

IsarMUN x UN75
2020 AND BEYOND

SHAPING
OUR
FUTURE
TOGETHER

Study Guide

EU – CHINA

Topic: Strategic Autonomy in the Context
of the Relationship with China



ISARMUN

Study Guide EU-China Committee- Consensus Decision Making - Strategic Autonomy in the Context of the Relationship with China



Hello everyone! My name is Maria and together with Jules, I will be chairing the EU-China Committee. I am a final year student in Political Science and Sociology at the Ludwig Maximilian University of Munich. After two incredible years as a participant in IsarMUN, I knew it was time for me to try out a new role, and here I am - chairing this exceptional edition of IsarMUN!!! Apart from my involvement in IsarMUN and because of my big interest in European Affairs, I have also been attending and organizing Model European Union simulations for almost 2 years. I'm looking forward to IsarMUN 2020 and can't wait to hear your opinions on the topic! Stay

safe and see you online on November 14th.

A long way from his home in Luxembourg, I, Jules, have been hiding in the urban jungle of Bavaria's capital for over 6 years now, studying political science. With my master course starting this November and no MUNs in sight, the adventurous foreigner in me decided to share the knowledge of 7 long years in MUN debating with fellow students and thus started my journey in IsarMUN 2020. Chairing the EU-China-Summit will be the proper opportunity to nourish food for thought on a more controversial partnership and gathering the most interesting of crowds through the lens of Zoom.



In our committee, we will be discussing the relations of the European Union and the People's Republic of China. The cooperation of the two blocks has many different dimensions and we have made sure to include information on some of them in this study guide, however, feel free to research, think outside the box and surprise us with your knowledge on the topic. Enjoy the guide and feel free to ask us questions before and during the conference!

1. Historical Background of EU-China relations brief summary

The European Union and the People's Republic of China are two of the major players on a global scale. Whilst for centuries the world was divided between Western and Eastern forces, the recent decades have seen an increase in cooperation and communication between the two parties. Economically both the European and Chinese markets are extremely relevant for the functioning of the world-wide trade system. Military capacities have grown exponentially in China as well, who alongside France and Britain have played an important role as nuclear powers.

In recent years there has been a significant rise in communication channels between the two parties. The European Union has increased contribution efforts in discussions with their Chinese counterparts through multiple summits, notably ASEAN and the EU-China Summit, where important agreements, especially on trade are discussed. The most notable example being the Comprehensive Agreement on Investment.

Most relations between the parties are aimed at economic relations. There are multiple European Union working groups and summits relating to trade relations, most prominently the EU-China High-Level Economic and Trade Dialogue, discussing strategic outlines and goals for cooperation. It is important to note that China is not part of the Trans-Pacific Partnership (TPP), meaning agreements have to be entirely bilateral.

Major successes in cooperation between both parties have been made during the previously mentioned EU-China summits. In 2020 the 22nd edition of this summit focused on both economic issues as well as humanitarian issues. This summit is one of the few occasions where the parties involved go beyond the economic aspect and address societal issues, both parties want to cooperate on or disagree on a political level.

2. Digital Privacy

During the global pandemic, the internet and its tools have become an even more dominant force, than they have ever been before. While technological advancements have been developing fast and are evermore needed, the ethics regarding this matter have been repeatedly questioned by politicians. Although criticism has been fierce, conclusions and regulations regarding industry 3.0 continue to be sparse. Especially when it comes to political parties that are impartial, the challenge lies in finding a common ground to ensure economic and societal growth, whilst still protecting their own citizens' and country's interests.

For the European Union, several legislative projects have seen the light of day. The most well-known legislative draft was the so-called General Data Protection Regulation (GDPR). This regulation aimed to allow European citizens to control their personal information and additionally

who has the right to possess and distribute their data. In this case, the European Union legislation does not have the notion of implicit consent, but rather individual users that specifically state their preferred setting or give consent to the data collection process. This regulation has been put to the test in the current COVID-19 pandemic, where the new wave of home-office-work has created significant challenges for digital privacy and security of personal data. In such situations, many companies have had to update their policies or change their working routines to adapt to the new era. The main issue that the GDPR fines impose is that companies are now required to pay monetary fees in case of non-compliance. Even with such difficulties, measures have been found to adequately adopt proposed solutions in place for the newfound crisis.

Whilst the European Union has a very strict model on data protection, that focuses on the protection of the individual citizens, the People's Republic of China has adopted a more liberal model, where the requirements for data collection and processing are significantly lower¹. In opposition to the European Union legislation, China adopts the notion of light implicit consent, for data collection and processing purposes. Explicit consent is only necessary for areas, where the law demands it, which most often occurs in collecting sensitive information².

China and the European Union have very opposing views in general on most things concerning data security and privacy. This is reflected in the usage and regulations around data breaches and supervisory authorities. In a case of data breach within the European Union, the affected company has to notify a supervisory authority within 72 hours. These authorities have to be independent and adequate for the specific area the company deals in. The Chinese regulations never define a timeframe to report the incidents, but all breaches have to be reported to the Cyberspace Administration of China, however, not specifically created for the same purpose³.

On the other hand, China and the European Union have a similar attitude on how to tackle data privacy and collection in general. Both parties utilize to some extent the notion of data minimization, data collection, and processing only for the necessary amount of data. Similarly, both parties have a similar take on sensitive data processing. These data categories have additional safeguards to protect it from data collection services. The European Union has classified and categorized these data sets for example in ethnic origin, political beliefs, or genetic data. Whilst China offers similar protection for such data, the definition is broader and solely focuses on data that could endanger the citizens if disclosed or altered⁴.

Whilst the European Union follows a legislative path, centered around the European Union citizen, the People's Republic of China excels at shielding their citizens from the negative influence of

¹ DLA Piper 2019

² Pernot-Leplay 2020

³ Pernot-Leplay 2020

⁴ Pernot-Leplay 2020

companies. China has developed a system to guarantee protection from private entities and regain control over the individual citizen's data. One must, however, consider that the topic of the protection of personal data from government access remains untouched. Chinese authorities see surveillance and sensible data as part of national security and thus cybersecurity and data privacy are interconnected and can barely be discussed without the other.

3. Economics, trade relations and agreements

China is the EU's second-largest trade partner after the US, whereas the EU is the largest partner in China. The accession of China to the WTO (World Trade Organization) marked the beginning of the closer trade relations between the EU and China. The more intensive trade between the two parties brought many benefits for both EU producers and consumers, however, the increased imports have led to disadvantages for the labor and product markets. In the years of trade cooperation with China, the EU has suffered from a big trade deficit, which is a problem many member states of the EU face in their relations with China. The only EU countries which have a positive trade balance (a trade surplus) with China are Germany (more than 19 000 million euros), Ireland, and Finland, while others like Spain, the Netherlands, and France have a trade deficit of more than -10 000 million euros⁵. In 2017, 44 % of the total EU exports to China were from Germany⁶. The highest exports of products from China to the EU are intermediate products, which are sold at low prices and improve the overall productivity and global competitiveness of the Union. Other products that count as the biggest imports from China are baby carriages, machinery, apparel, and footwear⁷. The products that are exported from the EU to China in the largest numbers are medicaments, cars, and motor vehicles, and household equipment, whereby there is a positive trade balance for the EU in the trade of these goods⁸. The biggest FDI inflows from the EU in China come from Germany and the Netherlands, which are also the biggest recipients of FDI from China. Other countries that benefit from large Chinese FDI are Denmark and Sweden. Since 2014, FDI from China to Central and Eastern European countries has risen, although those countries have a high negative balance of bilateral flows with China. According to Eurostat the investments of the EU in China have brought the EU 81 billion euros, while Chinese investments in the EU have earned China around just 8 billion euros⁹.

Some of the obstacles in the way of trade cooperation between the EU and China are tariffs, which both sides face as exporters to the other party. While Chinese exports are subject to really high tariffs in certain sensitive sectors, European firms are affected by even higher tariffs, applied in an even wider spectrum of sectors. An example of policy contributing to a fairer and more profitable cooperation in trade, between the EU and China, is the lowering of the tariffs on vehicles and

⁵ Eurostat 2020

⁶ Bruegel 2019

⁷ Bruegel 2019

⁸ Eurostat 2020

⁹ Bruegel 2019

vehicle parts in China, which presented an opportunity for EU car manufacturers to benefit from the increasing quality of life in China and demand for more products. Other types of products, for which tariffs have been reduced in China, are luxury and apparel goods. Trade of agricultural products has been impeded by the variation in domestic standards of the two parties. Moreover, even less strict or reduced standards are highly unlikely to create better prerequisites for successful trade of agricultural products from China to the EU because of the lack of demand and interest of European consumers in agricultural products from China. Another barrier in the economic relations between the two blocks is the lack of transparency and non-reciprocal market access, which European firms have to face in China, while Chinese companies in the EU enjoy the same conditions that European firms do. The EU, on the other hand, has imposed quotas on imports from China for specific product categories like automotive steel, so that domestic production is preserved and supported¹⁰.

To improve conditions and make the cooperation between the EU and China even more profitable for both sides, the blocks have been negotiating the Comprehensive Agreement on Investment since 2014. The main aim of this agreement is to allow European companies to have a more open mind towards the Chinese market, and eliminate discriminatory laws preventing fair cooperation with China. Transparency, better protection for European companies, equal treatment for European companies operating in China, provisions on labor, and environmental commitments are other key points of the Agreement¹¹.

4. EU-China relations on the international stage

As the previous section shows, China implements different strategies in its cooperation with countries in Western and Eastern Europe. While the countries within the Eurozone like the Netherlands and Germany are the main recipients of Chinese FDI and countries like Ireland, Finland and Germany have a positive trade balance of goods with China as of 2019, Central and Eastern European countries have been receiving increased attention from China. This is due to the Belt and Road Initiative and the meeting format 17+1, created to promote the said initiative and cooperation of those countries with China. The Belt and Road Initiative is China's global infrastructure development strategy, which is seen as one of the biggest investment projects in history and is viewed as an instrument of power on the side of the People's Republic of China. European think tanks perceive the interest of China in closer partnerships with Central and Eastern European countries as a way of creating tension and division within the European Union, as well as distancing the EU candidate countries in the Western Balkans from the Union.

Furthermore, EU-China relations have been influenced by the ongoing trade war between China and the US, especially because the EU shares some of the concerns raised by the US regarding the lack of compliance of China with international trade agreements. Although it is important to

¹⁰ Bruegel 2019

¹¹ European Commission 2020

mention that the cooperation between the US and the EU, which can be seen as the blocks with the closest cooperation in the world, has become more challenging under the leadership of President Trump. Not only has the US expressed support for Brexit, but it has also imposed tariffs on aluminium and steel, threatening to do the same for cars imported from the EU. The more unstable and unpredictable relations to the US have created the need for the EU to establish itself as an independent actor on the international stage, who is not only reliant on the US but is cooperating with a variety of states on its own terms (examples are the Agreements with Canada, Japan, and the work on an Agreement with Mercosur). This is why the partnership with China can be seen as an opportunity, also because the trade war with the US has presented a chance for the EU to seek more trade cooperation in areas of tension between the US and China¹².

Work on the already mentioned Comprehensive Agreement on Investment was supposed to be concluded this year, however, multiple events this year increased skepticism for the realization of an agreement between China and the EU. In the beginning of the COVID-19 outbreak in the European Union, China provided EU member states with several defective test kits. Due to the lack of transparency and information surrounding the beginning of the global pandemic in China, the EU has taken action, with the Commission President supporting independent investigation about the origin of the virus. Moreover, Commission President von der Leyen openly voiced concerns about Chinese cyberattacks targeting hospitals and healthcare institutions during the pandemic in EU member states. Human rights have been another major redline of the EU, whereby in October 2020 most EU member states issued a statement against China's treatment of ethnic minorities and violating the Sino-British Joint Declaration in Hong Kong.

A further problem in the negotiations of the Comprehensive Agreement on Investment between the EU and China is the differing priorities of the EU member states. While some insist on the importance of human rights, others are not willing to compromise in the fields of climate and international finance. Other concerns of EU member states are the roles of France and Germany, that could potentially be trying to use the agreement in favor of their own interests and not the Union as a whole. Another increasingly important problem when it comes to consensus about how to establish the EU as an autonomous actor in the multipolar world order of today, is the differences in what countries member states see as their allies or possible partners to counteract the imbalance of the rising power that is China¹³.

5. Chances and Risks

The different previously mentioned issues have been part of intense discussions and conflicts but are also an opportunity for growth and cooperation. Humanitarian organizations have been critical of China's supervision policies and the high surveillance of their citizens for a while. The European

¹² Bruegel 2019

¹³ European Council on Foreign Relations 2020

Union has faced harsh criticism for their approach on copyright in the digital space. The global pandemic has weakened the economies of most countries in the world. These issues can lead to a sustainable relation between the European Union and the People's Republic of China, if compromise can be made on both sides.

Digital cooperation during the time of the pandemic will be essential for a stable relationship between the parties and thus guidelines for interconnectivity and information sharing are essential. Since China and the EU have a similar stance on data protection, those similarities can be used to find common ground for a working partnership.

Economically the interconnectivities remain strong and necessary to the survival of the parties' respective industries. Due to the ongoing insecurities and ever-changing behaviour of the United States, a strong united front on an economic level would be beneficial to ensure working economies for both China and the EU.

One has to, however, take into consideration that closer cooperation between the two parties could potentially result in the alienation of allies, such as the United States. If the EU enters into numerous partnerships with the People's Republic of China, the United States might feel threatened and could continue their nationalism and protectionism to further extent. Thus every partnership with the East has to be heavily considered from both parties, as China would also lose economically, if the United States closes their borders further. Whilst President Trump has been an outlier in an harsh approach, the American population have shown willingness to support his American vision, meaning such political trajectory can continue beyond this era.

6. Conclusion

To conclude the preliminary information, the relationships between the European Union and the People's Republic of China have been growing continuously. With the unreliability of the United States as an ally and the global pandemic continuing to impact our daily lives the necessity of a cooperation agreement remains. European and Chinese policy makers should look into the China-Switzerland free trade agreement (CSFTA), which increased the trade among both parties, both for goods and services. This was a major step for China to enter agreements on the European continent and reflects the possibilities and compromises both parties can and are willing to enter¹⁴. Furthermore policy-makers are encouraged to find answers to the following questions:

- *Should ethical principles be considered for free trade agreement?*
- *How do both parties remain autonomous, whilst creating beneficial value for both parties with cooperation agreements?*

¹⁴ Bruegel 2020

7. Definitions

CSFTA - China-Switzerland Free Trade Agreement (not to be confused with China-Singapore Free Trade Agreement)

Foreign Direct Investment (FDI) - investment made by a firm or individual in one country into business interests located in another country

Sino-British Joint Declaration - treaty signed between China and the United Kingdom in 1984 to determine Hong Kong's future under Chinese sovereignty. The term "One Country, Two Systems" derives from this agreement, alluding to the consensus that Hong Kong should enjoy a high degree of autonomy until 2047. China undermining this declaration through the new national security law in Hong Kong has caused political criticism on the international stage.

Trade deficit – when a country imports a greater value than it exports

Trade surplus – when a country exports a greater value than it imports

8. Sources for further research

<https://www.bruegel.org/>

<https://www.euchinahub.com/> - the founder of the EU-China Hub will join us on November 14th during the expert session, so take note of questions!

Make sure to check out the reference list too!

9. References

Dadush, Uri, Marta Dominguez-Jimenez and Tianlang Gao. "The state of China-European Union economic relations", *Bruegel*, 20.11.2019, <https://www.bruegel.org/2019/11/the-state-of-china-european-union-economic-relations/>.

Dadush, Uri and Marta Dominguez-Jimenez. "What can the EU learn from the China-switzerland free trade agreement?", *Bruegel*, 03.03.2020, <https://www.bruegel.org/2020/03/bern-after-reading-lessons-from-the-sino-swiss-trade-deal/>.

DLA Piper. "Data protection laws of the world: China", 31.12.2019, <https://www.dlapiperdataprotection.com/index.html?t=law&c=CN>.

European Commission. “EU-China Comprehensive Agreement on Investment”, 13.02.2020, <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2115>.

European Commission. “Countries and regions: China”, 22.04.2020, <https://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>.

Eurostat. “China-EU - international trade in goods statistics”, 28.05.2020, https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU_-_international_trade_in_goods_statistics#Trade_with_China_by_Member_State.

Janka Oertel. “The new China consensus: How Europe is growing wary of Beijing”, *European Council on Foreign Relations*, 07.09.2020, https://www.ecfr.eu/publications/summary/the_new_china_consensus_how_europe_is_growing_wary_of_beijing.

Pernot-Leplay, Emmanuel. “Data Privacy Law in China: Comparison with the EU and US approaches”, *Emmanuel Pernot-Leplay*, 27.09.2020, <https://pernot-leplay.com/data-privacy-law-china-comparison-europe-usa/>.