

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



**China's
foreign policy
and
external relations**

AFET



STUDY

China's foreign policy and external relations

ABSTRACT

This study provides an overview of China's current approach to foreign policy and external relations. It focuses more particularly on the role and actions of China in global governance, its territorial claims and relations with countries in Asia, and its emergence as an important actor in Central and Eastern Europe as well as in the EU's Eastern Neighbourhood. It assesses the implications for the EU and makes recommendations on how the EU should deepen its strategic partnership with China. The study argues that China has not made a unilateral and exclusive turn towards assertiveness in its foreign policy. China's foreign policy assertiveness represents a policy choice that should be understood in the broader context of its external relations, which is one of uncertainty. Both the impact of China's emergence in international affairs and the use China intends to make of its power and influence remain uncertain. This uncertainty is explained by the interdependence between a number of international and domestic factors as well as by the absence of a grand strategy. The uncertainty in China's foreign policy opens avenues for the EU to influence China and further deepen the scope of the EU-China Strategic Partnership.

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List of Acronyms

16+1	Cooperation between China and Central and Eastern European Countries
ACFTA	ASEAN-China Free Trade Area
AIIB	Asia Infrastructure and Investment Bank
ASEAN	Association of Southeast Asian Nations
BRICS	Brazil, Russia, India, China, South-Africa
CEE	Central and Eastern Europe
CCP	Chinese Communist Party
CFSP	Common Foreign and Security Policy
CNPC	China National Petroleum Corporation
DPRK	Democratic People's Republic of Korea
EaP	European Eastern Partnership
ECAFE	United Nation Economic Council for Asia and Far East
EC IPE	European Commission's Investment Plan for Europe
EEAS	European External Action Service
EU	European Union
FDI	Foreign Direct Investment(s)
FTA	Free Trade Agreement
ICC	International Criminal Court
ICJ	International Court of Justice
IMF	International Monetary Fund
IS	Islamic State
ISIS	Islamic State of Iraq and the Levant
ITLOS	International Tribunal for the Law of the Sea
MDG's	Millennium Development Goals
NATO	North Atlantic Treaty Organization
NIS	Newly Independent States
R2P	Responsibility to Protect
RIC	Russia-India-China
SALW	Small Arms and Light Weapons
SCO	Shanghai Cooperation Organization
SCS	South China Sea
SNPC	China Petroleum & Chemical Corporation
TEU	Treaty on the European Union

UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNSC	United Nations Security Council
U.S.	United States
SAARC	South Asian Association for Regional Cooperation
WMD	Weapons of Massive Destruction
WWII	World War II
WTO	World Trade Organization
WTO DSM	World Trade Organization Dispute Settlement Mechanism

Executive Summary

This study provides an overview of **China's current approach to foreign policy and external relations**, including the role of China in global governance, its growing assertiveness in Asia and relations with the European Union (EU) and its engagement with the EU's Eastern neighbourhood. It assesses the implications for the EU, draws lessons-learnt and makes recommendations on how the EU should deepen its Strategic Partnership with China.

The study argues that China has **not made a unilateral and exclusive turn towards assertiveness in its foreign policy**. China's foreign policy assertiveness represents a policy choice that should be understood in the broader context of its external relations, which is one of **uncertainty**. Both the impact of China's emergence in international affairs and China's use of its power and influence remain uncertain. On the one hand, China's foreign policy and external relations remain uncertain as they are conditioned to **China's ability to respond to its main domestic challenges**. On the other hand, the uncertainty also relates to the **absence of a 'grand strategy'** that informs China's foreign policy across all geographical and thematic areas. More particularly, China's foreign policy appears to trigger four foreign policy dilemmas: (i) a search for a balance between greater assertiveness and the enhancement of its soft power; (ii) a search for a balance between contributing or circumventing the existing global governance mechanisms and international organisations; (iii) choosing between handling its foreign policy concerns through bilateral or multilateral channels; and (iv) a strategic reflection on the scope of its rising power and its status as a regional or global power. The uncertainty about China's foreign policy opens avenues for the EU to influence this policy in a way that corresponds to the EU's strategic interests, including: regional stability in Asia, the strengthening of international organisations in the spirit of 'effective multilateralism' and the settlement of disputes at the multilateral level. The study comes to the following **key findings**:

China's Actions to Reform and Restructure Global Governance Institutions

China oscillates between the confirmation of existing global governance institutions, the support for reforms in global governance, and the will to create alternatives to existing fora in areas where it has not been successful enough to increase its influence.

- **Confirming global governance:** China is satisfied with its privileges as a P5 Member of the UN Security Council (UNSC) and is not a driving force in UNSC reform despite its rhetoric on multipolarity. China has also become increasingly active in the World Trade Organization's (WTO) Dispute Settlement Mechanism, thereby confirming the WTO's place as the main institution of global trade governance. In this context, the EU needs to ensure that China's commitment to the UNSC and WTO positively contribute to the fulfilment of the objectives of these institutions.
- **Reforming global governance:** China has put high pressure on the International Monetary Fund (IMF) to increase its voting share. While the IMF's 2010 reform package still needs to be implemented, China's partial success in reforming the IMF informs its overall perspective on global financial governance. China's pressure to reform the Bretton Woods organisations can either lead to a zero-sum game – that is a decreased EU's influence – or an opportunity to strengthen the legitimacy and efficiency of these institutions.
- **Circumventing global governance:** The creation of a BRICS Development Bank as well as an Asian Infrastructure Investment Bank (AIIB) testifies to China's determination to depart from the existing global financial governance institutions and ideas that support the overall 'Washington Consensus' - based institutions and to create institutions in which it can secure its interests and influence. The

creation of new global governance institutions requires EU Member States and EU institutions to coordinate and develop a common EU approach.

At the same time, non-intervention and sovereignty remain at the core of China's foreign policy. China is very cautious on the idea of responsible sovereignty and responsibility to protect (R2P) and wants to avoid human rights and rule of law violations triggering the application of R2P. Moreover, China has played a limited role in the planning of the post-2015 sustainable development agenda. This low profile testifies to its intention to continue portraying itself as a developing country and focusing on its own South-South development policies outside of the UN framework.

China's Role in Global Security: Terrorism, Non-Proliferation, Sanctions and Syria

China has learned to be assertive in the UNSC and to use its veto right, or to threaten to use its veto right when it suits its political and economic foreign policy interests.

- China considers **terrorism** a clear threat to national and international security. It has proven to be particularly supportive of UNSC resolutions on terrorism, even those with a quasi-legislative scope. In addition, China has contributed extensively to the Shanghai Cooperation Organization's (SCO) agenda on anti-terrorism. China's foreign policy agenda on international terrorism remains primarily related to its domestic anti-terrorism agenda and is therefore closely intertwined with anti-separatism policies. China's framing of its Xinjiang policies according to the global fight against terrorism may challenge the EU's promotion of minority rights within China.
- China actively supports international initiatives in the field of **non-proliferation of weapons of mass destruction** (WMD) and, albeit with some ambivalence, the trade of Small Arms and Light Weapons (SALW). However, the lack of transparency in its export licensing regime still affects its record in terms of implementation and enforcement of international rules in the field of arms trade. China's opaque decision-making process and ambivalent compliance system mechanisms challenge the efficiency of multilateral initiatives against proliferation of WMD and trade of SALW.
- Despite its very cautious approach on **sanctions**, China has increasingly proven to be open towards sanctions against North Korea and Iran when the policies of these two states allegedly challenged the international nuclear status quo. China nevertheless remains reluctant to use arms embargoes as a sanction instrument. China's reluctant support to sanctions has a clear impact on the EU's ability to achieve a consensus on international sanctions in the framework of the UNSC.
- China's vetoes in the context of the **Syrian crisis** should be understood by the distrust generated by the way the Libyan crisis was handled in 2011. In contrast, China has been very supportive of the UNSC resolutions that directly target the Islamic State in the Levant (ISIS) or the Nusra Front. The increased distrust among Members of the Security Council following the intervention in Libya has a significant impact on the EU's – more particularly France's and the UK's - ability to deal with regional and international crises in the context of the UNSC.

China's Growing Assertiveness in Asia: Territorial Disputes, North Korea, South Asia, Southeast Asia

China's growing assertiveness is best exemplified by its policies in its Asian neighbourhood. Its Asia policy remains a priority in a context where China is willing to secure its trade interests, energy resources transportation as well as territorial security.

- **China and the Senkaku/Diaoyu Islands:** The strengthening of Japan-U.S. military cooperation is a response to China's maritime expansion in the East China Sea. At the same time, it fosters the perception in Beijing that the U.S. and its Japanese allies are trying to implement a containment strategy. The Senkaku/Diaoyu Islands are vital to China for three main reasons, which explains its

intransigence: China's territorial integrity, access to fishing grounds and hydrocarbon resources, and a nationalistic and anti-Japanese discourse.

- **China and the South China Sea:** China is claiming or re-claiming sovereignty over islands (Paracel and Spratly Islands) and exclusive control over maritime zones that are also vindicated by other States in the region. Beyond the territorial disputes, the South China Sea (SCS) pictures China as a growing naval power as well. These disputes clearly have an impact on China's relationships with its direct neighbours in Southeast Asia as well as on the overall stability and balance of powers in the region. In addition, China has so far opposed any attempt to refer to the UN Convention on the Law of the Sea (UNCLOS). The territorial disputes challenge the EU's political commitment to freedom of navigation and the EU's trade interests in Asia as the SCS constitutes a major route for international trade.
- **China and North Korea:** China is still the main political supporter and provider of economic aid to North Korea. China's priority remains the stability of its regional environment, as a prerequisite for its own stability. In doing so, China aims at maintaining the status quo in North Korea - as long as it does not constitute a threat to regional stability - while attempting to encourage reforms likely to change the regime in a way that would be favourable to China. The recent growing impatience of China vis-à-vis the policy of the new North Korean leadership, especially in the aftermath of the 2013 nuclear test, will probably have no fundamental impact on China's North Korea policy. China's growing discontent with North Korea's policies might however create new avenues for cooperation and a greater involvement of the EU in Northeast Asian security issues.
- **China and Southeast Asia:** China is very supportive of the integration process within the Association of Southeast Asian Nations (ASEAN). The ASEAN-China Free Trade Area (ACFTA) acts as a major driver for bilateral trade and interdependence between China and ASEAN. Japan and the U.S. remain nevertheless the key sources of Foreign Direct Investment (FDI) and entertain more stable and established relations with Southeast Asian countries. Furthermore, China's growing assertiveness regarding its territorial claims and its initiative for a 'New Maritime Silk Road' tend to make other countries question Beijing's intentions in the region. In this contest, the EU needs to define its priorities in its bilateral relationship with ASEAN Members and with regard to its engagement with regional integration in Southeast Asia.
- **China and South Asia:** China's policies aim to maintain a status quo as its influence is primarily mediated through its long-time 'all-weather ally' Pakistan. This alliance has been central to and continues to provide China with a footing in the South Asian balance of power and with a decisive counterbalance to the region's giant, India. China's ongoing closeness to Pakistan, memories of the 1962 Sino-Indian War, unresolved border disputes over thousands of square kilometres of land, the open issue of the Dalai Lama and the future of his successor, combine to make the Sino-Indian relationship an unpredictable one. The rise of Chinese influence in South Asia marks an opportunity for both the EU and India to revisit their relationship, and to prioritise negotiations on the Free Trade Agreement (FTA) that has stalled for many years.

China as an Emerging Actor in Central and Eastern Europe

China's emergence as an actor in Central and Eastern Europe is shaped by three factors.

- **Boosting economic relations:** Against the background of an economic and financial crisis, Chinese investments in both EU Member States such as Poland, Hungary and Bulgaria, and countries alongside the EU's borders such as Serbia, have been developing fast. Chinese investments and economic relations with the region can be seen as an opportunity for growth and development. The

EU's very own market integration model may be complemented (or even challenged) by rising Chinese activities.

- **Intergovernmental and transgovernmental relations:** With annual Summits bringing together the Government and Heads of State of China and the 16 European partners, the Cooperation between China and Central and Eastern European Countries (16+1) can be seen as an intergovernmental cooperation forum. 16+1 is a Chinese initiative, coordinated by a Secretariat based in Beijing. The EU therefore needs to sort out how subjects of the ongoing trade and investment dialogues in the EU-China Strategic Partnership are reflected by its Member States in the context of 16+1.
- **Political relations:** While it remains far from clear whether and to what extent China is able to impact upon EU Member States with regard to lifting the arms embargo, the Chinese approach is obvious: it aims at winning support for its case by increased cooperation – from economic diplomacy through public and soft diplomacy – and by gradually changing the political perception of China. Coordination among Member States and EU institutions will be key to a coherent approach that informs EU-China relations not only in the EU-China Strategic Dialogue, but also in the individual bilateral relations between EU Member States and China.

China as an Important Actor in the EU's Eastern Neighbourhood

China is progressively becoming an important actor in the EU's Eastern Neighbourhood, not only with regard to trade but also with regard to security policies.

- **The crisis in Ukraine and the Five Principles of Peaceful Coexistence:** The crisis in Ukraine puts China in a difficult position regarding the respect for the principles of peaceful coexistence. Officially, China demonstrated a balanced and neutral position. Informally, however, China expressed understanding of the Russian position. China's view on the role of the U.S. and the EU in the crisis is similar to the Russian official view while the cooperation between the EU and China over the Ukraine crisis is estimated as close to unsatisfactory.
- **The importance of the Russian factor:** Supporting Russia is important for China since it has access to valuable gas contracts, more technologically advanced weapons and increasing levels of trade and geopolitical support at the regional and international levels. Upholding similar values of multipolarity and non-interference, the countries are allies in the promotion of their values in the international arena (through such organisations as G20, SCO and the BRICS). However, there remains a **considerable lack of trust based on the historical legacy**, as well as a number of sensitive issues, such as competition in the Central Asia and Russian concerns about the increasing presence of China in the Russian Far East regions.
- **The 'Silk Road' Fund and Central Asia as a new corridor between China and Europe:** The rationale behind the project includes the reorientation from a great power approach to the focus on the relations with the neighbouring countries in Asia, the creation of alternative trade routes that can contribute to the development of the Western province of Xinjiang, the enhancement of the ties with Central Asia and the securitisation of energy imports.
- **China's contribution to infrastructure, transport and energy in the EU's Eastern Partnership (EaP) region:** The scope of relations with the Eastern European countries is significantly higher than with South Caucasus. Yet, South Caucasus is a geostrategically important region linking trade routes from China to Europe. Chinese investments are focused in the energy sector, transport infrastructure and military technologies. EaP countries see China as an important alternative to both Russia and the EU.

Policy Recommendations

Based on the findings of this study and the addressed policy implications for the EU, our recommendations read as follows:

In order to **address China's growing assertiveness in foreign policy**, the EU should understand this assertiveness as a product of both China's growing interdependence with the outside world and its domestic context. The related uncertainty in China's foreign policy opens avenues for the EU to influence China through its existing partnerships with the U.S., Japan, South Korea, Russia and India but also through further investment in the EU-China Strategic Partnership, more particularly through a strengthening of the third pillar of the Strategic Partnership, namely the people-to-people dialogue.

In order to **address China's actions to confirm, reform and circumvent global governance**, the EU should show openness towards the reform of global governance and the creation of new institutions. Taking into account China's disappointment with the slow pace of reforms in the IMF, the EU and its Member States should develop suggestions on how to strengthen the legitimacy and efficiency of the Bretton Woods organisations. As long as new institutions fill a global and/or a regional problem-solving gap and do not duplicate existing institutions, the EU should be open to the creation of such new international bodies. In the same spirit, the EU and its Member States should reflect upon the creation and implications of the Asian Infrastructure Investment Bank and should look for positive ways of engaging with it.

In order to address **China's growing assertiveness in Asia**, the EU should put on the Strategic Partnership agenda discussions on global oceanic affairs and dispute settlement drawing from the longstanding EU experience in the field. Learning from its own experiences in terms of integration successes and difficulties and taking into account regional and national specificities, the EU should share the lessons it learned from its own history and promote regional integration processes in Asia. Education and professional training on comparative regional integration processes could serve as an important lever for the EU.

In order to address **China's emergence in Central and Eastern Europe (CEE)**, the EU should better disseminate information on existing EU activities and investments in the region, which could contribute to decrease euro-skepticism and counterbalance China's growing influence in the region. The EU should also reflect upon the creation of an EU-based agency that provides Member States non-binding advice on large-scale foreign direct investments. The agency should take into account the strategic character of the investment, its social impact and respect for EU competition law.

In order to address **China's emergence in the EU's Eastern Neighbourhood, particularly in the context of China's Silk Road Initiative**, the EU should see this emergence as an incentive to strive for better connectivity within the EU as well as with its neighbours, not only in the East and Mediterranean area but also with the 'neighbours of its neighbours', such as the countries in Central Asia. In addition, the EU should carefully evaluate the potential of growing interconnectivity as well as its negative effects, e.g. organised crime, terrorist activities, and illegal trafficking.

Introduction

China's emergence as an economic and political power constitutes one of the most remarkable global developments of the second half of the 20th century. It is now undeniable that China has become an **economic and political giant** that might even gain a greater global influence in the course of the 21st century. This growing influence becomes particularly clear when one looks at China's participation in, and contribution to, global governance and international affairs. China is now part of the main international institutions - from the United Nations Security Council (UNSC) to the World Trade Organization (WTO) and the International Monetary Fund (IMF) - but also of more informal or *ad hoc* fora, such as the BRICS or the G-20. In addition, China is deeply anchored in the process of globalisation and has become strongly interdependent with the various regions of the world. While this interdependence is particularly clear at the economic level since China's economy is still primarily based on exports, the interdependence also applies to international politics and international security. China holds indeed strong economic and political stakes in the major conflicts that threaten regional and international peace. This **complex interdependence** places the relationship with China at the core of foreign policy priorities of states all over the world. While this focus on China is particularly obvious in the United States' (U.S.) 'Asia Pivot', China also ranks high on the foreign policy priorities of its close neighbours in Asia, other emerging economies (i.e. Brazil, Russia, India and South-Africa) as well as in the various regions of the developing world from Latin America, Africa to Southeast Asia.¹ The European Union (EU) is no exception here as China has become a major partner of the EU as institutionalised by the EU-China Strategic Partnership, the 40th anniversary of which is celebrated in 2015.

Against this backdrop, this study provides an overview of **China's current approach to foreign policy and external relations**. It focuses more particularly on the role and actions of China in global governance; its territorial claims and relations with countries in Asia as well as its emergence as an important actor in central and eastern Europe as well as in the EU's Eastern neighbourhood. It assesses the implications for the EU and makes recommendations on how the EU should deepen its Strategic Partnership with China.

¹ See J. Wouters, J. C. Defraigne and M. Burnay (eds.), *China, the European Union and the Developing World: A Triangular Relationship*, Edward Elgar Publishing, 2015.

1 China's Foreign policy and External Relations: Uncertainties and Foreign Policy Dilemmas

China's foreign policy has recently been portrayed as **increasingly assertive**. This assessment is primarily based on both its foreign policy rhetoric and actions. While China does not seem to have significantly increased its military spending recently,² the fear of a greater assertiveness has revived the perception of China as a threatening or destabilising force in the 21st century. China's assertiveness in its foreign policy discourse is probably best exemplified by the content and wording of the first ever White Paper on Military Strategy ('the Military Strategy') that was released in May 2015. The Military Strategy portrays China as a power under numerous – traditional and non-traditional – threats globally but also more particularly in its close neighbourhood.³ While a direct reference is made to threats originating from 'hegemonism, power politics and neo-interventionism', Beijing also indirectly shows its growing concern vis-à-vis the U.S. 'rebalancing strategy', more particularly in Asia. In this context, China affirms its readiness to build up the necessary strategic and military capacity 'to safeguard its national unification, territorial integrity and development interests'.

Beyond the rhetoric, China has recently demonstrated its ability to project its **military capacity** far beyond its borders when it rescued Chinese workers in the midst of the Libya crisis, but also through its active participation in the fight against piracy in the Horn of Africa. Second, China has become increasingly assertive in the **advocacy of its own sovereignty claims** in the East and South China Seas and has unleashed the voices of nationalism to support its assertions. Third, China has started to **challenge some of the main global governance institutions** by pushing for internal reforms or by creating alternative institutions. Fourth, China increasingly presents its foreign policy as an alternative to the values-based international relations that currently still dominate. It therefore emphasises **sovereignty and non-intervention** as guiding principles of international affairs.

While part of the literature criticises the validity of the assertiveness narrative for being a 'cogent argument for the continued existence of significant U.S. power in East Asia',⁴ this study argues that China has not made a unilateral and exclusive turn towards assertiveness in its foreign policy. China's foreign policy **assertiveness represents a policy choice** that should be understood in the broader context of its external relations. We identify this context as one of **uncertainty**. In fact, the actual impact of China's emergence in international affairs as well as the use China intends to make of its power and influence remain rather uncertain.⁵ This uncertainty is explained by the interdependence between a number of international and domestic factors as well as the absence of a grand China strategy.

On the one hand, China's foreign policy and external relations remain uncertain as they are conditioned to **China's ability to respond to its main domestic challenges**, such as increasing income gaps, over-reliance on exports, ethnic separatism, environmental pollution, and endemic corruption. In this respect, the future of China's foreign policy and global influence is largely conditioned by the Chinese Communist

² S. Perlo-Freeman, 'Deciphering China's Latest Defence Budget Figures', *SIPRI Essay*, March 2014, available at <http://www.sipri.org/media/newsletter/essay/perlo-freeman-mar-2013> (accessed: 15 June 2015).

³ K. Johnson, 'China's Military Blueprint: Bigger Navy, Bigger Global Role', *Foreign Policy*, 26 May 2015, available at http://foreignpolicy.com/2015/05/26/chinas-military-blueprint-bigger-navy-bigger-global-role/?utm_source=Sailthru&utm_medium=email&utm_term=%2AEditors%20Picks&utm_campaign=2014_EditorsPicksRS5%2F26 (accessed: 15 June 2015).

⁴ B. Jerden, 'The Assertive China Narrative: Why It Is Wrong and How So Many Still Bought into It', *The Chinese Journal of International Politics*, Volume 7, Number 1, 2014, p. 85.

⁵ M. Burnay and M. Maira, 'La Chine : une Puissance (in-)Certaine', *La Revue Nouvelle*, Number 4, April 2013, p. 27.

Party's (CCP) ability to maintain China's reform path as initiated by Deng Xiaoping and then pursued by Zhang Zemin, Hu Jintao and Xi Jinping. These include economic growth, political and social stability as well as territorial unity. The assertion that 'Chinese foreign policy is a product of both international and domestic factors'⁶ still proves to be particularly accurate today. Domestic realities and constraints inform the foreign policy choices of China's leadership, whose legitimacy is primarily conditioned to the success of the CCP to persuade the people of the qualification of the leadership to reform the country and contribute to the improvement of the people's wellbeing.⁷

On the other hand, the uncertainty also relates to the **absence of a 'grand strategy'** that would inform China's foreign policy across all geographical and thematic areas.⁸ China's foreign policy is first and foremost made of pragmatic assessments based on a mix of domestic and geopolitical considerations, which explains the sometimes contradictory Chinese foreign policies. This pragmatism justifies why portraits of Chinese foreign policy oscillate between visions of China's diplomacy as being 'extremely passive for a state of its size and importance'⁹ to a diplomacy 'seek[ing] to restore the position of its ancient dominance and develop[ing] a sphere of influence over its periphery'.¹⁰ More particularly, China's foreign policy appears to trigger four foreign policy dilemmas:

1. The search for a **balance between greater assertiveness and the enhancement of China's soft power**. The greater assertiveness is supported by a desire to raise its international status and influence in global governance and by the necessity to respond to the rising nationalism of mainly younger generations. Conversely, China also feels the need to enhance its soft power and to shape its image internationally in a context where global public opinion is still rather suspicious of its re-emergence. The main concepts guiding China's foreign policy, such as 'Peaceful Development' – that is the positive contribution of China's development to world peace – and the rhetoric on 'non-interference' testify to the complexity of this dilemma and the need for China to search for an equilibrium between the defence of its national interests and the appeasement of its close and far neighbours.
2. The search for a **balance between contributing or circumventing the existing global governance** mechanisms and international organisations. In a context where most of the existing institutions and regimes were created by Western powers in the aftermath of World War II, China had to choose between contributing, reforming or circumventing the existing global governance system. While its permanent seat in the UNSC attributes a veto right to the PRC, other institutions do not give China enough voting power or influence. The search for greater influence is an important driver for China's dealings with global governance, either by pushing for the reform of existing institutions or by circumventing them.
3. As it has become greatly interdependent with the rest of the world, China faces the choice between **handling its foreign policy concerns through bilateral or multilateral channels**. This

⁶ A. I. Johnston, 'International Structures and Chinese Foreign Policy' in S. S. Kim (ed.), *China and the World: Chinese Foreign Policy Faces the New Millennium*, Boulder Westview, 1998, p. 55.

⁷ M. Bondes and S. Heep, 'Conceptualizing the Relationship Between Persuasion and Legitimacy: Official Framing in the Case of the Chinese Communist Party', *Journal of Chinese Political Science*, Volume 18, Number 4, 2013, p. 331.

⁸ J. Wang, 'China's Search for a Grand Strategy: A Rising Great Power Finds Its Way', *Foreign Affairs*, Volume 90, Number 2, 2011, p. 68.

⁹ D. Shambaugh, *China Goes Global: The Partial Power*, Oxford University Press, 2014, p. 9.

¹⁰ S. Zhao, 'Shaping the Regional Context of China's Rise: How the Obama Administration Brought Back Hedge in Its Engagement with China' in S. Zhao (ed.), *The Rise of China and Transformation of the US-China Relationship: Foreign Partnership in the Age of Strategic Mistrust*, Taylor & Francis Group, 2014, p. 71.

overall dilemma also relates to China's non-, or only partial recognition and reliance on international law and international jurisdictional mechanisms such as the WTO Dispute Settlement Mechanism (WTO DSM), the International Tribunal for the Law of the Sea (ITLOS), the International Court of Justice (ICJ) and the International Criminal Court (ICC).

4. China faces a dilemma in terms of the actual scope of its **status as a regional or global power**. The overall relationship with the U.S. is obviously of primary importance here as the latter remains China's premier global and regional competitor. The ability of China to become a regional or a more global power depends on its capacity and political will to increase its presence and direct influence far beyond its close neighbourhood, for example, in developing countries in Africa and Latin America.

Implications for the EU

The EU holds political and economic interests in global peace and security. China's growing assertiveness, particularly in Asia, coupled with the uncertainty about its foreign policy, requires the EU to be proactive in understanding and responding to China's foreign policy constraints and interests. China's assertiveness and its destabilising impact on regional security in Asia should be of primary concern for the EU. The existence of Strategic Partnerships with the U.S., Japan, South Korea, Russia and India demonstrate the important political and economic stakes the EU has in China's direct sphere of influence. The uncertainty about China's foreign policy nevertheless opens avenues for the EU to influence this policy in a way that corresponds to the EU's strategic interests, including: regional stability in Asia, the strengthening of international organisations in the spirit of 'effective multilateralism' and the settlement of disputes at the multilateral level.

2 China's Actions to Reform and Restructure Global Governance Institutions

With the process of globalisation and progressive shift in the global balance of power as engendered by the rise of emerging powers (in particular the BRICS), the foundations of the current **international order have become increasingly questioned**.¹¹ This major historical evolution stimulates a process of transformation of the key multilateral institutions that have to redefine their identity, objectives and instruments. Reform processes are driven by both the legitimacy and effectiveness crises of global governance fora. On the one hand, the **shifts in the global balance of power** towards a greater multipolarity question the **legitimacy** of some of the main international fora and their decision-making process, which were based on partnerships and a balance of power that are now outdated. On the other hand, the **effectiveness** of the **global governance system is questioned** in a context where current institutions and fora hardly succeed in responding to the main contemporary challenges ranging from international terrorism and climate change to financial turmoil. As a premier emerging power, China is called upon to play a major role in the process of giving new breath to global governance.

¹¹ This paragraph is a summary of J. Wouters and M. Burnay, 'Concluding Remarks: China-EU Relations in Turbulent Times: Which Way Forward?' in J. Wouters, T. de Wilde, P. Defraigne and J. C. Defraigne (eds.), *China, the European Union and Global Governance*, Edward Elgar Publishing, 2012, pp. 325-327.

2.1 Multilateralism and Multipolarity in China's Foreign Policy

China's perspective on global governance appears to be directly informed by its understanding of the relationship between **multipolarity** and **multilateralism** as two organising principles of international affairs. While multipolarity refers to the actual division of power and influence among a limited number of states, multilateralism refers to the participation and cooperation of a multiplicity of states to global governance institutions and mechanisms.

On the one hand, China has been openly **supportive of the idea of multipolarity** since the beginning of the 1990s: it perceives and portrays itself as a rising power that is able to frame the U.S. unipolar moment.¹² The core objective of China's foreign policy is not to defeat the existing global governance system but to support a 'shift in the balance of global influence toward multipolarity'.¹³ China's approach towards multipolarity is nevertheless selective: the strong calls for greater multipolarity are not always accompanied by political actions to enhance the power and influence of other emerging poles, particularly when they constitute China's regional competitors. China's 'selective multipolarism' has led some analysts to blame Beijing of 'seeking global multipolarity but regional unipolarity'.¹⁴

On the other hand, China is not suspicious of the utility of international organisations anymore and has become an active participant in all the existing global governance institutions. In an attempt to counter hostile reactions against its growing power, China recognises that certain truly global challenges can only find appropriate answers at the multilateral level. Nevertheless, China's perspective on multilateralism remains primarily instrumental as 'a means to achieving 'multipolarism' (...) Its full *normative* integration into the international system remains a work-in-progress, and at the end of the day it is most likely to be only partial at best'.¹⁵ China has, in this spirit, been particularly active in contributing to 'minilateral' and 'plurilateral' forms of engagement that prioritize multipolarism over multilateralism, such as the BRICS or the G-20.

Implications for the EU

The EU-China Strategic Partnership and the EU-China Strategic Agenda for Cooperation¹⁶ stipulate that the EU and China should coordinate at the bilateral, regional and multilateral levels to tackle issues of common concern. The participation of China to all the major global governance institutions provides the EU with a number of avenues to coordinate on these issues. The EU therefore needs to reflect upon the most appropriate avenue (bilateral and multilateral) to further engage with China in the context of the EU-China Strategic Partnership. China's propensity to contribute to 'minilateral' and 'plurilateral' forms of multilateralism furthermore creates an additional incentive for the EU to further engage with these forums, more particularly the BRICS.

¹² D. Scott, 'EU-China Discourse on Multipolarity and Multilateralism: Mutual Interaction?', *European Foreign Affairs Review*, Volume 19, Number 3, 2014, p. 20

¹³ G. Chin, 'China's Rising Institutional Influence', in A. S. Alexandroff and A. F. Cooper (eds), *Rising States, Rising Institutions*, Brookings Institution Press, 2010, p. 85.

¹⁴ A. Acharya, 'Can Asia lead? Power Ambitions and Global Governance in the Twenty-First Century', *International Affairs*, Volume 87, Number 4, 2011, p. 867.

¹⁵ D. Shambaugh, *China Goes Global: The Partial Power*, Oxford University Press, 2014, p. 153.

¹⁶ EU-China 2020 Strategic Agenda for Cooperation, agreed at the 16th EU-China Summit, November 2013, available at http://www.eeas.europa.eu/china/docs/20131123_agenda_2020_en.pdf (accessed: 15 June 2015).

2.2 China and Global Governance: Confirming, Reforming and Circumventing

China's attitude on the reform of global governance depends on its actual influence and prospects for enhanced power within or outside the existing global governance architecture. It appears to oscillate between the **confirmation of existing institutions**, the **support for reforms** in global governance and the **will to create alternatives** to existing fora in areas where it has not been successful enough to increase its influence.

2.2.1 A Status Quo Player in Global Governance

China's satisfaction with the existing structures of global governance is best exemplified by its support to the UNSC and the WTO's Dispute Settlement Mechanism (DSM) – two institutions with very different objectives that are nevertheless of primary importance for China's global governance strategy.

Contrary to some fears and doubts expressed at the time of the PRC's recognition as a **Permanent Member of the Security Council** in 1971, China has not played a role of permanent blocking force in the UNSC.¹⁷ While China has used its veto right 9 times since the end of the Cold War and is very active in watering down certain resolutions through shadow diplomacy, it appears to be rather **satisfied with the UNSC's functioning** and is keen to preserve its own privileges as a Permanent Member. In this context, China has arguably **not been a driving force of UNSC reform**. While it has regularly advocated in favour of a better representation of developing countries within the UNSC, China has always emphasised that Security Council reform should be the result of 'an integrated approach and a package solution'¹⁸ and should therefore not be adopted as a matter of urgency to respond to specific bids from individual UN Member States. China's support for India's permanent membership has, in this respect, never been translated into veritable activism.

In a very different field, China has become an active Member and supporter of the WTO, more particularly through its **increasing participation in the WTO DSM**. China's accession to the WTO in 2001 constitutes probably one of the 'greatest WTO-era achievements'¹⁹ and is a corner stone in the reinforcement of China's economic growth. China has made great progress to adapt its economic and legal system in accordance with its WTO commitments.²⁰ In the same spirit, China has also become very keen to defend its trade interests before the WTO DSM and has progressively learned to use the rules of the game to its own advantage. While it has already acted 32 times as a respondent, the PRC has already brought 12 cases as a complainant before the WTO DSM. The extensive mobilization of WTO institutions and mechanisms by China to resolve some of its major trade disputes arguably strengthens the legitimacy of the multilateral trading system.²¹ In contrast with China's activism in the DSM, the PRC has only recently

¹⁷ M. Burnay, J. and Wouters, 'China in the UN Security Council: What Are the Implications for the International Rule of Law?', *Belgian Review of International Law*, Number 2013-2, October 2014, p. 354.

¹⁸ Permanent Mission of the People's Republic of China to the UN, 'Statement by Ambassador Zhang Yesui, Permanent Representative of China to the United Nations, Debate of the 64th Session of the General Assembly on the Work and Reform of the Security Council', Press Release, 13 November 2009, available at <http://www.china-un.org/eng/chinaandun/zzhgg/t626895.htm> (accessed: 15 June 2015).

¹⁹ See generally, B. Mercurio and M. Tyagi, 'China's Evolving Role in WTO Dispute Settlement: Acceptance, Consolidation and Activation', *European Yearbook of International Economic Law*, Volume 3, 2012, pp. 89-123.

²⁰ D. C. Clarke, 'China: Creating a Legal System for a Market Economy', *The GWU Legal Studies Research Paper*, Number 396, 2007, p.24; R. Sappideen and L. L. He, 'Reflections on China's WTO Accession Commitments and their Observance', *Journal of World Trade*, Volume 43, Number 4, 2009, pp. 847-871.

²¹ J. Wouters and M. Burnay, 'China and the European Union in the World Trade Organization: Living Apart Together?' in J. Wouters, T. de Wilde, P. Defraigne and J.C. Defraigne (eds.), *China, the European Union and Global Governance*, Edward Elgar, 2012,

become more active in addressing WTO reform in the context of the Doha Development Agenda (DDA). Compared to other emerging countries, more particularly India and Brazil, China has not assumed a leadership role so far in this arena. On the one hand, China is not willing to abide to any additional commitment without reciprocity.²² On the other hand, China refrains from a leadership role in order to prevent its relations with developing countries within the WTO from being damaged. While China continues to portray its **relationship with the developing world in terms of South-South cooperation**, its economic interests are now closer to those of developed countries, with it 'seeking to import fossil fuel and primary commodities and exporting more specialised and manufactured goods from and to Africa, the MENA region, Southeast Asia and Latin America'.²³

2.2.2 A Reformer in Global Governance

In contrast with its pro status quo attitude in the UNSC and the WTO, China has expressed strong demands to **reform other global governance institutions** from the inside. This holds particularly true for the **IMF**, in which China has strongly pushed to increase its influence in the Board of Governors. The financial crisis gave China momentum to strengthen its influence in the IMF but also put it under increasing pressure to reform its domestic financial policies and institutions.²⁴ This foreign policy initiative proved to be partially successful, as China saw its voting share increase from 3.81 to 6.1% following the 2010 reform of the IMF governance system. However, even after the implementation thereof – which is currently lacking – China's voting share remains still low when compared to the one of the U.S. and of EU Member States. What is particularly striking in the current IMF reform process is the failure of the U.S. to ratify the 2010 reform package. The current blockade testifies of the existence of a U.S. quasi-veto power in the IMF and also questions the U.S.'s ability to perform its international promises in the field of global financial governance.²⁵ The current stalemate in IMF reform can only lead to stronger claims for reforms in the future. China may arguably go beyond new pretensions to increase its voting share and put the **IMF under pressure to reform** some of its functions such as the bilateral surveillance of its Members' exchange rate practices and the imposition of transparency requirements to obtain IMF loans.²⁶

2.2.3 A Challenger in Global Governance

In light of the difficulties to increase its voting share within the IMF and the major delays in the ratification process of the 2010 IMF reforms, China has recently attempted to develop **alternatives to the global governance architecture**. Particularly revealing in this respect are its recent attempts to develop alternative institutions for global financial governance by pushing for the creation of a BRICS Development Bank and a new Asian Infrastructure Investment Bank (AIIB). It remains still too early to assess the potential long-term efficiency and impact of these new institutions since the BRICS

p. 85; M. Burnay and J. Wouters, 'The EU and China in the WTO: What Contribution to the International Rule of Law? Reflections in Light of the *Raw Materials* and *Rare Earths* Disputes', forthcoming in J. Wang and W. Song (eds.), *China, the European Union, and International Politics of Global Governance*, Palgrave, Forthcoming 2015.

²² L.L. Chin and J. Y. Wang, 'China and the Doha Development Agenda', *Journal of World Trade*, Volume 44, Number 6, 2010, p. 1327.

²³ M. Burnay, J.C. Defraigne and J. Wouters, 'Introduction: China, the European Union and the Developing World: Analysing and Comparing a Triangular Relationship Region by Region' in J. Wouters, J.C. Defraigne and M. Burnay (eds.), *China, the European Union and the Developing World: A Triangular Relationship*, Edward Elgar Publishing, 2015. p. 10.

²⁴ Q. Bo, 'Dynamic Engagement: China's Participation in International Monetary Institutions' in J. Wouters, T. de Wilde, P. Defraigne and J. C. Defraigne, *China, the European Union and Global Governance*, Edward Elgar, 2012, p. 193.

²⁵ E. M. Truman, 'IMF Reform is Waiting for the United-States', *Peterson Institute for International Economics*, 2014, Number Pb14-9, March 2014, pp. 1-8.

²⁶ E.C. Economy, 'The Game Changer: Coping With China's Foreign Policy Revolution', *Foreign Affairs*, Volume 89, Number 6, 2010, p. 147.

Development Bank and the AIIB are not yet operational. The overall intention to create these institutions testifies nevertheless of Beijing's willingness to depart from existing institutions and ideas that support the 'Washington Consensus'-based institutions and to create institutions in which it can secure its interests and influence.

First, the Agreement establishing the **BRICS Development Bank** was formally signed at the occasion of the BRICS Summit that took place in Brazil in July 2014. It constitutes on paper the first main institutionalisation of a **BRICS-based governance mechanism**. This new development bank can clearly be seen as **an alternative to the Western-led World Bank and the IMF** in which the BRICS have all struggled to see their economic power translated into actual voting power. The BRICS Development Bank, if operational, would indeed combine the functions and role of both the World Bank and the IMF as it aims to provide for infrastructure and sustainable development support as well as to create special funds and loans.²⁷ According to the Agreement establishing the BRICS Development Bank, the initial subscribed capital of the bank shall amount to USD 50 billion²⁸ and the founding members shall see their voting power protected to a minimum of 55 percent of the voting shares.²⁹ It nevertheless remains to be seen whether the 10 billion dollar commitment of each BRICS Member will be effectively invested and whether the functioning of this new development bank will truly depart from the IMF and the World Bank. The project remains so far only on paper and the 2015 BRICS Summit that will take place in Russia is likely to constitute a major test-case for the actual prospects for further operationalisation of the bank.

Second, and more recently, China agreed with a group of 21 Asian countries to establish the **AIIB**, which aims to support infrastructure projects in Asia. The strong need for infrastructure in Asia coupled with China's financial reserves set the background of this new institution.³⁰ While it is still too early to assess the impact of this new development bank on the Asian Development Bank and the World Bank, it is clear that the U.S. has been particularly critical of some of its partners joining the AIIB. In this case too, China is looking for an **alternative to existing financial institutions** that are dominated by Western powers and their allies. The idea of the AIIB is clearly to depart from the functioning of the Asian Development Bank, an institution that is dominated by the U.S. and Japan who hold 12.8 and 12.7 percent of the voting shares respectively.³¹ 58 countries all over the world have expressed their intention to join the initiative with among them 14 EU Member States, including the United Kingdom (UK), France, and Germany.³² Taiwan's bid to become a founding member of the AIIB was rejected by China, which however kept the door open for Taiwan to become a member under a different name. The inclusive and global membership strengthens the legitimacy of the new institution. The AIIB constitutes indeed the **first China-led global governance institution that attracts such worldwide support** despite Washington's discontent. The project remains at the moment only on paper, but it is expected that the Articles of Agreement (AOA) for the AIIB will be ready by the end of June and the AIIB operational by the end of 2015. While the negotiations are still ongoing, **important issues currently remain pending**, such as the

²⁷ Agreement on the New Development Bank, Done in the City of Fortaleza, 15 July 2014, Art. 3, available at <http://brics6.itamaraty.gov.br/media2/press-releases/219-agreement-on-the-new-development-bank-fortaleza-july-15> (accessed: 15 June 2015).

²⁸ Agreement on the New Development Bank, Art. 7.

²⁹ Agreement on the New Development Bank, Art. 8.

³⁰ T. Renard, 'The Asian Infrastructure Investment Bank (AIIB): China's New Multilateralism and the Erosion of the West', *Egmont Security Policy Briefs*, Number 63, 2015, p.1.

³¹ Asia Development Bank, 'Members, Capital Stock, and Voting Power' in Asia Development Bank, Annual Report 2013 – Promoting Environmentally Sustainable Growth in Asia and the Pacific, 2014, available at <http://www.adb.org/sites/default/files/page/30786/oi-appendix1.pdf> (accessed: 15 June 2015).

³² The EU countries that are 'Prospective Founding Members' include: Austria, Denmark, Finland, France, Germany, Hungary, Italy, Luxemburg, the Netherlands, Poland, Portugal, Spain, Sweden, and the United Kingdom.

voting share allocation between Member countries and the power of the Board of Directors to influence key investments decisions.

Implications for the EU

The EU and its Member States are important actors in global governance. In addition, the Treaty on the European Union (Art. 21 TEU) and the European Security Strategy³³ emphasise the EU's commitment to 'effective multilateralism' with a strong United Nations (UN) at its core. China's actions to confirm, reform and circumvent the existing global governance architecture clearly impact the EU policies at the multilateral level.

- **Confirming global governance institutions:** the EU needs to ensure that China's commitment to the UNSC and WTO positively contribute to the fulfilment of the objectives of these institutions.
- **Reforming global governance institutions:** EU Member States have a strong voting share in the Bretton Woods organisations, in particular the IMF. China's pressure to reform the Bretton Woods organisations can either lead to a zero-sum game – that is a decreased EU's influence – or an opportunity to strengthen the legitimacy and efficiency of these institutions.
- **Circumventing global governance institutions:** the EU and its Member States are directly impacted by the creation of new global or regional governance institutions. Some EU Member States have, in this respect, committed to become 'Prospective Founding Members' of the AIIB. The creation of new global governance institutions requires EU Member States, the European Commission and the European External Action Service (EEAS), in consultation with the European Parliament and national parliaments, to coordinate and develop a common EU approach towards the creation of new global governance institutions. It also requires the EU and its Member States to assess the implications in terms of legitimacy and efficiency of global governance mechanisms and institutions.

2.3 Towards a New International Order?

2.3.1 An Eastphalian Legal Order?

When one considers its 'shaping' of global governance, the question arises whether China is building an 'Eastphalian international order'³⁴, i.e. an international order that places non-intervention and sovereignty at the core of international affairs. These principles have informed China's foreign policy since the 1955 Asian-African Conference in Bandung.³⁵ **China's emphasis on sovereignty and non-intervention** – while being very often instrumental – should also be understood as part of the overall reaction to the 'Century of Humiliations'³⁶ and China's collective memory of colonialism.

³³ European Security Strategy, 'A Secure Europe in a Better World', 12 December 2003.

³⁴ D. P. Fidler, S. W. Kim and S. Ganguly, 'Eastphalia Rising? Asian Influence and the Fate of Human Security', *World Policy Journal*, Volume 26, Number 2, 2009, pp. 53-64.

³⁵ See for example Ministry of Foreign Affairs of the People's Republic of China, 'China's Position on Establishing a New International Political and Economic Order', Official Statement, August 2003, available at <http://www.china-un.org/eng/gyzg/wjzc/t24883.htm> (accessed: 15 June 2015).

³⁶ The 'Century of Humiliations' refers to the period between the beginning of the XIXst Century and the XXst Century in which China was forced to sign a series of 'Unequal Treaties' that forced China to cede part of its territory and ports as well as to recognize the introduction of extra-territoriality on foreigners living in China.

This orientation in China's foreign policy clearly departs from the more relative stance on sovereignty and non-intervention that is inherent to the current debate on the **Responsibility to Protect (R2P)**. R2P was endorsed by the international community at the occasion of the 2005 World Summit. At the time, state leaders recognised 'the legitimate interest'³⁷ of the international community to intervene in the internal affairs of a state that fails to protect its population against 'genocide, war crimes, ethnic cleansing and crimes against humanity'.³⁸ The R2P doctrine therefore provides a new meaning to sovereignty that not only entails the protection of states' rights against intervention within their domestic affairs by other states but also obliges states to provide the basic protection to their citizens against the most serious international crimes. China is very **cautious on the ideas of responsible sovereignty and R2P** and wants to avoid human rights and rule of law violations triggering the application of R2P. Interestingly, the general **concern vis-à-vis Western interventionism** appears to be shared, to a certain degree, by the other Members of the BRICS. As part of their common strategic interests, the BRICS 'work to soften the West's interventionist impulse in the internal affairs of independent states (typically developing countries), and are strongly opposed to infringements of territorial integrity and sovereignty'.³⁹ Despite their converging interests and ideas on non-intervention, BRICS countries however do not appear to vote in a coherent way in the UNSC, a major exception being the joint vetoes of China and Russia. In this respect, the two states have recently reaffirmed, during a high-level meeting in Moscow, their willingness to depart from 'the yardstick of ideology' and to contribute therefore to a 'new type of international relations' model.⁴⁰ This joint statement constitutes a new milestone in China's and Russia's joint **denunciation of values-based international relations**.

Implications for the EU

EU values as defined in Art. 2 and 21 TEU constitute major drivers of the EU's external action. More particularly, the EU's Strategic Framework and Action Plan on Human Rights and Democracy provides that the EU should promote human rights across all its external policies.⁴¹ China's defiance towards human rights and democracy promotion require the EU to find new and complementary entry points in order to promote its values. In order not to be criticised for applying double standards, the EU also has to strive for a better internal/external and external/external coherence in its values promotion in order to strengthen the efficiency and legitimacy of its external actions.

³⁷ J. Ikenberry, 'The Three Faces of Liberal Internationalism' in A. S. Alexandroff and A. F. Cooper (eds.), *Rising States, Rising Institutions*, Brookings Institution Press, 2010, p. 34.

³⁸ Resolution adopted by the UN General Assembly, '2005, World Summit Outcome', A/Res/60/1, 24 October 2005, para. 118.

³⁹ R. Thakur, 'How Representative Are BRICS?', *Third World Quarterly*, Volume 35, Number 10, 2014, p. 1797.

⁴⁰ Foreign Minister of the People's Republic of China Wang Yi, 'China and Russia Are Successfully Practicing New Type of International Relations', Press Release, 7 April 2014, available at http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1253300.shtml (accessed: 15 June 2015).

⁴¹ Council of the European Union, 'EU Strategic Framework and Action Plan on Human Rights and Democracy', 25 June 2012, doc. 11855/12, available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/131181.pdf (accessed: 15 June 2015).

2.3.2 Towards a New Perspective on Sustainability and Development in Global Governance

The year 2015 marks a significant turning point for international cooperation on development and sustainability. The international community is set on agreeing on the international cooperation agenda for the years to come in the spirit of the UN Secretary-General's report 'A Life of Dignity for All' of July 2013, which articulates three main objectives: 'economic development', 'social inclusion' and 'sustainable development'.⁴²

China has been praised for its great contribution to the success of the Millennium Development Goals (MDGs). In the period 1990-2005, China has indeed successfully lifted more than 470 million people out of extreme poverty, which constitutes as much as 76 percent of the worldwide poverty reduction in the period 1990-2005.⁴³ In contrast, China has played only **a limited role in the elaboration of the post-2015 sustainable development agenda**.⁴⁴ While being supportive of the process, China keeps insisting on the specificities of its own development policies and as of yet, has not explained in detail how it intends to contribute to the international community's efforts to pursue the Post-2015 Sustainable Development Agenda.⁴⁵

China's low profile in the negotiations of the Post-2015 Sustainable Development Agenda reflects its desire to continue portraying itself as a developing country. In this respect, China regularly aligns to the positions defended by the G-77 on the Post-2015 Sustainable Development Agenda.⁴⁶ It also reflects China's intention to continue focusing on its own South-South development policies outside of the UN framework.⁴⁷ These policies have their own features and endorse 'the principles of not imposing any political conditions, not interfering in the internal affairs of the recipient countries and fully respecting their right to independently choosing their own paths and models of development'.⁴⁸

⁴² United Nations Secretary General, 'A Life of Dignity For All: Accelerating Progress Towards the Millennium Development Goals and Advancing the United Nations Development Agenda Beyond 2015', 26 July 2013, A/68/202.

⁴³ Ministry of Foreign Affairs of the People's Republic of China, 'China's Progress Towards the Millennium Development Goals', 2013 Report, in United Nations Development Programme China, 'China, the Millennium Development Goals, and the Post-2015 Development Agenda', Discussion Paper, 2015, p. 5, available at http://www.undp.org/content/dam/undp/library/MDG/english/MDG%20Country%20Reports/China/UNDP%20Discussion%20Paper_China%20MDGs_FINAL_17%20Feb_RC.pdf (accessed: 15 June 2015).

⁴⁴ K. King, 'China's Engagement with the Post-2015 Development Agenda: The Case of Education and Training', *International Journal of Educational Development*, Volume 39, 2014, p. 76.

⁴⁵ See for example: Ministry of Foreign Affairs of the People's Republic of China, 'China's Position Paper on the Development Agenda beyond 2015', Official Statement, 22 September 2013, available at http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1078984.shtml (accessed: 15 June 2015).

⁴⁶ G-77 still functions as the largest intergovernmental organisation of developing countries within the UN system.

⁴⁷ A. E. Abdenur, 'Emerging Powers as Normative Agents: Brazil and China within the UN Development System', *Third World Quarterly*, Volume 35, Number 10, 2014, p. 1890.

⁴⁸ Information Office of the State Council of the People's Republic of China, 'China's Foreign Aid', Whitepaper, July 2014, available at http://news.xinhuanet.com/english/china/2014-07/10/c_133474011.htm (accessed: 15 June 2015).

Implications for the EU

As emphasised by the European Commission Communication, 'A Decent Life For All: Ending Poverty and Giving the World a Sustainable Future',⁴⁹ the successful completion of a Post-2015 Sustainable Development Agenda constitutes a 'high priority' for the EU. In a context where China has become a major development actor, more particularly in Africa, it appears necessary for the EU to ensure that global development policies, more particularly in the context of the Post-2015 Sustainable Development Agenda, are undertaken in agreement with UN principles. In addition, China's intention to continue focusing on its own South-South development policies requires the EU to take these policies into account in countries where both China and the Union are active development actors.

2.4 China's Role in Global Security: Terrorism, Non-Proliferation, Sanctions and Syria

As mentioned earlier, **China has not been the blocking force in the UNSC** that some had feared upon its recognition as a Permanent Member of the Security Council back in 1971. China has nevertheless **learned to be assertive and to use its veto right, or to threaten to use its veto right**, when it suits its political and economic foreign policy interests. In this respect, China's reference to sovereignty and non-intervention is, generally speaking, not the core of the explanation of China's votes in the UNSC. These votes have always been informed by various considerations that include the protection of its national interests, the defence of the status quo in its close neighbourhood and avoiding negative spill-over effects for its political and social stability.⁵⁰ In order to grasp some recent trends in its foreign policy, the present section analyses China's perspective on UNSC resolutions targeting terrorism, non-proliferation, sanctions and the situation in Syria.

2.4.1 Terrorism

China sees terrorism as a clear **threat to national and international security**. It has been particularly supportive of UNSC resolutions on terrorism, even when they take a quasi-legislative dimension. It is now widely recognized that the UNSC does not only have to react to individual threats to peace and security but can also adopt resolutions in a more general manner and without temporal and geographical limitations.⁵¹ The UNSC notably did so when it unanimously adopted Resolution 1373 (2001)⁵² which promulgated a variety of measures to tackle terrorism and terrorist groupings, including their financial support. China has continuously **supported UNSC activities in the fight against terrorism**. In spite of this and in contrast with the Western states, China has not based its support of the fight against terrorism on universal values and has instead emphasised the need to uphold non-intervention and sovereignty.⁵³ As the main driving force in the SCO, China has contributed extensively to the Organisation's agenda on

⁴⁹ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 'A Decent Life For All: Ending Poverty and Giving the World a Sustainable Future', 27 February 2013, COM(2013) 92.

⁵⁰ See J. Wouters and M. Burnay, 'The EU and Asia in the United Nations Security Council' in T. Christiansen, E. Kirchner and P. Murray, *Handbook of EU-Asia Relations*, Palgrave Macmillan, 2013, pp. 392-405.

⁵¹ J. Wouters and J. Odermatt, 'Quis Custodiet Consilium Securitatis? Reflections on the Lawmaking Powers of the Security Council', in V. Popovski and T. Fraser (eds.), *Security Council Resolutions and Global Legal Regimes*, Routledge, 2014, pp. 71-96.

⁵² UNSC Resolution 1373 of 28 September 2001.

⁵³ A. Phillips, 'The Wars on Terror, Duelling Internationalisms and the Clash of Purposes in a Post-Unipolar World', *International Politics*, Volume 50, Number 1, 2013, p. 88.

anti-terrorism. It has, in this respect, provided material and personal training to central Asian countries⁵⁴ and hosted a SCO anti-terror military drill in 2014.⁵⁵ Nevertheless, China's foreign policy agenda on international terrorism remains directly related to its domestic anti-terrorism agenda and is therefore closely **intertwined with anti-separatism policies**. Since the riots of July 2009, inter-ethnic violence in Xinjiang and the inherent threat to its territorial unity have strongly influenced China's activism in the fight against terrorism. Recently, China re-affirmed its support for 'a zero-tolerance attitude in the face of terrorism, separatism and extremism'.⁵⁶ Framing its policies in Xinjiang under the label of the global war against terrorism has enabled Beijing to counter any external attempts to scrutinise Beijing's actions in the region.⁵⁷

Implications for the EU

The EU Counter-Terrorism Strategy identifies democracy promotion, good governance and dialogue as key instruments to fight against the root causes of terrorism.⁵⁸ China's fight against terrorism in Central Asia in the framework of the SCO may challenge these objectives. More particularly, China's framing of its Xinjiang policies according to the global fight against terrorism may challenge the EU's promotion of minority rights within China.

2.4.2 Non-Proliferation of Weapons of Mass Destruction and the Trade of Small Arms and Light Weapons

China is also a staunch supporter of international action on non-proliferation of weapons of mass destruction (WMD). It supported the quasi-legislative UNSC Resolution 1540 on this subject.⁵⁹ The Chinese Ambassador stated at that occasion: 'The adoption of the resolution on non-proliferation is of positive significance in deepening the international community's common understanding of the issue and in enhancing the international non-proliferation process'.⁶⁰ More recently, China has also been praised for the 'very constructive' role it played at the 2014 Nuclear Security Summit in The Hague.⁶¹ While China regularly advocates in favour of nuclear-weapon-free zones, more particularly in the Middle East and in South East Asia, it also remains the **sole nuclear power who has unilaterally committed not to use or threaten to use its nuclear power** against non-nuclear states or nuclear-weapon-free zones.⁶² Despite China's rhetoric and positive role in recent multilateral initiatives against proliferation of WMD,

⁵⁴ W. Song, 'Interests, Power and China's Difficult Game in the Shanghai Cooperation Organization (SCO)', *Journal of Contemporary China*, Volume 28, Number 2, 2013, p. 95.

⁵⁵ Xinhua News Agency, 'SCO Anti-terror drill kicks off in China', 25 August 2014, available at http://www.china.org.cn/china/2014-08/25/content_33327838.htm (accessed: 15 June 2015).

⁵⁶ Permanent Mission of the People's Republic of China to the UN, 'Statement by Ambassador Wang Min at the Security Council Briefing by Chairmen of Subsidiary Bodies of the Security Council', Press Release, 28 May 2014, available at <http://www.china-un.org/eng/chinaandun/securitycouncil/t1168824.htm> (accessed: 15 June 2015).

⁵⁷ B. Chou., 'The Change of China's Rule in Xinjiang Since the Early 1980s: Guest Editor's Introduction', *Chinese Law and Government*, Volume 45, Number 3, June 2012, p. 6.

⁵⁸ European Commission, Communication from the Commission to the European Parliament and the Council, 'The EU Counter-Terrorism Policy: Main Achievements and Future Challenges', 20 July 2010, COM(2010) 386.

⁵⁹ UNSC Resolution 1540 of 28 April 2004.

⁶⁰ Wang Guangya, in UNSC, Summary of the Debates, 28 April 2004, S/PV.4956.

⁶¹ X. Mu, 'Xi's Speech at Nuclear Security Summit Well-Received in International Community', *Xinhua News Agency*, 27 March 2014, available at http://news.xinhuanet.com/english/china/2014-03/27/c_126320776.htm (accessed: 15 June 2015).

⁶² Permanent Mission of the People's Republic of China to the UN, 'Statement by Chinese Delegation at the Third Session of the Preparatory Committee for the 2015 NPT Review Conference on the Issue of Non-proliferation of Nuclear Weapons, Nuclear-Weapon-Free Zones and the Nuclear Issues in the Middle East', Press Release, 1 May 2014, available at http://www.china-un.org/eng/chinaandun/disarmament_armscontrol/npt/t1153146.htm (accessed: 15 June 2015).

the implementation of proliferation control by China remains controversial, for instance, in light of China's role in Pakistan's nuclear programme.

China likewise portrays itself as supportive of regional and global initiatives against the trade of **Small Arms and Light Weapons** (SALW) through its actions in the UN, the Association of Southeast Asian Nations (ASEAN) and the SCO.⁶³ Nevertheless, the lack of transparency in its export licensing regime still affects its record in terms of implementation and enforcement of international rules in the field of arms trade.⁶⁴ Moreover, China's attitude vis-à-vis the Arms Trade Treaty has been ambivalent throughout the negotiation process, and in the final vote for the treaty's adoption in the UN General Assembly China abstained.⁶⁵

Implications for the EU

In agreement with its Code of Conduct on Arms Exports⁶⁶ and the Common Position on Arms Export Control,⁶⁷ the EU aims to prevent the export of arms and technologies that might be detrimental to regional and international security. China's opaque decision-making process and ambivalent compliance system mechanisms challenge the efficiency of multilateral initiatives against proliferation of WMD and trade of SALW.

2.4.3 Sanctions

China **'has always advocated caution'**⁶⁸ on the imposition of sanctions in case of breaches of international obligations. China's perspective on sanctions is guided by the idea that 'sanctions can never resolve the issue fundamentally. It can only serve as a means to promote reconciliation and negotiations'.⁶⁹ Being still constrained by an ongoing arms embargo imposed by the U.S. and EU, China is even more **reluctant to use arms embargoes as a sanction instrument**. It vetoed a draft UNSC Resolution that called for 'vigilance and restraint over the direct or indirect supply, sale or transfer to Syria of arms and related materiel of all types (...)'.⁷⁰

Despite its cautious approach on sanctions, China has increasingly proven to be **open towards sanctions against North Korea and Iran** when the policies of these two states allegedly challenged the international nuclear status quo. On the one hand, China has supported targeted sanctions focusing on the nuclear technology sector in Iran since 2006.⁷¹ Although the EU was still Iran's main trading partner in 2013, China's share of Iranian trade has been growing, particularly in the energy sector.⁷² China's interest

⁶³ M. Bromley, M. Duchâtel and P. Holtom, 'China's Exports of Small Arms and Light Weapons', *SIPRI Policy Paper*, Number 38, 2013, pp. 15-17.

⁶⁴ M. Bromley, M. Duchâtel and P. Holtom, 'China's Exports of Small Arms and Light Weapons', pp. 54-56.

⁶⁵ See M. Bromley, 'China's Arms Trade Treaty Diplomacy', *Paper presented at the SIPRI Conference*, Stockholm, 18-19 April 2013, pp. 1-5, available at <http://books.sipri.org/files/misc/SIPRI-Hu%20Bromley.PDF> (accessed: 15 June 2015).

⁶⁶ The Council of the European Union, 'European Union Code of Conduct on Arms Exports', 5 June 1998, 8675/2/98.

⁶⁷ The Council of the European Union, Council Common Position, 'Defining Common Rules Governing Control of Exports of Military Technology and Equipment', 8 December 2008, 008/944/CFSP.

⁶⁸ Li Junhua, in UNSC Open Debate 'Strengthening International Law: Rule of law and Maintenance of International Peace and Security', 5474th Meeting of the UNSC, 22 June 2006, S/PRST/2006/28.

⁶⁹ Permanent Mission of the People's Republic of China to the UN, 'Explanation of Vote by China at the Security Council after Taking Vote on Draft Resolution on Sanctions against Iran', Statement by Ambassador Wang Guangya, 3 March 2008, available at <http://www.fmprc.gov.cn/ce/ceun/eng/gywm/hyxx/zyhdzys/t411665.htm> (accessed: 15 June 2015).

⁷⁰ UNSC Draft Resolution S/2011/612 of 4 October 2011, para. 9.

⁷¹ C. Portela, 'European and Chinese Perspectives on the Iranian Nuclear Question', in J. Wouters, J. C. Defraigne and M. Burnay (eds.), *China, the European Union and the Developing World: A Triangular Relationship*, Edward Elgar Publishing, 2015, pp. 336-339.

⁷² K. Fachqoul and J. C. Defraigne, 'European and Chinese Interests in the MENA Region', in J. Wouters, J. C. Defraigne and M. Burnay (eds.), *China, the European Union and the Developing World: A Triangular Relationship*, p. 258.

in a closer economic and political partnership with Iran has led it to voice some of Iran's main concerns during the various rounds of diplomatic negotiations of the P5+1 group of countries. Using the threat to oppose its veto to UNSC resolutions, China has been able to gain major concessions from the U.S. and the EU.⁷³ It remains to be seen how China will deal with this partnership in the aftermath of the Framework Agreement on Iran Nuclear Programme that was adopted by the U.S., France, the UK, the EU, Russia, China and Iran on 2 April 2015.

On the other hand, China's perspective on sanctions targeting North Korea has always been dictated or at the very least influenced by Beijing's search for the **maintenance of the status quo on the Korean peninsula** (see *infra*). While North Korea remains a useful buffer zone for Beijing, the latter has nevertheless recently expressed its growing discontent vis-à-vis the unpredictable and disrupting policies of Pyongyang. In this respect, China reacted very strongly against the most recent nuclear test undertaken by North Korea in 2013. In addition to calling the North Korean Ambassador to complain about this test, China imposed new trade sanctions and reduced the energy supplies provided to Pyongyang.⁷⁴ China has, along this line, supported UNSC Resolution 2087 (2013) condemning the launch of a ballistic missile⁷⁵ and UNSC Resolution 2094 (2013), which condemned the most recent nuclear test and imposed targeted sanctions against some North Korean entities and individuals.⁷⁶ Nevertheless, China remains in favour of a negotiated solution with North Korea and advocates for the revival of the Six Party Talks. China's North Korea policy can be explained by its search for a good balance between acting as a 'socialist power' that holds strong historical and ideological ties with North Korea and a 'responsible power' which contributes to international peace and security.⁷⁷

Policy Implications for the EU

As part of its Common Foreign and Security Policy (CFSP), the EU imposes sanctions against third countries in order to achieve its external action objectives. China's reluctant support to sanctions has an impact on the EU's ability to achieve a consensus on international sanctions in the framework of the UNSC. It also affects the EU's trade relationship with countries under a sanctions regime, as exemplified by the case of Iran, where China has successfully increased its share of Iranian trade to the detriment of EU companies following the imposition of sanctions.

2.4.4 Syria

China's assertiveness in global governance is particularly well exemplified by its uncompromising views on the conflict in Syria. To the great disappointment and concern of a part of the international community, China has blocked – together with Russia - four draft resolutions on the situation in Syria.⁷⁸ With these four double vetoes, the international community has proved itself unable to speak with one

⁷³ K. Fachgoul and J. C. Defraigne, 'European and Chinese Interests in the MENA Region', p. 258.

⁷⁴ B. Xu, and J. Bajoria, 'The China-North Korea Relationship', Council on Foreign Relations, CFR Backgrounders, Update August 2014, available at <http://www.cfr.org/china/china-north-korea-relationship/p11097> (accessed: 15 June 2015).

⁷⁵ UNSC Resolution 2087 of 22 January 2013.

⁷⁶ UNSC Resolution 2094 of 7 March 2013.

⁷⁷ N. Noesselt, 'China's Contradictory Role(s) in World Politics: Decrypting China's North Korea Strategy', *Third World Quarterly*, Volume 35, Number 7, 2014, pp. 1318-1319.

⁷⁸ UNSC Draft Resolution S/2011/612 of 4 October 2011; UNSC Draft Resolution S/2012/77 of 4 February 2012; UNSC Draft Resolution S/2012/538 of 19 July 2012 and UNSC Draft Resolution S/2014/348 of 22 May 2014.

voice against a crisis that the European Parliament has portrayed as a 'humanitarian catastrophe of an unprecedented scale since World War II'.⁷⁹

China's vetoes on Syria can only be understood in light of the actions of the international community during the 2011 **Libya crisis**. In February-March 2011 strong UNSC Resolutions were adopted responding to the violence and large-scale human rights violations in Libya. To the astonishment of many, China proved itself flexible on the ideas of intervention and sovereignty when it voted in favour of Resolution 1970 (2011) – a resolution that imposed sanctions and referred the situation in Libya to the International Criminal Court (ICC)– and when it abstained on Resolution 1973 (2011) – which authorised UN Member States 'to take all necessary measures ... to protect civilians and civilian populated areas under threat of attack in the Libyan Arab Jamhoriya, including Benghazi'.⁸⁰ In what constituted a real 'wake-up call for Beijing'⁸¹, China even went beyond the UNSC resolutions and organised the rescue of 30.000 Chinese workers in Libya. The intervention showed China's readiness to project its power and protect the interests of its citizens when their hosting state fails to do so.

China's flexibility on the UNSC Libya resolutions nevertheless did not signify a major and definitive shift in its foreign policy. Beijing quickly expressed its strong discontent and opposition to the interpretation and implementation of Resolution 1973. As one author put it, **North Atlantic Treaty Organization's (NATO)** intervention in Libya departed 'far from the spirit of Resolution 1973, and of the UN Charter itself'.⁸² It is in this context of **increased distrust among Members of the Security Council** that China's four vetoes on Syria must be understood. In contrast with its reluctance to support resolutions that challenge the power of the Syrian government, China has been **supportive of UNSC Resolutions that directly target the Islamic State in the Levant (ISIS) or the Nusra Front**. China's support is justified by its own experience of terrorism and its readiness to actively participate in international counter-terrorism cooperation.⁸³

Implications for the EU

EU Member States were among the drafters of the four draft resolutions on Syria that were blocked by China and Russia. China's vetoes on Syria have a clear impact on the EU's policy towards this major international crisis. In addition, the increased distrust among Members of the UNSC following the intervention of Libya has a significant impact on the EU's – more particularly France's and the UK's - ability to deal with regional and international crises in the context of the UNSC.

⁷⁹ European Parliament, 'European Parliament Resolution on the Humanitarian Crisis in Iraq and Syria, in Particular in the IS Context', Resolution, B8-0139/2015, 2015/2559(RSP), Brussels, 9 February 2015, available at <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+MOTION+B8-2015-0139+0+DOC+XML+V0//EN> (accessed: 15 June 2015).

⁸⁰ UNSC Resolution 1973 of 17 March 2011.

⁸¹ S.H. Zerba, 'China's Libya Evacuation Operation: a New Diplomatic Imperative—Overseas Citizen Protection', *Journal of Contemporary China*, Volume 23, Number 90, 2014, p. 1112.

⁸² E. A. Posner, 'Outside the Law: From Flawed Beginning to Bloody End, the NATO Intervention in Libya Made a Mockery of International Law', *Argument, Foreign Policy*, 25 October 2011, available at <http://foreignpolicy.com/2011/10/25/outside-the-law/> (accessed: 15 June 2015).

⁸³ Permanent Mission of the People's Republic of China to the UN, 'Explanatory Remarks by Ambassador Liu Jieyi after Security Council Voting on Draft Resolution on Combating the Islamic State in Iraq and the Levant', Press Release, with regard to UNSC Resolution 2170, 15 August 2014, available at <http://www.china-un.org/eng/chinaandun/securitycouncil/t1186615.htm> (accessed: 15 June 2015).

3 China's Growing Assertiveness in Asia: Territorial Disputes, North Korea, Southeast Asia and South Asia

China's growing assertiveness is probably best exemplified by its policies in its close neighbouring areas. Its Asia policy remains a priority in order to secure trade interests, transportation of energy resources as well as territorial security. In a search for securing its position in Asia, China has become increasingly vocal to defend its territorial interests in the East and South China Seas, to confront its historical rival Japan, to contain the unreliable policy of North Korea, to balance the Indian influence in South Asia and to secure its soft power by increasing its interdependence with ASEAN countries.

3.1 Territorial Disputes

3.1.1 Senkaku/Diaoyu Islands Dispute

The Senkaku (according to the Japanese designation) / Diaoyu (according to the Chinese designation) Islands dispute refers to **territorial controversy over a group of five uninhabited islands and three barren rocks** located in the East China Sea and ranging in size from 800 m² to 4.32 km². The Japanese, considering that the Islands were *terra nullius* after they conducted a survey in the late 19th century, incorporated them under the administration of the Okinawa Prefecture in 1895. The PRC and Republic of China (ROC) claimed⁸⁴ the **Diaoyu Islands** for the first time in 1971 after a survey conducted by the UN Economic Commission for Asia and the Far East (ECAFE) discovered in 1968 possible oil reserves in the area.⁸⁵ The situation has become particularly tense since the beginning of the 21st century with China's affirming its regional power prerogatives. Several naval encounters have occurred due to the presence of Chinese or Taiwanese fishing vessels in disputed sea zones near the islands.⁸⁶

In April 2014 U.S. President Barack Obama indicated during a joint press conference with Japanese Prime Minister Shinzo Abe that the Senkaku Islands were covered by the **U.S.-Japan Treaty of Mutual Cooperation and Security**. Whilst the U.S. stance is not new - senior officials of the Clinton and Bush administrations had already made similar statements - this confirmation is nonetheless symbolic in several ways. Firstly, it was a statement by the U.S. President himself during a visit to Japan. Secondly, it took place while the U.S. has clearly expressed its intention to shift its foreign policy toward the Asia-Pacific regions. Thirdly, this statement preceded the Japanese Cabinet decision (July 2014) which established a new doctrine aimed at dispatching the Japanese Self-Defense Forces for the purpose of collective self-defense, a shift which is reflected in the Japan-U.S. Guidelines (amended in April 2015) that lay down measures for military cooperation between the two countries.⁸⁷

⁸⁴ Today the PRC argues that the Ming (1368-1644) and Qing (1644-1912) Dynasties exercised sovereignty over the Diaoyu and officially included them in maps. It considers that these islands were part of the 'stolen' territories mentioned in the Cairo Declaration (1943) that should be restored to China. See Ministry of Foreign Affairs of the People's Republic of China, 'The Owner and the Thief', Press Release, 22 October 2012, available at http://www.fmprc.gov.cn/mfa_eng/topics_665678/diaodao_665718/t981211.shtml (accessed: 15 June 2015).

⁸⁵ The Japanese diplomatic archives show that during a meeting with the Japanese Prime Minister Tanaka Kakuei in September 1972, Chinese Premier Zhou Enlai said that the Islands became an issue only because of the oil that was found there. R., Hattori, *Nitchū kokkō seijōka (The Sino-Japanese Diplomatic Normalization)*, Chūō kōron shinsha, Tokyo, 2011, p. 168. In fact, prior to the survey, several Chinese official documents, maps and newspapers issued after 1945 refer to the Islands by their Japanese names and some of these documents even recognize the Senkaku as part of Japanese territory.

⁸⁶ For instance, in September 2010 a Chinese fishing trawler collided with two Japanese Coast Guard patrol vessels in disputed waters near the Islands. The Chinese captain was arrested but released a few days later.

⁸⁷ Guidelines for Japan-U.S. Defense Cooperation, amended April 2015, available at http://www.us.emb-japan.go.jp/english/html/Guidelines_for_Japan_US_Defense_Cooperation.pdf.

This strengthening of Japan-U.S. military cooperation is a response to **China's maritime expansion in the East China Sea**. At the same time, it fosters the perception in Beijing that the U.S. and its Japanese allies are trying to implement a containment strategy. In this context of tensions, the Senkaku/Diaoyu Islands are vital for China for three main reasons, which explains its intransigence on this issue. First, the claim on the islands is connected to one of the most important axes of its foreign policy, namely **China's territorial integrity**. Giving up these islands might create a precedent and destabilize Beijing in its struggle for other territorial claims (Taiwan and Tibet initially, but also the Spratly and Paracel Islands in the South China Sea). The second factor is linked with the access to **fishing grounds and hydrocarbon resources** that sovereignty over these islands would entail. Hydrocarbon resources are particularly crucial to support the economic growth of China, which is now the second largest oil consumer in the world. Finally, the issue of the Senkaku/Diaoyu Islands overlaps with other themes, particularly historical controversies, which nurture a **nationalistic and fundamentally anti-Japanese discourse**. A concrete example of this discourse could be observed during the protests in April 2005 against Japanese interests in China (private companies as well as diplomatic and consular missions) during which slogans were chanted, mingling the claim on the Islands with protests against the pilgrimage of Japanese politicians to the Yasukuni Shrine⁸⁸ or against Japan's aspiration to become a Permanent Member of the UNSC. This nationalistic discourse is double-edged: while the Chinese authorities can usefully exploit it to rally the people around a common enemy, they may become outflanked themselves if too many concessions are made regarding this issue.⁸⁹

3.1.2 South China Sea

The South China Sea (SCS) has become another hot spot of China's sovereignty claims and maritime power expansion. From a rather passive stance, China is now **claiming or re-claiming sovereignty over islands and exclusive control over maritime zones** that are also vindicated by other states in the region. Beyond the territorial disputes, the SCS also presents **China as a growing naval power**. As President Hu Jintao stated: '[China] is a maritime power, when it comes to the defence of national sovereignty and security, or to the preservation of national maritime rights and interests, the role of the Navy is crucial, and its missions are glorious'.⁹⁰ In a context where China has increasingly focused on the quality of its naval forces, its activism in the SCS testifies of the progressive development of a military capacity to protect its direct security interests in the neighbouring seas as well as to project its naval power far beyond its own borders.

The importance of the SCS on China's foreign policy agenda should not appear as a surprise. It has always been a very important zone for trade and fisheries as well as a guarantor of China's security. With this in mind, China is now set on developing 'the **21st Century Maritime Silk Road**', i.e. a trade route that originates in the Indian Ocean and terminates its long route through the SCS. This new Maritime Silk Road aims to enhance China's presence and influence on major trade routes through 'a complex strategy that emphasizes both offensive and defensive capabilities'.⁹¹ Beyond the rhetoric on 'the 21st Century Maritime Silk Road', China's interest in the SCS is reinforced by its **constant search for energy resources** and their **transport through maritime routes** under China's control, but also by its **quest for security in**

⁸⁸ Since 1978, this Shinto shrine worships the souls of several Class A war criminals.

⁸⁹ It is interesting to see that the Chinese authorities intervened several days after the protests began in order to prevent the movement from becoming bigger. See K. Mōri, *Nitchū kankei, The Sino-Japanese Relations*, Iwanami Shoten, 2006, pp. 186-193.

⁹⁰ Hu Jintao, quoted in Y. H. Lim, *China's Naval Power: An Offensive Realist Approach*, Ashgate Publishing Ltd, 2014, p. 2.

⁹¹ J. Dixon, 'From 'Pearls' to 'Arrows': Rethinking the 'String of Pearls' Theory of China's Naval Ambitions', *Comparative Strategy*, Volume 33, Number 4, 2014, p. 390.

its close neighbourhood. While the clear link that is now established by China between its trade and security concerns takes away the risk for a high intensity conflict in the SCS, it will not impede significant tensions and encounters with military forces from the neighbouring countries.⁹²

The disputes in the SCS relate primarily to the control of two groups of islands whose control has strong implications from an economic and security point of view. The Spratly Islands – also known as the Nansha Islands – is a group of more than 750 reefs, islets, atolls, cays and islands. China's sovereignty claims here compete with those of Taiwan and Vietnam for the entirety of the area as well as those of the Philippines, Malaysia, and Brunei Darussalam for part of it. The Paracel Islands – also known as the Xisha Islands – are a group of 130 reefs, islets, atolls, cays and islands that have been under exclusive control of the PRC since 1974. Vietnam has never abandoned its claims over it.

Despite a 2002 Declaration of Conduct that signified the willingness of ASEAN countries and China to create the conditions for 'a peaceful and durable solution' in the SCS,⁹³ China's strong interests in the area coupled with a growing confidence in its own power and an unleashed nationalism have led China to undertake actions that are strongly intimidating and therefore very controversial and suspicious from the perspective of China's neighbours. These actions include the conduct of numerous **naval exercises in the region**, including the first ever deployment of China's aircraft carrier to support its maritime claims; the **extensive use of oil drilling platforms** not far from the coasts of Vietnam; the **erection of man-made structures** on a number of reefs to signify China's long-term plans in the area; and the **imposition of economic sanctions** such as a fishing ban on Vietnam in 2013 and the termination of banana imports from the Philippines. The suspicion and controversies engendered by these actions are furthermore reinforced by the considerable lack of transparency in China's decision-making process.

The overall Chinese claims over the area are based on the historical argument of the nine-dash line that is the demarcation of China's sovereign rights in the South China Sea.⁹⁴ The nine-dash line would therefore signify that 'China has indisputable sovereignty over the islands in the SCS and the adjacent waters, and enjoys sovereign rights and jurisdiction over the relevant waters as well as the seabed and subsoil thereof'.⁹⁵

These disputes have an obvious **impact on China's relationships with its direct neighbours** in Southeast Asia as well as on the overall stability and balance of powers in the region. Being aware of the negative effect of the SCS disputes on its soft power offensive in Southeast Asia, China is trying to **exclude discussions of these disputes from regional fora**.⁹⁶ The purpose is to avoid the emergence of an anti-China alliance among countries that feel threatened by China's sovereignty claims. China has also interestingly **opposed any attempt to refer to the UN Convention on the Law of the Sea (UNCLOS)**. It has also recently rejected the jurisdiction of the ITLOS following the Philippines' initiative to request the establishment of arbitral proceedings under Annex VII of UNCLOS. China justifies its opposition to the jurisdiction of ITLOS and to the applicability of UNCLOS by arguing that the dispute with the Philippines

⁹² A. S. Erickson, 'Rising Tide, Dispersing Waves: Opportunities and Challenges for Chinese Seapower Development', *Journal of Strategic Studies*, Volume 37, Number 3, 2014, p. 388.

⁹³ 8th ASEAN Summit, 'Declaration of Conduct of Parties in the South China Sea between the Member States of ASEAN and the People's Republic of China', 4 November 2002, Phnom Penh, the Kingdom of Cambodia.

⁹⁴ Z. Gao, and B. Jia, 'The Nine-Dash Line in the South China Sea: History, Status, and Implications', *American Journal of International Law*, Volume 107, Number 1, 2013, p. 109.

⁹⁵ Permanent Mission of the People's Republic of China to the UN, Note Verbale, CML/17/2009, 7 May 2009, available at http://www.un.org/Depts/los/clcs_new/submissions_files/mysvnm33_09/chn_2009re_mys_vnm_e.pdf (accessed: 15 June 2015).

⁹⁶ M. Yahuda, 'China's New Assertiveness in the South China Sea', *Journal of Contemporary China*, Volume 22, Number 81, 2013, p. 456.

relates to territorial sovereignty and should be dealt with through bilateral negotiations, as foreseen in the 2002 Declaration of Conduct.⁹⁷ China's enhanced maritime power and maritime activities in the SCS have also engendered strong reactions from the U.S. In reaction to China's growing assertiveness, the Obama administration has clearly expressed its interest in the SCS and reinforced its ties with the countries in the region.⁹⁸ In this spirit, the U.S. has recently promised Vietnam a \$18 million budget to strengthen its coast guard capacities.⁹⁹ In addition, the U.S. has started to reflect upon a further deployment of its Navy in the South China Sea to guarantee maritime freedom in this area, which is one of the busiest routes for commercial shipping.¹⁰⁰

Implications for the EU

The Joint Communication to the European Parliament and the Council 'For an Open and Secure Global Maritime Domain: Elements for a European Union Maritime Security Strategy'¹⁰¹ emphasises the EU's interest in 'open, safe seas and oceans for free trade, transport, tourism, ecological diversity, and for economic development'. China's growing assertiveness in the East and South China Sea has an important impact on the EU's political commitment to freedom of navigation and the EU's trade interests in Asia as the two seas constitute major routes for international trade. In addition, the EU's close political ties with Japan and Vietnam – that currently acts as ASEAN coordinator for relations with the EU – might require the EU to clarify its position regarding these sovereignty claims.

3.2 China and North Korea

Since the collapse of the Soviet Union, **China has become both the main political supporter and the first provider of economic aid to North Korea.** Its influence is still important, but its leverage on the North Korean regime is limited, partly because of the need for Beijing to ensure the stability of the Korean Peninsula. A key priority of the PRC's foreign policy is the stability of its regional environment, as a prerequisite for its own stability. In doing so, China aims at **maintaining the status quo in North Korea**, as long as it does not constitute a threat to regional stability, while attempting to **encourage reforms** likely to change the regime in a way that would be favourable to China.¹⁰²

A collapse of the North Korean regime would entail substantial damage for at least two reasons. First, Beijing fears a massive rush of North Koreans to its borders, which would represent a threat to public order. For this reason, China reserves **the right to expel North Korean defectors** – who are not recognised by Beijing as refugees – in accordance with bilateral agreements concluded with North

⁹⁷ See W. Muller, 'China's Missed Opportunity in South China Sea Arbitration', Experts Comments, Chatham House, 2015, available at <http://www.chathamhouse.org/expert/comment/17237> (accessed: 15 June 2015).

⁹⁸ L. Buszynski, 'The South China Sea: Oil, Maritime Claims, and U.S.—China Strategic Rivalry', *The Washington Quarterly*, Volume 35, Number 2, 2012, p. 148.

⁹⁹ U.S. Department of State, 'Carter: U.S., Vietnam Committed to Defense Relationship', 2 June 2015, available at <http://www.defense.gov/news/newsarticle.aspx?id=128955> (accessed: 15 June 2015).

¹⁰⁰ D. Gates, 'Protecting Freedom of Navigation in the South China Sea', *The Diplomat*, 28 May 2015, available at <http://thediplomat.com/2015/05/protecting-freedom-of-navigation-in-the-south-china-sea/> (accessed: 15 June 2015).

¹⁰¹ European Commission and High Representative of the European Union for Foreign Affairs and Security Policy, Joint Communication to the European Parliament and Council, 'For an Open and Secure Global Maritime Domain: Elements for a European Union Maritime Security Strategy', 6 March 2014, JOIN(2014) 9.

¹⁰² Accordingly, China has served as a model for economic reforms, e.g. in the Joint Venture Law adopted in 1984 for the promotion of foreign investment, which in many aspects was similar to the Equity Joint Venture Law adopted by Beijing in 1979. H. Imamura, *Kitachōsen 'kyōkō no keizai (North Korea's Fictitious Economy)*, Tōkyō, Shūeisha, 2005, pp. 77-81.

Korea.¹⁰³ Second, the **fall of the regime would mean the loss of a buffer state** and could lead to the reunification of the Korean peninsula under adverse conditions for Beijing. One of the worst (but plausible) scenarios for China would be the birth of a new – and not necessarily communist – unified Korean state, which continues hosting U.S. military bases as South Korea maintains today.

Interestingly, China has proven to become increasingly impatient and vocal against the policy of the new North Korean leader Kim Jong-un, more particularly in the aftermath of the 2013 nuclear test (supra). In this respect, the fact that no meeting between Xi Jinping and the new North Korean leader Kim Jong-un has taken place since their respective assumption of office, the China visit by South Korean President Park Geun-hye (June 2013) and the return visit by the Chinese President to Seoul (July 2014) may indicate both a Chinese-South Korean rapprochement and a deterioration in the relations between Beijing and Pyongyang. However, the change of leaderships in North Korea and China will probably have no fundamental impact on China's North Korea policy. This is due to the power structure in China, where a change in leadership is rarely followed by a break in the country's foreign policy and, secondly, because the need for regional stability appears as an invariable of Chinese foreign policy.

Implications for the EU

The EU has a diplomatic relationship with North Korea and has imposed autonomous measures against North Korea in addition to UN sanctions. China's reluctance to have the situation in North Korea added to the agenda of the UNSC for concerns that go beyond proliferation of WMD clearly impedes the ability of the EU to influence the overall political situation in North Korea, more particularly in the field of human rights. China's growing discontent with North Korea's policies might nevertheless create new avenues for cooperation and for a greater involvement of the EU in Northeast Asia security issues.

3.3 China and Southeast Asia

The relationship between China and Southeast Asia should be approached from both the perspectives of China's relationship with ASEAN – which functions as the main regional institution in the area – as well as China's relationship with the states in the region.

For a region that has always been commented upon for its 'under-institutionalisation', it is remarkable to see how many initiatives have been advanced recently.¹⁰⁴ Generally speaking, China has been very **supportive of the integration process within ASEAN**. As a testimonial of China's faith in the relevance of ASEAN, the ACFTA (ASEAN-China Free Trade Area) was established in 2010. The ACFTA has acted as a major driver for trade and has increasingly integrated the two trade blocs.¹⁰⁵ In the words of Zhang Yunling, 'For [the PRC], ACFTA is more than just a trade agreement. It helps to provide a comprehensive framework for cooperation between [the PRC] and the ASEAN countries. [The PRC] is now the largest market for ASEAN exports, but relations go well beyond trade to include infrastructure, connectivity and capacity building for human development'.¹⁰⁶ China is nevertheless not the only influential external actor in the region, as **Japan and the U.S. remain the main sources of Foreign Direct Investment (FDI)** and

¹⁰³ In particular a Sino-North Korean Agreement on mutual extradition of criminals and deserters (concluded in the 1960's), a Cooperation Protocol in the field of maintaining social order and state security in border areas (1986), the Regulation on the control of border areas in Jilin province (in force in 1998) and the Treaty of judicial assistance in civil and criminal matters (2003).

¹⁰⁴ M. Beeson, 'Asymmetrical Regionalism: China, Southeast Asia and Uneven Development', *East Asia*, Number 327, 2010, p. 330.

¹⁰⁵ Y. Sheng, H. C. Tang and X. Xu, 'The Impact of the ACFTA on ASEAN-PRC Trade: Estimates Based on an Extended Gravity Model for Component Trade', *Applied Economics*, Volume 46, Number 19, 2014, p. 2251.

¹⁰⁶ Zhang Yunling as quoted in G. Chin, 'Asian Regionalism After the Global Financial Crisis', in G. Capannelli and M. Kawai (eds.), *The Political Economy of Asian Regionalism*, Springer VS, 2014, pp. 39-58.

entertain more stable and established relations with Southeast Asian countries. Despite the still relatively low capital inflows, investments from China have become critical for some less developed ASEAN Members such as Cambodia, Laos and Myanmar.¹⁰⁷ A more recent trend also pictures Chinese companies that have started to delocalise their activities to Southeast Asia, more particularly Vietnam and Cambodia. This development indicates that Chinese labour-intensive companies might have growing incentives to move their activities to Southeast Asia with the progressive increase of labour costs in China.

The **growing interdependence between China and ASEAN** is likely to create frictions as some ASEAN Members hardly have a comparative economic advantage with China and some others are likely to compete for similar investments and market shares. The recent shift in U.S. foreign policy has further strengthened the U.S.' influence in the region and its partnership with countries such as Vietnam, and has *de facto* decreased the perception of China's rise as a threat. The growing U.S. interests in the region are nevertheless negatively perceived by China, which sees them as a threat to its own security, energy security and as contributing to a weakening of its regional influence.¹⁰⁸

The relationship between China and ASEAN Members has recently been influenced to an important extent by the territorial disputes in the SCS. The growing Chinese assertiveness regarding its territorial claims as well as initiatives for a New Maritime Silk Road make countries in the region question Beijing's intentions. Conscious of the necessity to shape its image, **China has extensively tried to strengthen its soft power in the region**, *inter alia* through the establishment of numerous Confucius Institutes and by relying on the large Chinese diaspora. While it is difficult to make an assessment of the actual impact of China's public diplomacy in the region, it is important to note that the perception of China's influence in Southeast Asia remains much more positive than in Northeast Asia.¹⁰⁹

At the bilateral level, it is important to highlight how the **recent political changes in Myanmar** – further exemplified by the recent 2015 by-election – have influenced China's policy vis-à-vis its direct neighbour. Myanmar has always been an important geopolitical partner for China and draws its attractiveness from its large natural resource reserves. The close relationship between China and the military junta is best exemplified by China's use of its veto right against a UNSC draft Resolution that condemned the human rights violations in Myanmar in 2007.¹¹⁰ At that occasion, China was simply opposed to the inclusion of Myanmar on the UNSC agenda and to any UNSC resolution on the situation in the country.¹¹¹ While China does not directly support the current democratisation of Myanmar, President Xi Jinping recently emphasized that 'China supports Myanmar to take the direction that fits its own reality'.¹¹² China is therefore **neither a driver nor an obstacle to political reforms in Myanmar**. Its primary objective remains the stability of Myanmar and the avoidance of any negative spill-over effects on its neighbouring Yunnan Province. In a context where China is still portrayed as an important 'source, transit and destination country'¹¹³ of **human trafficking**, some recent initiatives have been taken to strengthen the

¹⁰⁷ A. D. Ba, 'Is China Leading? China, Southeast Asia and East Asian Integration', *Political Science*, Volume 66, Number 2, 2014, p. 157.

¹⁰⁸ B. Zhang, 'Chinese Perceptions of US Return to Southeast Asia and the Prospect of China's Peaceful Rise', *Journal of Contemporary China*, Volume 24, Number 91, 2015, p. 184f.

¹⁰⁹ Y.H. Chu, K. Liu and M.H. Huang, 'How East Asians View the Rise of China', *Journal of Contemporary China*, Volume 24, Number 93, 2015, p. 408.

¹¹⁰ Draft Resolution S/2007/14 of 12/01/2007.

¹¹¹ UNSC, 5619th meeting, 12 January 2007, S/PV.5619.

¹¹² Xi Jinping, as quoted in D. Chen and K. Kinzelbach, 'Democracy Promotion and China: Blocker or Bystander?', *Democratization*, Volume 22, Number 3, April 2015, p. 5.

¹¹³ US Department of State, '2013 Trafficking in Persons Report', 2013, available at <http://www.state.gov/j/tip/rls/tiprpt/2013/index.htm> (accessed: 15 June 2015).

cooperation with Southeast Asian countries in the fight against human trafficking. This cooperation includes the establishment of liaison offices at the border between China and Myanmar.

Implications for the EU

The EU has always been supportive of the regional integration process within the ASEAN. It is in this spirit that the EU and ASEAN agreed to upgrade their relationship to the level of a Strategic Partnership in 2014. The EU nevertheless remains a secondary actor in Southeast Asia when compared with China, Japan and the U.S. Growing trade frictions along with China's growing assertiveness in the region might nevertheless create new possibilities for the EU to increase its economic and political influence in the region. The EU therefore needs to define its priorities in its bilateral relationship with ASEAN Members and with regard to its engagement with regional integration in Southeast Asia.

3.4 China and South Asia

In South Asia, China's policies have been primarily aimed at **maintaining a status quo**. Chinese influence was primarily mediated through its long-time friend and all-weather ally, Pakistan. This alliance has been central to and continues to provide China with a footing in the South Asian balance of power, and a decisive counter-balance to the region's giant, India. Relations between the two Asian powers have been and continue to be fraught with uncertainty and suspicion, although efforts have certainly paid off to improve lines of communication and enhance cooperation. Especially **in the area of trade, engagement between India and China has increased greatly** (albeit with a large, growing and worrying deficit for India). There have been instances of coordination on the international stage, particularly in the framework of the BRICS. However, China's ongoing closeness to Pakistan, memories of the 1962 Sino-Indian War, unresolved border disputes over thousands of square kilometres of land, the open issue of the Dalai Lama (who resides in India since his flight from China in 1959) and the future of his successor, combine to make the Sino-Indian relationship an unpredictable one.

South Asia was not a central battleground during the Cold War. However, an enduring legacy that fundamentally shaped the region's international relations is America's relationship with Pakistan (formalised in 1954) and India's erstwhile commitment to and leadership in the Non Aligned Movement. Pakistan-American relations have waxed and waned over the decades but Indo-U.S. relations have gone through a fundamental recalibration, at first with the Indo-U.S. nuclear deal of 2006 enhancing and legitimating India's nuclear status. After a period of inertia, Indo-U.S. relations received a renewed boost with the election of Prime Minister Narendra Modi, who has actively reaped symbolic impact and material gains with his own U.S. visit in 2014 and President Obama's visit to India in early 2015. Enhancing the Indo-U.S. relationship has been cast as part of the American stated 'pivot to Asia'. This has triggered China to publicise its commitment to and investments in Pakistan (see *infra*) and to openly object to the U.S.' support for India's induction into the Nuclear Suppliers Group. At the same time, there is also evidence that as a result of improving Indo-U.S. relations, China is adjusting its policies towards India, offering greater leeway for talks on the border as well as India's trade deficit with China (see for instance the May 2015 visit and joint statements of Prime Minister Modi in China). The on-going recalibration of Indo-U.S. relations will surely have repercussions for how China views its strategic opportunities and challenges in South Asia.

Three key foreign policy concerns on China's South Asia agenda are examined below, each highlighting dilemmas, constraints, opportunities and the costs at stake in China's bid to extend influence over the South Asian region and maintain pre-eminence over India. The two first central concerns are: the **strategic balance in South Asia** and **terrorism and the spill-over effects of instability and**

fundamentalism. All of them draw attention to the economic, geopolitical and strategic considerations driving and hampering China's efforts to control bilateral relations (Sino-Pakistani and Sino-Indian) and its emerging efforts at multilateralism to enhance stability in the region (for instance through the Shanghai Cooperation Organization since the U.S.' withdrawal from Afghanistan). The third concern, **trade routes and energy interests**, focuses on South Asia as a component in China's new silk roads vision, which aims at rewriting geopolitics in Eurasia.¹¹⁴

3.4.1 China and the Strategic Balance in South Asia

The nuclear balance in South Asia remains one of the most dangerous in the world.¹¹⁵ Three neighbouring countries are in possession of nuclear weapons and second-strike capabilities; India and Pakistan have been to war four times with each other, and India and China once (in 1962). Since the 1970s China has assisted Pakistan's nuclear programme. Most recently, **Pakistan has received funding from China** to add four new nuclear plants by 2023, with four more reactors in the pipeline, an arrangement which circumvents the non-proliferation rules of the Nuclear Suppliers Group. In the past, China has legitimised such projects by arguing that they were already 'grandfathered' under previous agreements.¹¹⁶ The enhancement of nuclear facilities in Pakistan, along with China's own extensive nuclear arsenal, provides the argument for India's efforts at upgrading its nuclear capacities and the need for establishing a nuclear triad consisting of nuclear forces on land, at sea and in the air. China is also a major **supplier of conventional arms** to Pakistan. Recently, a USD 6 billion purchase was approved by a parliamentary committee in Islamabad, allowing Pakistan to buy eight Chinese submarines to counter India's naval dominance in the Indian Ocean. The strategic balance in South Asia is a precarious one, where the extra-regional power (China) is actively supporting the further development of nuclear capabilities in a state that is often regarded by the international community as unstable.

3.4.2 Terrorism and Separatism: Transnational Forces and Spill-Over Effects

China faces the growing problem of Islamic separatism, extremism and political radicalisation within its own borders as well as the transnational movement of radical ideas, arms and battle-hardened fighters.¹¹⁷ The East Turkestan Islamic Movement, founded by Uighurs, a Turkic-speaking ethnic minority concentrated in north-western China, has operated alongside several Pakistani terrorist groups inside Pakistan's tribal areas and aims at the independence of East Turkestan from China. Under international and Chinese pressure the Pakistani army launched a military operation in North Waziristan against the Taliban as well as the Turkestan group. China's concerns with spill-over effects include the unfolding situation in Afghanistan as well as the broader Central Asian region, where there are a number of weak states that are current and potential sources of instability.¹¹⁸ The SCO, founded in 2001, has recently taken on renewed importance, as China seeks to increase its role within the region. This could have positive implications if China were to use its influence in order to enhance regional cooperation. At the last SCO

¹¹⁴ US-China Economic and Security Review Commission, 'Looking West: China and Central Asia', Hearing of 18 March 2015, pp. 1-3, available at <http://origin.www.uscc.gov/sites/default/files/transcripts/March%2018%2C%202015%20Hearing%20Transcript.pdf> (accessed: 15 June 2015).

¹¹⁵ C. P. Twomey, et al., 'Approaching Critical Mass: Asia's the Multipolar Nuclear Future', *Asia Policy*, 19, January 2015, p. 2.

¹¹⁶ M. Hibbs, 'Power Loop. China Provides Nuclear Reactors to Pakistan', *Jane's Intelligence Review*, January 2014, p. 50.

¹¹⁷ Information Office of the State Council of the People's Republic of China, China's Defense White Paper: 'The Diversified Employment of China's Armed Forces', Beijing, April 2013, p. 1.

¹¹⁸ A. Scobell, E. Ratner and M. Beckley, *China's Strategy Toward South and Central Asia. An Empty Fortress*, RAND Corporation, Santa Monica, California, 2014, pp. 36-53.

summit in September 2014, procedures for taking in new members were finalized, marking an important step at formal integration of key players, India, Pakistan, and Iran¹¹⁹.

3.4.3 Trade Routes and Energy Interests

It has been reported that China plans to allocate USD 62 billion of its foreign exchange reserves to three state-owned 'policy banks' to finance **the New Silk Road project** (see also *infra*), a vast infrastructure undertaking aimed at facilitating China's access to foreign markets. South Asia is a key component. On his recent visit to Pakistan, President Xi Jinping announced USD 46 billion to build a China-Pakistan Economic Corridor, running 3,000 km from Pakistan's newly inaugurated and China-sponsored port of Gwadar to China's western Xinjiang region.¹²⁰ Gwadar, located in Pakistan's restive Balochistan province, is a highly strategic location near the Persian Gulf and close to the Strait of Hormuz, through which 40 percent of the world's oil passes. Once operational, the route from Gwadar to Kashgar in Xinjiang would be a shortcut for Chinese goods and energy supplies, avoiding the troublesome Strait of Malacca further east, providing a stimulus for China's internal 'Go-West' campaign, and a much needed boost to Pakistan's economy. It is calculated that oil offloaded at Gwadar and transported to China through the China-Pakistan Economic Corridor, would reduce the current 12,000 km journey to 2,395 km.

With its vast economic clout, **China can play an important stabilising role in South Asia** if its investment and infrastructure initiatives are carried out in a way that integrates and involves India. However, trade, aid and big-ticket investment deals with Nepal, Sri Lanka, Bangladesh and Bhutan have been perceived by India as an encroachment into its sphere of influence. On the one hand, this has positively prompted India to take its South Asian neighbours more seriously. On the other hand, China's involvement in the development of ports in Sri Lanka and Burma heighten the sense of mistrust vis-à-vis the Chinese intentions to develop 'a string of pearls' to constrain India. There have been positive developments with regard to Afghanistan, where China has used a combination of incentives as well as threats to push its ally, Pakistan, into taking constructive action, even helping India and Pakistan to talk to each other. However, the extent of China's influence on Pakistan will remain constrained by Pakistan's own domestic politics and huge internal security challenges.

Implications for the EU

China's long-term strategic planning for enhancing power projection and connectivity in South Asia makes it both opportune and urgent for the EU to do the same if it wants to be relevant to Asia's nascent security architecture and economic order. India will be a particularly important player and partner for the EU. The rise of Chinese influence in South Asia marks an opportunity for both the EU and India to revisit their relationship, and to prioritise negotiations on the free trade agreement that has stalled for many years.

¹¹⁹ For an analysis of the SCO and Afghanistan see, J. Y. S. Cheng, 'The Afghanistan Situation and China's New Approach to the SCO', *Asian Survey*, Volume 55, Number 2, 2015, pp. 346-370.

¹²⁰ See The People's Bank of China, 'Silk Road Fund's Debut Investment in \$1.65b Pakistan Power Project', Statement on Homepage, April 2015, available at <http://www.pbc.gov.cn/publish/english/963/index.html> (accessed: 15 June 2015).

4 China as an Emerging Actor in Europe and in the EU's Eastern Neighbourhood

4.1 China as an Emerging Actor in Central and Eastern Europe

China's emergence as an actor in Central and Eastern Europe (CEE) is shaped by four factors: (i) the establishment of **bilateral economic relations with Central and Eastern European States** in view of growing Chinese investment opportunities, on the one hand, (ii) and in view of the severe financial crisis, on the other hand; (iii) the establishment of a **network of bilateral and multilateral relations**, as exemplified by the intergovernmental and transgovernmental forum "Cooperation between China and Central and East European Countries" (16+1); and (iv) the **political cooperation between China and Central and Eastern European countries**, including fostering political relations, which may impact ongoing EU–China disputes such as the arms embargo. For the EU, these four factors imply that the Union has to foster the exchange of information amongst EU institutions and Member States regarding their policies towards China, invest in the coordination between Member States on the EU level, specifically in the Council and via inter-parliamentary coordination, and the avoidance of vertical incoherence between adopted policies of the EU on the one and the Member States on the other hand.

4.1.1 Boosting Economic Relations

Investments by China do not only matter for the EU as a whole, but have proven particularly important for states in CEE. It has been pointed out that the investments may not only be related to **EU market access**, but also to **economic opportunities in markets beyond the EU borders**, such as Serbia, Montenegro, Bosnia Herzegovina, and Macedonia. Overall it has been pointed out that China looks for 'securing market access, technology transfer and optimisation of supply networks'¹²¹. In 2012 'Chinese investment in the new member states of the EU is still on a very small scale, but looks set to rise, with both Chinese and central-east European governments keen that it should do so.'¹²² In other words, against the background of an economic and financial crisis, both EU Member States, such as Poland, Hungary and Bulgaria, but also countries along the EU border, such as Serbia, were dependent on attracting investments in their shaken economies. While some commentators have mentioned that 'Chinese investment in Central and Eastern Europe is booming'¹²³, data show an increase of FDI especially in Hungary, Romania, Poland, the Czech Republic and Bulgaria.¹²⁴ Investments in CEE are small compared to the rest of the EU, but are developing 'fast'.¹²⁵

In the past, investments of China in CEE have focused on small-scale projects: 'The proportion of Chinese FDI accounted for by small, family firms, usually working in low-tech sectors, is higher in CEE than in the EU as a whole.'¹²⁶ Only Hungary received a larger amount with more than 1 billion Euro of Chinese FDI.¹²⁷ Larger project and investment promises have been made on the Chinese side, including an Investment

¹²¹ The Economist Intelligence Unit, 'China/Europe Economy: Chinese Investment in Central and Eastern Europe', 14 November 2012, <http://search.proquest.com/docview/1152028705?accountid=17215> (accessed: 15 June 2015).

¹²² The Economist Intelligence Unit, 'China/Europe Economy: Chinese Investment in Central and Eastern Europe'.

¹²³ W. Jacoby, 'Different Cases, Different Faces: Chinese Investment in Central and Eastern Europe', *Asia Europe Journal*, Volume 12, Number 1-2, 2014, p. 199.

¹²⁴ W. Jacoby, 'Different Cases, Different Faces: Chinese Investment in Central and Eastern Europe', p. 201.

¹²⁵ The Economist Intelligence Unit, 'China/Europe Economy: Chinese Investment in Central and Eastern Europe'.

¹²⁶ The Economist Intelligence Unit, 'China/Europe Economy: Chinese Investment in Central and Eastern Europe'.

¹²⁷ The Economist Intelligence Unit, 'China/Europe Economy: Chinese Investment in Central and Eastern Europe'.

Fund for Central and Eastern Europe worth USD10 billion announced in 2014.¹²⁸ In late 2014, with some 1.7 billion of this money remaining in the Fund, China was said to be ready to top it up again.¹²⁹ One of the most prestigious projects, amplifying China's focus on infrastructure, is the so-called 'Budapest-Belgrade railroad', a high-speed train connection, which is meant to boost transnational connectivity in the region. The projects show not only an **interest in EU Member States, but also a new focus on the Western Balkans**. As reported by EurActiv in December 2014: 'Since 2010, USD1.75 billion of Chinese money has gone into projects in Serbia, including construction of a coal-fired power plant, a bridge over the Danube in Belgrade and a stretch of motorway. Neighbouring Bosnia has agreed projects worth a total 1.4 billion euros to be financed by China. Montenegro, another former Yugoslav republic, chose a Chinese company to build an 800-million-euro stretch of a motorway linking it with its northern neighbour Serbia.'¹³⁰ While on the one hand, Chinese investments and economic relations with the region can be seen as an opportunity for growth and development, the EU's very own market integration model may be complemented (or even challenged) by rising Chinese activities.

4.1.2 Intergovernmental and Transgovernmental Relations

The above described investments of China in the region of Central and Eastern Europe, including the Western Balkans, can be seen as a network of ongoing **intergovernmental and transgovernmental relations** in the context of the '**Cooperation between China and Central and Eastern European Countries**' (16+1). With annual summits bringing together the Government and Heads of State of China and the 16 European partners, 16+1 can be seen as an intergovernmental cooperation forum, underlining the bilateral and multilateral coordination of partners. 16+1 is a Chinese initiative, coordinated by a Secretariat based in Beijing. The Secretariat is a 'Chinese institution, which is under the Chinese Ministry of Foreign Affairs'.¹³¹ At the same time, cooperation between China and the 16 partner countries is coordinated at bilateral and multilateral official levels, creating a transgovernmental web of relationships between China and the partners of CEE.

Notwithstanding the EU's exclusive competence in the area of investment agreements, the last summit in December 2014 foresaw the signing of investment deals between China and the region. As described above, China and the other partner states in the 16+1 agreed on a number of future investments in the region. However, the 16+1 Summit also agreed on the '**Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries**'. Clearly going beyond investment deals, underlining the political, technological and cultural dimension of China's relations with CEE, the Belgrade Guidelines show an overarching focus on the economic and financial dimension of the ongoing cooperation. While on the one hand China is dependent on cooperation with external partners, such as states in Central and Eastern Europe, the asymmetry of the relationship prevails. At the same time, the partners underline that cooperation remains for the 'mutual benefit and win-win cooperation' and that such cooperation is 'in line with China-EU relations', 'contributing as appropriate to the implementation

¹²⁸ M. Poznatov, 'China Boosts Investment in Central and Eastern Europe', *EuroActiv*, 19 December 2014, available at <http://www.euractiv.com/sections/europes-east/china-boosts-investment-central-and-eastern-europe-310997> (accessed: 15 June 2015).

¹²⁹ M. Poznatov, 'China Boosts Investment in Central and Eastern Europe'.

¹³⁰ 'China Seeks Gateway to EU via Cash-Strapped Balkans', *EuroActiv*, 16 December 2014, available at <http://www.euractiv.com/sections/global-europe/china-seeks-gateway-eu-cash-strapped-balkans-310839> (accessed: 15 June 2015).

¹³¹ Cooperation between China and Central and Eastern European Countries, 'Introduction of the Secretariat for Cooperation between China and Central and Eastern European Countries', Press Release, 20 November 2013, available at <http://www.china-ceec.org/151/2013/11/20/41s1002.htm> (accessed: 15 June 2015).

of the EU-China 2020 Strategic Agenda for Cooperation'.¹³² Still, the EU needs to sort out how subjects of the ongoing trade and investment dialogues in the EU-China Strategic Partnership are reflected by Member States in the context of 16+1. As such, terms of reference in the 16+1 cannot serve as rhetoric but obligations for EU coordination on the subject matters.

4.1.3 Political Relations

Geographically, 16+1 can be seen as **a logical extension of the 'New Silk Road'**. Mentioned in the Belgrade Guidelines of the 16+1 Summit of December 2014, the cooperation focuses on the increased connectivity between China and CEE. In fact, states of the Western Balkans and new EU Member States serve as hubs and key focal points in the economic activities between East and West, enabling China's westward reach. At the same time, the interconnectivity in terms of infrastructure has implications for the trade of goods and services and for investment. The question is whether a spill-over is to be expected between the intensified political, economic, technological and cultural cooperation and some of the prominent disputes between the EU and China, such as the arms embargo. In the past, especially large Member States have been seen as accepting this logic: 'By giving priority to commercial considerations and by tending to shy away from openly criticizing Beijing, the large EU members have been greatly responsible for the Union's overall diminution of critical pressure'.¹³³

Moreover, the good relations that China seems to cultivate in CEE may impact on the position that partners take on a potential lift of the arms embargo. While it remains far from clear that China will be able to impact upon EU Member States in a way that a consensus on lifting the arms embargo would arise, the Chinese position is obvious: **winning support for the Chinese case by increased cooperation** – from economic diplomacy through public and soft diplomacy – and **gradually changing the political perception of China**. In this context it may be remembered that in 2004, the new Member States Poland, Hungary, the Czech Republic, Slovakia, Slovenia and the Baltic States were opposed to any lifting of the arms embargo, thus siding not only with other EU Member States but also with the U.S. position as 'the best guarantee of their freedom and independence'.¹³⁴ While some Member States would see it as an important message for China to lift the embargo, the question is if – due to a domestically and economically driven cooperation agenda – 'new' Member States would be willing to give up their position towards the lifting of the embargo. Previous instances, such as the 2010 Hungarian Presidency, when Victor Orban did not mention human rights and refused to meet the Dalai Lama, may show emerging shifts in the political landscape of Central and Eastern Europe.¹³⁵

¹³² Cooperation between China and Central and Eastern European Countries, 'Introduction of the Secretariat for Cooperation between China and Central and Eastern European Countries'.

¹³³ N. Cassarini, 'Europe-China Relations and the New Significance of Central and Eastern European Countries', *International Issues & Slovak Foreign Policy Affairs*, Number 3, 2007, p.11.

¹³⁴ N. Cassarini, 'Europe-China Relations and the New Significance of Central and Eastern European Countries', p. 15.

¹³⁵ J. Dempsey, 'In Search of Leverage with China', *New York Times*, 21 November 2011, available at <http://www.nytimes.com/2011/11/22/world/europe/22iht-letter22.html> (accessed: 15 June 2015).

Implications for the EU

Political relations with China may have 'improved' in the particular case of Hungary, as Orban openly declared China a success model while at the same time denouncing liberal democracy as a model for global competitiveness. Consequently, China may profit from such positions within the EU, as 'good relations' with a number of countries such as Hungary, may soften the EU's trade policy and allow China to receive a proper market economy status from the EU, for instance. In any case, the EU's challenge will be to reflect upon its major principles and values as much as its interests vis-à-vis China. Coordination among Member States and EU institutions will be key to a coherent approach that informs EU-China relations not only in the EU-China Strategic Dialogue, but also in the individual bilateral relations between EU Member States and China. At the same time, the Western Balkan countries which will eventually join the EU, should also feel embraced and convinced by the EU's approach towards China.

4.2 China as an Emerging Actor in the EU's Eastern Neighbourhood

4.2.1 The Crisis in Ukraine and the Five Principles of Peaceful Coexistence

Although it is usually referred to as the major beneficiary from the ongoing crisis in Ukraine and the deteriorating relationship between the EU and Russia,¹³⁶ the **Ukraine crisis has put China in a difficult position**, balancing between the two principles of peaceful coexistence – 'mutual respect for each other's territorial integrity and sovereignty' and 'mutual non-interference in each other's internal affairs'. China's position towards the conflict was predictably moderate in the beginning. It urged all parties to seek a peaceful resolution. At the same time, the Chinese Foreign Minister Wang Yi acknowledged that the problem had 'a complex history behind it as well as conflicting interests'.¹³⁷ On 15 March 2014 at the meeting of the UNSC, China proposed to act as a moderator in the ongoing conflict and put forward three measures to de-escalate the situation: 1) setting up an international coordination mechanism; 2) maintaining the dialogue to reach a consensus; and 3) committing all parties to not escalate the conflict.¹³⁸

The Presidents of China and Russia discussed the Ukrainian crisis throughout 2014 (Putin met Xi Jinping five times in 2014) and, **officially, China demonstrated a balanced and neutral position. Informally, however, China expressed understanding of the Russian position.** The official press agency Xinhua accused the West of meddling in the domestic affairs of Ukraine, attempting to manipulate public opinion and acting to further escalate confrontation rather than dialogue in the country: 'The West must keep its hands off the domestic affairs of a sovereign nation. Showing support for the anti-government protesters is a serious blow to Ukrainian democracy, not to mention that it could complicate regional

¹³⁶ A. Gabuev, 'A "Soft Alliance"? China-Russia Relations after the Ukraine Crisis', *European Council on Foreign Relations*, Policy Brief, Number 126, February 2015, pp. 1-11, available at http://www.ecfr.eu/publications/summary/a_soft_alliance_russia_china_relations_after_the_ukraine_crisis331 (accessed: 15 June 2015).

¹³⁷ Ministry of Foreign Affairs of the People's Republic of China, 'Foreign Minister Wang Yi Meets the Press', Press Release, 8 March 2014, available at http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1135385.shtml (accessed: 15 June 2015).

¹³⁸ Ministry of Foreign Affairs of the People's Republic of China, 'Wang Yi: China Upholds Objective, Fair and Responsible Position on Ukrainian Issue', Press Release, 14 April 2014, available at http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/wshd_665389/t1147577.shtml (accessed: 15 June 2015); X. Mu, 'China Makes Proposals on Political Solution to Ukraine Crisis', *Xinhua News Agency*, 16 March 2014, available at http://news.xinhuanet.com/english/world/2014-03/16/c_126272170.htm (accessed: 15 June 2015).

affairs. The West may plunge the East European country into turmoil by stoking confrontation, rather than calling for dialogue to resolve domestic disputes. Moreover, the aggressive move to push Ukraine back into the embrace of the EU is a direct challenge to Moscow's sway over the former Soviet republic, raising political tension and causing instability in the area'.¹³⁹ Chinese officials and analysts also expressed the view that the West is using double standards and a zero-sum mentality in the Ukrainian crisis and demonstrated an understanding of the historical role played by Russia in the region.¹⁴⁰ **China's view on the role of the U.S. and the EU in the crisis is similar to the Russian official view**¹⁴¹ while the cooperation between the EU and China over the Ukraine crisis is estimated close to unsatisfactory.¹⁴²

China has repeatedly underlined its respect for Ukraine's territorial integrity at the UN. However, it abstained in the voting on the draft UNSC Resolution on the non-recognition of the Crimean referendum (15 March 2014) and on UN General Assembly Resolution 68/262 (27 March 2014) calling upon states not to recognize changes in the status of the Crimea Region. Commenting on China's position, Ambassador Liu Jieyi, the permanent representative of the PRC to the UN, stressed that China is looking for a 'balanced position' to the crisis and suggested such measures as the creation of a coordination group and financial support for Ukraine.¹⁴³ China's reaction to the Ukrainian crisis can be characterised as a very pragmatic approach which tries to reconcile the contradictions between the two peaceful coexistence principles and maintain good relations with both Ukraine and Russia.

4.2.2 The Russian Factor as Decisive for China's Response to the Crisis

Respect for **territorial integrity** is the most cherished principle of China's foreign policy. However, it has not been consistently applied in the Chinese reactions to the role of Russia in the Ukraine crisis. The Chinese positioning can be explained by a number of internal and external factors which have sidelined the principle of territorial integrity.

The crucial *internal* factor shaping China's position on the crisis is **opposition to any international interference to domestic affairs**. Chinese and Russian experts agreed that China would oppose any actions of the West leading to regime change. For China, the 'colour revolutions' in Ukraine looked similar to Tiananmen Square and provoked acute reactions.¹⁴⁴

The major *external* factor is relations with Russia. China-Russia bilateral relations are heavily historically loaded, periods of neutral coexistence gave place to periods of brotherhood and cooperation as well as stalemate and confrontation. The cooperation peaked in the mid-1950s, followed by a long phase of ideological and border confrontation between the late 1950s and 1990s. From 2001 onwards bilateral relations started improving. In 2004 and 2008, final border agreements negotiated during the Soviet

¹³⁹ H. Qiang, 'Commentary: Western Powers Should Respect Ukraine over Domestic Affairs', *Xinhua News Agency*, 13 December 2013, available at http://news.xinhuanet.com/english/indepth/2013-12/13/c_132966203.htm (accessed: 15 June 2015).

¹⁴⁰ Z. Boren, 'Ukraine Crisis: Top Chinese Diplomat Backs Putin and Says West Should 'Abandon Zero-Sum Mentality'', *The Independent*, 27 February 2015, available at <http://www.independent.co.uk/news/world/europe/ukraine-crisis-top-chinese-diplomat-backs-putin-says-west-should-abandon-zerosum-mentality-10075762.html> (accessed: 15 June 2015); L. Goldstein, 'What Does China Really Think about the Ukraine Crisis?', *The National Interest*, 4 September 2014, available at <http://nationalinterest.org/feature/what-does-china-really-think-about-the-ukraine-crisis-11196> (accessed: 15 June 2015).

¹⁴¹ J. Wilhelmssen, 'China Shows Understanding for Russia', *European Council on Foreign Relations*, Commentary, 3 November 2014, available at http://www.ecfr.eu/article/commentary_china_is_full_of_understanding_for_the_russian_position_on_ukrai# (accessed: 15 June 2015).

¹⁴² J. Barnes-Dacey, et al., 'European Foreign Policy Scorecard 2015', *European Council on Foreign Relations*, January 2015, p. 87, available at http://www.ecfr.eu/page/-/ECFR125_SCORECARD_2015.pdf (accessed: 17 May 2015).

¹⁴³ UN Security Council Action on Crimea Referendum Blocked', the UN News Centre, available at <https://www.un.org/apps/news/story.asp?NewsID=47362> (accessed: 15 June 2015).

¹⁴⁴ D. Trenin, 'The Ukraine Crisis and the Resumption of Great-Power Rivalry', *Rossija v Globalnoj Politike*, Volume 14, 2014, pp.1-38.

times were signed. As a result, in 2012, before the Ukraine crisis, Russian foreign policy experts marked **Russia's pivot to Asia in its foreign policy.**

Economically, **China is interested in Russia's energy (and mineral) resources.** Two gas contracts worth USD 400 billion signed in 2014 for a term of 30 years are estimated to cover 20 percent of Chinese demand in the coming decade. A memorandum of understanding was signed between China National Petroleum Corporation (CNPC) and Gazprom for building two pipelines. Trade turnover has been growing between the two parties: it more than doubled within six years from USD 40 billion to 90 billion in 2013, with the hopes of further increasing it to USD 200 billion a year. Russia is an important partner in military cooperation exporting arms to China (for instance, the fighter airplane Sukhoi Su-27 together with its manufacturing license, Buk and Tor missile systems, and S-300 missiles).¹⁴⁵ Next to important political and economic bilateral relations, **Russia is an important partner of China in multilateral fora and a geo-strategic partner.** Upholding similar values of multipolarity and non-interference, the countries are allies in the promotion of their values in the international arena (in such organisations as the G20, Shanghai Cooperation Organization, BRICS, Russia-India China (RIC)). Annually, China and Russia undertake military exercises of navy and ground forces in order to address possible security threats in Central Asia and counterbalance the role of Japan and the U.S. in the region. Thus, regular 'Peace Missions' has been organised since 2005. First joint naval exercises in the Mediterranean Sea were held in May 2015,¹⁴⁶ marking China's strategy of increasing its navy strength and the need of global operations. It was announced that in 2016 Russia and China will plan naval exercises in the South China Sea.¹⁴⁷

In recent years, China and Russia have become strategic partners. China is interested in the access to valuable gas contracts, more technologically advanced weapons, increasing levels of trade and geopolitical support at the regional and international levels. For both partners, it is nevertheless a cooperation based on pragmatic values rather than a strategic alliance. In the future, the formation of a 'soft alliance' remains possible, implying enhanced cooperation in the common neighbourhood, domestic politics, regional security and alternative to Bretton Woods institutions.¹⁴⁸ However, there remains **considerable lack of trust based on the historical legacy**, as well as a number of sensitive issues, such as competition in the Central Asia and Russian concerns about increasing presence of China in the Russian Far East regions.

¹⁴⁵ РИА Новости, 'РФ и Китай проведут в 2015 году военные учения в честь 70-летия Победы' (Russia and China to Hold Military Exercises in 2015 in Honor of 70th Anniversary of the Victory in the WWII), РИА Новости, RIA News, 20 May 2014, available at http://ria.ru/defense_safety/20140520/1008523745.html (accessed: 15 June 2015).

¹⁴⁶ Reuters, 'China, Russia to Hold First Joint Mediterranean Naval Drills in May', 30 April 2015, <http://www.reuters.com/article/2015/04/30/us-china-russia-military-idUSKBN0NL16F20150430> (accessed: 15 June 2015).

¹⁴⁷ The Diplomat, 'Russia Plans South China Sea Naval Exercise With China in 2016', 1 June 2015, available at <http://thediplomat.com/2015/06/russia-plans-south-china-sea-naval-exercise-with-china-in-2016> (accessed: 15 June 2015).

¹⁴⁸ A. Gabuev, 'A "Soft Alliance"? China-Russia Relations after the Ukraine Crisis', *European Council on Foreign Relations*, Policy Brief, Number 126, February 2015, pp. 1-11.

Implications for the EU

Russia's pivot to China and enhanced strategic cooperation will have a number of implications for the EU. China together with other BRICS countries does not support sanctions against Russia and thus undermines the course for the latter's international isolation and for the effectiveness of sanctions. In a longer-term perspective, a reorientation of Russia towards China may lead to displacement of European by Chinese firms in the Russian market. Another profound long-term implication for the EU is the formation of the 'soft alliance' opposing liberal values and promoting their own norms of sovereignty, non-interference and their own interpretation of human rights, which is potentially a serious challenge to the EU human rights promotion not only in Russia and China, but also in Eurasia as a whole.

4.2.3 The 'Silk Road' Fund and Central Asia as a New Corridor between China and Europe

In 2013, China put forward a number of trade infrastructure initiatives, of which the **double project of 'New Silk Road' and 'New Maritime Silk Road'** stand out. The project was presented by President Xi Jinping in September 2013 at Nazarbayev University (Kazakhstan)¹⁴⁹ and took shape throughout 2013-2015. At the launch of the **Silk Road Fund** on 8 November 2014, Xi Jinping stressed that 'the new Silk Road Fund will be used to provide investment and financing support to carry out infrastructure, resources, industrial cooperation, financial cooperation and other projects related to connectivity for countries along the 'Belt and Road'.¹⁵⁰ On 28 March 2015 a 'special leading group' was set up and an action plan published.¹⁵¹

The rationale behind the project is manifold. First of all, it reflects a foreign policy change by President Xi Jinping: a **reorientation from a great power approach to a focus on relations with the neighbourhood countries in Asia**.¹⁵² Another practical consideration behind the project is an **estimation of the growing trade turnover between China and Europe in the future**. A vast majority of the goods sent from China to Europe is shipped by sea. However, the carrying capacity of the Suez Canal is expected to reach its maximum level soon.¹⁵³ Developing alternative land routes therefore becomes a priority. Furthermore, the New Silk Road will help to develop the Western province of Xinjiang populated by Muslim Uighurs¹⁵⁴ which is a potential source of conflict in Central Asia.¹⁵⁵ Finally, the project will **strengthen ties with Central Asian countries and secure energy imports** from the region.

¹⁴⁹ РИА Новости, 'РФ и Китай проведут в 2015 году военные учения в честь 70-летия Победы' (Russia and China to Hold Military Exercises in 2015 in Honor of 70th Anniversary of the Victory in the WWII), РИА Новости, RIA News, 20 May 2014, available at http://ria.ru/defense_safety/20140520/1008523745.html (accessed: 15 June 2015).

¹⁵⁰ Y. Yi, 'China Pledges 40 bln USD for Silk Road Fund', *Xinhua News Agency*, 8 November 2014, available at http://news.xinhuanet.com/english/china/2014-11/08/c_133774993.htm (accessed: 15 June 2015).

¹⁵¹ Permanent Mission of the People's Republic of China to the UN, 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road', White Paper, 28 March 2015, available at <http://www.china-un.org/eng/hyfy/t1249669.htm> (accessed: 15 June 2015).

¹⁵² A. Godbole, 'China's Asia Strategy under President Xi Jinping', *Strategic Analysis*, Volume 39, Number 3, 2015, pp. 298-302.

¹⁵³ E. Vinokurov and A. Libman, *Eurasian Integration: Challenges of Transcontinental Regionalism*, Palgrave Macmillan, 2012, p. 98.

¹⁵⁴ C. Brugier, 'China's Way: the New Silk Road', *EUISS Brief*, Number 14, May 2014, pp. 1-4.

¹⁵⁵ C. Mackerras, 'Xinjiang in China's Foreign Relations: Part of a New Silk Road or Central Asian Zone of Conflict', *East Asia*, Volume 32, Number 1, 2015, pp. 25-42.

Suspicious of China's domination in the region and trying to limit its presence, the Central Asian countries, however, cautiously agreed to participate in the project. They also take part in the **AIIB** initiative of China. On 24 October 2014, Kazakhstan and Uzbekistan signed the Memorandum of Understanding together with 21 other founding states. Kyrgyzstan and Tajikistan are approved as prospective founding members. Kyrgyzstan, Uzbekistan and Tajikistan are especially interested in China's investments. Resource-rich Turkmenistan and Kazakhstan take a more independent position and maintain a multi-vector foreign policy where China is one of the partners along with the EU, Russia and the U.S.

In Russia the Silk Road project was initially perceived as a competitor to the Eurasian Economic Union (EEU). Since the project is very recent, there is no clear understanding how it will function together with the two other regional organisations – SCO and EEU. However, officially, Russia expressed its support to the project and aims to work together with China on concrete proposals of matching the three organisations.¹⁵⁶ Given the previous experience of integration in the post-Soviet space, it is unlikely to become a strategic process. Probably, it will become a long-term process of negotiations and adjustments, where the countries will try to balance between the benefits received from the project and at the same time restrain increasing China's presence in the region.

Implications for the EU

Implications of the New Silk Road project for the EU will depend on the speed of the project's execution. As for the other countries and regional organisations, the New Silk Road provides both opportunities and challenges for the EU. On the one hand, it is expected to increase connectivity between China and the EU, facilitate development, trade and economic cooperation, as well as people-to-people contacts. On the other hand, a number of problems may arise. First, improved connectivity may lead to a proliferation of transnational problems such as organised crime, terrorist activities, illegal trafficking etc. Second, from the point of view of geopolitics, if successfully implemented, the projects will enhance China's role in Eurasia leading to the redistribution of power and creation of alternative international norms and institutions. Third, by adopting two parallel tracks of negotiations with the EU: dealing with Brussels and separately with Central and Eastern European countries in the 16+1 format, China might challenge European unity.

4.2.4 China's Contribution to Infrastructure, Transport and Energy in the EaP Region

The past decade has been marked by an increased Chinese presence in the region of the European Eastern Partnership (EaP). Mutual trade and **Chinese investments into the economies of the six EaP countries** have been growing steadily. China was one of the first countries to recognize the Newly Independent States (NIS) and to develop bilateral diplomatic relations with them. All six countries of the Eastern Partnership aim to maintain partnership relations with China, including cooperation in the international arena and support of the 'One China' policy.

¹⁵⁶ Совместное заявление Российской Федерации и Китайской Народной Республики о новом этапе отношений всеобъемлющего партнерства и стратегического взаимодействия (Joint Declaration of the Russian Federation and People's Republic of China on the new stage of comprehensive cooperation and strategic cooperation), 20 May 2014, available at <http://kremlin.ru/supplement/1642> (accessed on 15 June 2015).

Relationships of China with the region of the EaP can be subdivided into the South Caucasus (Armenia, Azerbaijan and Georgia) and Eastern European countries (Belarus, Moldova and Ukraine). The **cooperation with Eastern European countries is significantly more intense than with the South Caucasus**. Yet, the South Caucasus is a geo-strategically important region linking trade routes from China to Europe: 'Beijing's interest in the South Caucasus should be seen primarily in the context of its ability to connect with Europe'.¹⁵⁷ In this region, the emphasis is on **transport infrastructure projects**. An important project in Armenia is the construction of the 'Southern Armenia Railway', which is the only missing part in the North-South Transport Corridor connecting China to Europe. China also supports Azerbaijan's ambition to become a regional hub on the international trade route¹⁵⁸ by engaging in the project 'Kars-Tbilisi-Baku railway'.¹⁵⁹ Furthermore, the first cargo has already been delivered to Tbilisi from China using this transport route.

Another sphere of Chinese investments in the South Caucasus is the **energy sector**. Particularly in oil-rich Azerbaijan, Chinese companies focus on the oil industry. Since 2002 Chinese China Petroleum & Chemical Corporation (SNPC) invested in the exploration of oil fields. Chinese companies are active in the exploitation of several minefields (South-West Gobustan, Pirsaat and Garachukhur). However, China emerged quite late in Azerbaijan, after the main oil fields had been contracted to Western companies. Experts noted that 'China may yet play a larger role if new fields are found or if partners depart from consortia and new investors are needed'.¹⁶⁰

A more intensive cooperation was established between China and Eastern European post-Soviet states. Close ties were especially developed between Belarus and Moldova due to the domestic course of these states. An important project of bilateral cooperation is a high-tech special economic zone, **the China-Belarus Industrial Park** (renamed 'Great Stone' after the beginning of constructions in 2014). It is expected to become one of the largest industrial parks in cooperation with China in Europe. Governmental negotiations started in 2010; construction is in progress since 2014. The industrial park will focus on mechanical engineering, electronics, biotechnologies, pharmaceuticals and fine chemistry.

Military technologies are the most prominent sphere of cooperation between China and Ukraine. China has been the leading partner of Ukraine in terms of import of weapons. Besides trade, the parties work closely together for military aviation (joint projects, supply of components kit etc.). In total, Ukraine sold around 30 military technologies to China. According to estimations of Russian experts, in the course of 20 years of cooperation, China received all Ukrainian military technologies.¹⁶¹ However, China is still interested in cooperation with Ukraine, for instance in such projects as the joint construction of a jet plane ARJ 21, maintenance of Antonov An-12, An-24, An-26 and An-3037. Furthermore, with Ukrainian technologies, China modernized its rockets R-27 and developed its own guided missile PL-12.¹⁶²

Compared to Central Asia, China became active in the Eastern Partnership region at a relatively late stage (beginning of the 2000s), when the other important players – Russia, the EU and the U.S. – had already been present in the region. The EaP countries, sandwiched between the EU and Russia, often see China as

¹⁵⁷ E. Abrahamyan, 'The China-Armenia Declaration and Beijing's Prospects in the South Caucasus', *The Central Asia-Caucasus Analyst*, 15 April 2015, pp. 1-4.

¹⁵⁸ T. Ziyadov, *Azerbaijan as a Regional Hub in Central Eurasia*, East-West Publishing House, Baku, 2012.

¹⁵⁹ F. Ismailzade, 'China's Relations with Azerbaijan', *The China and Eurasia Forum Quarterly*, Volume 5, Number 1, 2007, pp. 29-34.

¹⁶⁰ K. S. Stegen and J. Kusznir, 'Outcomes and Strategies in the 'New Great Game': China and the Caspian States Emerge as Winners', *Journal of Eurasian Studies*, Forthcoming 2015, pp. 1-16.

¹⁶¹ А. Исаев, 'Китай и "Украинский кризис": выбор стратегии', (China and the Ukraine Crisis: the Choice of Strategy) *Кумай в мировой и региональной политике*, Volume 19, 2014, pp. 213-226.

¹⁶² А. Исаев, 'Китай и "Украинский кризис": выбор стратегии', pp. 213-226.

an important alternative to both Russia (which uses trade, energy resources and security issues as a means of manipulating EaP countries) and the EU (which links closer cooperation with substantial domestic reforms).

Implications for the EU

In the EaP, China is trying to penetrate the energy and infrastructure spheres, which does not constitute a direct challenge to the EU interests. However, it will create an outside option for the EaP countries since they can choose between turning either to China for investments and development projects or to the EU that endorses a conditional approach in its relationship with EaP countries.

5 Recommendations

These policy recommendations aim to enhance the understanding of China's new foreign policy and the implications for the EU, drawing lesson-learned and making recommendations on how the EU should deepen its Strategic Partnership with China. Based on the findings of this study and the addressed policy implications for the EU, our recommendations read as follows:

Addressing China's Growing Assertiveness in Foreign Policy

1. The EU should understand China's assertiveness as a product of both its growing interdependence with the outside world and its domestic context. The related uncertainty in Chinese foreign policy opens avenues for the EU to influence China. In this context, the EU should aim to push its strategic interests, including regional stability in Asia, the strengthening of international organisations in the spirit of 'effective multilateralism' and the settlement of political and economic disputes at the multilateral level.
2. China's foreign policy should be understood in function of its relationship with the U.S. as a global power and other major regional powers such as Russia and India. The EU should understand the foreign policy constraints and interests that originate in these bilateral relations in a context where China is in search for its role as a greater global and regional power. The existence of Strategic Partnerships with the U.S., Japan, South Korea, Russia and India should be used to address the important political and economic stakes the EU has in China's direct sphere of influence.
3. The uncertainty regarding China's foreign policy relates primarily to the country's ability to tackle its main domestic challenges and maintain its economic reform path. In order to decrease this uncertainty, the EU should offer China its support in overcoming some of the main domestic challenges in the context of the dialogues that are part of the three pillars of the EU-China Strategic Partnership, namely 'political dialogue', 'economic and sectoral dialogue' and 'people to people dialogue'.
4. China's uncertainty and domestic dilemmas have led the Chinese leadership to approach international affairs in a pragmatic manner, e.g. in the context of the 16+1 cooperation with CEE. The EU should not underestimate the efficiency of China's pragmatic case-by-case assessments and also strategically reflect upon its priorities in the context of the EU-China Strategic Partnership.
5. The EU should further invest in the development and strengthening of the third pillar of the EU-China Strategic Partnership, namely the people-to-people dialogue. Investment in a genuine dialogue can lead to a greater empathy and understanding of the growing interdependence between the EU and China as exemplified by the success of the 2011 EU-China Year of Youth.

Multilateralism and Multipolarity in China's Foreign Policy

6. A growing power and confidence have prompted China to adopt a foreign policy that has become increasingly assertive. In this context China affirms both a commitment to 'selective multipolarism' and multilateralism. The EU should position itself vis-à-vis China's call for greater multipolarity and multilateralism in the 21st century. Drawing upon its global trade power, its major contribution to development cooperation and soft diplomatic skills, the EU needs to develop a proactive strategy on how to better engage with China in the spirit of the EU-China Strategic Partnership and the EU-China Strategic Agenda for Cooperation.
7. The participation of China in all the major global governance institutions provides the EU with a number of avenues to coordinate on issues relevant for the EU-China Strategic Partnership. The EU should engage China in multilateral fora and encourage it to solve its own international disputes (i.e. territorial disputes) as well as global challenges at the multilateral level.
8. China's propensity to contribute to 'minilateral' and 'plurilateral' forms of multilateralism furthermore creates an additional incentive for the EU to further engage with these forums, more particularly the BRICS. At the same time, the EU should reflect upon creative variations to its strategy of 'effective multilateralism' by considering 'minilateral' and 'plurilateral' forms of engagement with China.

China and Global Governance: Confirming, Reforming and Circumventing

9. China oscillates between the confirmation of existing institutions, the support for reforms in global governance, and the will to create alternatives to existing fora in areas where it has not been successful enough to increase its influence. The EU should show openness towards the reform of global governance and the creation of new institutions.
10. EU Member States have a strong voting share in the existing Bretton Woods organisations, in particular the IMF. China's pressure to reform the Bretton Woods organisations can either lead to a zero-sum game – that is a decreased European influence – or an opportunity to strengthen the legitimacy and efficiency of these institutions. Taking into account China's disappointment with the slow pace of reforms in the IMF and World Bank, the EU and its Member States should develop suggestions on how to strengthen the legitimacy and efficiency of the Bretton Woods organisations.
11. EU Member States, the European Commission and the EEAS, in consultation with the European Parliament and national parliaments, should coordinate and develop a common EU approach towards the creation of new global governance institutions. As long as new institutions fill a global and/or a regional problem-solving gap and do not duplicate existing institutions, the EU should be open to the creation of such new international bodies.
12. In the same spirit, the EU and its Member States should reflect upon the creation and implications of the AIIB and should look for positive ways of engaging with it.

China's Rejection of Values- Based Diplomacy

13. EU values as laid down in Articles 2 and 21 of the Treaty on European Union constitute major drivers of the EU's external action. More particularly, the EU's Strategic Framework and Action Plan on Human Rights and Democracy provides that the EU should promote human rights across all its external policies. In a context where a values-based diplomacy and the promotion of democracy and human rights is contested by China and other emerging powers that share a concern vis-à-vis 'Western interventionism', it is necessary for the EU to find new and complementary entry points in order to promote its values.

14. More specifically, the promotion of the rule of law – one of the three constitutional pillars of the EU (Article 2 TEU) and a strategic priority for the EU's external action (Article 21 TEU) – constitutes an innovative and promising entry point to deepen and widen the scope of the Strategic Partnership. Taking into account the discussions of the Fourth Plenum of the 18th CCP Congress, the EU should draw inspiration from the 2012 UN High-Level Declaration on the Rule of Law as well as from the European Commission's 2014 Communication 'A new EU Framework to strengthen the Rule of Law' in order to make the rule of law and legal affairs a priority in the EU-China Strategic Partnership.
15. In order to strengthen the credibility and legitimacy of its promotion of values as part of the Strategic Partnership, the EU needs to strengthen the internal/external and external/external coherence in its external actions. The EU should hereby reaffirm the role of the EEAS as a guarantor of the coherence in the EU's external actions.

China's Responsibility to Contribute to the Post-2015 Sustainable Development Agenda

16. China has played a limited role in the planning of the Post-2015 Sustainable Development Agenda. China's low profile testifies of its desire to continue portraying itself as a developing country and its intention to continue focusing on its own South-South development policies outside of the UN framework. The EU should regard China as an important partner on the road to the negotiations of the Post-2015 Sustainable Development Agenda. More particularly, it is necessary for the EU to ensure that global development policies are undertaken in agreement with UN principles.
17. The EU should remind China of its own success in addressing the MDGs and its growing role and responsibility as a development provider in large parts of the world. China's intention to continue focusing on its own South-South development policies requires the EU to take these policies into account in countries where both China and the EU are active development actors.

China's Role in Global Security: Terrorism, Non-Proliferation, Sanctions and Syria

18. The lack of transparent decision-making processes and its poor implementation/enforcement records of certain international security-related rules impede a broader acceptance of China's active role in global governance. The EU should remind China of its responsibility to comply with its international security commitments.
19. While China has been supportive of quasi-legislative UNSC resolutions on terrorism and non-proliferation, the EU should push China to modify its domestic legal framework and add more transparency to its own compliance control mechanisms.
20. The EU Counter-Terrorism Strategy identifies democracy promotion, good governance and dialogue as key instruments to fight against the root causes of terrorism. China's fight against terrorism in Central Asia in the framework of the SCO may challenge the objectives put forward by the EU in its own Counter-Terrorism Strategy. The EU should therefore encourage China to tackle the challenge of terrorism in respect with international human rights, more particularly, the recognition of minority rights.
21. China's reluctant support of sanctions undermines the ability of the UNSC to reach consensus and impose sanctions at the international level. Nevertheless, the EU should foresee diplomatic consultations with China in order to reach international consensus. When the EU cannot achieve such a consensus, it may reflect and decide upon the possibility of CFSP sanctions.
22. Taking into account China's cooperative attitude during the 2011 Libya crisis, the EU and its Member States should reflect upon the lessons of the management of this crisis and the implementation of UNSC Resolution 1973, especially in view of the present crisis in Syria and the

failure of the UNSC to address this (in the words of the European Parliament) 'humanitarian catastrophe of an unprecedented scale since World War II'.

China's Commitment to International Jurisdictional Bodies and International Law

23. China's support for the referral of the situation in Libya to the International Criminal Court in 2011 as well as its growing participation in the WTO DSM should be seized as a basis for stimulating a more positive attitude of China to have recourse to international jurisdictional bodies. The EU should stimulate a more positive attitude of China vis-à-vis the international jurisdictional bodies and international law.
24. The EU and its Member States should engage in a more systematic 'international rule of law' dialogue with China in which they can point to their positive experiences with international jurisdictional mechanisms, from the International Court of Justice to the International Criminal Court, in order to foster China's support of global rule of law institutions. Such a dialogue could be established as a new segment in the EU-China Strategic Partnership.
25. Bearing in mind China's current defiance vis-à-vis the International Tribunal for the Law of the Sea, the EU should put on the Strategic Partnership agenda discussions on global oceanic affairs and dispute settlement drawing from the longstanding EU experience in the field.

China's Growing Assertiveness in Asia: Territorial Disputes, North Korea, Southeast Asia and South Asia

26. China's growing assertiveness in the East and South China Sea has an important impact on the EU's political commitment to freedom of navigation and the EU's trade interests in Asia. The European Commission Communication 'For an Open and Secure Global Maritime Domain: Elements for a European Union Maritime Security Strategy' should be used as a benchmark to promote the EU's values and interests vis-à-vis the stakeholders of the East and South China Sea sovereignty disputes that include China, Japan, Vietnam and other ASEAN countries.
27. Taking into account the key diplomatic role and influence of China as well as its growing frustration with North Korea's current policies on the one hand and the EU's difficult balance between diplomatic efforts and the imposed sanctions system against North Korea, on the other, the EU should, together with China and other stakeholders, reflect upon new avenues for cooperation and a greater involvement of the EU in Northeast Asia security issues.
28. The EU has always been supportive of the regional integration process within ASEAN. The EU nevertheless remains a secondary actor in Southeast Asia when compared to China, Japan and the U.S. The EU needs to define its priorities in its bilateral relationship with ASEAN Members and with regard to its engagement with regional integration in Southeast Asia.
29. The EU's Asia policy should engage China and other Asian partners in the region to enhance their cooperation in ASEAN and other regional fora. Dialogue and cooperation at the regional level can help overcome ongoing disputes and distrust in the region. Particular attention should be devoted to the role and interactions of Asian partners with China in the various Asian regional fora, more particularly the South Asian Association for Regional Cooperation (SAARC), ASEAN+3 and SCO.
30. Based on its own experience in terms of integration successes and difficulties and taking into account regional and national specificities, the EU should disseminate the lessons it learned from its own history and promote regional integration processes in Asia. Specific attention should be devoted to the integration process within ASEAN, which has recently been active in creating new institutions and mechanisms that go beyond economic integration (i.e. ASEAN Human Rights Declaration). Education and professional training on comparative regional integration processes could serve as an important lever for the EU.

31. The rise of Chinese influence in South Asia marks an opportunity for both the EU and India to revisit their relationship in economic, political and security terms. More particularly, the EU should prioritise negotiations on the Free Trade Agreement that has stalled for many years.

China as an Emerging Actor in Central and Eastern Europe

32. The EU should reflect upon China's emergence in CEE and look for meaningful responses to boost its own position in the region. Coordination among Member States and EU institutions will be key to a coherent approach that informs EU-China relations not only in the EU-China Strategic dialogue, but also in the individual bilateral relations between EU Member States and China.
33. In reaction to China's growing role in CEE, it appears to be particularly important for the EU to strengthen the Structural Funds and the Cohesion Fund in the region. A better dissemination of information on existing EU activities and investments in the region could contribute to decrease euro-skepticism and counterbalance China's growing influence in the region.
34. In a time of financial and social crisis in which Member States consider Chinese investments attractive, it appears particularly important for the EU to create an EU-based agency that provides Member States non-binding advice on large-scale FDI. The agency should take into account the strategic character of the investment, its social impact as well as respect for EU competition law.

China as an Emerging Actor in the EU's Eastern Neighbourhood

35. China's Silk Road Initiative testifies of Beijing's willingness to enlarge its sphere of influence beyond its close neighbourhood, including Ukraine and other countries in the EU's neighbourhood. Although China's Silk Road Initiative can be seen as a competitive enterprise, the EU should carefully evaluate, on the one hand, the potential of growing interconnectivity and, on the other hand, its negative effects such as organised crime, terrorist activities, and illegal trafficking.
36. China's Silk Road Initiative should be an incentive for the EU to strive for a better connectivity within the EU as well as with its neighbours in the East, in the Mediterranean area but also with the 'neighbours of its neighbours', such as the countries in Central Asia. Drawing inspiration from the European Commission's Investment Plan for Europe (EC IPE), specific attention should be devoted to public/private partnerships to strengthen cross-border infrastructure.
37. China's Silk Road Initiative should remind the EU of its own instruments to strengthen economic ties with partner countries, including the promise for EU membership, for instance in the Balkan region.

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