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**FRENCH AND EUROPEAN VIEWS OF CHINA'S RISE**

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Let me first thank our hosts and the distinguished audience for their warm welcome. I am very honoured and pleased to be here at the Academia Sinica and to see many friends and colleagues. I beg to apologize for not addressing you in Chinese. My topic is somewhat hot, so that I felt safer in English. But you are welcome to ask questions in Chinese.

My focus today is China's rise and the views held in France and other European countries of this major change on the Asian and world scene. This is a large and complex topic. It encompasses many technical aspects on which, although I try to get informed, I must confess that I have no expertise. My remarks will only be those of a plain historian.

Therefore, the first one will be, naturally, one of textual criticism. When the National Council on Cultural Affairs, who kindly hosts my visit to Taipei, asked me, in late June, to prepare a talk on the topic of "French and European views of China's rise", the *International Herald Tribune* had just published an article about the survey conducted by the Pew Global Attitudes Project. That survey showed that China now has a better image than the United States in all the European nations surveyed, except Poland, and that its best score in continental Europe is in France. If you connect this fact with French official pronouncements regarding the Taiwan issue during the last year, it is clear that setting French views apart from European views could hardly be ascribed to sheer courtesy toward a French guest. I thus surmised that the distinction put between French and European was inspired by the idea that views held in France about China's rise are differing substantially from those advocated by the European Union, or from those held in other individual countries in Europe.

However, the situation is actually more complicated than suggested by the opposition between "French" and "European". The Pew survey itself shows that China's image is even better in the United Kingdom and in Russia than in France. The scores are 58% in France, 60% in Russia and 65% in the UK. Such figures point out to the fact, first that France is not the only country to be highly confident about China in Western Europe. And second, that former communist countries do not distrust China by nature, so to say.

Furthermore, what countries should be subsumed under the term "European" is open to question. In my mind, Russia is part of Europe, although many Russians do not agree so. However, because of time limitation, I shall deal here only with the 25 countries which are now members of the European Union. Even so, the fact remains that a most favourable view of China in public opinion does not lead to the same policies. Look for instance at British and Dutch government stance on the questions of arms embargo and of trade restrictions, as compared to France. China's image scores 56% in the Netherlands.

Obviously, there is no uniform European view of China, as opposed to French view. One does notice on one side what I would call a unified overview and policy, which is agreed upon and promoted by all governments of the 25 EU members. And on the other side, varying

shades of views and policies of each national government, as prompted at each moment by its own historical background and by the perception of its immediate or long-term national interest in the face of present events. These shades reflect to a certain degree the contrasting and even conflicting views held by different groups among the bureaucracy, business circles, professional unions and public opinion in the various countries. The actual picture is intricate and changing, sometimes rapidly, depending on circumstances and media reports. The mixed feelings of European comments upon the recent Sino-Russian joint military drill in Shandong are a case in point. How far do Europeans actually believe in the "peaceful rise of China" advertised by Chinese propaganda since the Bo'ao \_\_ Forum of November 2003?

I shall present to you only a summary survey of competing views regarding China's rise now expressed among the EU countries. The focus will be on the two major issues which are of immediate concern to all Europeans when looking at China's rise, namely China's potential as a business partner and China's capacity as a strategic partner. I shall argue that on both issues conflicting views are coexisting everywhere. Some see China's rise as an opportunity, others see it as a threat, still others look at it as a challenge. Moreover, there is no one-way connection or consistent rationality linking up the assumptions that underpin one or the other view with the actual policies promoted by different actors. A shared assumption may lead to diverging policies, and contrasting assumptions may result in a single policy.

## **1. The assessment of China as a business partner**

The historical background of the relations of the various European countries and the EU with People's China has differences, which still play some role today in the various governments' China policy. However, Chinese dramatic economic growth has overruled past wisdom and ushered in a set of new major issues on which a new range of diverging views are expressed. Foremost among these debated issues are the role of China's growth in the world economy, its sustainability, and Chinese government's behaviour and governance. Diverging assessments are inspiring a set of contrasting, even conflicting attitudes and policies regarding business relations with China at various levels. The weaknesses in such a response are now calling for a more collective and global approach that would build strategic partnership between the EU and China.

### **Historical background of business relations**

The historical background of French business relations with China, and that of the EU or its other individual members have been different. To put it short, France has fared from political strategy to business, while other EU countries and the EU are faring the reverse way.

"The Chinese haven't got a penny!" such was the blunt reply of General de Gaulle to one of his ministers who said that it was in French economic interest to develop relations with China, at the cabinet meeting of 8 January 1964, when diplomatic recognition of China was examined for the first time. De Gaulle then stressed many times, in private, that the Chinese were penniless and terribly poor. For him, establishing diplomatic ties with China had above all a strategic significance: France was back to East Asia again, now totally freed from her colonial past, and would be able to act independently, especially regarding Southeast Asia, in order to support neutralization of Vietnam. On the other hand, he pointed out at that time that China's potential was huge. Nobody knew how long it would take her to develop that potential, but it could be sooner than usually believed. He thought that China could well become again in the next century the greatest power of the world, as she had been for many centuries before. Therefore he stressed that if French businessmen were "not too much

stupid", they should use the opportunity for building up ties that after twenty or thirty years would give them a tenfold return on their spending.

Needless to say that for various reasons, the results did not quite meet the expectations in the political field, since the US went to war in Vietnam. But there has remained in the minds and speech of most French politicians the idea that France was entitled to a strategic dialogue with China. As regards business, although the French government has given it overwhelming importance in bilateral relations in the last thirty years, success is still mitigated when compared with the share of other European countries. It might be that some French businessmen are not good enough, but it also raises doubts about the efficiency of French deep-rooted habit of swapping real political concessions for presumed protection of commercial interest. Anyway, France becomes aware of the necessity of enlarged collective leverage in order to promote her economic interests in China.

Political ideology, namely the wish for long lasting peace and democratic rule, has been the driving force for the creation of the European Union. However, mainly European business interests have so far shaped the actual building up of European institutions and policies. The EU relations with China were conducted mainly with the aim of increasing trade, albeit with some intention to enhance peace and democracy too. In a similar way, trade, not strategic dialogue, was the main item in the agenda of individual European countries relations with China, even in the case of Britain, who had to keep also a political dialogue for the sake of Hong Kong. But in the last five years, an increasing number of general political issues have been added in regular discussions with Chinese authorities, both at EU level and at bilateral level.

China's rapid economic growth is a main factor for the change in French and European attitudes. Chinese trade with Europe has greatly increased. In 2004, with a total trade value of 174 bn€, the EU had become China's first trading partner. The EU was also China's fourth-largest foreign capital resource with a share of some 8% (and an average new annual flow of USD 4.2 bn, bringing stocks of EU FDI to over USD 35 bn in 2004) and its largest technology exporter. China was the EU's second –largest trading partner. Chinese exports to Europe had increased by 35%, reaching 124bn€. The huge trade imbalance of €78 bn, like the imbalance in Sino-American trade which reached USD 162 bn in 2004, does not account simply for Chinese trade surplus, which is probably around USD 60 bn, and for foreign currency reserves of USD 660 bn, it also pays for China's Asian trade deficit.

To put things straight, it should be noted that trade with China still remains a small part of each European country's foreign trade. 60 to 80% of national foreign trade is within the EU. Chinese imports account for less than 10% of the EU total imports, and exports to China for less than 5% of the EU total exports, exclusive of EU internal trade. For France, trade with China accounts for about 3% of her total foreign trade. However the scale and steady rate of growth of China's trade in the last few years make it plain that the margin for enlarging trade and business activities does lie in China. One basic figure has to be kept in mind in these days of appalling unemployment rates in Europe: one billion € exports means 15 000 jobs.

### **Role of China growth**

Many European companies have headed for taking advantage of the situation in the last few years. Just to give one example, Air Liquide, a French multinational firm, stated in its last report that in 2004 its turnover in China had increased by 40% and 200 new staff had been recruited. However, real policy debate in official and business circles, in the press and public opinion was actually prompted by the release of several research reports by experts at international institutions, foremost among them, in April 2004, the report from the

International Monetary Fund, *China's Growth and integration into the World Economy: Prospects and Challenges*. The paper made the point that China had been "an important source of growth for the world economy during the recent global slowdown", that China's rapid economic growth and trade expansion "could be sustained well into the future", and that "sustaining China's growth momentum should provide benefits to most of its trading partners". Such an approach has been widely publicized in economic forums, again by the IMF April 2005 *World Economic Outlook*, and by speeches of IMF officials, which even stressed the role of China as "the" engine for world economic growth. The argument was wittingly popularized by the headline of *The Economist* on July 30, which read, "Great Wall Street How China runs the world".

No general agreement has emerged so far in France or Europe on the world role of Chinese economic rise. Many, in financial, business, political and academic circles still believe that American consumption is the real driving force of world growth, even if Chinese growth is a new reality to be reckoned with, and might be at best recognized as the new engine for regional growth in East Asia, in the place of Japan. The resilience of the American economy up against the rise in oil prices has so far reinforced the reliance of many economic decision-makers on America's leading role. The Hong Kong chief economist of the BNP Bank protested strongly to *The Economist* for propagating a rag. He pointed out that China's Purchasing Power Parity is really unknown. In real dollar terms, China had made a continuously declining contribution to global GDP growth. Despite the growth of her demand for commodities, China consumed less than 10% of the global output of oil. Her average position was still "very small". But by the same time, in a business newsletter of the Société Générale, another big French bank, a chief officer would hail China's growth as most supportive of global growth.

The Chinese management of the revaluation of the yuan, which had caused many worries and lobbying in the last months, has generally been recognized as very skilful and responsible. European economists and business journals point out to the signs of a "soft landing" for the intended slowing down of overheated sectors, more unanimously, I should say, than do Chinese academics in Peking. The Chinese economy looks to them better balanced. They see signs that consumer spending is doing more to support growth, alongside fixed investment and exports. Rising incomes, notably in the countryside, are boosting households' spending power, lifting retail sales by 13% in the first half of the year.

### **Sustainability**

But despite the credit given to Chinese policymakers on this issue, serious doubts are expressed in many quarters as regards the sustainability of Chinese strong economic growth. Experts stress the social and financial risk from the impact of WTO-related reform on the agricultural sector and rural income, on state-owned enterprises and banking sector, and on various vested interests, especially at the provincial level. At the last roundtable of the World Economic Forum held in Singapore in April, several European speakers saw social stability as the most critical issue in China's development, whether the rate of growth be reduced or not. Academics with sinological credentials in various countries notice that China suffered a severe growth slump in the late 90s, which resulted from domestic blunders, not from the Asian crisis. They point out to incompetence of the leadership at all levels and to corruption. Media reports, from the left to the right, regularly feature social unrest, growing inequality, dire poverty, violations of human rights, damage to the environment in China, which feed doubts among the general public about the efficiency and prospect of Chinese economic rise.

Difference of opinions about the sustainability of rapid growth goes alongside contrasting assessments of Chinese governance and "good behaviour". On this ground, the

attack is not aimed just at China, but at the free-trade philosophy. Businessmen who view China as a big market to be opened, either because their company is competitive, or because they are outsourcing their business processes so they can take advantage of cheaper Chinese labour and find new customers, those tend to trust more or less the managerial capacity of the Chinese government. In their eyes, the Chinese Communist Party plays now on the whole as a stabilizing force, not as an impediment to the development process and to the promotion of civil society. Many high-ranking officials in all countries and in Brussels share the same view. They stress the reflection, moderation and careful management of balances that are applying on Chinese side (for instance, overheated real estate industry has been cooled down and possible deflation reined in by stimulating domestic rural demand). And they were pleased to pinpoint the new Chinese currency exchange rate regime and its follow-up policy so far, as a token of excellent international behaviour, which the US should do well to imitate.

However, the onset of takeover bids from China and the increase of Chinese textile imports after the end of the Multi-Fiber Agreement with the EU have revamped an undercurrent of deep suspicion against the Chinese government. In that trend, you find plain anticommunism. You find also the idea that China remaining a centrally planned economy is prone to shortage, and shortage allocation is a major government function, very complicated and politically explosive. An accident that will impair Chinese growth is likely within five to ten years. In order to keep her advantage, China is beginning to put her hand on world commodities, on major Western companies and to destroy foreign manufacturing by all means, fair and unfair. Chinese policymakers are not genuinely converted to market economy; they simply use it as long as it suits their craving for hegemony. Many ecologists and antiglobalization people concur with this line of thought, as evidenced on a blog site of the French newspaper *Libération*.

Lenovo's acquisition of IBM's personal computer business last December did not receive much comment, neither did Haier's bid for Maytag, but echoing the American press, and naturally because oil is a vital issue, China National Offshore Oil Corporation's bid for California Unocal has attracted much attention. The sale of the Canadian firm PetroKazakhstan to China National Petroleum Corp. announced last month was then used, alongside recent deals with many unsavoury states, such as Iran or Sudan, to expose China's global strategy for securing oil reserves of her own, away from the Middle East and Western control, an empire closely knit by pipelines and staffed by bloodthirsty dictators.

### **Pro-active response**

These conflicting views on the significance of China's economic rise are setting in motion different types of response. They are generally pro-active.

Businessmen, whether they believe or not that China's steady growth has a future, just flock there in larger numbers because it is a place where dynamism may provide profit. The number of European firms established in China is increasing. Even in the EU tiny new members like Lithuania, production of cables and connectors has been moved to China. The Ukrainians are trying to compete with the Chinese, but still, Ukrainian production is 10-15 per cent more expensive than Chinese production. There is no survey of the profit of French and European companies in China, as is available for US companies. It seems that about two thirds are actually profitable. Basing production in China remains cost-effective. But the rising turnover (15 to 30%) and cost of local staff, especially the growing shortage of executive talent in marketing, tend to compound operation.

In government and top business circles, especially the financial establishment, whatever the inner beliefs, there is general agreement that, for the sake of all, China needs to be fully integrated into, pegged to, I dare say, the open market-based global economy and its



macro-regulations. This is a very strong basic view at the British Foreign Office, among the EC bureaucracy at Brussels and at the European Central Bank. It is hoped to thus prevent China's economic growth from being a disrupter on the world scene and causing unpredictable shockwaves, either by overheating or, worse, by slowing significantly.

There are several strong arguments for this will to actively integrate China into the world economic system and its ruling. First is China's huge share in the purchase of US government bonds and assets that sets current monetary and financial global conditions, so that China's behaviour has direct impact on interest rates and the whole world economic balance. Second, cheap Chinese commodities are helping to keep down consumer prices, wages and inflation, and to boost relative return to capital. Most European businessmen and policy-makers wish to continue to subdue wage growth and global inflation, and to keep high profit margins. Even trade unions, who may be at variance on wage level, generally agree on keeping inflation low and profits high, while advocating that taxation should siphon off those high profits to keep up the welfare state.

Moreover, by the end of last year, China had invested USD 37bn overseas. Attracting Chinese investment for domestic use is an option that is readily pushed by British government and business (Chinese have bought Rover and Marconi, and have invested in 23 projects in the UK in 2003-2004). The idea looms large in the minds of several governments in East European and Balkan countries, such as Poland, the Czech Republic, Estonia or Macedonia, and also at local government level in Western continental Europe, when confronting rising unemployment as well.

An additional incentive to full economic partnership with China is that it looks to many European experts as a promising way to prompt China to pursue an industrialization that features lower consumption of resources and minimized pollution of the environment. Furthermore, China's approach to economic reform has so far been incremental, but now the long-delayed reform of state-owned banking and enterprise sector, the staggering size of unemployment and widening regional disparities make it dangerous to separate out the reform issues anymore. What is essential, reckon European pundits in London, Brussels, Berlin or Paris, is not just a reform program, but also a set of tools to meet the challenges, especially better institutions. And they mean a good legal framework, sound property rights and financial sector supervision, a social safety net to ease transitions. Those on the European continent are more cautious about applying to China ready-made international solutions. But they all agree on the need to help creating the skill, the talent and the regulatory structures.

France and the EU do not press for rapid capital opening when Chinese financial institutions are still halfway to reform. Their cooperation funding supports a balance of economic development tipped towards social priorities. When they followed the IMF and World Bank views not to insist on a large percentage of revaluation of the yuan, and to call only for "flexibility" in the exchange rate, they feared that a high rise of the yuan would badly affect Chinese internal balance, but also the USD and, consequently, the Euro. On the contrary, the flexibility regime may gradually reduce Asia's linkages with the US economy and open up a new relationship with EU's economy.

### **Protectionism and the limitations of business partnership**

In contrast with this line of action at the top level, China's rising trade surpluses trigger protectionist reactions, as public concerns grow over loss of jobs and market shares. The wave of Chinese textile exports following the end to import quotas has recently sparked a move by the EU to impose protectionist tariffs on Chinese imports. France, Germany and Italy were on the front, in defence of their manufacturing and of the agreements with associated countries, such as Tunisia, Morocco and Turkey. In June, China agreed on self-restraint. A ceiling of 8

to 12% increase above the last twelve months import of ten types of products was decided in an agreement negotiated by the British EU Commissioner for Trade, Peter Mandelson. But it soon appeared that the amount already ordered by importers was far above the 2005 quota, with the result that shipments were blocked at European ports. The powerful trade lobby EuroCommerce then lashed the EC, with backing from Sweden, Holland, Denmark, Finland and Germany ministers. Mandelson, who like the British government urges the reduction of trade barriers, ushered in a solution that averts the protectionist backlash. These last developments are in line with recommendations voiced by the World Economic Forum last April, which stressed that "the private sector should encourage governments to focus on how their economies can benefit from China's rise, not obstruct it".

The main trend of action remains clearly the building of a strong and many-sided – the Italians call it "multidisciplinary" - economic partnership with China. It rests on the multinational firms, which are obviously not stateless, as some had predicted, but keep a solid national cultural character and are the spearhead of European competition. Among the world first-ranking 500 groups, France has 39, Germany 37, and the UK 35. Yet, one notices a trend for setting up European firms, like Arcelor for steel, which competed, albeit unsuccessfully, to buy the Chinese Laiwu. Small and midsize companies are the weaker link. Part of them do well, some are now getting patronized by the big firms, but many are unable to adapt and develop products that tap the bottom segment of the market where the greater opportunities are now lying. Various government programs, like UK Trade and Investment, are helping companies win business in China. The government programs promote "industrial structuring partnership" – a French technocratic term – in sectors such as energy and land transport, that is a long-term cooperation, monitored by governments, involving scientific research, R&D, training, together with production and marketing, in a win-win strategy.

However, to deal with China's rise simply by promoting business partnership seems inadequate. First, the Chinese side is not easy to deal with. But there are other problems, which are not yet clearly perceived either by the majority of European public, nor even by the average businessmen, intellectuals and politicians. These concerns are bringing in a switch of policy among European leadership. The warnings voiced by Paul Samuelson that the West could soon loose to China both highly advanced manufacturing and services, added to the fear that the US be confronted with a "sudden stop" of foreign capital inflow, bringing in the threat of worldwide "disorderly adjustment", and now the situation in which Chinese trade is predominantly oriented towards Europe, these recent issues have propped up the assumption that China should be viewed as a strategic partner, and that building a strong strategic partnership with her is an urgent task in order to secure real win-win business partnership.

## **2. The assessment of China as a strategic partner**

France had been the first to start a strategic dialogue with China since the late 1970s, with a long interruption, and then a declaration of "global partnership" in 1997. The results have been limited. Lately, China did not fully support French position on Irak. More recently, personal advisers to the French President had him make on the Taiwan issue some thundering statements, which had not been requested by Peking neither discussed by the government, but to no fruitful avail. However, France has been successful in pushing the EU and individual country members into strategic partnership with China.

### Gradual steps

The EU steps in this regard have been gradual and cautious. Part of the EU cooperation programs with China is still called "assistance", a word that is not very consistent with strategic partnership. A ground reason for slowness is that the EU has still little power in foreign policy as compared to national states. But there are other important reasons. Scandinavians, Dutch and British have long strongly insisted that dialogue on human rights was a precondition to European political dialogue with China. Most governments long looked at China as a regional power, not as a world power with whom strategic dialogue made sense. Together with the British government, who refrained from using the phrase in China's regard until May 2004, several were anxious that such dialogue might antagonize the United States.

The EU had initiated a regular collective dialogue with the East Asian region in 1996, through the ASEM (Asia-Europe Meeting), to which China participated. It was related to economic, financial, cultural, social, and also increasingly to global political issues. But the meeting has become too large, with 25 EU and 13 Asian members, to meet all the needs. From 1998, the EU started "deepening the political dialogue", with an annual summit mechanism.

Chinese diplomats had been watching the cracks caused in the trans-Atlantic alliance by the Iraq War. Prior to the China-EU Summit in Peking in October 2003, they issued a "EU Policy Paper" that addressed, for the first time, strategic cooperation, stressing high-level military exchanges, strategic security consultation mechanism, cooperation on defence industry and technology. It was a response to the policy paper which the European Commission had just produced a month before.

The EC paper stated for the first time that the EU and China should work as "strategic partners", but defined the aims simply as sustainable development, peace and stability. As areas of cooperation, it mentioned first human rights, illegal migrations and trafficking in human beings, the rule of law and political reform in China, then strengthening multilateral systems and rules for global governance. The political dialogue was to continue at the level of Political Directors, at ministerial-level Troikas meetings and at the Summits. As priorities, besides the points mentioned above, were noted such sensitive issues as genuine autonomy for Tibet, fundamental freedoms and autonomy in Hong Kong and Macao, resolution of the Taiwan issue through peaceful dialogue, regional tensions in Korea, Myanmar and the South China Sea, non proliferation/disarmament and arms control. It was a far cry from Chinese views, but still a bold step in sheer international politics.

In fact, the big EU member countries, except the UK had preceded the EU in putting strategic dialogue with China on their bilateral agenda. Formerly, they used to have an "Asian policy", then in the late 80s or 90s and "East Asian policy" of which China was a part. In 2002, the German Foreign Ministry clearly isolated the "strategic dialogue" with China from other regional relations. Spain did the same by early 2003. Italy followed; Foreign Minister Fini even declared last June that China had become one of Italy's "principal allies". The UK has intensified research links and exchanges in science for defence, such as space research, and for wealth creation. Finally, in May 2004, a "comprehensive strategic partnership" with China was declared.

What laid behind the EU 2003 policy paper, which was endorsed by the European Council on 13 October, were concerns about financial and monetary stability, oil and commodities issues, trade balance, and security primarily in the Far East. The idea was to pull China into the international role of a force of peace together with Europe.



### **Enlarged partnership**

On the basis of 2003 EU policy paper, cooperation has been expanding to new areas. Foremost are science and technology. From late 2003, China has been participating in Galileo (with a contribution of 230 million Euro), the EU's new satellite navigation system, rival to the Pentagon-controlled Global Positioning System. China has been drawn into the International Thermonuclear Experimental Reactor project. She pays 10% for it and supported the choice of Cadarache in France for its site. The number of joint Sino-European R&D projects is rapidly increasing (36 new ones in 2004). 100,000 Chinese students were studying in the EU during the last academic year. Talks have been going on for finding common grounds on the UN reform and on the Doha Development Agenda negotiations in the WTO, with the proclaimed purpose of joining efforts to safeguard benefits for the poorest developing countries. Sectoral dialogues and agreements have been strengthened and extended across the board.

The EU-China summit, in December 2004, envisaged the negotiation of a comprehensive new framework agreement to replace the 1985 EC-China Trade and Cooperation Agreement. The French government has suggested such a move in order to develop a strategic partnership strong enough to deal with the global challenges. What now comes out of the latest summit between Blair, as EU President, and Hu Jintao, on 5 September in Peking, is a definite political strengthening of the strategic partnership. Commitment to cooperation in politics and international affairs has been strongly emphasized on both sides. A new China-EU Framework agreement will be concluded at an early date.

It is ironical that UK, who has long been the most reluctant to beef up EU political ties with China, should be instrumental for this new advance. Bombings in London are one obvious explanation.

The proceedings of this summit, the series of agreements signed on various fields, and the solution to the textile trade disagreement clearly show that European governments are, for the time being, decided not to regard China's rise as a threat to world peace.

### **The choice of strategic partnership**

From the perspective of security and geopolitics, bad omens had been gathering for some time. This summer, Pentagon reports on China's military power and submarine force pointed out to acceleration and stupendous upgrading in the growth of operational capabilities. In addition to its military station in the Indian Ocean, on the Burmese coast, China has swiftly staked out a position of protecting power to the Central Asian states of the Shanghai Cooperation Organization, inducing them to require elimination of all US military presence in the region. At the same time, the joint drill in Shandong trumpeted China's close military ties with Russia, while her commitment to prevent international sanctions against North Korean and Iranian nuclear activities threw serious doubts about her good faith on non-proliferation and disarmament issues. China was steadily moving in again in Africa. The increasingly vocal nationalism in the Chinese public had turned to violence in the anti-Japanese protests. None of this, however, has deterred the EU from going straight ahead in closer comprehensive strategic partnership with China.

In fact, European media now seldom publicize security issues, except regarding the Middle East. Apart from a possible "Islamic threat", the general public is not very much aware of these problems. The theme of the "coming war with China" is far from selling as it does in the US. According to the last opinion survey of the German Marshall Fund, economic downturn and climatic change are the two major threats which three quarters of the Europeans feel could affect them personally in the ten coming years.

Yet, lifting the European arms embargo against China still remains divisive within the EU. China has exacerbated this by adopting the Anti-Secession Law that sanctions military action should Taiwan formally declare independence. However, the backlash has been largely cancelled by the positive momentum created by Taiwan opposition leaders' visits to the mainland, and the subsequent successful dialogue on practical issues, such as the opening up of airspace. Cautiously enough, the EU-China joint statement of 5 September made no further concession on the prospect for lifting. Besides EU leaders fear of the retaliation promised by the US Congress, it is to be noted that if 55% average Europeans think that the EU should take a more independent approach from the US, a majority in the UK, Portugal, Poland and the Netherlands stick to US world leadership, and 80% on the whole want EU to cooperate rather than compete with the United States.

Clearly, in EU leadership view of China's rise, security issues are subordinated to globalization as a policy consideration. EU's tactics are to engage with China in a broad agenda and to involve her in international efforts to tackle with global problems, by treating her fairly as equal. The recent trade agreements are a further step in EU's recognition of China's market economy status. But EU's fair deals have their drawbacks. Chinese growing exports compel reshaping of European industry. However, the painful trade-offs that are required in the reshaping, the legal powers to make the necessary changes to labour markets and the European social model reside above all at national, not EU level. Only national politicians can ultimately do the tough work of persuasion that is needed to make economic reform work. The risk of backfire is high.

## Conclusion

We have then to ask how strong and sustainable is the strategic partnership between Europe and China?

Neither for China nor for the EU or any of the European countries does the partnership take precedence over their ties with America. Tony Blair wrote on 4 September that China has become for the EU and UK "a major priority"; he did not say "the" priority.

Both sides trust each other, because they both wish stability and have no adjoining zones of influence. EU bankers and businessmen want to consolidate China's growth on which their own profits are now dependent. In China, the pragmatic faction (\_\_\_) or law and science faction (\_\_\_\_) in macroeconomic policy, around Wen Jiabao \_\_\_ and Wu Yi \_\_, has got since a year the upper hand of the "speed faction" (\_\_\_), around Huang Ju \_\_ and Zeng Peiyan \_\_, and its success has been winning a large support among Chinese educated public. The Chinese ruling team certainly plays the European card more than Jiang Zemin had done, but among other cards.

Does it mean that Europeans swallow mainland propaganda about China's age-old commitment to harmony? Do they believe more than Americans do in China's "peaceful rise"? I would say that European leadership everywhere is earnestly trying to make the promise true, to help make China's rise a peaceful one. In the European public there is nowhere any general strong leaning towards China. The mainstream is more or less qualified sympathy. 74% approve of the EU role to help establish democracy in other countries by relying on "soft power". But only a slim majority of 54% agree that economic relations with China should be limited because of human rights violations. Immediate economic interests thus loom large in advocating or supporting actual policies regardless of proclaimed principles.