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Scientific article

NEW LEADERSHIP IN EU-CHINA: IRELAND'S EU PRESIDENCY V.S. CHINESE XI JINGPING

НОВОТО РАКОВОДСТВО ВО ОДНОСИТЕ ЕУ-КИНА: ИРСКОТО ПРЕТСЕДАТЕЛСТВО ВО ЕУ V.S. КИНЕСКОТО НА КСИ ЈИНПИНГ

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Abstract: In November 2011, the EU and China are ready for new leadership change, and both of them try to draft new EU-China policy to engage comprehensively; after 2008, China has been active in the EU affairs, and even both parties sit together to discuss the solution of the EU financial crisis. More and more heads of the EU governments believe that China is playing key role to support European economic growth and solution of financial problem. In addition, the barrier of military cooperation between the EU and China has not removed since 1989, and both of them have interest to discuss how to turn new page of the EU-China military cooperation under the EU-China new leadership.

This paper aims to analyse how the EU and China cooperate to tackle the EU financial crisis, and how the EU and China restarts military cooperation under the new leadership that refer to the Ireland's EU Presidency and the Chinese Xi Jingping in 2013. This research applies the Comparative Case Study Research Design to set the two abovementioned questions in order to analyse how the new leadership responses by, and it employs the Neo-liberalism to be the theory base to analyse the EU-China relations in the EU financial crisis and military cooperation. At last but not least, the research process data by the principles of the OSINT (Open-Source Intelligence)

The research finding speaks that China has strong willing to help the EU solve the EU financial problem, but China cannot avoid risk while helping the EU financial crisis, but therefore, China provides help but not much. In accordance with the EU-China military cooperation. The EU cannot skip political stress from the USA, and they have no process to lift up the weapon embargo against China, but more and more countries have already helped or cooperated with China in military field, because more and more European countries have been tired of US-China hostility or competition, and they voice for China, and believe China has no threat against the EU member states.

This paper concludes that the EU does not stop persuasion toward China to cooperate with the EU to solve the EU financial problem, but China does some but not much in this issues; with regard to the EU-China military cooperation, China still continues to lobby the EU to drop the weapon embargo enforcement, and persuade the EU to restart military cooperation, and furthermore, the EU has change mind and position to favour China to restore military cooperation, and plan to a serial policies to prevent the political pressure from the United States.

Keywords: EU weapon embargo against China, the EU financial crisis, the EU-China Relations, the EU-China Leadership

Абстракт: Во ноември 2011 година, Европската Унија и Кина беа подготвени за новите раководни промени. Двете страни се обидуваа да подготват нови политики за поцелосна соработка, особено после 2008 година, кога Кина станува активен партнер во внатрешните односи на ЕУ, па дури и да разговараат заедно на иста маса за решавање на финансиската криза во ЕУ. Се повеќе и повеќе лидери на влади на држави од ЕУ веруваат дека Кина игра клучна улога во подршката на економскиот растеж на ЕУ и решавањето на финансиските проблеми. Покрај тоа, бариерите за воена соработка помеѓу ЕУ и Кина не се надминати од 1989 година, иако и двете страни имаат желба за вртење на нова страница во областа на воената соработка.

Трудот има интенција да направи анализа за тоа како ЕУ и Кина соработуваат за да ја надминат финансиската криза во ЕУ, и како ЕУ и Кина да ја рестартираат воената соработка во рамките на новите раководства кои се однесуваат на претседателството на Ирска со ЕУ и ерата на претседателот на Кина Кси Јинпинг во 2013 година. Истражувањето се базира на компаративна студија на случај и ги опфаќа двете погоре споменати прашања, како и употреба на нео-либерализмот како теоретска база за анализа на односите помеѓу ЕУ и Кина во областа на економската криза и воената соработка. И како последно, но не помалку важно, истражувањето се темели принципите на т.н. разузнавање на отворени ресурси.

Резултатите од истражувањето говорат дека Кина има силна воља за помогнат на ЕУ во реѓавањето на финансиските проблеми, пришто не може да ги избегне ризиците од таквата помош поради што се нуди помош, но не онолку колку што би можело. Во однос на воената соработка, ЕУ не може да го прескокне политичкиот притисок од САД и ослободување од ембаргото за купување оружје од Кина, иако се повеќе и повеќе држави веќе се потпомогнати или соработувале со Кина на воено поле затоа што се повеќе и повеќе држави се уморни од непријателството или натпреварот

помеѓу САД и Кина. Оттука, тие се вртат кон Кина затоа што сметаат дека Кина не претставува закана за државите членки на ЕУ.

Овој труд заклучува дека ЕУ нема да застане во убедувањето на Кина да соработува со ЕУ во решавањето на финансиските проблеми, но Кина не прави нешто позначајно на ова поле. Во однос на воената соработка помеѓу ЕУ и Кина, Кина продолжува да лобира во ЕУ за отфрлање на ембаргото за оружје и рестартирање на воената соработка. Уште повеќе ЕУ ги менува позициите кон Кина за рестартирање на воената соработка, и планира да изгради серија од политики кои ќе го превенираат политичкиот притисок од страна на САД.

Клучни зборови: Ембарго на оружје од ЕУ кон Кина, ЕУ финансиска криза, ЕУ-Кина односи, ЕУ-Кина раководства.

INTRODUCTION

Since the 2008 financial crisis happened, the national powers between China and the EU have been shifted. China becomes a influencial player in the international affairs, and the EU plans to co-operate with China to tackle home and abroad affairs, particularly about EU financial crisis and military co-operation. China is exptected to be a stability provider (Stabilitätsanker für Ostasien) to ensure economic growth in East Asia as well as in world, and to be active in world politics (Zugewinn in internationalem Einfluß) to share responsibility to resolve issues (Hilpert et al. 2009: 29-31). To rejoin international affairs has been a long journey for China, and she experiences four stages—isolation, normalisation, interaction, and participation/intervention.

Between the major and minor Cultural Revolutions, China eyed on legitimacy of regime and diplomatic recognition from the international community. China isolated and distanced from international affairs in order to protect own authority and to seek for more diplomatic recognition. After gaining diplomatic recognition from the United States, Japan, Germany, France, and United Kingdom, China was in the era of dipomacy normalisation to engage and communicate with the international community to co-operate and exchange in international affairs. Since China launched economic reform, how and what to interact with the international community has been the top priority for China's national development. After 2008, China starts to take the key role in international affairs, and plans to strengthen China's influence into world politics; moreover, China encourages the public diplomacy to anchor the People-to-People channel to assist traditional diplomacy.

The EU-China relations can also be applied the four stage of Chinese diplomacy to understand, but some EU members have already had extraordinary relationship with China, and mutul co-operation starts earlier than other countries. Unlike U.S.-China relations, most

EU countries care less about Asian affairs, and express respect to China in geopolitics, and they pose no hostility against China, and have no ambition to control the world, and furthermore, more and more European states encourage broad co-operation and engagement with China. In particular, more and more EU states consider and persuade each to invite China to draft a strategy to solve financial crisis, and restart negotiation to reunite China to participate military cooperation.

As regard financial crisis and military co-operation, these two are always on the agenda to defend and offedn. Indeed, the issues are no longer modern, but have difference outlook under various EU-China leaderships. This paper is designed to research how the EU and China to manage the financial crisis and military co-operation under the 2013 Irish EU Presidency and Xi Jingping's administration. The theory base is applied the Complex Interdependence termed by Robert O. Keohane and Joseph S. Nye, Jr. to analyse co-operation progress and development between the EU and China in the financial crisis and military co-operation. The Complex Interdependence argues that a nation realises co-coperation is better than war destruction, and state-to-state co-coperation can start in economic field, and expands to other field, such like security.

The Complex interdependence outlines that it is unsure for a nation to use military power to have what it wants, but a nation is possilbe to have what it plans throughout economic co-operation instead. It cannot be concluded that economic co-coperation is a easy programme for state-to-state co-coperation. (Keohane and Nye, Jr. 1987: 726-727) outline that economic co-coperation was a sensitive issue among nations between the 1970s and 1980s, and that was the time the EU and China uderwent economic co-coperation. The Complex Interdependence points out co-coperation comes from necessity, and demand also appeals collaboration, and the EU and China are respective economic and military giants, and it has no doubt that both sides reply on the Complex Interdependence.¹ Besides, this paper follows the Historical Review approach to study the development between the EU and China mutual co-coperation.

This paper concentrates on three themes—the core value of the EU and China's new leaderships, the EU-China co-coperation in financial crisis, and military co-coperation. First of all, this is very important to analyse the core value between the EU and China's new leadership. The EU presidency may not control policies, but it can prioritise agendas and issues, and it aslo influence trend of EU policy development; as regard Chinese government,

¹ Complex interdependence refers to a situation amon a number of countries in which multiple channels of contact connect societies; there is no hierarcy of issues; and military force is not used by governments towards one another. Keohane, R. O., & Nye, J. S., Power and Interdependence revisited. *International Organization,* 41(04), 1987, p.731.

the leadership is absolute to shape China's national development. Nevertheless, to analyse the core value of the EU and China's leadership is the subject to distinguish sameness or diffusion in the EU-China co-coperation.

Secondly, this analysis focuses on how China and the EU to co-coperate financial crisis management. The 2008 financial crisis was caused by these major probelms—European sovereign debt maladministration, low-transparency financial information, and the U.S. Housing Bubble. The European sovereign debt maladministration slows down Europe economic growth and worsen governmental debt, and low-transparency financial information leaves a loop for global opportunists to exploit gloabal financial markets to disorder economy, and the U.S. Housing Bubble triggers a global recession.

In accordance with interdependence of finance and economy around the world, the EU is so nature to suffer economic decline, but its counterpart—China, turns beneficiary during the 2008 financial crisis. In spite of mass amount of foreign investment, China becomes a economic driver for the world since 2000, and China turns rich afer the 2008 financial crisis; not surprisingly, more and more countries request China to shoulder more responsibility of international affairs, and the EU also starts to invite China to help Europe get rid of economic depression as well as to encourage Chinese companies to invest firms inside the EU zone.

At last but not least, China is optimistic to trade off with the EU in military cooperation. China has suffer invasion because of ineffective defence for centuries, and how to modernise military fource is the top priority for Chinese leaders. To modernise Chinese military power, China devotes into military technology innovation as well as military cooperation with foreign countries. However, the Tiananmen Square protests of 1989 disrupts Chinese military co-operation with the EU countries, and the United States also censors every military co-operation programme with China.

Even though the EU succeeds to enforce weapon embargo against China, there is still no common position among member states in this issue; no dout and surprise, China criticises this decision, and voices to restore mutual military co-operation. In the early stage, China was keen on demand of military technology and co-operation with the EU, but nowadays, China requests to lift the weapon embargo in order to national pride more than necessity. Of course, it cannot be interpreted that China has no desire of the EU's military capacity, but China still loves to have military co-operation with the EU.

To reach the EU-China military co-opertion is also a way to request China to get more involvement into international security, and to encourage both sides to reach common position in disputed issues. In addition, the EU and China reach military co-operation to be helpful in defence transparency and confidence-building, and it can lower misunderstanding and hostitlity. Although the EU and China have different political culture, both of them work hard to constitute co-operation framework to achieve common position or interest in differen policies.

RESPECTIVE CORE VALUE IN EU-CHINA NEW LEADERSHIP

A formation of leadership can reflect core value of administration or policy. The EU and China come from different political background and culture, and it exist difference, but it also can reach sameness as well. The EU is an international-regional organisation, and it protects individual national interest, but it also seeks for common position. The EU leadership refers to the presidency (the Presidency of the Council of the European Union) which is in charge of the Council of the European Union operation. The EU Presidency plans the meeting, and prioritises agendas for the Council of the European Union (the Council), and bridges dialogue among the EU institutions, and the EU presidency is teamed up by rotated member states every 6 months. It is believed that various EU presidency reflects miscellaneous leadership.

Table 1 Policy Priorities between the EU and China

2013 Iris China	h EU Presidency's priority related to	The policy EU	of Chinese Xi Jingping's administration for the			
1.	International trade and giving impetus to trade agreements with partners	1.	Use Chinese apporach to help solve the EU financial crisis.(Economic policy)			
2.	around the globe. (Economic policy) closer cooperation and engagement with the EU's Asian partners.	2.	Encourage Chinese companies to invest Europe to support "EU Securing Stability".(Economic policy)			
3.	(Economic policy) Achieving progress in negotiations on	3.	Persuade the EU to lift up protectionism. (Economic policy)			
	Free Trade Agreements (FTA) and Investment Protection agreements. (Economic policy)	4.	Request the EU to stop weapon embargo against China. (Defence policy)			
4.	to strengthen the EU's external ability to act through the development of civilian and military capabilities for Conflict Prevention and Crisis Management. (Defence policy)					
EU-China	EU-China common position					

SECURITY DIALOGUES

- closer co-operation and engagement with the EU's Asian partners = Encourage Chinese companies to invest Europe to support "EU Securing Stability"
- Achieving progress in negotiations on Free Trade Agreements (FTA) and Investment Protection agreements = Persuade the EU to lift up protectionism

Source: Presidency of the Council of the European Union (2013), *Programme of the Irish Presidency of the Council of the European Union*. Retrieved from

http://www.eu2013.ie/media/eupresidency/content/documents/EU-Pres_Prog_A4.pdf, p.10,p.15,p.21-23; 梁正綱, *眨□的籌碼:歐盟對中國武器禁運 (Eng: Devalue: the EU Weapon's Embargo against China)*, (台北:秀威資訊科技股份有限公司, 2011), pp.97-98.

The leadership of the Irish EU Presidency targets on "Make a Difference", and "Win-Win Engagement with Partners", and concerns more on home affairs, such like EU institutions reform, stimulus for economic growth and banking system reform. In addition, the Irish EU Presidency highlights the importance of EU's closer co-operation and relationship with China in economy.

To achieve closer partnership makes the EU more flexible to engage with China, and preserves more rights to rebalance economic growth. More and more EU states quarrel with China over trade dispute and protectionism (anti-dumpling), and asuse China to exploit the EU trade market to remind fertile ground for Chinese economic booming. As regard EU-China economic co-operation, it is mutual demand, but is also mutual hostitlity. The Irish EU Presidency realises China's influence in international trade, and plans to deepen EU-China economic co-operation to sustain and recover European economy, and persudes China to protect and respect the EU companies rights in China.

The Irish EU Presidency encourages military co-operation in crisis manage and conflict prevention, and invites China to share more responsibility in international security; as a matter of fact, the EU believes China is capable of peacekeeping operation to fulfill crisis management as well as conflict prevention. Responsibility of international security is not solely coming towards the EU member states, but China has to be a responsible great power to manage international security.

After China becomes a active player of international trade, achieving equal trade treatment and removing competitiveness barrier is the subject to manage for the Chinese leadership. Unlike former president Hu Jintao, the current leader, Xi jingping, probably witnesses Chinese economy to develope forwards or backwards at the crossroad. First of all, the EU and other nations expect Xi jingping to shoulder more responsibility to regulate financial crisis, and are likely to pose more hostitlity against Chinese economy growth. During Hu Jintao's leadership, China was at the period which China was at the top of world economy, but Xi jingping probably has no luck to enjoy top Chinese economic growth,

particularly the global financial crisis worsens more, and a increasing number of nations enforce preventive trade enforcement to stop Chinese trade power, and to deliver strong signal to request China to open domestic market more.

Table 2 International trade in goods and services

International trade in goods and services

As a percentage of GDP

	Imports						Exports					
_	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
Australia	21.1	22.0	22.1	20.0	19.7		20.0	19.9	22.7	19.6	21.2	VIII. (17)
Austria	51.3	53.2	53.5	45.6	49.9	54.0	56.4	58.9	59.3	50.1	54.1	57.3
Belgium	77.0	78.7	84.1	70.1	77.6	83.1	80.8	82.5	84.9	72.8	79.9	84.3
Canada	33.6	33.0	33.6	30.4	31.3	-	36.1	35.0	35.1	28.7	29.4	_
Chile	29.6	31.9	39.5	29.5	31.9	34.7	43.9	45.2	41.5	37.0	38.1	38.1
Czech Republic	64.0	65.6	62.1	55.7	64.7	70.7	67.0	68.2	64.4	59.7	67.9	74.9
Denmark	48.9	49.9	51.6	43.8	45.1	48.4	52.1	52.2	54.7	47.6	50.3	53.8
Estonia	82.9	76.3	75.1	58.9	72.5	87.8	72.7	67.1	70.8	64.7	79.4	92.7
Finland	40.8	40.7	43.1	35.7	39.0	41.4	45.5	45.8	46.8	37.3	40.3	40.7
France	28.1	28.4	29.1	25.2	27.7	29.8	27.0	26.9	26.9	23.4	25.6	27.0
Germany	39.9	40.2	41.9	37.5	41.4	45.1	45.5	47.2	48.2	42.4	47.0	50.2
Greece	33.7	37.0	38.6	30.5	30.4	31.5	22.9	23.5	24.1	19.2	21.5	24.0
Hungary	78.7	80.4	81.2	72.7	80.0	85.1	77.7	81.3	81.7	77.6	86.5	92.5
Iceland	50.5	45.3	47.1	44.3	46.1	50.2	32.2	34.6	44.4	52.7	56.1	58.4
reland	69.3	71.3	74.4	75.4	82.0		78.9	80.2	83.4	90.9	101.1	14000
Israel	42.5	43.9	41.6	32.3	34.9		42.7	42.4	40.3	34.7	36.9	
taly	28.4	29.1	29.3	24.3	28.5	30.2	27.6	28.9	28.5	23.7	26.6	28.8
Japan	14.9	16.1	17.5	12.3	14.0	15575-101	16.2	17.7	17.7	12.7	15.2	1,000
Korea	38.3	40.4	54.2	46.0	49.7	54.1	39.7	41.9	53.0	49.7	52.3	56.2
Luxembourg	139.1	143.6	142.6	129.8	133.8	135.2	169.9	175.9	174.7	161.0	165.0	164.7
Mexico	29.3	29.6	30.4	29.2	31.6	1002	28.1	28.0	28.1	27.7	30.4	104.1
Netherlands	65.1	66.0	68.0	61.6	70.1	74.1	72.8	74.2	76.3	68.6	78.2	83.0
New Zealand	30.0	29.2	32.1	26.5	26.8		28.6	28.3	30.8	27.9	28.3	00.0
Norway	28.2	30.5	29.5	28.0	28.8	28.3	45.4	44.1	46.8	39.4	41.1	42.1
Poland	42.2	43.6	43.9	39.4	43.5	45.9	40.4	40.8	39.9	39.4	42.2	44.8
Portugal	39.6	40.2	42.5	35.4	38.2	39.3	30.9	32.2	32.4	28.0	31.0	35.5
Slovak Republic	88.5	88.0	85.9	71.7	82.6	86.5	84.5	86.9	83.5	70.9	81.2	89.1
Slovenia	67.1	71.3	70.4	57.0	64.9	71.3	66.5	69.6	67.1	58.4	65.4	72.3
Spain	32.7	33.6	32.3	25.8	29.4	31.1	26.3	26.9	26.5	23.9	27.2	30.3
Sweden	43.0	44.4	46.8	41.5	43.5	43.9	51.1	51.9	53.5	48.0	49.7	50.1
Switzerland	42.8	44.4	43.2	39.3	40.5	43.9	50.8	54.4	54.3	50.4	51.7	30.1
Turkey	27.6	27.5	28.3	24.4	26.8	32.7	22.7	22.3	23.9	23.3	21.2	23.8
United Kingdom	31.7	29.6	32.1	30.3	32.7	34.1	29.1	26.9	29.8	28.8	30.5	32.5
United States	16.8	17.0	18.0	14.2	16.3	34.1	11.0	11.9	13.0	11.4	12.7	32.5
	39.2	40.1	41.1	35.4	39.6	42.4	40.4	41.5	42.0	36.7	40.9	43.8
Euro area												43.5
EU 27 Decd	39.1 27.5	39.5 28.0	41.1 29.6	35.8 25.2	39.8 27.9	42.4	39.5 25.9	40.1 26.8	41.3 28.0	36.8 24.9	40.6 27.2	
DECD Brazil	27.5		29.0			-			28.0			-
	04.4		0-0		0-0			00.4	0.0		00.4	
China	31.4	29.6	27.3	22.3	25.6	26.0	39.1	38.4	35.0	26.7	29.4	28.6
India					150	3-0	120					-
Indonesia	25.6	25.4	28.8	21.4	23.0		31.0	29.4	29.8	24.2	24.6	
Russian Federation	21.0	21.5	22.1	20.5	21.7	22.3	33.7	30.2	31.3	27.9	30.0	31.1
South Africa	32.5	34.2	38.6	28.3	27.5		30.0	31.5	35.6	27.4	27.3	

StatLink http://dx.doi.org/10.1787/888932707211

Source:OECD (2011), "Country statistical profile: China", *Country statistical profiles: Key tables from OECD.* Retrieved from: http://www.oecd-ilibrary.org/economics/country-statistical-profile-china-2011_csp-chn-table-2011-len

In accordance with Table 2, the EU zone still has powerful strength in the international trade, and China still has room to grow up. However, the EU becomes weak, and China turns strong since 2008 in international trade; in spite of that, the EU and China start trade negotiation and co-operation to rebalance mutual international trade development, and try to make rules to regulate the EU-China economic and trade co-operation. Rules require authority, whether in the form of public government or privtate or

community governance .(Keohane & Nye, Jr. 1998: 82)

The trade negotiation and economic co-operation between the EU and China are taken by both authorities, and the rules should be practicsed, but it still needs mutual agreements in these rules, and the rules need to match mutual values. As regard both common terms and value, the EU and China both support to have closer co-operation and engagement with each other, and particularly, China supports "EU Securing Stability"; moreover, the EU and China is achieving progress in negotiations on Free Trade Agreements (FTA) and Investment Protection agreements in order to persuade the counterparts to lift up protectionism.

Except economic and trade co-operation, the EU and China have many various value in different policies, particularly in military co-operation. No doubt, more and more EU members try to restart military co-operation with China after the enforcement of weapon embargo against China, but some of them have worry about Chinese growing military power if the EU permits military co-operation with China. As a matter of fact, China desired of the EU members' military technology to launch "Revolution in Military Affairs" (RMA, but China concerns more national reputation and pride than military technology after China succeeds to innovate and develope military technology on its own.

On the issue of military co-operation, the EU is not likely to expect Chinese increasing military power, but China plans to broaden military diplomacy to increase officiers' horizon, and to enhance joint-strike and peacekeeping mission capabilities. On the other hand, in the issue of the EU's weapon embargo against China, both sides agree to rethink this argument, but some member states and the United States are unwilling to lift up, because they are worried that China turns powerful to reshape the Western-dominated world sytem.

Although the EU and China achieve common position and co-operation in economic filed, economic co-operation is still a sensitive and self-interest issue. Both agree to deepen economic co-operation, but both still exist trade barrier and protectionism, but both expect to have co-prosperity. The EU and China set up the summit to pave strategic development to anchor each other, and deepen and broaden mutual engagement and co-operation from intergovernmental to people-to-people, and it appear the complex interdependence. Complex interdependence refers to a situation among a number of countries in which channels of contact connect societies (that is, states do not monopolise these contacts); there is no hierarchy of issues, and participants in complex interdependence have more cooperation than confrontation. (Keohane & Nye, Jr. 1987: 731)

The EU and China have complex interdependence, and it proves both need each other, but it cannot be understood that both have no argument against each other.

Complex interdependence points out the participants like to help and benefit each, but it has to base on common interest and position, and it has euquality among participants. Complex interdependence is not just a outcome or result, but it is also a process, and it is essential how to reach complex interdependence. To reach complex interdependence needs bargaining, negotiation, co-operation, transparency, and equality, because complex interdependence still manages self-interest.

Even though complex interdependence still copes with self-interest, participants agree not to use military force to satisfy self-interest. Obviously, the EU and China have complex interdependence. They disagree to use military power to reach what they want, and they process bargaining, negotiation, co-operation, transparency, and equality to reach economic co-operation, and they try to base on complex interdependence to expand into military co-operation.

EU-CHINA SETTLEMENT OF FINANCIAL CRISIS

Since the EU and China reached closer economic and trade relationship, the trade row has taken place increasingly as well. Trade between China and the EU, the world's biggest trading bloc with a market of 500 million people, and Chinese companies are increasingly investing in Europe, while the Chinese government is an important buyer of the debt of eurozone governments. (The Telegraph b 2012). In brief, the EU and China try to negotiate a practical settelment of financial crisis via buying debt of eurozone governments by China, rebalancing trade flow, and encouraging Chinese firms to invest more in Europe.

As regard rebalance of trade flow, the EU argues that China uses doubt-talk apporach to imporve its trade and economic growth; first of all, China controls strictly over foreign companies to get involvement into Chinese market, and uses legal methods to constitute wall of protectionism to protect Chinese domestic firms, and to applies unfavourable competitive policy to favour Chinese companies in order to increase Chinese economic growth, and the EU believes that member states suffer crisis financial not just because of sovereignty debt problem, and how China exploits the EU market and investment is also a key factor to cause Europe financial crisis. No doubt, the U.S. housing debt is also another factor to cause global economic recession and financial crisis, but the EU believes that Chinese economic rapid booming is a major variable to produce this consequence.

Under the framework of complex interdependence, China might have success of European market exploitation, but China cannot avoid risk of sovereignty debt crisis in eurozone governments, because China is export-driven economy, and replies on European

market as well; therefore, how China contributes to the European financial crisis is the subject to her and counterpart—the European Union. China has increased its investments in European industrial and infrastructure projects that guarantee safer returns. The debt crisis is changing global power relations: Chinese leaders are today, for the first time in modern history, in the position to take advantage of the West's economic woes while also lecturing American and European policy makers on their economic and fiscal policies. (Casarini 2012: 43)

To help the EU overcome the financial crisis is significant for China, and what she devotes is not just only fulfilling China's trade advantage of the EU market, and also achieves China's anti-unilateral hegemony strategy. The survival of the euro is also politically crucial for China's multipolar strategy. Chinese offi cials have intervened on a number of occasions since the beginning of the eurozone's debt crisis to reassure markets and the Europeans that they will continue to buy eurozone bonds. Chinese leaders have approached the eurozone's sovereign debt crisis through the lens of their longstanding support for a stronger and more united EU that could work alongside Beijing to counter American hegemony. (Casarini 2012: 46)

On 14th February 2012, Chinese prime minister Wenjiabao spoke "As Premier Wen Jiabao said yesterday at the China-EU summit (14th EU-China Summit), China will... continue to invest in European government bonds and will continue... to get more involved in solving the European debt crisis,". (The Telegraph 2012a) At the same time, the EU Commission President Barroso said: "The foundations of our relationship are tried and tested but our common wish is to take it even further. We face common challenges and the world needs cooperative and responsible partnerships to overcome them. It is now, more than ever that we must act together. I believe that a forward-looking and growing EU-China partnership can represent an important pillar for global stability and prosperity." (The EU 2012)

Buying bonds of the EU governments is one method that the EU and China both agree to better the European financial crisis. China is willling to buy and pledges to be a long-term investor to support the EU debt crisis, and the EU encourages China to do, but both sides have own expectation, even though they have common achievement. The EU expects China's buying European government bonds to be a simple economic co-operation, but China plots to achieve additional advantage that harmonises the EU's granting Market Economy Status for China, the EU's lifting up weapon embargo agains China. Another method to accomplish financial crisis settlement is to promote Chinese companies to invest Europe. After adopting active trade policy, China puts high emphasis on European market, because the EU has strong purchasing capability

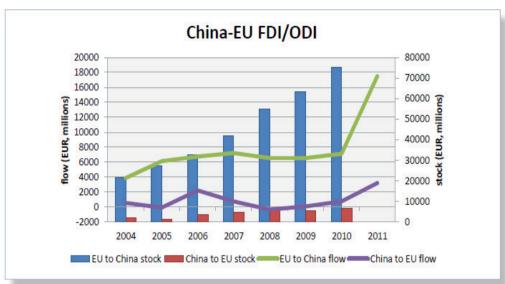


Figure 2: China and Europe FDI/ODI, flow and stock, millions of Euros, 2004 to 2011¹⁰

Figure 1: China and Europe FDI/ODI, flow and stock, millions of Euros, 2004 to 2011

Source: The European Union Chamber in China (2013). Chinese Outbound Investment in the European Union. Retrieved from

http://www.kpmg.de/docs/Chinese Outbound Investment European Union.pdf

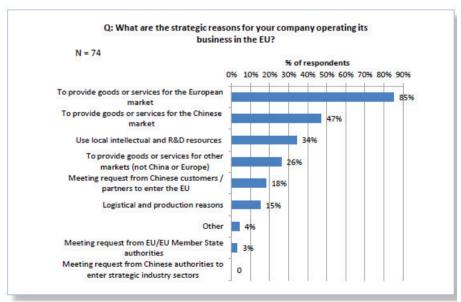


Figure 4: Reasons for investing in the EU²⁴

Figure 2 Reasons for investing in the EU

Source: The European Union Chamber in China (2013). *Chinese Outbound Investment in the European Union*. Retrieved from

http://www.kpmq.de/docs/Chinese_Outbound_Investment_European_Union.pdf

Obviously, the investment flow between the EU and China is still in trouble of balance, and the EU believes that Chinese companies investing Europe is helpful for the EU economic recovery; in addition, China realises that to increase foreign investment is the subject to enhance her position of international affairs in order to broaden Chinese diplomacy influence, particularly China has been keen on excluding foreign countries affection for Chinese domestic affairs. China have learned experience how to mobolise economic power to strengthen own national interest; as a matter of fact, China has sought for independent diplomacy, and dislikes foreign countries to get involvement into Chinese critical issues, such like human rights, sovereignty and territory.

To achieve economic and diplomatic purposes, obtaining R&D technology from Europe is another strategic expectation for Chinese companies; to modernise China via European technology is a long-term national development strategy for Chinese leaders. Chinese leaders realise that China is developed country, and is less competitive than European countries in hi-tech innovation, and to speed up developing technology is necessary to co-coperate with European companies. China desires of broad spectrum of European technology from renewable energy to defence technology, and Chnese government is delighted to see more and more Chinese companies to invest Europe, because it generates more opportunities to acquire hi-tech from Europe.

Table 3 China's desire for Europe's technology

Civilian Technology	Military Technology	Dual-purpose Technology				
Mining	Missile	Satellite (Reconnaissance/Communication) ²				
Metal and Heavy Industry	VERA-E Passive surveillance system (PSS) ³	Areo and Space technology				
Transportation (railway, metro, automobile)	Z-10 Attack Helicopter ⁴	Cyber and IT technology, Super Computer				
Chemistry	Searchwater airborne early warning radar	Radar and Communication				
Petroleum	Unmanned (Airborne) Vehicles	Radioactive industry				
Renewable Engery	Military simulation/training equipment	Biological industry				
Civilian Engineering and Constructioin	Aircraft Carrier	Nuclear industry				

Source: The China IPR SME Helpdesk (2012). *Guide to R&D in China for European SME*. Retrieved from http://www.china-iprhelpdesk.eu/docs/publications/EN_RnD_April-2012.pdf; 中华人民共和国商务(2007). 中国禁止进口联制进口技术目录(第一批 [Catalogue for Prohibited and Restricted Technology Imports]. Retrieved from http://www.gov.cn/flfg/2007-11/02/content_793830.htm; Amnesty International (2012). The 'Big Six' arms exporters. Retrieved from http://www.amnesty.org/en/news/big-six-arms-exporters-2012-06-11; The China IPR SME Helpdesk (2008). Technology transfer to China - why worry. Retrieved from http://www.china-iprhelpdesk.eu/docs/publications/Tech_transfer_English.pdf

Beijing, the main motivation has always been to acquire high technology that's essential for the country's economic development – hardware as well as "knowhow". China is striving hard to lessen its technological dependence on foreigners by strengthening its indigenous innovation capacities. However, for the time being, transfers of foreign

² China in 2003 joined as an investment partner the EU's own satellite navigation project, Galileo (there are 11 major satellite operators in Europe using 153 communication satellites), and has invested increasingly every year. China launches co-operation with the European Satellite Operators' Association (ESOA), France, and Belarus. Pop, V. (2011). EU wants more co-operation with China in space. Retrieved from http://euobserver.com/china/32122

³ The ERA, Czech electronics firm in Pardubice produces the advanced electronic intelligence (ELINT) platform. The VERA-E betters the People's Liberation Army (PLA) with a huge progress in its command, control, communications, computers and intelligence (C4I) capabilities.

⁴ August Westland, the Anglo-Italian helicopter manufacturer, Pratt & Whitney Canada, and Lord Corporation in Cary, North Carolina provide technology to help China innovate the Z-10 attach helicopter.

technology remain essential to China's economic modernization efforts. (Bräuner 2011) Besides, the Chinese companies are active to have more hi-tech from Europe, and the European companies also start to transfer technology to China by reason of Chinese government's request as well as these companies plan to facilitate R&D centres in China.

To trade off hi-tech and financial settlement is the subject for China to increase investment in Europe. As Chinese high-tech companies are more and more active in European markets, and Beijing regularly praises the EU for being China's largest source of technology imports. According to the Chinese Ministry of Commerce, the EU accounted for 30 percent of China's overall technology imports in 2009, and Chinese R&D expenditure grew by an impressive 22 percent annual average between 2006 and 2010, and the number of technology transfer is still increasing every year. (Bräuner 2011)

At last but not least, to rebalance trade flow between the EU and China is also a strategic issue for financial crisis settlement. French MEP of EU Parliament, Marielle DE SARNEZ's (Modem, France), reported in May 2012: "[O]n trade relations between the EU and China. Unbalanced relations, as the trade deficit more than tripled in the past 10 years; this demands a new partnership whose main lines are reciprocity rules, trade balance, and transparency in trade relations." (ALDE 2012) Due to cheaper labour force, China appeals a large number of European companies to invest China, and it makes Europe increasing umemployment, and to provide cheaper price of goods, China has enjoyed trade surplus in trade, and it worsens the EU trade deficit. The EU negotiates with China currently to rebalance trade flow in order to reach financial crisis settlement

Table 4 Overview of bilateral trade between the EU and China 2006-2011, September

Source: Apoteker, T. EU-China Economic Observatory Issue n°14 Final Report. La Saigeais: TAC Applied Economic

Overview of bilatera	trade be	etween	the FU	and China

EUR bn	2006	2007	2008	2009	2010	JanSep. 2010	JanSep. 2011
EU Exports to China	63.8	71.8	78.4	82.4	113.3	82.2	99.6
EU Imports from China	194.9	232.6	247.9	214.1	282.5	204.8	217.4
EU-China Trade Balance	-131.1	-160.8	-169.5	-131.7	-169.3	-122.6	-117.9

Sources: Eurostat, TAC

and Financial Research. Retrieved from http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc_149234.pdf, p.34

EU-CHINA MILITARY CO-OPERATION ENGAGEMENT

Regard as military co-operation between the EU and China, this paper departs three sections to discuss before enforcement of weapon embargo, after enforcement of weapon embargo, and after 2004. In accordance with Complex Interdependence, military and power issue become minor but not least, and lifting the EU arms embargo would be regarded favourably by both Chinese leaders and citizens and thus help support China's bailing out of rich Europe. In practice, China's contribution, rather than simply bailing out the eurozone, has taken the form of growing investments in industrial assets and infrastructure projects across Europe. (Casarini 2012:4)

Table 5 EU-China Military Co-operation in Arms and Training before weapon embargo

EU-China Military Co-operation in Arms and Training before weapon embargo (before 1989)					
Arms	Military Training				
Crotale ship-to-air missiles and launcher					
Aspide air-to-air missile					
Castor-2B naval fire control radar					
TAVITAC naval combat automation system	No Discussion				
AS-365N Dauphin-2 helicopter					
SA-321 Super Frelon helicopter					
Electronic countermeasures for A-SM aircraft					

Source: Van Der Putten, F. P., & Shulong, C. (2012). *China, Europe and International Security: Interests, Roles and Prospects.* Routledge, pp.38-40, pp.69-71, pp.100-103; SIPRI (2012). *EU arms embargo on China*.Retrieved from http://www.sipri.org/databases/embargoes/eu_arms_embargoes/china; EU (1989). *Council of Ministers Declaration on China*. Retrieved from

http://www.sipri.org/databases/embargoes/eu_arms_embargoes/china/eu-council-of-minister-declaration-on-china

EU-China Military Co-operation in Arms and Training before weapon embargo (1990-2003)				
Arms	Military Training			
Airborne Warning and Control System (AWACS) Aircraft				
Pack Howitzers ⁵				
EC 120 helicopter ⁶				
Gas turbine and diesel engines for the Luhaiclass destroyer ⁷				
Grifo air combat radar in FC-1 multi-role fighter developed in China				
for Pakistan and in F-7 fighter for PLA Air Force ⁸				
Arriel engines for Z-9 and Z-11 helicopters ⁹	Start discussion			
DFH-4 communication satellite ¹⁰				
Development of medium (7-ton)				
helicopter ¹¹				
Chinasat-9 communications satellite ¹²				
Aspide air-to-air missile				
Argus AEW radar ¹³				

⁵ Pack Howitzers is supplied by Italy (OTO-Breda Division of Alenia Difesa).

⁶ EC 120 helicopteris supplied by France/Germany/Spain (Eurocopter) & Singapore (Technologies Aerospace).

⁷ Gas turbine and diesel engines for the Luhaiclass destroyer is supplied by Ukraine (gas turbines) and Germany (MTU) (diesels).

⁸ Grifo air combat radar in FC-1 multi-role fighter developed in China for Pakistan and in F-7 fighter for PLA Air Force is supplied by Italy (Galileo Avionica of Finmeccanica)

⁹ Arriel engines for Z-9 and Z-11 helicopters is supplied by France (Turbomeca).

¹⁰ DFH-4 communication satellite is supplied by France (Alcatel).

¹¹ Development of medium (7-ton) helicopter is supplied by France/Germany/Spain (Eurocopter of EADS)

¹² Chinasat-9 communications satellite is supplied by France (Alcatel).

¹³ Argus AEW radar is supplied by U.K. (GEC-Marconi Avionics).

SECURITY DIALOGUES

Source: Archick, K., Grimmett, R. F., & Kan, S. (2005, May). European Union's Arms Embargo on China: Implications and Options for US Policy. Congressional Research Service, Library of Congress; Peiler, L. (2012). The influence of national interests on the EU's common foreign and security policy: exemplified by a case study of the European Union's Arms Embargo on China; Van Der Putten, F. P., & Shulong, C. (2012). *China, Europe and International Security: Interests, Roles and Prospects.* Routledge, pp.69-71; SIPRI (2012). *EU arms embargo on China*.Retrieved from http://www.sipri.org/databases/embargoes/eu_arms_embargoes/china

Since 1997 Portuguese government and other EU member states has started to voice to drop arms embargo agains China, and this critical issue is still continuing, and the debate about lifting the EU's arms embargo on China in 2005 demonstrated the different perceptions of China's rise within the EU and across the Atlantic, and it also reflects that every EU member has own planning to reach military co-operation with China. (Stumbaum 2009:10). According to the Joint Statement of the Ninth EU-China Summit from September 9, 2006, the European Union remains committed to lifting the arms embargo. To date, France and Germany have taken the lead in these efforts. In September 2006, Italy said it was leaning toward lifting the embargo, in order to increase its overall trade with China. (Stohl, B. 2006)

To match China and the EU into military co-operation, that is not simple policy between them, and it refers to the United States as well. To debate about EU's weapon sanction agains China, and to agree the EU-China military co-operation is to acrimonious arguments between EU Member States and the United States. Shortly after the invasion of Iraq, the transatlantic rift had not been healed, there was a high level of distrust and the dispute turned exceedingly bitter. High technology plays a key role in the ongoing Chinese version of a technology-driven 'revolution in military affairs' (RMA). (Stumbaum 2009:10).

Many European governments are trying to improve existing relationships and develop new ties, including trade, with China and see the embargo as a punitive measure which does not help foster trust and cooperation. While the EU touts these diplomatic reasons as the basis of its argument for lifting the embargo, the Europeans' second (and, some might argue, primary) motivation is economics. The EU stands to benefit from opening the Chinese arms market and giving their defense industries a chance to expand and compete with Russia for primary access to the Chinese arms market. (Stohl, B. 2006)

Table 5-1 EU-China Military Co-operation in Arms and Training before weapon embargo

EU-China Military Co-operation in Arms and Training before weapon embargo (2004-2013)						
Arms	Military Training					
Anti-Satellite (ASAT)	The EU and China have also shown new interest					
Series 396 SE diesel engines for Song-class	developing security and military cooperation in the context of their Strategic Dialogue, which was upgraded					
(Type 039) submarines ¹⁴	to vice-premier level in 2009. Following the third Strategic Dialogue on 9 and 10 July 2012, both sides					
Nuclear-powered attack submarine	decided to continue cooperating on crisis management, counter-piracy and maritime security. They agreed Chen					
Galileo Satellite Navigation	ZhiminThe September summit between the EU and					
Satellites and Space Launch Vehicles	China took record of progress but also registered regrets and divergence on important economic and					
Unmanned Aerial Vehicle (UAV)	political issues.International Economic Relations,Foreign					
Spey engines for JH-7 naval strike fighters (export version called FBC-1 Flying Leopard) ¹⁵	Relations, Diplomatic Relations, Summits and Conferences, Policy Briefs, China, EU to increase training exchanges and to hold a regular dialogue on defence and security policy. And they announced their intention					
Avionics for F-7 fighter ¹⁶	to continue dialogue on cyber issues after the first					
PA6 STC diesel engines for first two Type 054-class frigates, with licensed coproduction ¹⁷	meeting of the EU-China Cyber Task-Force. (Chen Zhimii 2012: 2-3)					
Cross-country 4X4 chassis built in China						
for NORINCO's Red Arrow anti-tank guided						
weapon ¹⁸						

¹⁴ Series 396 SE diesel engines for Song-class (Type 039) submarines is supplied by Germany (MTU, belonging to DaimlerChrysler).

¹⁵ Spey engines for JH-7 naval strike fighters (export version called FBC-1 Flying Leopard) is supplied by U.K. (Rolls-Royce).

¹⁶ Avionics for F-7 fighter is supplied by U.K. (GEC-Marconi).

¹⁷ PA6 STC diesel engines for first two Type 054-class frigates is supplied by and coproduced with France (S.E.M.T. Pielstick).

¹⁸ Cross-country 4X4 chassis built in China for NORINCO's Red Arrow anti-tank guided weapon is supplied by Italy (Iveco)

SECURITY DIALOGUES

	DITEGGGES
Earth observation, remote-sensing microsatellites	
with extra high-resolution (50-meters) ¹⁹	
licensed production of Spey jet engines ²⁰	
Vera anti-aircraft radar systems Czech (Omnipol) ²¹	

Source: Zhimin, C. (2007, January). The Limits of EU as a Strategic Actor: the Case of Ending EU's Arms Embargo on China. *In Current Situation and Future Prospects of Asia-Europe Security Cooperation, Fifth Shanghai Workshop on Global Governance* (pp. 23-24); Tang, S. C. (2005). The EU's policy towards China and the arms embargo. *Asia Europe Journal*, 3(3), 313-321; Archick, K., Grimmett, R. F., & Kan, S. (2005, May). European Union's Arms Embargo on China: Implications and Options for US Policy. Congressional Research Service, Library of Congress; Van Der Putten, F. P., & Shulong, C. (2012). *China, Europe and International Security: Interests, Roles and Prospects.* Routledge, pp.69-71.

To constitute the strategic EU-China partnership is the top priority for both governments, and the EU considers to take advantage of China's economic growth, and China plans to practice multi-lateral trade, defence and security, and diplomacy with the EU counterpart; therefore, how to use economy to deal with military co-operation between EU and China is neither zero-sum game nor win-win strategy, but that is a trade-off strategic collaboration. Beyong the issue of lifting arms embargo against China is another military and security issue hurried to the EU and China to reach reach common position— crisis management, counter-piracy and maritime security, and cyber security.

The EU expects China to provide more contribution and shoulder more responsibility in crisis management, counter-piracy and maritime security, and cyber security. Regard as crisis management, the EU and China plan to operate more peacekeeping mission and civilian crisis management around the world, and the EU invites China to operate the duties of counter-piracy and maritime security to protect mutual international trade interest. In addition to cyber security, China and the EU agree not to confront each other in cyber space, and co-operate to counter cyber terrorism and organised crimes. Under the framework of NATO-China co-operation agreement, the member states, which have the EU and NATO memberships, have scheduled maritime and

¹⁹ Earth observation, remote-sensing microsatellites with extra high-resolution (50-meters) is supplied by U.K. (Surrey Satellite Technology Ltd., part of Surrey University

²⁰ licensed production of Spey jet engines starting in 2005-2006 U.K. (Rolls-Royce).

²¹ Vera anti-aircraft radar systems is supplied by Czech (Omnipol)

cyber security military co-operation for the EU members and China, and also both sides draft several programmes to enhance transparency of military co-operation and confidence-building between the EU and China. No doubt, the United States dislike the EU and China to have closer military co-operation relationship, because most European weapon companies are also supplier for the U.S. defence system, and another reason is the U.S. does not expect China to exploit the loop of the U.S. and the EU relations. As a matter of fact, more and more the EU members feel meaningless to continue enforcing arms embargo against China, and the most EU states dislike to get involvement into the conflict between the United States and China.

CONCLUSION

To constitute the strategic partnership is the top priority for the Ireland's EU Presidency amd Chinese leader Xi Jingping, and it is believed that this priority will not be changed after the Irish Presidency and Mr. Xi leaving his position in future. Regard as the EU-China strategic partership, it covers not only trade and economic issues, but also negotiate military co-operation. To increase the EU-China trade and economic co-operation is a two-edged issue, and it is helpful for mutual economic recovery and development, but it also increases interdependence. In terms of complex interdependence, issues among nations is very hard to discuss separately, but it is complex and inter-connected instead.

As a matter of fact, to constitute the EU-China strategic partnership is not the subject to discuss very issues respectively, but it becomes complicated, and China expects this "special effect" in particular. Regardless of complex interdependence, China is reluctant to constitute the strategic partnership with the EU, but China is unwilling to put high emphasis on military and defence issues. The complex interdependence explains the hot exchange of trade and economic co-operation between the EU and China, and also interprets these two parties not to compete for dominance of power, and military and defence is second priority between them but not minor.

For the EU and China, regardless of arms embargo argument, both sides expect normalisation of mutual relationship, and there is no European willingness to make the EU-China partnership some kind of 'counterweight' to US power. However, the EU is likely to lift up weapon embargo against China, but is also worried that rapid military modernisation of China could be a leverage to bargain with the EU in international security, and the EU probably loses balance to deal with China. (Tertrais, B., Brookes, P., & Voskressenski, A. D. 2005: 2-4)

Axel Berkofsky (2010:4-5) concludes, "Beijing's policymakers and their Brussels-based diplomats are of course aware of and wellinformed on the EU's problems and

complexities with regards to decision-making and inner EU policy coordination and are without a doubt taking advantage of them. Beijing and their representatives in Brussels have over recent years made it a habit pointing out and complaining about the inner-European policy inconsistencies." The complex interdependence demonstrates that trade and economic co-operation make the EU and China much achieveable, but military co-operation triggers the debate among the EU members, and China plans to exploit the innner-European policy inconsistencies, but it is also difficult to achieve, because the EU members acknowledge China's motivation of military modernisation could disadvantage the EU's security interest.

However, most EU members still have support and interest to bridge military, security, and defence co-operation with China, and they do believe that it betters military transparency between the EU and China in order to lower mistrust and to aviod wrong assessment. The EU plans to organise training seminar for the EU and China's military staffs since March 2013, and concerns more China's position and participation into international security, and in addition, the EU acknowledges that it is high necessary to earn China's support while managing international security or overseas military operation delivery.

The new leaderships between the EU and China realise the importance of mutual economic co-operation, and also agree to reach military co-operation, but economic issue is more sensitive than military co-operation. The complex interdependence outlines the economic interest that trade vitality between the EU and China can reach mutual interst via frequent and transparent economic co-operation, but military co-operation is not easy to trade off, but military co-operation connected with trade interest is applicable, such like arms trade connected with tech-transfer.

This paper concludes that the new leadership between the EU and China still work hard to reach construction of the strategic partnership. The EU recognises that China is a powerful economy partner, and relies on economic co-operation, but the EU dislikes China to abuse European market, and to start several negotiation to request China to respect trade rebalance between each others. In addition to military co-operation, China is planning to connect military-trade-tech transfer to deepen military co-operation with the EU, and is also willing to share responsibility of international security, and China expects the EU to disconnect the arms embargo with the EU-U.S. security.

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