. In recent years, the focus has increasingly been on green-field investments in central and eastern Europe – eventually culminating in the establishment of an additional annual summit between 16 central and eastern European countries and China (the so-called 16+1).

At the latest EU-China summit, the two sides agreed on a variety of initiatives, including the establishment of the EU-China Strategic Agenda for Cooperation and a bilateral investment agreement (the first round of negotiations was held in Beijing on 21-23 January). Xi Jinping explicitly made reference to these two initiatives during his visit to Brussels, underlining the importance that the Chinese leadership attaches to closer economic ties with the EU. If successful, the bilateral investment agreement could pave the way to talks on a Free Trade Agreement between the two sides.

A bilateral investment agreement with China would be advantageous for the EU for a number of reasons: (i) it would secure the benefits that the EU has gained over the US in terms of attracting Chinese foreign direct investment by sending a positive signal to Chinese investors; (ii) it would clarify where exactly the Chinese are allowed to invest, including those sectors where restrictions may have been imposed for reasons of national security; (iii) it would contribute to a further opening up of the Chinese market to EU-based firms; and (iv) it would replace the existing national bilateral agreements (now numbering 27) with one all-encompassing framework for all EU member states.

Greater EU-level coordination on Chinese investments would greatly contribute to the advancement of Sino-European relations and possibly control the tendency of EU member states to compete with (and ultimately undermine) one another in the pursuit of Chinese capital. It may also help to reduce the extent to which China can divide (and thereby ultimately influence) European governments. During Xi Jinping’s visit to France last week numerous deals worth some €18 billion were signed across the aerospace, automotive, nuclear and energy sectors. At the same time, China’s state planning agency issued a unique guide for Chinese investors interested in the UK, following a push by London to attract £50 billion of foreign capital in order to finance British infrastructure projects. After Paris, Xi Jinping flew to Berlin where he also signed various deals worth more than €20 billion.

The larger member states are not alone in this regard, and other EU countries are also actively trying to court Chinese investors. An overarching framework agreement, therefore, could provide the opportunity to send a message of European coordination – if not unity – to Beijing.

## The political partnership

In recent years, Beijing has successfully pursued a two-track policy – targeting both the EU directly and its larger member states – especially on controversial files such as anti-dumping measures and trade compensations/quotas. In this context, Xi Jinping’s visit to Brussels was an opportunity for the Chinese president to demonstrate his political backing of the EU institutions.

Alongside the European Commission and the European Council, the EEAS has increased its visibility and now plays a vital role in the partnership – as illustrated by the fourth EU-China High-Level Strategic Dialogue held between HR/VP Catherine Ashton and Yang Jiechi, China’s state counsellor for foreign affairs, in January this year.

The Strategic Dialogue has now become the main forum for the two sides to address issues of common concern, including nuclear non-proliferation, stabilisation and reconstruction in conflict-prone countries, and regional and global security. The situation in Ukraine at the time was surely discussed in depth – considering its potential repercussions not only in eastern Europe but also in other former Soviet republics in Central Asia (where China is deeply engaged in its ‘New Silk Road’ initiative) – although no statements were issued after the talks. And, tellingly, the government in Beijing has just released its second policy paper on the EU, in which political cooperation has a much more prominent role in ‘building a multipolar world’.

A political upgrade at the EU level will not come at the expense of relations at the national one, and individual EU member states will certainly continue to entertain their own security and strategic dialogues with Beijing. This complex interplay between Brussels and the national capitals with regard also to political and security affairs is likely to characterise EU-China relations over the coming years. While this sort of *yin* and *yang* may be quite familiar to the EU’s Chinese interlocutors, such an approach will require much coordination and fine-tuning on the European side.

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