

China

Overall grade

C+



TRADE LIBERALISATION AND OVERALL RELATIONSHIP	B-
1 Formats of the Europe–China dialogue	C+
2 Protection of European IPR in China	B-
3 Reciprocity in access to public procurement in Europe and China	C+
4 Trade and investment disputes with China	B-
5 Agreement with China on standards and norms, consumer protection	A-
HUMAN RIGHTS AND GOVERNANCE	C-
6 Rule of law and human rights in China	D+
7 Relations with China on the Dalai Lama and Tibet	D+
8 General openness of China on civil society exchanges	C-
COOPERATION ON REGIONAL AND GLOBAL ISSUES	C+
9 Relations with China on Iran and proliferation	B+
10 Relations with China on Africa	C+
11 Relations with China on reforming global governance	C-
12 Relations with China on currency exchange rates	C-
13 Relations with China on climate change	B

The relationship between the EU and China is in flux as the balance of power between them shifts. Within a remarkably short space of time, China has gone from being a distant, developing country to a global power that plays an important role in all aspects of European policymaking. In particular, the EU has struggled to adjust to China’s greater assertiveness across a range of foreign-policy issues since the economic crisis began in 2008. The EU wants China to liberalise its economy, improve the human rights of its citizens and take a greater stake in global governance. But while China is much more capable of negotiating its economic and political interests cohesively, EU member states and institutions face a structural difficulty in coordinating their approach to China that other powers such as the United States do not. In some ways, the Lisbon Treaty has made this structural asymmetry worse: China can now exploit differences between two presidents and one high representative, not to mention the European Parliament, which now also plays a role in foreign policy.

2010 was a sobering year for the EU as the reality of a new, more assertive China – and the EU’s limited leverage over it – set in. After a wake-up call at the Copenhagen climate change summit at the end of 2009, Europeans this year began to try to find new ways to deal with the Chinese. The EU took some

important steps in the right direction. It reassessed its “strategic partnership” with China and foreign ministers even had a debate on China for the first time since 2005, when they discussed the arms embargo. High Representative Catherine Ashton also had her first strategic dialogue with Dai Bingguo, the Chinese state councillor for foreign policy. The December Council meeting adopted a new approach based on reciprocity, leverage and trade-offs. The aim was to define Europe’s principal interests and negotiate these with China – an approach that followed the recommendations that ECFR made in its Power Audit of EU-China Relations, which was published in April 2009.

This new approach was most evident in trade policy. EU Trade Commissioner Karel De Gucht and Industry Commissioner Antonio Tajani demanded a level playing field on investment, intellectual property rights (IPR) and public procurement, and argued against indigenous technology schemes and economic nationalism, and for more policy instruments on the European side. The proposal for a reciprocal instrument to give access to public procurement in China is the fruit of this. The EU also pushed back on China’s desire to make its coming innovation policy purely homegrown and China softened its stance on this at the high-level economic dialogue in December. However, this positive approach was sometimes undermined by differences among member states on what exactly the EU should trade with China for market economy status (MES) (see component 4). The results of this disunity on the European side became apparent at the EU-China summit in October. At the summit, China demanded MES – and an irate Premier Wen Jiabao lashed out at Europe afterwards about currency revaluation, even though Europe had soft-pedalled on the issue.

The difficulty of making the EU’s new strategy work was demonstrated by the fact that even the anodyne language on the arms embargo as an “impediment” to relations sparked media reaction in member states that forced Ashton to foreclose any further discussion. She also reacted publicly to human rights abuses in China, while member states were quiet, if not silent, on issues on which they had previously spoken out more loudly. While President Barack Obama finally met with the Dalai Lama, China confirmed its upper hand with Europe on this issue: the EU maintained a near-complete silence on human rights and governance issues until China’s heavy-handed approach towards the award of the Nobel Peace Prize prompted a sudden show of European unity at the end of the year.

The EU’s new strategy was also undermined by some member states’ urgent need for debt refinancing. With the onset of the euro crisis, China pledged to come to the rescue of several debt-ridden countries such as Spain, Greece and Portugal

by purchasing government bonds. Given the extent of the European economic crisis and China's record current-account surplus, such purchases were inevitable. But the effectiveness, from China's point of view, of this astute "bond diplomacy" was enhanced by opacity on both sides, which made it difficult to ascertain the real extent of Chinese bond purchases and thus gave China an advantage. In this respect, China has a stronger hand with the EU than with the US, since its debt purchases reinforce bilateral weakness and division, which translates into a lack of collective European leverage.

The EU does have some assets in its relationship with China. For example, China wants continued access to the European market – the world's largest – and, increasingly, the possibility of diversifying its investments in a geopolitically stable area. Europe is also attractive as a partner for crucial technologies that China seeks to acquire. However, turning these assets into leverage requires the sort of European coordination that has existed in trade policies but not for direct investment, financial markets, public procurement or technology transfer. In particular, as China gets more proficient in a worldwide game of public diplomacy, Europe needs to reach out to developing and emerging economies.

As well as better coordinating its approach to China, Europe must be more effective in global institutions, in which China now has considerable veto power even if it is not yet able to set the agenda. In 2010 the EU had mixed results. Both the EU and China came to Cancún with lower expectations and better PR techniques than in Copenhagen the year before, and although the EU kept China engaged – an achievement in itself after the "disaster" of Copenhagen – it is no closer to realising its ultimate objective of a legally-binding global deal on climate change than it was at the end of 2009. Europe also gave away seats at the International Monetary Fund (IMF) without securing a broader reform. On the other hand, together with the US, the EU3 and Ashton were able to obtain China's approval for sanctions against Iran in June – a major achievement on an issue of great importance to Europe.

01 FORMATS OF THE EUROPE-CHINA DIALOGUE

The EU adopted a positive new strategic approach based on reciprocity, but it has to overcome some member states' bilateral tendencies, which were reinforced by China's "bond diplomacy".

Unity	2/5
Resources	2/5
Outcome	5/10
Total	9/20

C+

The EU wants to engage with China at the highest level and as equal partners. Currently there is an annual EU-China Summit, a strategic dialogue between High Representative Catherine Ashton and State Councillor Dai Bingguo, a high-level economic dialogue at European Commissioner and Chinese vice-premier level, and beneath that many sectoral dialogues. However, despite these contacts, it is unclear whether the EU has access to the real centres of power in China.

In December, the European Council adopted a new approach to China as a "strategic partner" based on reciprocity – which, European Council President Herman Van Rompuy said, is "not a bad word". But this positive new approach was hampered by the ongoing bilateral reflexes of member states. For example, Bulgaria, Cyprus, Malta and Romania often cater to Beijing instead of sending joint European messages on issues such as human rights. Meanwhile, larger countries such as France, the UK and, to some extent, Germany think that because of their size they can also gain more from bilateral dialogues with China

than from common European approaches. The divisions defined in ECFR's Power Audit of EU-China Relations, published in 2009, are now further reinforced by Chinese "bond diplomacy" towards countries such as Spain, Portugal and Greece.

In addition to this lack of unity, Europe also struggled to define priorities to match the Chinese "core interests". As a result, it did not make consistent counter-demands, for example on the arms embargo, market economy status or the One China policy. Poor execution presented a further difficulty: one analysis of the failure of the EU-China summit in 2010 was that reciprocity was applied too bluntly and without the necessary preparation that negotiations with China require. There was also still confusion and a lack of coordination at a bureaucratic level between a new EU foreign minister and two presidents. In short, the EU went in the right direction – but slowly.

02 PROTECTION OF EUROPEAN INTELLECTUAL PROPERTY RIGHTS IN CHINA

Europeans were united on IPR but less so on technology transfer and patents. Chinese concessions on indigenous innovation were a success story for the EU.

Unity	4/5
Resources	3/5
Outcome	5/10
Total	12/20

B-

China is currently the largest source (around 60 percent) of counterfeit and pirated products seized at EU borders. The EU is united on seeking better protection of intellectual property rights (IPR) by China, a foundation for better market access for European companies. The EU has networked with China on IPR through a task force, a working group, a joint action plan, as well as customs cooperation. There were sessions of these groups in 2010 and the threads were pulled together at the high-level economic dialogue in December.

Consistent input from the EU has helped improve China's rules and laws on IPR protection, but local implementation lags behind. Yet since China wants to become a more knowledge- and innovation-driven economy, it would seem that it is in its own interests to protect IPR as part of its internal reform. In 2010, China conducted an enforcement campaign on IPR, which the EU acknowledged. However, this economic shift in China leads to new challenges for Europe, as China's focus on indigenous innovation and systematic

patent applications have become a larger concern for EU also through 2010.

As a result of combined EU and US criticism, including from businesses, China is gradually softening its insistence on indigenous innovation. For example, at the high-level economic dialogue in December, it dropped a requirement for local origin of innovation towards eligibility for government procurement preferences. EU Industry Commissioner Antonio Tajani also called for a complete reform of Europe's technology transfer process, with oversight similar to the US process, and has denounced the risk of technology leaks. But the EU has not developed a coherent and united response to these new challenges, with free-traders such as the UK opposing restrictions on investments. The EU still has some way to go in convincing China that it should make a clean break with its copycat mode of economic development.

03 RECIPROCITY IN ACCESS TO PUBLIC PROCUREMENT IN EUROPE AND CHINA

The EU shifted gears on reciprocal access and adopted a new approach in 2010. But this could still be undermined and has yet to have an impact.

Unity	4/5
Resources	2/5
Outcome	3/10
Total	9/20

C+

Whereas internal market requirements mean that European public procurement is liberal and open, China has not signed up to the Government Procurement Agreement (GPA) in the WTO. Therefore, while China can successfully bid to build a major Polish highway, its own infrastructure and construction industries are mostly closed. European firms also risk a further disadvantage because of the easy terms of China's soft loans. The EU seeks reciprocity in the terms of public procurement at a time when China's huge programme of domestic public infrastructures, especially with the 2009 stimulus spending package, combined with the go-global strategy of its big state firms, has created worldwide competition on public projects.

The EU shifted gears on the issue in 2010. Chancellor Angela Merkel and EU Trade Commissioner Karel De Gucht have been particularly outspoken on this. In the new draft trade policy, De Gucht proposed a new instrument – which seems likely to be enacted in 2011 – that could close Europe's public-procurement market if there is no reciprocity, as is the case with China.

There is relative unity in the EU on the need for genuine mutual opening-up of the Chinese market on public procurement, although the free-trade group in the EU, spearheaded by the UK, is less likely to accept negative policies that would close off some European public markets, especially at a time of austerity.

Public procurement is a test case of the EU's more hard-nosed negotiation approach. It could still be undermined by internal division, by the short-term need for China's purchase of public debt, and quite simply by the attractiveness of Chinese bids for the European taxpayer.

04 TRADE AND INVESTMENT DISPUTES WITH CHINA

The EU had a better approach to trade-offs and reciprocity but lacked unity on what to trade with China for market economy status.

Unity	3/5
Resources	3/5
Outcome	6/10
Total	12/20

B-

China and Europe have the world's second-largest trading relationship, with a large trade surplus on China's side. The EU has an interest in securing better market access, protection against "involuntary" technology transfer from European companies and patent rights, improved conditions for investments, and reciprocity in public procurement (see also component 3).

In 2010, the European Chamber of Commerce took a strong stance on these issues for the second straight year and published a critical report on the business climate for European firms in China. The directorate-general for trade prominently advertised requests for reciprocity from China on trade issues. Anti-dumping cases have been stepped up and now involve some advanced technology such as scanners and photocopiers. Another big issue in 2010 was access to Chinese raw materials, particularly rare earth minerals. Led by Germany, whose manufacturing industry depends on rare earths, the EU took the issue to the WTO and had a first positive ruling in May.

However, there was no unity on what exactly the EU should trade with China for market economy status (MES), which is demanded by China and would make anti-dumping cases more difficult. Some member states such as the UK want to get something in return from China, while others such as Italy would like to use the lack of technical progress as cover in order to keep stricter anti-dumping laws in place. As a result, the EU got few results. Premier Wen Jiabao snubbed European Council President Herman Van Rompuy and European Commission President José Manuel Barroso at the EU-China summit – either a tactical move for raising the stakes or a genuine Chinese lack of interest since it will automatically acquire MES in 2016. On investments, the Lisbon Treaty grants authority to the EU, which is now seeking to start negotiations. Yet the EU had no unified response to the increase in Chinese "bond diplomacy" or investments in Europe.

05 AGREEMENT WITH CHINA ON STANDARDS AND NORMS, CONSUMER PROTECTION

Long-term engagement with China is gradually leading to results on standards that matter to business and consumers. In 2010, the EU scored a success on standards for energy efficiency.

Unity	5/5
Resources	4/5
Outcome	7/10
Total	16/20

A-

The EU has an interest in setting joint standards for toys, cars and mobile phones in order to facilitate trade. The EU has had some successes in the past, for example introducing the GSM standard for mobile phones and European standards for car exhausts. In fact, the EU has been more successful with China in this respect than with other Asian countries such as Japan and South Korea that have developed their own indigenous standards. On consumer safety, it aims to make sure that only safe food products enter the EU.

The EU has a plethora of working-level dialogues with China in these domains on which there has been ongoing cooperation in 2010. Europeans are unusually united on this issue and experts see the EU's success rate as higher than that of the US, which has had more big scandals with Chinese food products. Still, approximately 60 percent of all goods withdrawn from the EU market on security concerns are of Chinese origin (although the EU imports large quantities of goods from China).

On food safety, cooperation has now expanded into a trilateral dialogue with the US, and the latest meeting was held during the Shanghai Expo in August. One idea being discussed is a "seamless surveillance approach" linking export controls more closely with customs and shipping procedures and then with import checks at point of entry. There have also been some European concerns over import restrictions by the Chinese authorities of various food products such as meat, based on dubious claims and linked with references to Chinese standards that are not fully aligned with international Sanitary and Phytosanitary Measures (SPS) standards.

The EU scored a real success at the high-level economic dialogue in December when China acknowledged that following international and compatible standards for energy-efficient technologies was an important area of economic cooperation.

06 RULE OF LAW AND HUMAN RIGHTS IN CHINA

The EU's human rights policy is largely declaratory. The presence of member states at the Nobel Prize ceremony was a rare example of consensus.

Unity	2/5
Resources	2/5
Outcome	1/10
Total	5/20

D+

The EU wants to see China implement human rights and the rule of law. The EU's stated objectives include the ratification of the International Covenant on Civil and Political Rights (ICCPR), the abolition of administrative detention and the death penalty, and the release of individual human rights defenders in China.

In 2010, the EU proved it can stand together – but only when it is pushed together, as it was when China responded in a heavy-handed way to the award of the Nobel Peace Prize to Liu Xiaobo. Not only all member states but also Serbia – a country with EU ambitions – showed up at the ceremony in Oslo. In most other cases, however, there were divisions. For example, some member states such as Cyprus, Malta, Romania and Bulgaria undermined EU messages by accepting China's argument that human rights included economic development. Others such as the UK, Denmark, Sweden and the Netherlands were vocal about human rights in their bilateral dialogues with China, and continued to implement human rights projects inside China. Most member states outsource individual cases

to the EU human rights dialogue, but even this dialogue was cancelled by China in the second half of 2010 – without any coordinated European response.

There was little progress on the ground in China. In fact, there was increased repression of human rights activists after the Nobel Peace Prize nomination and control of the internet is also intensifying. There were some signals of a reduction in the scope of the death penalty, but final approval is still pending. In any case, Europe seems to have little desire and few ideas on how to influence China. The EU has only a minor impact through small projects on issues such as judicial reform, village elections and the development of investigative journalism. On human rights issues, Europe's policy is largely declaratory.

07 RELATIONS WITH CHINA ON THE DALAI LAMA AND TIBET

There is a soft consensus within the EU on the human rights situation in Tibet but member states took little action and had no impact..

Unity	2/5
Resources	1/5
Outcome	2/10
Total	5/20

D+

In the past, visits by the Dalai Lama and the human rights situation in Tibet have been a source of genuine tension between China and EU member states. But 2010 has been a quiet year on these issues. There is a soft consensus within the EU about the human rights situation in Tibet, but few member states follow up on this policy bilaterally and instead relegate it to the EU human rights dialogue. Member states' main ambition is to see the EU speak out to satisfy internal lobbies in parliament and among NGOs. The human rights situation in Tibet did not improve in 2010 and the dialogue between Tibetan exiles and the Chinese government is at a standstill.

On the other hand, there is not even a soft consensus on how to react to visits to Europe by the Dalai Lama and, in particular, whether official governmental meetings should take place. China responds aggressively to such meetings – for example, the EU-China Summit in 2008 was cancelled after President Sarkozy met with the Dalai Lama. A recent study also demonstrates negative repercussions on the exports to China following a high-

level meeting. The EU has been unable to resist or mitigate these soft sanctions on individual member states. The visit of the Dalai Lama to Hungary and Slovenia in 2010 illustrated the European retreat. During his last visit to Hungary, in 2000, he had met with Prime Minister Viktor Orbán; but this year there were no meetings with Orbán, who is again in power. In Slovenia, which was vocal on Tibet during its EU Presidency in 2008, the Dalai Lama ended up meeting the Slovenian Minister for Slovenians Abroad. In fact, the UK is probably the only member state left whose head of government is willing to meet the Dalai Lama.

08 GENERAL OPENNESS OF CHINA ON CIVIL SOCIETY EXCHANGES

The EU spends money on civil society exchanges yet has no guiding principles and no coordination – and therefore a higher score for resources than unity. Outcome is hard to assess.

Unity	2/5
Resources	3/5
Outcome	2/10
Total	7/20

C-

Europeans would like to enhance informal and free exchange with civil society in China: the reality is often stage-managed events and handpicked Chinese participants. The EU devotes considerable resources to such exchanges, but most of this comes from public funding – with some exceptions, European foundations and NGOs are much weaker than their American counterparts. However, the unity of Europeans is difficult to assess on this topic because of the varied engagement between state and civil society.

Examples of civil society exchanges in 2010 include an EU-China Civil Society Forum and the High-Level Cultural Forum with Chinese philosophers and European counterparts. In 2010, work also began to prepare the EU-China Year of Youth that starts in 2011. However, the official nature of such EU programmes increases the likelihood that they are also managed or controlled on the Chinese side by official counterparts. German foundations stand out for their presence in China.

On university education, there is more openness, and Europe's combined level of

attraction is high for Chinese students. But although the informal academic exchange route has created a large contingent of Chinese students in Europe, the EU has absolutely no guiding principles on this. Ideally, the EU and European NGOs or universities would move to a situation where they have more freedom of choice and genuine engagement with larger sectors of the Chinese civil society instead of semi-official NGOs in China.

09 RELATIONS WITH CHINA ON IRAN AND PROLIFERATION

Europe is united on proliferation. It had a major success with China's approval of new UN sanctions against Iran in June. It has less leverage over and therefore less impact on North Korea.

Unity	5/5
Resources	4/5
Outcome	6/10
Total	15/20

B+

The two major cases of proliferation are Iran and North Korea. In both cases, the EU seeks stronger Chinese cooperation both on dialogue with the two regimes and on sanctions, in particular at the UN.

On Iran, the EU and, in particular, the EU3 (France, Germany and the UK) has had a dual strategy of talking with Tehran and applying pressure by way of sanctions. The EU has repeatedly sought to persuade China to participate in these sanctions. In June, China voted in favour of a new round of (albeit watered down) sanctions at the UN – a major success for the EU and the US (see also components 23, 37 and 76). Although China remains Iran's top trading partner and investor, it seemed this year to stop stepping in to pick up on investments after European companies have left. High Representative Catherine Ashton's smooth cooperation with the EU3 on Iran suggests a new way of rewiring EU institutions and large member states.

Although China is even more isolated on North Korea than on Iran, the EU has less leverage and has had less impact. The

EU does not participate in the Six-Party Talks and has influence only through the presence of France and the UK in the UN Security Council. Individual member states such as France and the UK have regularly spoken to Japan and South Korea, and several others including France and Spain have participated in high-sea surveillance of North Korean ships. When an international commission blamed North Korea for the sinking of a South Korean corvette in May, the EU condemned the action. China subsequently asked for restraint by all parties and bargained for a watered-down statement at the UN Security Council. When North Korea fired artillery shells at a South Korean island near the disputed sea-border area in November, the EU again condemned the action.

10 RELATIONS WITH CHINA ON AFRICA

Some member states such as France and the UK have made efforts to engage China in trilateral cooperation but Chinese reluctance means impact is limited.

Unity	3/5
Resources	3/5
Outcome	4/10
Total	10/20

C+

Since waking up to the fact that China is gaining ground at high speed in Africa, Europe has been striving to engage Chinese and African leaders in trilateral cooperation. Calling for increased transparency on trade deals and aid packages and urging China to behave more responsibly in Africa regarding its human rights and governance impact, the EU is also trying to contain the negative impact of China's expansion in Africa on European businesses. Europe's initial eagerness peaked when the French Presidency attempted to start a trilateral dialogue in 2008. However, interest in the issue among member states, which depends strongly on historical and strategic ties, has been difficult to sustain.

In 2010, China adopted an increasingly confident tone in Africa. Despite signs of a more constructive Chinese attitude on Sudan ahead of the 2011 referendum, there has been modest overall progress in engaging China on Africa from a European perspective. China was an observer at the last EU-Africa summit but hasn't yet reciprocated with an invitation for the EU to join the next China-Africa summit.

Attempts led by the European Commission to engage the very influential China Development Bank on projects and donor standards has also led to disappointing results.

Setbacks on the trilateral dialogue have led the EU to reduce its ambitions and refocus its efforts on multilateral second-track initiatives such as an OECD study group that looks at China's experience of poverty reduction and possible applications in Africa. At the same time, the EU has redoubled its efforts to convince Africans of the virtues of the trilateral dialogue. Some member states, such as France and the UK, run their own Africa dialogues with China. Generally conducted with little coordination at the European level, these are often frustrating exercises. However, sheer persistence sometimes results in Chinese cooperation, as a British infrastructure project in the Democratic Republic of Congo illustrates.

11 RELATIONS WITH CHINA ON REFORMING GLOBAL GOVERNANCE

A lack of progress suggests Europe is still struggling to find a way to reconcile the rise of China as a global power with its aim of developing a more multilateral, rules-based world.

Unity	3/5
Resources	2/5
Outcome	2/10
Total	7/20

C-

The EU wants China to act more multilaterally and shoulder responsibilities, in particular in the UN but also in the IMF and the G20. Europe long assumed that China would automatically converge as it developed. That assumption has not been borne out by the events of recent years and, in particular, by the Copenhagen climate change summit in 2009.

Reform of the UN Security Council is still stalled and there is no genuine engagement with China on this. The EU did not seek an ambitious reform – in part, because to do so would raise the issue of a single seat for Europe and the divergence of interests between member states on this issue (see component 70). China is both posing as the representative of emerging countries and blocking Japan and India at the Security Council. The Human Rights Council is increasingly dominated by an anti-European alliance in which China figures prominently (see component 72).

At the G20, Europeans coordinated with China in 2010, but mostly simply to avoid protectionism. There were also fault-lines

within the EU, with Germany siding with China to reject a US suggestion of numerical targets for current-account surpluses at the G20 summit in Seoul. Meanwhile, as they prepared for their 2011 presidency of G20/G8, the French tried to engage the Chinese on a reform of the international monetary system. China agreed to give more resources to the IMF but hasn't yet endorsed any reform beyond an increase in its own voting rights. The conclusions of this year's EU-China summit were devoid of specifics on these issues, suggesting that the EU is still struggling to find a way to reconcile China's rise as a global power with its aim to create a more multilateral, rules-based world.

12 RELATIONS WITH CHINA ON CURRENCY EXCHANGE RATES

The EU is united on the need for a revaluation of the yuan but does not have a joint strategy. The gap between Europe's economic weight and its limited influence remains stunning.

Unity	2/5
Resources	2/5
Outcome	3/10
Total	7/20

C-

Europe has joined others and above all the US in asking for a revaluation of the renminbi. It wants to see China move towards a flexible exchange rate and eventually to full convertibility. The message may be weakened, however, by other priorities: Germany and northern European countries prefer to focus on investment issues; peripheral countries seek investment; and France is promoting a wider reform of the international system at the G20.

EU Trade Commissioner Karel De Gucht and European Commission President José Manuel Barroso brought up the issue of revaluation in the spring. In particular, De Gucht criticised China's "deliberate" policy of keeping its currency undervalued, and warned that this posed a "major problem" for global economic recovery. Over the summer, however, the issue receded in Europe as the euro rose again and China's trade surplus with Europe decreased somewhat. On the eve of the EU-China Summit, the euro group in fact lauded China's cooperation on international financial and monetary issues, while the

US Treasury pressed ahead on the currency issue (although this did not stop Premier Wen Jiabao from lecturing Europe). Meanwhile, as it prepared to chair the G8 and G20, France also reached out to China with wider policy initiatives such as cooperation over IMF reform and Special Drawing Rights.

Europe's influence is weak, because competences remain split and because of the gap between eurozone members and the others. The UK, for example, shows "understanding" for the European position but notes its separate status. China can also count on splits between several European leaders and the US on the Federal Reserve's monetary policy. In 2010, China's "bond diplomacy" towards eurozone countries with debt problems such as Spain, Greece and Portugal made it even harder for the EU to develop a more coherent response on the currency issue.

13 RELATIONS WITH CHINA ON CLIMATE CHANGE

The EU did better than in 2009, but its influence on China's approach to climate change remains limited. The real strength of EU influence is in practical cooperation projects.

Unity	4/5
Resources	4/5
Outcome	5/10
Total	13/20

B

Securing the cooperation of China, the world's largest emitter of CO₂, is central for a global deal on climate change – the EU's ultimate objective. 2010 started with pessimism after the Copenhagen climate change summit in December 2009, which European Council President Herman Van Rompuy called a “disaster”, as WikiLeaks revealed. But the year proved relatively more successful than expected. In March, China signed the Copenhagen accord (although it is a non-binding commitment). The EU wanted China to stay committed at this year's climate change summit in Cancún – and it did so with the sub-agreement on standards for verification. Yet the EU's influence on China's approach to multilateral agreements on climate change is still limited.

The EU also attempts to influence China through others such as the US and through the BASIC countries and the G77, although results have been limited. Most member states have also pushed common EU positions in their bilateral dialogues and meetings with China – although the new member states such as the Baltic countries,

Bulgaria, the Czech Republic, Hungary, Poland and Slovakia are less keen to do so, suggesting a lack of European unity on how fast to move forward on climate change.

The real strength of the EU's influence may become apparent when results emerge from the multitude of practical projects that member states support in China. For example, Germany has 20 major projects, including an eco-city in Dongtan. Since 2004, France has since spent €670 million reducing 15 million tonnes of CO₂. At the EU level, President Barroso opened the Europe-China Clean Energy Center at Tsinghua University, and the European Investment Bank (EIB) has granted a €500 million loan for climate change projects in China. So far, however, the EU has not achieved linkage between its ambitious climate change programme and actual industrial cooperation, which would require strenuous negotiations with China on IPR and patent issues (see component 2).