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**Research Report**

## Global governance and building a harmonious world: a comparison of European and Chinese concepts for international affairs

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Deutsches Institut für  
Entwicklungspolitik



German Development  
Institute

## Studies

### Global Governance and Building a Harmonious World

A comparison of European and Chinese concepts for international affairs

*Thomas Fues / LIU Youfa (eds.)*



# Global governance and building a harmonious world

### German Development Institute / *Deutsches Institut für Entwicklungspolitik* (DIE)

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## Abbreviations

AAs	Association Agreements
ACD	Asia Cooperation Dialogue
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
BMZ	Federal Ministry for Economic Cooperation and Development
BHS	Building a Harmonious Society
BHW	Building a Harmonious World
BRICS	Brazil, Russia, India, China and South Africa
CICA	Confidence-building Measures in Asia
CIIS	China Institute of International Studies
CO <sub>2</sub>	Carbon Dioxide
CPC	Communist Party of China
DAC	Development Assistance Committee
DIE	Deutsches Institut für Entwicklungspolitik
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EMP	Euro-Mediterranean Partnership
EU	European Union
EU-ETS	EU Emissions Trading Scheme
FDI	Foreign Direct Investment
FTA	Foreign Trade Association
FYP	Five Year Plan
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GG	Global Governance
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit

HW	Harmonious World
ICC	International Chamber of Commerce
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
IPRs	Intellectual Property Rights
KP	Kyoto Protocol
LCDS/LCGPs	Low-Carbon Development Strategies/Low-Carbon Growth Plans
LDCs	Least Developed Countries
LICs	Low Income Countries
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MRV	Measurement Reporting and Verification
MTAF	Multilateral Technology Acquisition Fund
NAMAs	Nationally Appropriate Mitigation Actions
NGOs	Non-Governmental Organizations
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PCAs	Partnership and Cooperation Agreement
RMB	Renminbi
ROK	Republic of Korea
SAARC	South Asian Association for Regional Cooperation
SCO	Shanghai Cooperation Organization
TNC	Transnational Corporations
UfM	Union for the Mediterranean
UK	United Kingdom
UNEP	United Nations Environment Programme
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WGBU	German Advisory Council on Global Change
WRI	World Resources Institute
WTO	World Trade Organization

## Executive Summary

This collection of scholarly articles summarizes the main topics from a two-year dialogue and research programme between the Chinese Institute of International Studies (CIIS) and the German Development Institute / *Deutsches Institut für Entwicklungspolitik* (DIE) on the concepts of Building a Harmonious World and Global Governance. The introductory contributions to the volume illustrate the extent to which the Chinese understanding of global challenges and domestic responsibilities differs from European discourses, particularly in regard to the meanings of democracy, national sovereignty, human rights and civil society. Normative, philosophical and historical nuances notwithstanding, scholars from both sides have identified extensive common ground on practical policy implications in a framework of multi-level governance. They also agree on the need for broad political regulation at the global level which puts societal objectives at the centre. For this, the holistic model of sustainable development offers normative foundations which seem acceptable to both sides. It emphasizes respect of cultural diversity, social equity and a dynamic balance between human lifestyles and nature's capacities. With their long-term interests in shared prosperity, stability and systemic sustainability converging, China and Europe have ample reason to join forces for effective global problem-solving.

Further contributions to the volume address, in a comparative perspective, the approaches of both sides towards their immediate neighbourhoods and analyze the respective policies on climate change and international development cooperation. Many open points remain at the current stage of the dialogue and deserve further attention. An important future research task refers to the question how China and Europe can foster common values and goals as a prerequisite to joint action on pressing global problems, such as planetary boundaries, poverty elimination and transformation towards a green economy. A corresponding concern relates to suitable mechanisms for managing diverging views and conflicts between the two actors. As the insightful contributions to the volume attest, further research in this direction could be instrumental in unlocking the substantial potential for fruitful cooperation between China and Europe on global governance challenges, thereby promoting the emergence of an unprecedented pioneer alliance for sustainability and global public goods.



## Introduction

Thomas Fues / LIU Youfa

Economic globalization is the most serious challenge that the international community has faced since the Industrial Revolution. While providing steam for many countries in terms of growth and economic development, it has created many new, increasingly transnational issues and challenges that require global solutions. It is true that globalization has literally converted the world into a village through interactions of a transboundary political, economic, cultural, scientific, technological, and simply human nature. At the same time, globalization has brought into play many actors in both domestic and international politics, namely sovereign states, civil societies, transnational corporations, interest groups and individuals, and that this has augmented both interactions and interdependency among traditional sovereign states and economies. It is also true that transnational corporations have established production and value chains around the world through which they enjoy a free hand in allocating their production factors in line with global strategies and for best possible economic results. On the other hand, these global goods and services chains have been expanding without effective global oversight - the prime reason for the 2008 international financial crisis.

Global issues and challenges warrant global resolutions which require all parties concerned to join efforts in order to probe into the root causes of the existing issues and challenges, identify ways and means for effective solutions, and facilitate conditions for a peaceful world in which each and every country can reap benefits in terms of economic development and social progress. The international community has taken pains to search for new visions, theories and policy frameworks in order to strengthen global governance so that countries around the world need not suffer from adverse international conditions.

Against this background, the China Institute of International Studies (CIIS) and the German Development Institute / *Deutsches Institut für Entwicklungspolitik* (DIE) have accepted the challenge of carrying out joint research on the concept of Building a Harmonious World (BHW) put forward by Hu Jintao, President of the People's Republic of China, in 2005 along with the concept of Global Governance (GG) elaborated by

Western and European scholars and promoted by European countries and the European Union (EU). With this in view, the experts and scholars of the two institutes jointly launched a research project in October 2009 amid the international financial crisis and have hitherto held two workshops, in November 2010 and May 2011 respectively. Both sides have spared no effort in probing into the factors leading to existing global imbalances and challenges. The aim has been to identify the impact of these factors on global political, economic and security structures, on individual countries and economies around the world, and to find theoretical and policy solutions.

This joint research has led the experts and scholars of the CIIS and DIE to the preliminary conclusion that while BHW and GG were put forward against different internal and external backgrounds and with different strategic and policy focuses, both clearly stress the need for expediting the reform of existing global governing mechanisms. They also converge in calling for the construction of a stronger global oversight mechanism and in appealing to all countries across the world to join hands in addressing the issues which are crucial for the pursuit of common interests, common development and shared prosperity.

While each of these two approaches to reshaping the global system offers its own view of creative philosophical and policy guidance, many of the derived practical policy proposals are identical or similar. But as the papers included in this publication demonstrate, the two concepts also differ in aspects such as the delegation of sovereignty, the significance and role of civil societies, and the specific modalities of how to involve states and national economies in future global governance regimes. They also reflect differences of understanding with regard to the normative and functional meanings of democracy at local, national and global levels.

The future of the world will largely depend on the success of joint efforts by the international community in pushing for effective global governance. CIIS and DIE are confident that publication of the research papers resulting from their two workshops will offer food for thought to the leaders of China and the EU in their joint efforts to promote effective global governance in various multilateral arenas. The texts will also provide the general public with more information on the status of the emerging global governance system and will hopefully support the theoretical and policy endeavours of political and academic circles in China and the EU. Furthermore,

these papers will cement the foundation for further research on the relevant theories. This in turn may offer timely theoretical and policy support for Chinese and EU leaders as the two sides increasingly become major players in post-financial crisis international politics.

Future comparative research on the Chinese and European models of collective global problem-solving should first of all deepen common knowledge on converging views as well as differences in world outlook, interests, goals and value systems. In this endeavour, the following questions deserve special attention:

- To what extent can Europe and China build on common values and goals in terms of democracy and human rights which represent important issues for the evolution of bilateral relations?
- What institutional frameworks will provide the most conducive environment for China-Europe cooperation on global issues?
- What mechanisms are adequate for addressing and managing diverging views and conflicts between Europe and China?
- What are the specific roles and responsibilities of governmental and non-state actors in addressing global challenges?
- How will the respective understandings of national sovereignty evolve in response to growing interdependence and interconnectivity in a globalized world?
- How can Europe and China strengthen their joint efforts to reduce poverty and promote green transformation on a global scale?

In pursuing these questions, the CIIS and DIE remain committed to deepening their collaboration and to contributing to like-minded transnational networks of think tanks and research organizations. Both institutes are grateful for the inspiration received from the international network of the programme “Managing Global Governance”, which DIE and the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) jointly implement on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ). The motivation of the CIIS and DIE for joint research has grown from their long-standing participation in this highly effective platform of dialogue and capacity development between Germany, Europe and rising powers.





## Part I

### The global context

How China and Europe can join forces for  
effective problem-solving



## Three waves of global change

The dynamics of global governance in the  
first half of the 21st century

*Dirk Messner*



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## Three waves of global change

The dynamics of global governance in the first half of the 21st century

Dirk Messner

The dynamics of global change have received their due only partially in what has essentially been an economic globalisation debate since the end of the East-West conflict. This paper outlines three waves of global change that are radically altering not only the global economy, but also world policy and national societies: 1) economic globalization and the emergence of world problems; 2) tectonic power shifts in the international system; 3) the impact of the dynamics of climate change. All three waves both exceed the capacity of individual nation states to control them and highlight the growing importance of international cooperation. Without effective global governance, sustained globalisation is impossible. An analysis of the three waves of global change reveals the tense context in which patterns of cooperation may not only emerge but also fail. That context includes power and interest structures, internal economic dynamics, changes in the Earth System, and the capabilities of individuals without whose ability to cooperate global governance would be doomed in principle to failure.

### **1 The first wave of global change – economic globalization and world problems**

Economic globalisation, much discussed since the late 1980s, forms the first wave of global change. Globalisation initially entails ever-closer economic interdependencies and an increasingly fine network of trade relations, financial flows and direct investment. These in turn serve as a link between the development dynamics of “national economies”, including their room for political manoeuvring, and the development dynamics of the global economy to a degree that would have been unthinkable a few decades ago. Communications technologies are the basic drivers of globalisation, since they reduce the transaction costs of international economic interaction. The fragmentation of the global economy was not overcome, moreover, until communism collapsed after the fall of the Berlin Wall, China opened its doors to the global economy in 1978, and most developing countries completed the change from internal-market-oriented to

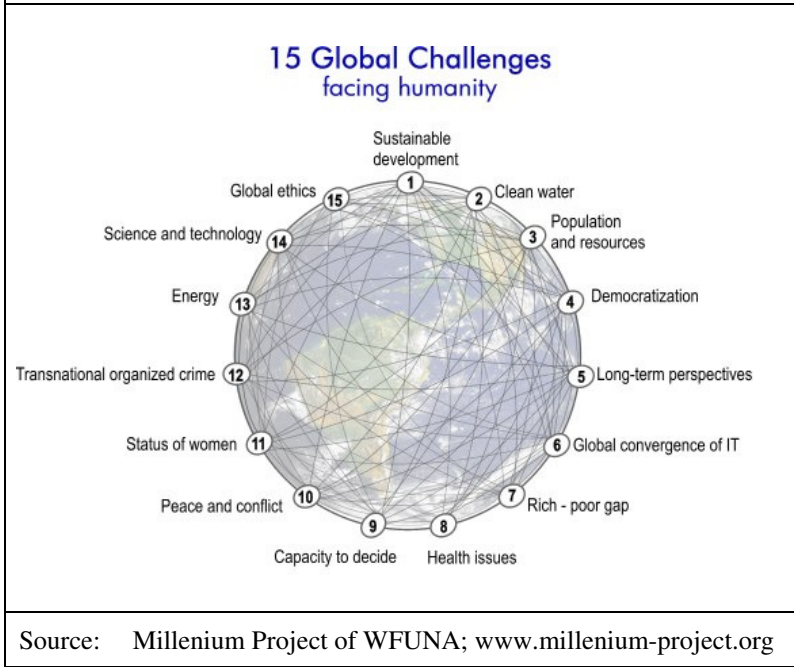


world-market-oriented development strategies during the 1980s. Since the early 1990s a world market which integrates all economies and societies, albeit each in its own particular way, has been emerging for the first time since the Industrial Revolution (Reinicke 1998; Hauchler / Messner / Nuscheler 1999; Held 1999).

Processes of economic globalisation entail an increase in the number and density of cross-border interactions, involving almost all societies, states, organisations, groups of actors and individuals – to varying degrees, of course – in a system of mutual dependencies. The room for individual manoeuvring, the range of nation states’ policies, lifeworlds, models of social order, and the deeply rooted structures of societies undergo lasting change. Globalisation is therefore not only an economic but also a social, cultural and political process. “Globalisation Debate 1.0” (blurring national boundaries; eroding national sovereignty) was based on the premise that the economic model of the western market economies would spread to the rest of the world after the Berlin Wall fell and communism imploded: “globalisation as westernisation”.

An intensive debate has been conducted in the literature on whether globalisation is in fact a new phenomenon, since Karl Marx was, after all, reflecting on the global dimensions of the market economy as early as the mid-19th century, and world trade was already a reality at the time of the Silk Road. This question has been answered convincingly by Robert Keohane and Joseph Nye (2000, 7–8): *“The issue is not how old globalism is, but rather how ‘thin’ or ‘thick’ it is at any given time. ... contemporary globalization goes faster, cheaper and deeper.”* What is new about globalisation, then, is that it is affecting more people and sectors of the economy than ever before in history – and that it is continuing at a rapid pace. The location debate conducted in Europe with great intensity since the 1990s over the adjustment of national production patterns to the imperatives of global competition is a response to “thick” globalisation. The current global economic crisis and the collapse of the international financial markets in the autumn of 2008 are, moreover, evidence that globalisation which improves prosperity depends on the establishment of international rules and governance structures that ensure stability and a fair balance of interests in the global economy and preclude system-endangering speculation (Reinhart / Rogoff 2009). The aim must be to reintegrate the global economy into systems of (global) societal norms and rules – in other words, to attain global economic governance.

**Figure 1: The Millennium Project 2010**



Globalisation is not just an economic process, however. Economic delimitation is also conjoined with a growing number of cross-border problem situations or global problems which are too difficult for nation states to handle alone and whose resolution requires international cooperation if policy failures are to be avoided. Globalisation thus raises complex governance issues. Since the end of the 20th century one question that has arisen concerns the future of policy as the transition is made from the era of the nation states to that of globalisation. Isaac Dror (1994) got right to the heart of this challenge in the title of his book: “Is the Earth still governable?”

### *Global governance beyond the nation state*

The starting point for global governance research is the observation that, as a result of accelerating globalisation and increasing cross-border interdependencies, the discrepancy between the range of nation states and the range of major problem situations is growing.

*“The waning importance of national borders poses a challenge to the ability of the nation state to achieve its governmental objectives unilaterally. Effective governance depends on the spatial correlation of political rules with socially integrated areas and the absence of significant externalities. As societal links across frontiers ... increase, so externalities, too, increase ...”* (Zürn 1998, 121)

Wolfgang H. Reinicke has succeeded in characterising the changed demands on policy in the globalisation context against the background of a distinction between “internal” and “external” sovereignty (Reinicke 1998, 52–74). He describes internal and external sovereignty as complementary concepts. External sovereignty concerns the relationships between states in the international system, internal sovereignty the state’s relations with societal actors and the business community within its national territory. With reference to Max Weber he argues that

*“internal sovereignty refers to the formulation, implementation, and maintenance of a legal, economic, political, and social order ... internal sovereignty came to describe the relationship between ... government and society ... In operational terms, internal sovereignty ... means the ability of a government to formulate, implement, and manage public policy. ... A threat to a country’s operational internal sovereignty implies a threat to its ability to conduct public policy.”* (Reinicke 1998, 56–57)

The concept of external sovereignty concerns the relationship between states in an international system which lacks a central authority and a monopoly of power and is therefore characterised by anarchy. In this context, states are geared towards safeguarding their independence, that is, their external sovereignty, as far as possible and ensuring their security.

The perception of growing economic, political, social and military links between states in the theories of international relations has led since the 1970s to a debate on the concept of “interdependence” between states (Keohane / Nye 1977). In this context, interdependence is usually taken to mean a “relationship which it is costly to break”. With the term “complex interdependence”, Robert Keohane and Joseph Nye (1977) were referring to a qualitative change in the international system. The formally independent nation states are connected by a growing number of channels and are therefore increasingly interdependent and vulnerable, especially with regard to the security dilemma in an anarchic world, where there is no monopoly of power. The main elements in the debate on “complex interdependence” are consequently nation states (the actors observed) and “external” factors (which increase the vulnerability of

states and their interdependence). Seen from this perspective, the growth of “complex interdependence” in the *international* system is a challenge to the *external* sovereignty of nation states.

Globalisation extends beyond the “complex interdependence” model. Its emphasis is, *firstly*, not on the intensification of *intergovernmental* relations, but on “cross-border structures” that result in the overlapping and blending of national and “external” structures and so in the erosion of the clear division between internal and external.

*Secondly, “as an economic dynamic [...] globalization differs from interdependence in that it subsumes or internalizes into its own institutional structure economic activities that previously took place between national markets, that is, between distinct economic and political units.”* (Reinicke 1998, 63)

Globalisation thus integrates economic areas and so delinks them – nor entirely, but partially – from the compass of the policy of nation states. This process weakens the *internal* sovereignty of states, not in the legal, but in the operational sense.

While “complex interdependence” concerned external sovereignty, that is, the management of intergovernmental relations and, above all, the achievement of security in the anarchic international system, nation states are, furthermore, no longer able in the era of globalism to solve problems alone within their national borders in a growing number of policy areas (such as environment, social and economic policy), since vital governance resources are distributed beyond those borders and locational competition limits the options open to national governments. In effect, “national” environment and economic policies, for example, are increasingly interwoven with global environment and trade policies.

From this perspective, and by focusing on the primary self-interest of nation states (rather than “only” on increasingly global problem situations, as is usually the case), a convincing plea for global governance can be derived. At the core is the argument that the “shared (internal) sovereignties” of nation states (Messner 1998) must be pooled, since only then can their ability to take action by setting policies and their internal sovereignty be restored or ensured. To take action to this end, nation states must develop forms of cooperation in intergovernmental relations, in their multi- and supranational organisations, and in interaction with the societal world

“on a scale and depth not yet witnessed” (Reinicke 1998, 70) – *only then* can the erosion of states’ internal sovereignty be halted.

In the process of globalisation, the architecture of international policy is gradually changing. From the perspective of the “realist school” the world of states was an anarchic world in which nation states were not only the principal but also the only relevant actors, since they alone were able to make binding decisions, to frame international law and, above all, to ensure security. They participated in international organisations and regimes for the sole purpose of asserting their own interests in the global arena, becoming more secure, and increasing national welfare by engaging in a minimum of cooperation guided by those interests.

The classical counter model of “*complex interdependence*” (Keohane / Nye 1977; Cable 1999) was based on two assumptions, which were then also taken up by global governance research: first, states are no longer the sole actors in world policy, having become enmeshed in a dense network of transnational interactions as a result of political, military, economic and cultural links with private-sector and societal actors. Second, the power which the individual state is able to wield is no longer the only effective means of safeguarding security and prosperity. Instead, the system of international institutions can be used effectively to settle international conflicts of interest and to defend national interests.

The institutionalists, too, assume that, when engaging in international cooperation, government actors pursue their own interests rationally and strategically but are also forced to compromise. They accept the “realistic” premise of the anarchic structure of the world of states but hope to be able to guide anarchy into the fairly orderly channels of “regulated anarchy” through cooperation and self-regulation. The idea underlying institutionalism is that international sets of rules, negotiating systems and organisations facilitate a balance of interests between conflicting parties, form the institutional framework for constant communication among states, and help them to develop trust or reduce distrust. The high risks and costs associated with a “global struggle of all against all,” which moved Immanuel Kant in his “*Perpetual Peace*” to seek peace in the institutionalisation of intergovernmental relations, have added strength to the plea for the expansion of institutionalised cooperation.

Global governance research adopts the basic ideas of the institutionalist school and integrates international regimes as building blocks of interna-

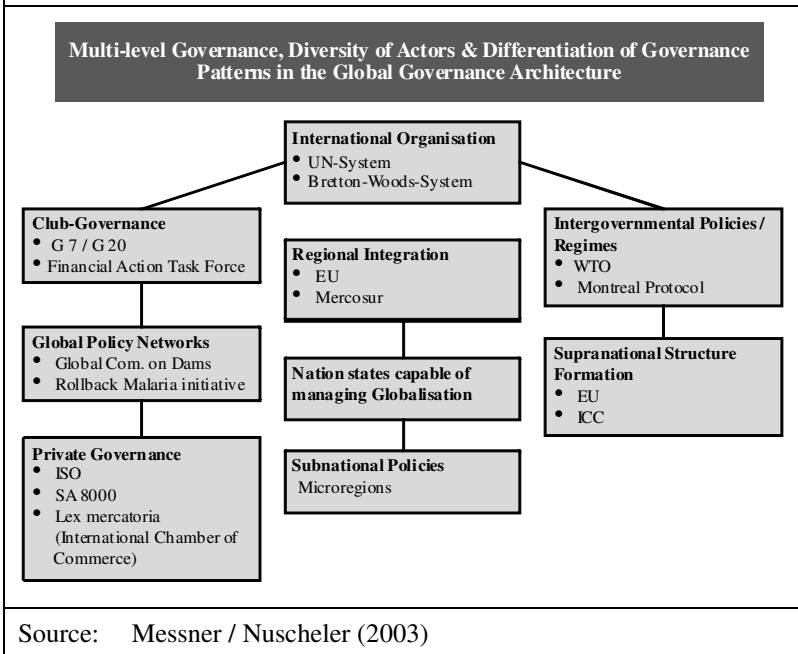
tional cooperation into a comprehensive architecture of global government. First, reference is made to the growing importance in international policy of private actors who complement intergovernmental organisations and cooperate with them (multi-actor situations). Second, global governance approaches emphasise the growing integration of local, national, regional and global policy which is increasingly blurring the line between internal and external policies (multi-level policy). Third, global governance approaches highlight the distinctions drawn between governance models in world policy. Besides international organisations and regimes (governance with governments<sup>1</sup>), which continue to cover key areas of cross-border cooperation, approaches to private governance (governance without governments<sup>2</sup>) can be observed in many problem areas. Furthermore, the past two decades have seen the emergence of global policy networks in which non-governmental organizations (NGOs), industrial associations and enterprises, nation states and international organisations cooperate when sectoral problems or specific global problems arise (public-private governance / societal multilateralism) (Beisheim 2002). In regional integration projects, especially in the EU, intergovernmental forms of cooperation are on the increase; in supranational organisations, such as the World Trade Organization (WTO) and the International Chamber of Commerce (ICC), elements of world statehood are forming. This perspective reveals the new structures of international policy which are emerging in the process of globalisation and goes well beyond neorealist and institutionalist views that concentrate on intergovernmental relations.

Global governance policy today is *de facto* framed in the multi-level network outlined above. The globalisation and delimitation of policy are the inevitable response to economic delimitation and the growing number of

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1 Zürn (1998) makes a distinction between four models of “governance with governments”: international regimes (e.g. the Montreal Protocol); international organisations (with the United Nations at the centre); intergovernmental networks (e.g. G7/8); trans-governmental networks of top officials (below cabinet level).

2 Examples are such transnational organisations as the International Chamber of Commerce, the Internet Society and the 10,000 or so internationally active NGOs (such as Transparency International and the World Wildlife Fund for Nature). These organisations form networks and epistemic communities among themselves. Occasionally, these private global governance actors also establish transnational regimes and sets of rules (e.g. the Lex Mercatoria and social and environmental standards, which emerge in global value added chains through processes of negotiation between multinational corporations and NGOs).

**Figure 2: Global governance architecture**

problem situations with which our societies are confronted. Yet global governance is still a work in progress and is advancing only slowly. Regression is even to be seen in some areas: the world trade talks are stalled; UN reforms that have long been under discussion are making no progress; climate negotiations have reached an impasse. The shaping of globalisation is thus a herculean task that is far from being completed.

Also emerging in the global governance architecture are democracy and legitimisation problems, which for reasons of space can only be mentioned here (for more details see Messner / Nuscheler 1997): how can the disintegration of democratically legitimised levels of action and international multi-level decision-making systems, currently occupied by international bureaucracies, be overcome? How can democracy, transparency and political accountability be organised in the context of internationalised decision-making processes? How can democratic control be exercised over international organisations, some of which – for example the International

Monetary Fund (IMF) and the World Trade Organization – intrude deeply into the inner lives of states and challenge therewith the basic principles of the Westphalian System of States (sovereignty) as an anachronism? Even the EU is accused of serious democratic deficits, although supervisory and participatory rights have gradually accrued to the European Parliament. How can developing countries be appropriately involved in global governance processes (Maggi / Messner 2002)? The political responses to the first wave of global change will occupy our societies for a long time to come. The reinvention of policy under the conditions of globalisation is still in its infancy.

## **2 The second wave of global change – tectonic power shifts and the end of western dominance**

The “Globalisation Debate 2.0” (global power shifts) began in the early 21st century, when it became increasingly clear that globalisation was by no means accelerating the triumphal march of the western industrialised countries. In fact, Asia is becoming a new centre of gravity for the global economy, with China and India as its driving forces (Kaplinsky / Messner 2008; World Bank 2011). Other developing countries, too, are gaining in economic and political self-confidence and pressing for a say in the shaping of global processes: South Africa, Brazil and Indonesia are among the actors disputing the Organisation for Economic Co-operation and Development (OECD) countries’ claim to sole representation, while essentially approving the underlying western conception of development, market economy and democracy. The same cannot be said of such states as Iran, Venezuela or certain countries in the Arab world, whose regional and international claims to power cannot be overlooked and, in some cases, represent a serious challenge to western conceptions of the world, values and order.

The fact that, as the world’s power centre, the G7/8 group has sunk in the maelstrom of the current world economic crisis and is making way for the G20 represents an international revolution, since it is a sign of enormous global power shifts which the industrialised countries are only now slowly beginning to acknowledge. Due to the global economic crisis the power shifts are, moreover, accelerating in the direction of the rising economies. This process of the world’s multipo-

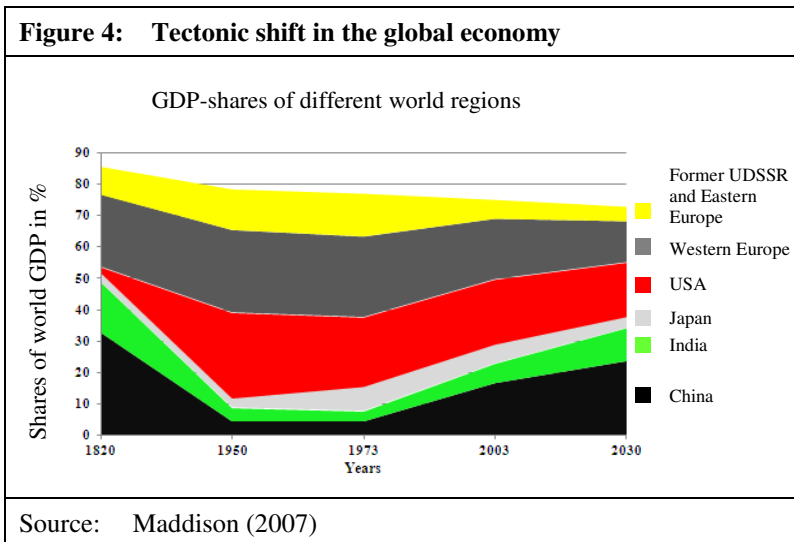
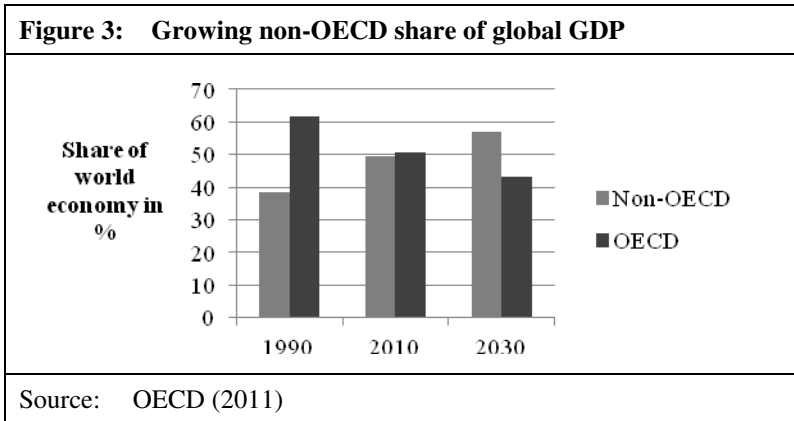


larisation, which calls the 200-year dominance of the “old industrialised countries” into question and erodes the basic, time-honoured transatlantic structure for shaping the world (the old G7/8), has (like the first wave of global change) still a long way to go (Khanna 2008; Leininger 2009; Kumar / Messner 2010). All that is certain is that globalisation is in no way accompanied by an accelerating expansion of the western industrialised countries’ power, as was assumed in the context of “Globalisation Debate 1.0.”

Figure 3 and 4 illustrate the tectonic power shifts that may occur by the middle of the century. A post-western world order is in the offing. An interesting feature is the depiction of long-term changes in the global economy since 1820 (Figure 4). In overstated terms, it could be said that the OECD countries have been the drivers and main beneficiaries of the time since the industrial revolution and of the era of the nation states. Are China and India and, with them, Asia to be the drivers and centre of gravity of the globalisation era?

This raises many questions: will the G20 succeed in developing a shared view of a fair and viable world order and society, or will the various world views block each other in this new “concert of power”? How will democracies and authoritarian states deal with each other in the G20? Is the price of agreement on stable global economic conditions the eschewal of progress in the areas of human rights and strategies for promoting democracy? Will the G20 become a club even more hermetically sealed off from the “rest of the world” (the G172) than the G8, which the G77 was, after all, able to challenge, with such countries as Brazil, India and China at its head? Or is the G20 building strong bridges to the developing countries, strengthening the modernisation of the United Nations as a platform for all actors in global society, and composing agendas for framing the global policy of the future, with appropriate account taken of human development? Are the old and new powers obstructing each other and so preventing progress towards the global governance which will be urgently needed for shaping the first wave of globalisation? “Globalisation Debate 2.0” thus concerns the future constellations of global governance actors and the opportunities and risks for global government in a multipolar power situation.

Over and above all these uncertainties, however, stands the fundamental question whether the power shifts outlined can proceed peacefully.



*How can a peaceful transformation of power succeed?*

The rise and fall of the great powers (Kennedy 1987) have always been turbulent and often violent turning points in history (Kupchan 2002). In any process of the global shift of power three dynamics are in principle conceivable: 1) *war*, 2) *“cold peace”* (stability based on competition and mutual deterrence) and 3) *“warm peace”* (stability based on cooperation

and principles of joint security and problem-solving, such as effective multilateralism and cooperative global governance). Charles Kupchan (2002) points out that peaceful transitions from one world order to another, i.e. the replacement of a power in the world order by one or more climbers, have been extremely rare in history. One of the few positive examples was the shift of power from Britain to the USA in the late 19th and early 20th centuries, which was accomplished without any military confrontation. This peaceful transition is often attributed to Germany's military rise at the time, which posed a serious threat to Britain. In this historical situation Britain concentrated its external strengths on Europe and moderated its claims to world power.

Against this background, it becomes clear that any development towards a cooperative global governance architecture, if characterised by fair multilateralism, will not come about of its own accord, but will require considerable political exertion on the part of the relevant global actors. If an appropriate strategy for the peaceful management of current global power shifts is to be developed, it is important to begin by identifying the obstacles to the transition, i.e. to fair multilateralism. Three mechanisms are significant in this context.

**Firstly**, superpowers generally find it difficult to switch from a strategy of "global dominance" to a concept of "global or even shared global leadership." This is also true of the USA at the moment. John Mearsheimer therefore considers serious conflicts in world policy to be inevitable; as he writes, "A peaceful rise of China is impossible" (Mearsheimer 2004). He does not regard the Chinese leadership to be conflict-oriented, but refers rather to what he sees as the conflicts inherent in tectonic power shifts.

**Secondly**, a particular challenge arises from the fact that the "fair multilateralism" of the future cannot simply follow from the western multilateralism of recent decades, which is based not least on US hegemony, since western multilateralism is undermined by four dynamics: first, the fact that the USA's opportunities to find strength to renew the multilateral system it has created are limited by its current economic crisis; second, the weakness of European foreign policy, which is unable to fill the vacuum left by the USA in multilateral organisations; third, the limits to classical inter-governmental multilateralism revealed by the increasing importance of private actors and the growing complexity of globalisation, both of which call for a degree of supranational control that exceeds the capacities of the

established international organisations; fourth, the rise of China and India, which is causing a significant shift in global power relationships and eroding the project to create a form of multilateralism under what is ultimately transatlantic control. The multilateralism of the future and a viable global governance strategy must find answers to these challenges.

**Thirdly**, in China and India classical concepts of sovereignty, power and the nation state dominate the thinking of political actors, even though both countries use multilateral rhetoric. Decision-makers in the industrialised countries, especially those in Europe, on the other hand, are gradually learning in the context of the globalisation debates that, in view of the limited range of nation states' action and global interdependencies, the delegation of sovereignty to the EU, for example, the pooling of national control resources through intergovernmental cooperation and the modification of the concept of "non-interference" (as when the protection of human rights is inconsistent with non-interference in internal affairs) are necessary reactions if policy is to be capable of taking action and solving problems in a globalised world. It is interesting that what the elites in China and India predominantly understand by the concepts of sovereignty, power and state is entirely compatible with the political thinking of classical realism rather than global governance concepts that point beyond the nation state. The view that "multilateralism is a concept for weak actors," as the neoconservative Robert Kagan attempted to explain to the Europeans during the Iraq debate, certainly has its supporters in the emerging Asian powers.

These obstacles to a peaceful and cooperative acceptance of the global power shift are, however, joined by a number of positive features of the current historical situation, which may help to pave the way for the development of an inclusive global governance architecture:

- In contrast to the international disputes of the 19th and 20th centuries, there are currently very few serious conflicts over territory (with the not insignificant exception of the dispute over the status of Taiwan).
- There are no fundamental ideological conflicts between the existing and emerging great powers comparable to the "communism or free world" question.
- The substantial economic interdependencies between the major power poles are leading to a shared interest in international stability and a global economy governed by rules.

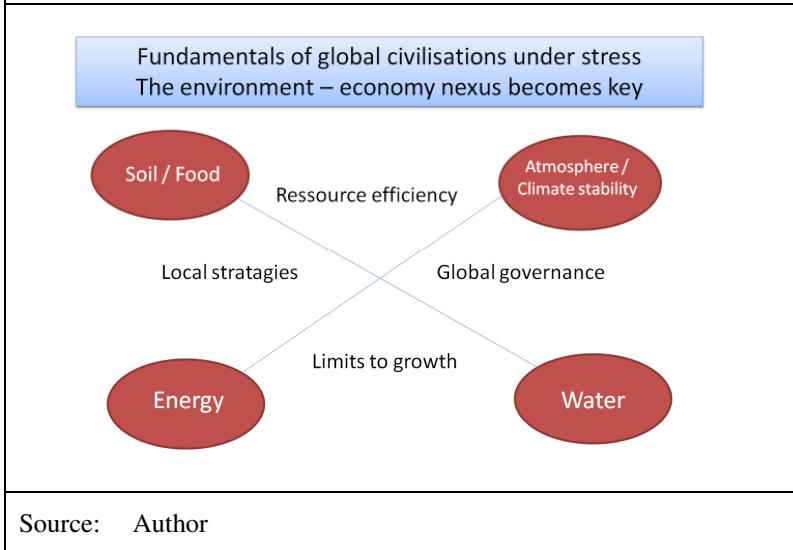
- Despite fragilities in the developing regions, the number of nation-state democracies has never been so high in the history of the world. There are some indications that these democratic foundations facilitate the pacification of international relations.

The decisive question will be whether the USA, China, India, the EU (should it be capable of finding a joint response to the new challenges) and other rising actors will gradually learn to perceive each other as benign powers. Only then will there be opportunities for actively shaping globalisation and limiting its adverse external effects.

### **3 The third wave of global change – climate change – will cause a lasting change to the global economy and policy in any case**

Climate change is the third wave of global change, and it will significantly modify global economy and policy – whether dangerous climate change occurs or an effective strategy for its prevention is pursued. “Globalisation Discourse 3.0” emerges from the debate on “climate change and development.” Man-made climate change confronts mankind with unprecedented challenges. Dangerous climate change leading to global warming of significantly more than 2°C might trigger irreversible tipping points in the Earth as an ecosystem and cause a transformation of global ecosystems with an uncertain outcome (Lenton et al. 2007). Little scientific research has yet been conducted on the effects that such a change in the Earth System would have on a future global population of nine billion, the global economy, and international security (Messner / Rahmstorf 2009; WGBU 2008). Existing knowledge (IPCC 2007) indicates, however, that in such a process of non-linear ecosystem change considerable pressure to adjust would come to bear on the four foundations of any civilisation: 1) the availability of food and agricultural land; 2) drinking water; 3) climate stability; and 4) the energy basis, which has hitherto consisted primarily in the burning of fossil energy sources. The world community is thus creating for itself a global risk potential that extends well beyond current problems of global interdependence, such as the instability of international financial markets, the fragility of states as a source of international destabilisation, cross-border pandemics, and crime. At stake are the long-term foundations of human civilisation.

**Figure 5: Fundamentals of civilisation**



At the same time, many mechanisms robustly obstruct an effective response to climate change. A “change to the Earth System” far exceeds our imagination and our past experience. Although mankind has stored away in its collective memory what hyperinflation means and that the collapse of the global economy may trigger world wars, “modern human civilisation” has evolved in a stable climate-space without experiencing any changes to the Earth System since the Neolithic revolution some 10,000 years ago. The last time it was significantly warmer – by a global average of about 2 to 3°C – than in pre-industrial times was in the Pliocene around three million years ago. During that phase of the Earth’s history the northern hemisphere (including the north pole, which was between 10 and 20°C warmer than today) was ice-free, and the sea-level was some 15 to 25 metres higher (Archer / Rahmstorf 2009, 109). We human beings know of this period in the Earth’s history only from books and scientific reconstructions. The famous Lucy, an early ancestor of man, whose skeleton was discovered in Ethiopia in 1974, lived at about this time (Johanson / Edey 1992). In short, we human beings can hardly imagine – or perhaps not imagine at all – a world three or even six degrees warmer than it is today.

What is certain, however, is that dangerous climate change will cause a lasting change to the earth and to living conditions for man. It is here that the major difference from the current global economic crisis lies. To be sure, this crisis is deep, severe and has triggered enormous social costs. Yet it will be overcome in a few years. The World Bank and UNDP, on the other hand, have described how dangerous climate change will permanently undermine human development and increase poverty (World Bank 2009; UNDP 2008). Nicholas Stern has calculated the enormous economic harm that unbridled warming would trigger (Stern 2007). And the German Advisory Council on Global Change (WGBU) has shown that climate change may become an international security risk (WGBU 2008). “Globalisation 3.0” consequently means that global society must learn to shape the global economy and policy within the limits to the Earth System (“planetary boundaries” – Rockström et al. 2009). If dangerous climate change is not avoided, global warming will become a driving force of global change: the future costs to the global economy will be enormous; current levels of prosperity will be threatened; global society will become unsafe. Conversely, if dangerous climate change is avoided, the global economy will similarly be altered fundamentally. Either way, climate change will be a powerful driving force of global change.

### *Low-carbon economy as a way out of the climate crisis*

The main key to avoiding a destruction of the existential foundations of human civilisation is the transformation of the globe's high-carbon economy into a low-carbon global economy by the middle of the century. The transformation corridor can be described as follows (WGBU 2009, 2010, 2011): if there is to be a realistic chance of keeping global warming below 2°C, the reversal of the global trend in greenhouse gas emissions must, first, be completed between 2015 and 2020, this being equivalent to an emergency stop; second, courses leading to a climate-compatible global economy (e.g. an effective international climate regime; global trading of emissions; strict international energy standards; rules for protecting forests; heavy R&D investment in the improvement of greenhouse gas efficiency; international low-carbon timetables for all sectors of the global economy) must be charted throughout the world between 2010 and 2020 so that, third, the resulting profound transformation of the global economy between 2020 and 2040 will enable per capita greenhouse gas emissions

(currently 20 tonnes in the USA, 11 tonnes in Germany, 4.6 tonnes in China and 1.3 tonnes in India) to be reduced to about 1 tonne worldwide by 2050. For this to succeed, greenhouse gas efficiency (emissions per unit of production) in the global economy must, fourth, be increased from about 1.3% in the past to 5 to 7% in the coming decades. If this herculean task is to be accomplished, not only must the industrialised countries radically reduce their greenhouse gas emissions within a short space of time, but the majority of the developing countries, too, must rapidly stabilise and then reduce their emissions.

This global transformation will not only pose a technocratic challenge (can the necessary institutional reforms be carried out soon enough?) and be an arduous feat in terms of power politics (how can current and future winners in such a transformation assert themselves against well-organised losers in such structural change and against structurally conservative actors in the fossil-fuelled growth model?); it will also represent a financial task (how can the conversion best be financed?). To manage these challenges, the political and economic actors must set in motion three principal social innovations that will change global society (Messner et al. 2010). Firstly, the radical change to a climate-compatible global economy and the successful adoption of an effective climate policy require a forward-looking, *long-term orientation of societal decision-makers towards 2050 and beyond*. Our established economic and political systems are hardly prepared for such far-sighted action, but tend to function in accordance with short-term principles. Secondly, the climate-compatible transformation cannot succeed unless international cooperation reaches an unprecedented level. Such cooperation, including 1) fair distribution among nations of greenhouse gas budgets, 2) fair distribution among the OECD and emerging and developing countries of the costs of converting from a fossil-fuelled to a climate-compatible global economy in line with the polluter-pays principle, 3) the pooling of global innovation potentials to achieve the necessary leaps in efficiency, and 4) the creation of a global climate regime is possible – given the narrow window of opportunity for preventing dangerous climate change – only on the basis of an “*international cooperation revolution*” (WGBU 2009, 2010). Thirdly, politics and industry must learn, in the case of climate policy, not to delay incisive and effective reforms until crisis has already matured (as with the recent crisis in the international financial markets), but to take preventive action decades before the devastating effects occur. For if massive climate crises were to accumulate after 2030 it would be too late to prevent crises be-



cause of the inertia of the climate system. In other words, *action must be taken immediately on the basis of scientific “findings”* (regarding the consequences of global environmental change), *not later, on the basis of “events”* (i.e. climate crises in 2030 and thereafter).

Our political and economic systems are not well prepared for these challenges, nor indeed are our individual “mental maps.” For all these reasons, the prevention of climate crises, the development of a climate-compatible global economy and the recognition of the planetary boundaries as the basis of and framework for human civilisation constitute a “major global transformation,” a leap in civilisation comparable only with the Neolithic revolution some 10,000 years ago, when “hunter-gatherer societies” gave way to “arable and pastoral farming,” and the industrial revolution a good 200 years ago (Leggewie / Welzer 2009). The aim now is to develop a global economy and society in which global governance and democratic accountability (Globalisation 1.0), cooperation-oriented interaction between states and private actors in a multipolar world (Globalisation 2.0), and economic action after dependence on fossil energy sources and respect for the biospheric limits to the Earth System are brought into conformity with each other (Globalisation 3.0).

## 4 Geopolitical scenarios

The three waves of global change outlined above overlap, reinforce, counteract and negate one another. Although economic globalisation reduces poverty, it also increases global warming as long as it is based on fossil fuels. In several decades global warming may have economic, social and security effects that shake the global economy. The rise of new powers is changing the dynamics of international climate negotiations, the conceivable outcomes of which may have very different effects on the general conditions applying to the global economy (e.g. regarding international emissions trading, rules on the reduction obligations of various countries, and compensatory payments to developing countries). Any development towards a climate-compatible economy would fundamentally transform the international division of labour. It would therefore be wise to conceive of conceivable futures “in advance” so that, on the one hand, negative development dynamics may be anticipated and curbed as far as possible and, on the other hand, suitable strategies for reinforcing desirable development trends may be systematically considered.

Figure 6 shows four scenarios that may arise when the interactions between the second and third waves of global change (power shifts; global warming) are taken into account. The scenarios can be mentioned no more than briefly here by way of illustration. A positive scenario (Quadrant I) occurs if a peaceful power transformation in the international system is achieved and global warming can be stabilised at about 2°C. This development depends on the emergence of a rule-based, cooperative global governance system which is geared to a balance of interests and is, above all, accepted by old and new powers (and also by other actors capable of having a major impact). Any restriction of climate change also presupposes a low-carbon-oriented transformation of the global economy.

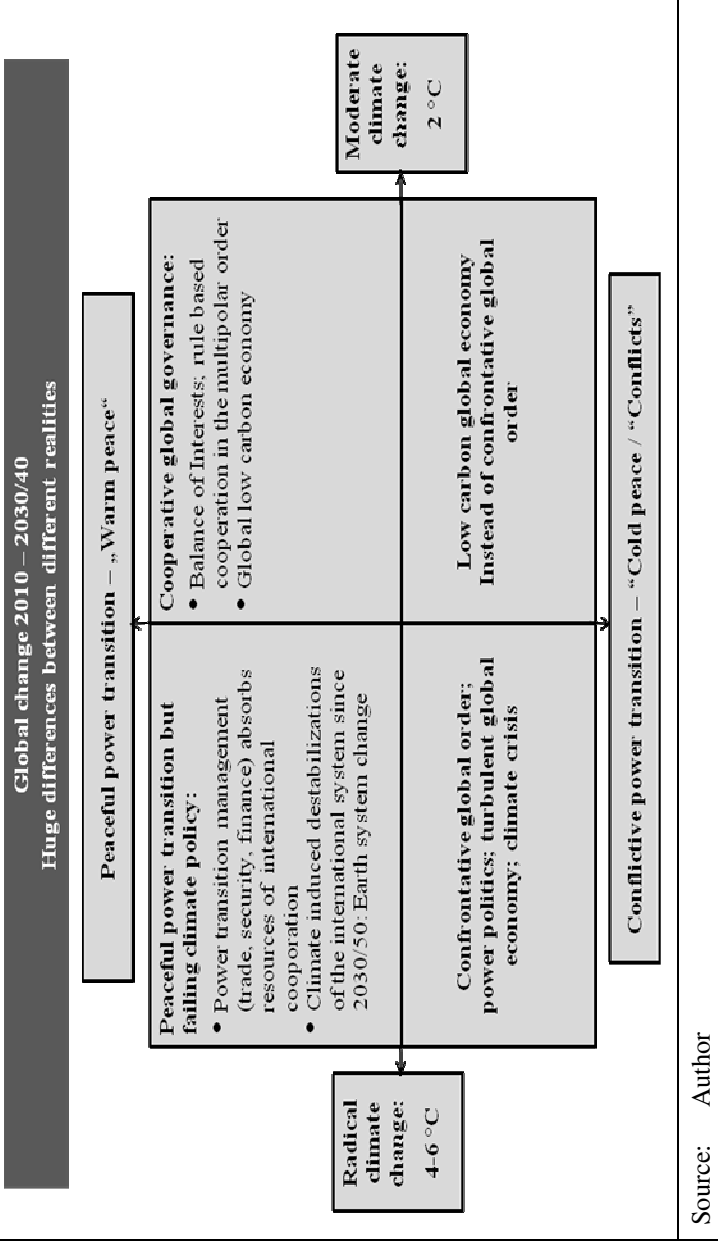
The second scenario (Quadrant II) is based on a peaceful power transformation occurring, for example, because old and new powers are able to agree on joint global economic governance reforms in view of the current crisis in the financial markets and the manifest instabilities in the global economy, which are a threat to rising and relatively declining economies alike. In this scenario the G20 (in which old and new powers interact) also fails to chart the necessary course towards a climate-compatible global economy, possibly because lower priority is given to these seemingly long-term problems than to the pressing economic problems of the moment or because “high-carbon path dependencies” (as in the context of the urbanisation surge in Asia in the next three decades) are undermining effective climate policies. The result is a gain in stability in the international system for the next two decades or so – and growing consequential effects of dangerous climate change from about the 2030s on.

In the third scenario (Quadrant III) the power transformation is accompanied by conflict, and climate change continues virtually unchecked. The global economy and the international system sail into troubled waters in the next few decades. Instabilities, uncertainties, welfare losses and conflicts are the result.

The fourth scenario (Quadrant IV) is implausible. A restriction of climate change is not realistic in the context of a power transformation that entails conflict.

The scenarios outlined above indicate the range of conceivable futures that may emerge in the coming decades as a result of the interaction of the three waves of global change.

**Figure 6: Geopolitical scenarios**



## 5 How capable is mankind of cooperating with a view to coping with global change?

Topping the list of all the questions outlined above is the question of man's general ability to cooperate. For without cooperation – and this is the underlying thesis of this essay – the climate crisis will not be prevented. Do individuals tend to be, in principle, individual profit-maximisers and free-riders? Or are they capable, in communities and contrary to their short-term self-interest, of coming to agreements and adopting patterns of cooperation that produce better results both for the group and for themselves than would be the case as a result of opportunistic, short-sighted and obstinate behaviour? *“In other words, how do groups of individuals gain trust?”* (Ostrom / Walker 2003, 19). This central question, often described as a social dilemma, has occupied the sciences since Thomas Hobbes.

Hobbes' answer to this core question for human societies has also been taken up by a major branch of international relational theory (the (neo)-realist school). Communities must be prevented from acting opportunistically and forced to act cooperatively by an external authority. Where such an external hierarchy does not exist (as in an “anarchic” political system), cooperation and trust do not stand a chance and opportunistic behaviour has it easy. A wide variety of schools of thought on collective action (Hardin 1982; Olson 1965; Brennan / Buchanan 1985; Messner 1997; Akerlof / Shiller 2009) have considered these social dilemmas, which result from the inconsistency between the action of individuals, on the basis of “individual rationality,” and the difficulty of collective action, on the basis of trust in the achievement of an optimum result for groups. These theoretical discourses thus concern the conditions under which public goods can be made available in communities, and common-pool resources (such as the climate) can be protected against overuse (the tragedy of the commons).

Under the conditions outlined above, rational-choice theorists (and the representatives of the realist school of international relations) expect the “Nash equilibrium,” i.e. opportunistic behaviour geared to short-term self-interest, to assert itself: moral hazard will triumph over confidence-building and cooperation. Accepting this line of argument means that in the absence of an assertive “benevolent hegemon” or a well-meaning superpower, any hope of a viable basis for international cooperation in the 21st century, and thus of avoiding the climate crisis, is naïve.

Elinor Ostrom and James Walker (2003), with an international team of researchers, have evaluated the extensive literature from all manner of disciplines on the conditions that must apply if trust, reciprocity and cooperation are to develop in communities. They come to the conclusion that, although “complete rational-choice theories” have good methods for analysing the vulnerability of institutions and groups to the behaviour of “amoral participants” and “talented, analytically sophisticated, short-term hedonists” (Ostrom 2003, 63), empiricism arrives at very mixed conclusions, showing that the Nash equilibrium is only one of many action scenarios. In laboratory experiments, around 50 per cent of the participants in repeated social dilemma situations behaved cooperatively in the first few rounds; when face-to-face communication between the players predominated, the proportion of cooperative behaviour even rose to 80 to 90 per cent. These findings confirm the observation by Armatya Sen (1995, 2) that “*there are many different conceptions of rational behaviour of the individual*”. There is good reason to believe that the same is true of actors in international networks and negotiating systems, and that there are thus no patterns of behaviour unambiguously determined by “objective national interests”.

Pointing to the extensive research carried out in the natural and social sciences and the humanities, Ostrom / Walker (2003) single out four mechanisms that characterise behaviour in groups needing to cope with social dilemma situations. These mechanisms refer to fundamental patterns of human behaviour: (a) the most direct communication possible increases cooperative behaviour; (b) the possibility of opportunistic behaviour being penalised increases willingness to engage in cooperative behaviour; (c) people do not act on the basis of objective “rational choices”, but against the background of learnt, internalised and tested heuristics, norms and rules, which may favour cooperative behaviour, but may also impede or even block it; (d) people tend to react positively to the positive behaviour of others and negatively to negative behaviour; this orientation towards reciprocity translates into incentives to gain reputation and trust by keeping promises (provided the context is not in principle or in structure hostile to cooperation) and fostering cooperation with the expectation that long-term gains will compensate for short-term disadvantages which may arise. This interpretation corresponds to the findings of the cognitive sciences (Tomasello 2002), evolutionary anthropology (Dunbar 2010) and behavioural economics (Akerlof / Shiller 2009), according to which trust

and cooperation and distrust and opportunistic behaviour are “learnt” through processes of social interaction.

The dictates of “Nash equilibrium” dominated in a world of “narrow-minded egoists” and states geared solely to short-term power interests. In the real world of multiple rationalities, in which patterns of cooperative, opportunistic and antagonistic action are possible, the primary task for individuals, political actors, states and businesses is to create conditions and incentives which strengthen cooperation, trust and empathy. Our societies will be at least as dependent on these factors during the transition to the post-fossil fuel era as on “competition” to stimulate innovations and discoveries (Friedrich A. von Hayek). If Akerlof / Shiller (2009), Dunbar (2010) and Tomasello (2002) are right to claim that cooperation and trust can be learnt and unlearnt, what is needed in this context is not only individual ownership but also education, training in cooperation and societal discourse, and debate on the sets of values and norms to which our communities feel committed. These elements are no guarantee of successful cooperation, but they are prerequisites for improving its chances. Elinor Ostrom has succinctly summarised the state of knowledge on this question.

*“What the research on social dilemmas demonstrates is a world of possibilities rather than one of necessity. We are neither trapped in inexorable tragedies nor free of moral responsibilities for creating and sustaining incentives that facilitate our own achievement of mutual productive outcomes. It is our responsibility to build relationships on the basis of trust, reciprocity, and reputation – and to build these three core values themselves. We cannot adopt the smug presumption of early group theorists who thought groups would always form whenever a joint benefit would be obtained. We can expect many groups to fail to achieve mutual productive benefits owing to their lack of trust in one another or to the lack of arenas for low cost communication, institutional innovation, and the creation of monitoring and sanctioning rules.” (Ostrom 2003, 62)*

To conclude with the good news: coping with the three waves of global change is by no means certain – but is indeed possible in principle.

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Policy thoughts on China-EU cooperation  
in promoting global governance

*LIU Youfa*



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# Policy thoughts on China-EU cooperation in promoting global governance

LIU Youfa

Globalization has put China and the European Union (EU) in the same village, and the international financial crisis has put both sides in the same boat. Currently, China and the EU face the daunting tasks of maintaining the momentum of economic growth, providing jobs for youth, and providing enough steam to maintain social cohesion. Therefore, it is not coincidental that China and the EU have each put forward theoretical approaches in terms of global governance against the backdrop of the internal and external situations. The 2008 international financial crisis brought the two economies even closer in this regard. This paper endeavours to probe the feasibility for cooperation between China and the EU in terms of global economic governance, to formulate principles for cooperation, and to offer tentative policy proposals.

## **1 The feasibility of China-EU cooperation in global governance**

For a long time, China and the EU have been under the pressure of the post-cold war global economic order, and both became victims of the international financial crisis which was ignited by the sub-prime mortgage crisis in the United States. Since then, the two sides have cooperated with each other to various degrees in crisis management and the post-crisis economic recovery and growth. Therefore, both sides have many reasons to extend governance frameworks from the bilateral level to the regional and global level; this would, in turn, provide steam for sustainable bilateral cooperative relations between China and the EU.

### **1.1 Globalization has put China and the EU into “One Village”**

From a political perspective, the cold war structure marked by the bipolar world of the past is gone for good, and peace, development and cooperation have become the mainstream of international relations. Political and

economic integration processes have been eliminating national boundaries to such a degree that people are beginning to enjoy the benefits of traveling around their respective continents without leaving their home nations, as demonstrated by the European Union. Propelled by economic globalization, commercial production has become increasingly transnational, and services have been floating internationally. As a result, nations are now enjoying more peace, development and prosperity through closer cooperation.

For a long time, however, the Bretton Woods Institutions have failed to establish and maintain a dynamic international oversight and management mechanism that is adequate for the speed and scale of trans-boundary production and service activities. As a result, nations and economies have been suffering from trans-boundary challenges, including not only traditional ones such as terrorism, climate change, energy security and major communicable diseases, but also emerging ones, e.g. trans-boundary outsourcing of pollution, rampant flows of hot money, biased transfer of technologies between the North and the South, discriminatory rules of transactions and cooperation, etc.

It is a sad fact that all these challenges are becoming increasingly difficult for any single nation or economy to manage or handle independently. Therefore, in this globalized world, nations and peoples are sharing a common destiny, within which they have every reason to put differences and disparities aside, and join hands to seek and maintain common development, and strive for common prosperity through common development. More importantly, they need to join hands in a collective effort to expedite the process of establishing an effective global governance mechanism that would not only govern the relations among countries and economies, but also the relations among corporations that are becoming increasingly international. Therefore, the question is no longer one of a good or a better choice, but rather a “to-be-or-not-to-be” choice.

## 1.2 Common challenges have put China and the EU in the “Same Boat”

To a considerable extent, it is unregulated globalization that led to the 2008 international financial crisis and the resultant sovereign debt crisis in more and more countries across the world. It is also unregulated globalization that has driven many governments into the “mires of jobless economic

growth". And it is unregulated globalization that has turned China into a receiving tray for the international division of labour and has put it in the position of a mounting nominal trade surplus and the EU in that of a mounting trade deficit with China. Uncoordinated and unilateral strategic or policy measures have prevented smooth flows of capital, goods and services between China and the EU, and this has become a stumbling block for the sustainable growth of bilateral cooperative relations. Thus it is an urgent challenge for China and the EU to jointly build an effective oversight mechanism vis-à-vis globalization in collaboration with countries around the world. More importantly, China and the EU face the challenge of addressing bottleneck issues at the regional level, so that both sides can benefit from the healthier environment needed to carry their bilateral relations forward to a higher level.

Furthermore, it is a fact that both China and the EU are faced with the serious task of maintaining sustainable economic growth during the post-crisis era. Both sides face daunting tasks of extricating themselves from the vicious circle of joblessness versus economic growth. It is a fact that both sides are struggling to manage the growing protectionist trade regimes that are commonly seen around the world, a trend which has been affecting the healthy growth of bilateral trade and investment. It is a fact that both sides are faced with the enormous task of maintaining the balance of economic and social progress among different regions or member states. And it is a fact that both China and the EU are having trouble managing the security of energy supplies and the security of international transport routes. The fact is that all these challenging issues are increasingly beyond the capability of either China or the EU to handle alone, and thus call for the two sides to join hands at both the bilateral level and the multilateral level.

### 1.3 Common interests have converted China and the EU into partners

It is becoming a common sense insight that the essential mandate of global governance is to facilitate favourable conditions through institutional reform in accordance with the ever changing situation, so that all nations or economies can take advantage of the international political and economic environment and carry out their strategies of national development and social progress. For that matter, nations should promote or participate in



global governance not only to seek their own benefit, but also to produce a “spill-over effects” to all countries concerned. It is a fact that China-EU relations have been contributing in the above regard and have created a foundation upon which both sides may jointly promote global governance through cooperation or collaboration. It is also a fact that both China and the EU have benefited from their ever-growing bilateral relations in accordance with the principles of convergence of interests, consultation on an equal footing, and the search for common interests while preserving differences. From the economic perspective, bilateral trade between the two has increased by more than 150 times compared with that of 36 years ago (XNA 2010). The EU has now become China’s largest trading partner, and China is now the second largest trading partner of the EU. In 2011, bilateral trade is projected to hit the \$500 billion mark. In terms of two-way investment, the EU has accumulatively invested roughly about \$70 billion in China, making it China’s third largest source of foreign investment (XNA 2010). During Chinese Premier Wen Jiabao’s visit to Germany, the United Kingdom and Hungary in June of 2011 representatives of the four governments signed a series of cooperation documents and economic agreements worth over \$20 million. China has also offered to buy some of Hungary’s sovereign debt and to provide a special loan of 1 billion Euros (about \$1.44 billion) to support joint ventures between enterprises from the two countries (XNA 2011). It is worth noting that on-going China-EU relations will provide the economic foundation for the two sides to carry out economic governance at both regional and global level, which will create better conditions not only for post-crisis economic growth but also for a future low-carbon economy. It is an open secret that both China and the EU have been searching for effective ways and means in the above regard.

#### 1.4 Common visions have prompted China and the EU to form a team

Both China and the EU have a common vision, i.e. to promote a form of global governance which includes reform of the United Nations, the World Bank and the International Monetary Fund. China and the EU hold similar views regarding the establishment of a more dynamic and responsible international currency regime so that neither the Chinese RMB nor the Euro will be at the mercy of the unilateral monetary policy of the United States. Both sides have common aspirations to make sure that the provid-

ers of international reserve currencies must take care not to implement their monetary and fiscal policies at the expense of other countries. Both sides are striving to establish a new global order that is in line with the current status of sovereign nations or entities. And both sides have been serious in establishing a global oversight mechanism vis-à-vis derivative financial products and their transnational transactions in order to prevent future financial crises.

## **2 Principles for China-EU cooperation in global governance**

Global governance has been a relatively new concept for the international community, and it is a complex undertaking to say the best. In order to ensure a successful outcome, China and the EU have to find common ground to coordinate their efforts to start with. The following could be essential areas for both sides to kick-start meaningful cooperation.

### **2.1 Effective cooperation and coordination between China and the EU**

It has become increasingly evident that no country can effectively manage or resolve global issues by acting alone. Only by strengthening global coordination and cooperation can the international community effectively address the challenges ahead. In this regard China and the EU should establish a substitution within the framework of the existing dialogue mechanisms that would have the authority to carry out comprehensive and in-depth exchanges on goals and principles and work out a framework mechanism for global governance. They should formulate and implement measures for effectively addressing relevant issues and managing relevant situations. They should establish an oversight mechanism that would ensure the smooth implementation of political decisions and policy measures. They should establish a dynamic, cooperative think tank mechanism that would provide theoretical guidance and intellectual support for global governance.

### **2.2 Fair share of responsibilities**

Mencius, an ancient Chinese thinker, once said that it is a fact that all things are different from one another. Accordingly, countries have differ-

ent roles in global governance inasmuch as they vary in terms of natural endowment, development stages, and social background. Therefore, China and the EU should fully respect and appreciate the capacity of sovereign states for a reasonable division of responsibilities. In conjunction with the emerging economies, the developed countries should assume more responsibility in terms of visions, institutional designing and construction. They should also assume greater financial responsibility in line with their national strengths as well as their international obligations. They should help the least developed countries to build up their capacities in order to meaningfully participate in global economic governance.

### 2.3 Broad participation on an equal footing

The 2008 international financial crisis has taught the international community an important lesson: Global governance cannot be left in the hands of a few major economic powers. Therefore, any future endeavours by the international community in this regard must welcome the participation of developing countries as well as the new member states of the European Union. The reasons are simple and clear. The future market potentials are with the latter. The resources of the future will come mostly from them, and human capital of the future is mostly from them.

Meanwhile, the issues of global energy security, immigration, poverty, and many other global problems that countries around the world face today cannot be effectively addressed without the effective participation of those countries. Furthermore, a future global governance mechanism should also include industrial representatives, the NGOs and all parties that are involved in the effort to achieve global peace, development and cooperation. In this area, China has a lot to learn from the EU, since it is still on a learning curve in terms of participation in global governance.

### 2.4 The spirit of understanding and inclusiveness

It is a fact that countries around the world are different in terms of economic and social development, political systems, and values. And no country should expect to resolve the above-mentioned complicated global issues overnight. Therefore, China and the EU should work out plans in a phased manner appropriate to the national conditions of respective countries. More importantly, the two sides should convince the developed

countries that they need to understand the difficulties faced by the developing ones, especially the least developed countries, and provide them with necessary support and assistance in order to jointly respond to climate change and other problems that are crucial to national survival and sustainable development.

### **3 Possible areas for cooperation**

The EU has been a forerunner in the field of global governance and has pioneered a brand new type of international governance at the regional level for more than half a century. Meanwhile, China is an active participant and a facilitator as well as a contributor in the above regard. And in this role it has dedicated itself to the construction of a harmonious society at home and a harmonious world abroad. In the face of the mounting global challenges resulting from the international financial crisis, China and the EU have every reason to jointly promote global governance in the following respects.

#### **3.1 Construct and maintain a democratic international political architecture**

China and the EU should jointly build and maintain a dynamic political architecture that is based on mutual respect and equal consultation. In this regard the two sides, as two major powers in world politics, have similar perspectives on international relations and the world order. Both sides advocate multilateralism and attach importance to international multilateral mechanisms. Both support the continued reform and improvement of the existing international system so that global challenges, such as sovereign debt crises and climate change, can be more effectively addressed. China and the EU regard each other as important players in the international community, and both stand ready to strengthen two-way communication and coordination on major international and regional issues. Both sides have agreed to work for closer cooperation, to promote human rights and democracy in line with their respective stages of economic and social development, to ensure the rights of equal participation by all countries around the world in international affairs, and to build a fair and reasonable international order which would offer all countries concerned both a favourable

political and economic environment for their national development and the institutional guarantee of meaningful participation in global governance.

### 3.2 Construct and maintain an effective global economic governance system

Generally speaking, China and the EU should join hands to reform existing international systems so as to enhance their effectiveness. The two sides should cooperate and complement one another in working for economic growth and should jointly facilitate an effective global economic governance system while not overlooking the significance of equal representation. The EU is the largest economy in the world, and China is the third largest. There is a huge potential for bilateral cooperation in global economic governance. The current pressing task is to strengthen China-EU cooperation at the G20 and other international mechanisms, including the United Nations (UN), the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO) and the World Health Organization (WHO). The G20 has already become an important platform for international cooperation to address international financial crisis and global governance. For that matter, the two sides need to further strengthen cooperation and coordination in pushing for an early transition of the G20 from a crisis management mechanism to a global economic governance mechanism. In addition, the two sides should aim to achieve, through existing summit and dialogue mechanisms, practical results in terms of world economic recovery, the reform of international financial institutions, effective financial supervision, and the rejection of trade and investment protectionism. From a long-term perspective, the two sides could further deepen and expand their cooperation and commit themselves, together with other countries, to a new international economic and financial order that is fair and reasonable.

### 3.3 Construct and maintain a sound global security management system

China and the EU should strengthen mutual trust and security cooperation to jointly safeguard the world's peace, development, and stability. It is imperative for the two sides to commit themselves to resolving international disputes and conflicts through peaceful cooperation instead of wars

and confrontations. Since the two sides share the same destiny, it is essential for them to further deepen cooperation in the following three aspects: first, the two sides should pursue a new security concept featuring mutual trust, mutual benefit, equality and coordination, in a joint effort to create a harmonious and stable international and regional security environment. Second, the two sides should further strengthen communication and coordination on all relevant security issues. Third, the two sides should join hands in an effort to better safeguard their respective interests and the interests of the whole world. Last but not least, the two sides should explore and deepen their cooperation in addressing climate change, energy security, transnational organized crimes, major communicable diseases, and other new and non-conventional security challenges.

### 3.4 Construct and maintain a robust global cultural environment

Cultural exchange will serve as an effective way for peoples around the world to deepen their understanding of each other and build up friendship and networks. Some existing problems in international relations have been caused by mutually biased political perceptions, misunderstandings, and the legacy of the cold war mentality. Therefore, China and the EU should jointly promote world prosperity and the progress of human civilization by respecting diversity, seeking common ground while putting aside differences, and learning from the best practices of the other side. It is a fact that China and the EU share the same view that diversity is the cornerstone of human civilization. However, global governance will not become a reality unless the two sides respect the diversity of different cultures and promote cultural exchange for common progress. It is a fact that the two sides are two splendid civilizations and are blessed with time-honoured history of exchanges and mutual learning. It is also a fact that leaders from both sides have already identified cross-cultural dialogues and youth exchanges as key areas for future cooperation. Therefore, the two sides should further strengthen cooperation in order to actively advocate in the international community the spirit of mutual respect, mutual learning, and inclusiveness, in order to better safeguard the world and regional peace and amity through joint development of all cultures and civilizations.

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Opportunities and limitations of EU-China  
cooperation in global governance

*Thomas Fues*





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## Opportunities and limitations of EU-China cooperation in global governance

Thomas Fues

This contribution to the two-year long joint research effort of China Institute of International Studies (CIIS) and German Development Institute / *Deutsches Institut für Entwicklungspolitik* (DIE) addresses the potential for EU-China cooperation in global governance. The first section provides basic information on the present state of bilateral relations. The subsequent chapter scans important arenas of global governance with a focus on the current status of EU-China interaction. The third section provides a comparative analysis of key factors which promote or impede the convergence of China and EU policies, while the concluding chapter points to possible avenues of future collaboration. The main finding of this text is that EU-China cooperation in global governance has not moved beyond an embryonic state and would require major efforts on both sides to overcome existing constraints. If this could be accomplished, both partners would benefit in the long run from concerted initiatives at the global level.

### **1 Bilateral EU-China relations**

Bilateral links between the rising East Asian powers and the group of relatively declining European states are characterized by an extraordinary, albeit asymmetric degree of economic interdependence. The EU and China form the second largest trade relationship in the world, with a total exchange of € 395 billion in 2010. The EU is China's largest trading partner and its largest export market, while China is the second largest trading partner of the EU and the Union's largest supplier (EC Commission 2011). The exchange of goods is, however, highly unbalanced: The EU's trade deficit amounted to almost €170 billion in 2010 (a hefty increase from 133 billion in 2009), while the European side registered a slight surplus in services (€ 5 billion in 2009). Capital movements are strongly skewed in the opposite direction: Fresh investment of the EU in China totaled € 5.3 billion for the year 2009, whereas the reverse flow of Chinese flows to the continent were only € 0.3 billion.

The scope and complexity of bilateral ties, along with unequal levels of prosperity and industrial development, currently cause structural frictions which are attended to by political bodies such as the EU-China High Level Economic and Trade Dialogue (HED), launched at the November 2007 EU-China Summit. Europe's concerns regarding China's trade policy focus on:

- protection of intellectual property rights;
- discrimination against foreign companies in industrial sectors like automobiles;
- access to service sectors, including construction, banking, telecommunications and logistics;
- export restrictions for rare earths;
- undervaluation of the Renminbi.

China's economic grievances regarding Europe encompass antidumping measures, state subsidies, protectionism, an export ban on military goods, and Europe's policy position on the market economy status of China at the World Trade Organization (WTO) (Zhu 2010, 206). Of late, economic relations between the two partners have taken a positive turn because China has offered to support debt-ridden European nations by the purchase of government bonds and massive investments.

Political tensions between the two partners are even more pronounced. While the European side publicly criticizes the status of human rights and restrictions on foreign journalists in the partner country, China takes offence at occasional encounters of European politicians with the Dalai Lama and other suspected incidents of deviating from the official One-China policy, e. g. with regard to Taiwan. Notwithstanding such highly visible conflicts, both partners are constructively engaged in a wide range of policy dialogues and cooperative programs, for example regarding science and technology, the environment, energy, arts and culture, academic research and teaching, legal frameworks, and life-styles and value systems. In 2003, a strategic EU-China partnership was launched, followed in 2007 by the start of negotiations on a new EU-China Partnership and Cooperation Agreement (PCA). So far, the outcome of such interactions, characterized as "strategic window dressing" by Holslag (2011, 294) in a detailed empirical study, can only be considered as meagre.

However, the accelerating international process on green transformation and low-carbon growth may have opened up a new corridor of substantive engagement. Europe's and China's congruent focus on sustainable and inclusive development could prepare the ground for an enhanced quality of bilateral relations and joint leadership at the international level. A recently published text by China's Ministry of Commerce provides anecdotal evidence on this from the Chinese side in outlining the opportunities for diplomatic and economic collaboration in the post-fossil era:

*“The similarities in the strategies of China and the EU reveal the potential for European companies and policymakers. China's latest five-year plan ... calls for a new model of economic growth – a model that embraces the principles of ‘putting people first’ and of ‘green growth’... Similar ideas permeate the EU's strategic guideline, Europe 2020, which based all its recommendations on ‘smart, sustainable and inclusive growth’.” (MOFCOM 2011, 1)*

## **2 Current status of EU-China interaction in global affairs**

This section addresses selected arenas of global governance with a particular focus on China-EU involvement. So far, we find hardly any evidence that European member states are striving for a convergence of positions with China or intend to work for a shared agenda in major global governance arenas. Fudan University scholar Jian Junbo claims that a deep conceptual gap separates the multilateral policies of the two powers, a view echoed by his colleague Wang Yiwei (2010):

*“Considering the different cultural traditions, political ideologies, economic interests and institutional systems between China and the EU, their concepts of global governance are undoubtedly different from each other. In general, their strategy reflects an essential difference between them – the EU's normalization of the rest of the world by European values and China's harmonious world. Additionally, their different ideas of sovereignty result in a principle gap. China adheres to sovereign independence while the EU weakens the importance of sovereignty.” (Jian 2011, 1)*

As a result of the recent economic and financial crisis, the G-20 has emerged as the most important platform for the redesign of global economic governance in a multipolar world. Debates in this new summit

architecture reveal the lack of strategic unity of European participants. Where a common stand between China and individual European countries emerges in this context it seems to come about as a rather ad hoc, unintended outcome of similar interests rather than as one driven by a strategic outlook. One prominent example of this refers to current G-20 debates on trade imbalances. As countries with a structural surplus, Germany and China are keen on rejecting binding targets which would balance external accounts as proposed by the U.S. However, despite similar objective interests, the Berlin government wants to distance itself from China by legitimizing Germany's export strength as a result of its superior competitiveness while Beijing is portrayed as unfairly benefiting from its undervalued currency.

In the G-20 and other global forums, the EU and European member states still cling to the traditional G-7 alliance of Western powers (including Japan). They are determined to defend outdated privileges which are not compatible with the continent's shrinking influence in global affairs. Only after a protracted feud did European nations accept a minor reduction of shares and voting rights in the World Bank and the International Monetary Fund to the benefit of China and other rising powers. There and in the G-20, Europe continues to be overrepresented (Mahbubani 2011). Europe was also successful in defending its traditional hold on the IMF's Managing Director position when the seat unexpectedly became vacant in 2011. This was only possible due to apparent disunity among the rising powers, who could not agree on a promising candidate.

Contested decisions in the UN Security Council on Iran and the Arab region, among other topics, demonstrate the lack of common objectives between China and the EU in global peace and security. The recent convergence of German and Chinese positions in abstaining on Libya has not been guided by purposeful design but rather by domestic considerations on the German side. A particularly severe case of disappointment for Europe was the refusal of China (and other rising powers plus the U.S.) to issue a binding protocol on climate change; this derailed crucial international negotiations 2009 in Copenhagen. While China has become seriously involved in mitigation at the domestic level and has adopted European experiences, e.g. with regard to feed-in laws for renewable energy and emissions trading, it does not share

Europe's preference for a global convention and/or legal commitments on greenhouse gas emissions. Summing up, one cannot speak of any purposive EU-China collaboration in global affairs up to this point in time.

### 3 Conducive and restrictive factors

The respective attitudes and policies of China and Europe with regard to global governance are influenced by a set of both enabling and impeding factors, most importantly:

- mutual perceptions;
- economic interests;
- geostrategic objectives;
- foreign policy capabilities.

**Mutual perceptions:** China and the EU can only be expected to opt for an enhanced quality of cooperation in global governance if their bilateral relations are anchored in a solid foundation of trust. Mutually benign perceptions of political and economic elites, the media and the general public are a key determinant and an essential resource in the process of policy formation. It is, therefore, disturbing to find that the respective visions of the two sides are starkly divergent in EU-China relations. While the Chinese have a solidly positive view of Europe, continental attitudes towards the Asian nation are, in contrast, characterized by suspicion and distrust.

The University of Nottingham's China Policy Centre recently published the results of a scientific survey of urban residents across six cities in China (University of Nottingham 2011). According to these findings, Chinese citizens view Sino-EU relations more favorably than their country's relations with the United States and many other states. 74 percent think positively of Europe compared to only 60 percent regarding the United States. Asked about the present state of external relations, only 43 percent view current China-EU relations as good, but 46 percent are cautiously optimistic about prospects for the China-EU relationship and 16 percent very optimistic.

The high level of appreciation for Europe's role in the world holds considerable promise for future collaboration in global governance, as seen from China. 85 percent of respondents feel positive about the EU's contribution to promoting scientific progress and 86 percent value the Union's support



for global environmental protection. A somewhat smaller number, 70 percent, recognize a positive role of the EU in world peace. 63 percent share this benign perception with regard to Europe's contribution to fighting international terrorism and 62 percent in relation to poverty reduction.

On the European side, attitudes towards the partner are distinctly more reserved and even outright hostile. A recent survey commissioned by the BBC (2011) reveals a mounting distrust of Chinese intentions and actions, mainly because of the country's growing economic power. Compared to a similar poll in 2005, negative views of China have mounted and now reflect the sentiments of a majority of respondents in France, Germany and Italy. Deprecative views also rose significantly in the United Kingdom (UK) but remain a minority position there. One contributing factor for such views towards China is the wide-spread perception of unfair practices in international trade. Responses criticizing China on this account are above the 50 percent mark in Germany and Italy. A possible explanation for such sentiments may be the psychological experience of declining power, which might lead to shifting the blame to others rather than looking for structural factors or one's own behaviour. The distrust of Europeans towards China also extends to the latter's engagement in Africa and other developing regions. However, there is by now considerable evidence which suggests that such allegations in regard to volume, natural resources and impact on governance and human rights are not supported by actual fact (Berger / Brautigam / Baumgartner 2011; Brautigam 2011; Reisen 2011).

**Economic interests:** In the economic sphere, European and Chinese interests seem to converge strongly in the direction of maintaining the conditions for an open world economy. Europe wants to take advantage of the impressive growth opportunities in China and is pushing towards a more balanced trade account. China, in turn, perceives benefits from stabilizing European economies, thus lessening its excessive dependence on U.S. export markets and on the U.S. dollar as the world reserve currency. Both sides have in principle opted for a market-driven approach to global economic governance, though their domestic policies are at times contradictory and protectionistic. China's and the EU's stance on the global economy is similarly guided by the desire for a rule-based order and universal equity, with special attention to the interests of low-income countries.

**Geostrategic objectives:** The potential for EU-China cooperation in global governance is most severely restricted by diverging geopolitical options. Europe still sees itself in a privileged relationship with the U.S. and does not want to be too closely associated with China, which, in mainstream Western opinion, lacks democratic legitimacy. China, in contrast, appears to be most interested in keeping its leadership position in the developing world and consolidating its credentials with the G-77. In a more recent development, the country is seen as the main driver behind the emergence of a new coalition of rising powers. Forging the BRICS group with Brazil, Russia, India and South Africa as a countervailing force to fading Western dominance, China's move could be interpreted as a strategic decision which takes it further away from cooperation with Europe. Against this backdrop, the proposition of closer EU-China collaboration in global governance carries the risk of alienating both Europe and China from their traditional and newly-found allies, thus entailing considerable political costs in the short term against uncertain benefits at a later stage.

**Foreign policy capabilities:** Yet another area of significant divergence is to be found in the capability of China and Europe to design and implement coherent strategies of foreign engagement (Smith 2011; Smith / Xie 2009). China as a nation-state with solid administrative capacities can project its objectives with global reach but seems to be hampered by the lack of centralized authority in foreign policy, since a multitude of actors competes for influence. In Europe, growing differences among member states and the weaknesses of collective organs discourage its foreign partners from investing in the relationship. Contrary to the positive views among the general Chinese public cited above, scholarly Chinese opinion is shaped by considerable scepticism about the potential benefits of joint approaches in global governance. Apparently, Chinese scholars would prefer to concentrate on bilateral relations with major EU member states rather than engaging with Brussels.

Evidence of this orientation is found in a recent report of the European Council on Foreign Relations/Asia Center (2011) which analyses contributions to a round table discussion held at the China Institutes of Contemporary International Relations (CICIR) in November 2010. In summary, the report points out that Europe is important to China but that the continent is presently preoccupied with trying to find a solution to the euro crisis. Chinese scholars are puzzled by the lack of a common European foreign and

security policy; this makes it difficult for them to accept the Union as a relevant actor in global affairs (Holslag 2011). Commenting on the 2009 China-European Union summit in Nanjing, Fudan's Jian Junbo points to the disappointment of Chinese policy-makers concerning Europe's role in the world:

*“China had believed Europe would emerge as an important global partner in the construction of a multi-polar world but has been disappointed with what it sees as lack of strength or will on the continent to take on such a role. Beijing feels this is partly due to Europe's closeness to the United States. As a result, Europe does not weigh as heavily as it perhaps should in the balance of China's foreign policy. In Beijing's view, Europe has failed to play the crucial and constructive role China thought it would in major international affairs that affect China's core interests, such the establishment of a more equitable economic order, recovery from the global financial crisis, climate change and the environment, and nuclear non-proliferation.”* (Jian 2009, 1)

#### **4 Future avenues of cooperation**

From this brief analysis it seems fair to conclude that the factors impeding China-EU cooperation in global governance are much stronger than any converging interests, at least in the short term (Holslag 2011).

Firstly, the striking contrast in popular perceptions between Europe and China exposes serious fault-lines in the relationship. Deep-seated suspicions of China in European popular opinion and the shortcomings of uniform policy formation within the Union represent hard-to-overcome stumbling blocks for enhanced cooperation on the European side.

Secondly, China's desire for joint approaches in global governance with Europe seems to be restrained by its traditional identity as a developing country which needs to focus on its domestic agenda first (Zhu 2010, 218; Li 2011). The renowned scholar Amitav Acharya recently made the point that Asian nations in general are still imbued with the traditional concept of “defensive sovereignty” rather than participating in global problem-solving (“responsible sovereignty”):

*“A central challenge facing global order today is the seeming contradiction between the desire of Asia's leading states to be recognized and treated as global powers on the one hand, and*

*their limited and hesitant contribution to global governance on the other. The problem is compounded by an emerging element of realpolitik in the international behaviour of China, Japan and India... China has moved well beyond the tenets of Maoist socialist internationalism to embrace a world-view best described as neo-Westphalian.” (Acharya 2011, 852)*

An additional explanatory factor for the lack of Chinese leadership in global governance is, as Acharya (2011, 859) explains, the country’s inexperience and the fear of provoking a backlash from other powers. Chen Dongxiao (2011) from the Shanghai Institutes of International Studies gives considerable weight to internal limitations which result in China only “playing ‘part time leader’ in selected ways” in the global system. He points to insufficient domestic coordination in implementing international agreements, to difficulties of integrating local and international considerations in decision-making and to the entanglement of vested interests. Notwithstanding such constraints, Chen Dongxiao (2009) outright encourages his country “to become more proactive” and “to contribute more efforts to the planning and building of both regional and global mechanisms”.

Thirdly, there exists considerable doubt in the scholarly community on both sides on the substance of the EU-China partnership. Ye Jiang from the Shanghai Institutes of International Studies expresses grave concerns and attributes responsibility to the European side:

*“The strategic partnership is now facing serious challenges, among which the most serious is the doubts from inside the EU about it.” (Ye 2010, 2)*

Holslag makes the fundamental point that aspirations to a strategic partnership with China are beyond Europe’s present capabilities and should be replaced by a more pragmatic, piece-meal approach:

*“A supranational European foreign policy is highly unlikely in the near future. Europe’s China policy should therefore depart from a grand bargain that includes the interests of all Member States and allows them to hammer out larger profits than they could have done bilaterally with China. Even when the outcome of this process will not match the coherence of other powers, it will be better than the current strategic window dressing.” (Holslag 2011, 294)*

For the pursuit of a more realistic mode of European engagement towards China, the shared agenda of equitable globalization and green transforma-

tion could point to significant mutual benefits in the long run. Wang Yiwei (2010) reminds us that the process of recognizing common interests between China and Europe needs time. And Jian Junbo (2009; 2011) admonishes Europe that universal values cannot be imposed by coercion and that cultural diversity must be respected before cooperation in global governance can flourish. Even if the existing limitations seem hard to overcome, the potential value of new modes of collaboration between Europe and China are enticing for both sides. By patiently building up mutual trust and harnessing complementary resources, China and the EU could emerge as a model global coalition and assume leadership in guiding the world economy towards a sustainable and inclusive future. The most important international forums for such initiatives are the United Nations and the G-20. Therefore, Europe and China should become the main drivers in linking the problem-solving capacities of the G-20 with the legitimacy of the United Nations for the benefit of global well-being and human survival on an increasingly endangered planet.

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Long-term implications of “Building a Harmonious World”  
and “Global Governance” for policy-makers  
and the general public

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## Long-term implications of “Building a Harmonious World” and “Global Governance” for policy-makers and the general public

CHEN Xulong / WANG Qiang

With the evolution of the pattern of international relations and the deepening of economic globalization since the Cold War, politicians and academicians in East and West have started to examine the future world and explore the blueprint of global governance from different perspectives. This has yielded two different theories of global implications: the “Harmonious World (HW)” theory, based on Chinese cultural traditions, and the “Global Governance (GG)” theory, based on modern Western civilization. These two theories have provided important guidelines, thoughts on concrete actions, and a long-term vision that can be put into practice.

### **1 The long-term vision of HW theory**

HW theory aims at promoting long-term peace and common prosperity of the world; it advocates the value of harmony across the international community and promotes harmonious foreign relations. As a global narrative the theory provides a new outlook on the world and a methodology that is filled with Eastern wisdom for the policy-makers and the general public of various countries. Its main contributions are as follows:

#### **1.1 HW theory provides a new world outlook**

HW theory inherits the rich information which is integral to China’s fine culture, the quintessence of which stresses and promotes the concept of “harmony”. To be specific, the theory advocates the establishment of a world featuring equality, democracy, mutual benefits, win-win outcomes, a diversity of civilizations, common security and stability, and the balanced development of man and nature. It proposes that all countries in the world, hand in hand, cooperate in an effort to build a world characterized by lasting peace and common prosperity. The new world outlook provided by the HW theory has basically four connotations:

First, it adheres to the path of peaceful development, respects the rights of every country in selecting independently its own political and social systems and development path, safeguards the equal rights of all countries in participating in international affairs, and encourages and supports the resolution of international disputes and conflicts through peaceful means, thereby creating favourable conditions for realizing the harmonious co-existence of different countries.

Secondly, the theory adheres to a mutual benefit and win-win approach, in order to achieve inclusive growth, promote regional and global economic cooperation, establish an open, fair and disciplined multilateral trade system, and realize a harmonious development of the global economy and society.

Thirdly, the theory demands equality, openness and inclusiveness while safeguarding the diversity of world cultures and development paths. It advocates dialogue and exchange between different civilizations so that they can learn from each other even while competing with one another. The goal is for them to develop together and to make progress in a harmonious way by pursuing commonalities while preserving differences.

Fourthly, by adhering to the Unity of Man and Nature, the theory advocates the promotion of international cooperation, the strengthening of environmental protection, and the joint protection of the earth on which mankind's survival relies, so that a harmonious co-existence of man and nature can be achieved.

## 1.2 HW theory provides fresh policy proposals

HW theory advocates observing the general trend of world development and understanding the laws of human social development from a new angle. It holds that countries in the world should consider the world as one unit in analysing and resolving a particular problem (Zhao 2005, 3-4). The theory maintains that all countries in the world should uphold multilateralism, follow the aims and principles of the UN Charter, closely observe international laws and established rules guiding international relations, and promote the spirit of democracy, friendliness, collaboration and win-win approaches (Hu 2007, 45). It postulates that all countries should abide by the following five basic principles so as to achieve harmonious co-existence: 1) being harmonious while remaining different; 2) collaboration

with equality; 3) common development; 4) mutual benefit and common progress; and 5) harmonious co-existence. HW theory thus advocates the promotion of harmonization of international relations through peaceful development, mutual benefits and common progress, thereby providing a new paradigm in handling international relations. It maintains that all countries and peoples of the world should observe the vision of peace, steadfastly follow the path of peaceful development, achieve prosperity and power on their own, and realize national rejuvenation while at the same time bearing in mind that the whole world should jointly and unswervingly implement an open strategy featuring mutual benefits and common progress.

HW theory puts common development and universal prosperity in a position of equal importance with that of lasting peace; it proposes inclusive growth and scientific development. It holds that development is the basis of human progress, and that the world’s lasting peace and stability and common prosperity can only be achieved by promoting coordinated, balanced and common development globally. The theory suggests that all nations should promote regional peace, stability and development while actively participating in international affairs. They should work to achieve the Millennium Development Goals (MDGs) in a spirit of cooperation, and all countries should continuously deepen their international cooperation, make international relations more stable and harmonious, establish a more equitable international order, and effectively promote global governance. The theory also advocates such concepts as being harmonious while remaining different and seeking commonalities while respecting differences. It expects different cultures and civilizations to respect each other’s rights of existence and development in the spirit of friendliness, so that every nation can share the benefits brought forth by the earth on an equal footing.

### 1.3 HW theory provides a new mode of foreign relations

HW theory proposes that all countries in the world should promote harmonious foreign relations and that Harmonious Diplomacy should be conducted for building a harmonious world. To be specific, Harmonious Diplomacy mainly includes the following five ideas: 1) setting up a *cooperation outlook* featuring mutual respect and consultation on an equal footing so as to effectively protect the equal rights of developing countries in participating in international affairs; 2) establishing an *interest outlook*

characterized by mutual benefits, a win-win approach, and common development so that economic globalization can develop in the direction of balance and universal benefit; 3) building a *security outlook* featuring mutual trust, mutual benefits, equality and collaboration so that every country respects the interests of other countries and common security can be achieved; 4) setting up a *civilization outlook* characterized by mutual learning and a search for commonalities while shelving differences in order that different civilizations and development paths can draw on the strong points of each other to make up for their own weak points and develop jointly; 5) establishing an *outlook on environmental protection* featuring mutual assistance and concerted efforts so that the earth on which mankind's existence relies can be taken good care of by all the countries.

#### 1.4 HW theory provides a new outlook on human rights development

HW theory maintains that a harmonious world should be a world where everyone enjoys human rights. To achieve the universal human rights of all mankind, countries in the world need to build together a harmonious world of lasting peace and common prosperity (Cai 2007, 5). A large amount of discord in the world is caused by a lack of adequate respect and protection of human rights. Therefore, promoting human rights is an effective way of eliminating discord and achieving a harmonious world (Jin 2007, 11). HW theory maintains that all countries of the world should respect the diversity of civilizations and human rights development models and should promote international exchange and cooperation in the field of human rights on the basis of full equality, mutual respect, and commonalities while shelving differences, and learning from each other's strong points. It holds that all countries should avoid the politicization of human rights issues, the adoption of double standards, interference in other countries' internal affairs on the pretext of protecting human rights, and confrontations among different powers.

#### 1.5 HW theory provides a new guide for public participation

HW theory takes the position that the construction of a harmonious world is conducive to assembling the harmonious factors in each country's culture and formulating the ideas of justice and harmony with equity and

responsibility as the core or basis for building harmonious societies; it proceeds on the belief that a new internationalism in line with the tide of the times can come into being. During the above process, HW theory advocates strengthening the sense of individuals that they are Global Villagers and their sense of responsibility in promoting harmonious relations between peoples, countries, civilizations and between man and nature. The theory supports individual and collective efforts in promoting world peace, development and cooperation with the aim of safeguarding, building and developing the earth on which mankind’s survival relies.

## 1.6 HW theory provides a new guide for business sector’s participation

HW theory contains a new sort of corporate ethics which requires enterprises to build harmonious relations internally and to pay attention to environmental protection, social equity, and the cause of the public good. In transnational operations and in implementing a “going out” strategy, enterprises should seek harmonious relations with local people and pay attention to environmental protection. According to this new kind of ethics, enterprises should pursue harmonious development and develop a corresponding sense of responsibility which is expressed in green development and environmental protection, reciprocating society and promotion of fairness; care for ordinary people’s life and engagement in human rights causes, promotion of the public good, and enhancement of harmony.

## 2 The long-term vision of GG

GG theory flourished in Europe in the 1990s and could be called the European Dream regarding the direction and prospects of future world development. In essence, the theory constantly seeks to promote good governance worldwide, to pursue common values, to identify common responsibilities in the international community, and to improve the modalities of international cooperation in a timely manner (The Commission on Global Governance 1995). As a global narrative, GG theory has provided a world outlook and methodology based on Western wisdom for policy-makers and the general public. As a category of science, the theory has become an important research subject and is the heart of the discipline of contemporary international relations. As a policy tool, the concept of “global gov-



ernance" has been adopted by various countries in the world, including China. However, politicians and academicians in different countries have different understandings of the concept. Generally speaking, GG theory has provided the following ideas, methodologies, modalities for operation, and action plans for relevant actors' participation in international affairs.

## 2.1 The world outlook provided by the GG theory

Under the circumstances of globalization and increasing interdependence between and among various countries, GG theory has provided perspectives and ideas for observing the world and building a new world order from the angle of the whole world. Its main contents can be summarized as follows: both states and non-state actors need to go beyond the boundaries of countries and regions and to solve global problems within global governance structures and processes on a multi-level and networked basis (Ye 2010, 60). To be specific, GG theory advocates the establishment and improvement of "a whole set of systems including institutions, rules and new international cooperation modalities, and for that matter, maintaining and managing transnational activities, promoting balanced economic development, making distribution of development interests more equitable, and jointly addressing the problems caused by the global challenges and transnational phenomena" (Chen 2009, 119). GG theory holds the view that the objects of international governance are all problems faced by human society as a whole, including both traditional security issues and non-traditional security issues, such as climate change, energy security, the spread of infectious diseases, and sustainable development challenges. GG theory believes that governance actors include not only governments of sovereign states and inter-governmental organizations, but also civil societies and the business sector in all countries. All the said actors should conduct broad democratic consultations and work together according to their abilities to promote economic development and social progress and justice as far as possible and to realize their common development interests. The core contents of the above world outlook can be best summarized as: improving and developing a new international political and economic order that safeguards security, peace, development, welfare, equality, and the human rights of mankind as a whole; the means to achieve this include global rules and institutions for handling international problems.

## 2.2 GG theory has provided new policy proposals centred around global shared governance

In short, GG theory perceives the future of the world in a more holistic way and tries to better organize human life on earth in order to accelerate social progress, facilitate a more balanced development of every country in the world, make the world more harmonious through good governance, and ultimately formulate a new world order in line with the trends of the 21st century.

GG theory differs in an essential point from the traditional theory of international relations: that of "realism", which regards the nation-state as the only main actor. This reflects the view that global governance is a necessity of globalization, and that the current national and international system, plus market mechanisms, has imposed huge constraints and limitations which prevent the world from dealing effectively with comprehensive global crises. For GG theory it is therefore imperative to break down the division between national and international issues and the market framework and exploit a new way of thinking, i.e. to view human society as a whole. We should govern and manage the issues of survival and development faced by the international community as global, public issues and affairs. (Wu 2010) With that in mind, the proponents of GG theory propose that sovereign states transfer some governing rights to non-state actors, give up territorial politics, and practice non-territorial politics. In doing so, they do not deny the existence and the role of nation-states. Rather, GG theory expects that nation-states will still conduct effective governance according to the laws within their boundaries of sovereignty so as to promote economic development and social progress.

Secondly, GG theory seeks shared governance. It holds that all countries should “refute and go beyond the traditional realist concept of power politics”, that international affairs should be “governed”, not “ruled”, within a common legal and regulatory framework (Ye 2010, 62), that governance “should involve consultations and interactions among various governance participants” (Smouts 1998), and that countries in the world should give full play to the international organizations, transnational corporations, international NGOs and the relevant networks so as to achieve shared governance through cooperation among the various parties concerned. In

this way the countries of the world would be able to build up a new order that outperforms the traditional absolute rule of the world by nation-states.

Thirdly, GG theory believes that global shared governance should be based on globally shared ethical theory, meaning that all countries of the world should acknowledge their common interests and abide by their common values. The objective of global governance is to realize the core universal values of mankind and, based on that, to ensure the maximum global public good with equity in distributing development interests. GG theory thus calls on all peoples of the world to abide by their common core values, to meet their common obligations, to respect human lives, and to ensure freedom, equality and fairness.

Fourthly, GG theory stipulates that while enjoying more prosperity in the era of globalization than ever before, human society also faces mounting global challenges such as terrorism, climate change, energy security, and many serious infectious diseases. With the further development of globalization the destiny of the people in different countries across the world has become closely interconnected. An interdependent and interactive relationship has emerged among all countries in the world, binding them together for good or ill. Therefore, it is in line with the general trend to strengthen multilateral cooperation and global governance. To achieve global shared governance, all countries of the world need to carry out effective multilateral cooperation and to reform international economic and political systems that are falling behind the development of the times.

### 2.3 For GG theory, the modes of foreign relations have entered a new, historic stage

GG theory holds that under the conditions of globalization and increasing interdependence of different sovereign states, more and more affairs have become transnational; this requires that sovereign states adopt an interactive model characterized by cooperation and consultation in the field of foreign relations, in order to address their common challenges, solve their common problems, and plan for their common development interests. It maintains that for whatever reasons - e.g. the globalization of economic activities, the diversification of development interests, the internationalization of economic and security issues, or the democratization of international community - all countries in the world need to transfer sovereignty

to some extent so as to achieve effective global governance. Thus GG theory has in reality triggered the evolution of a new mode of international relations, from the mode that stresses sovereign equality to one that stresses “global governance” under which supra-national institutions overrule separate statehood (Van de Pijl 2010, 18).

## 2.4 GG theory calls for international intervention in human rights issues and sees a responsibility to protect

GG theory believes that traditional international relations are based completely on the Westphalian Order, i.e. the theory of exclusive sovereignty. Under such an order, sovereign states have absolute rights of action, and there is no authority above them that can assume the functions of value distribution and administration in international affairs. More importantly, GG theory holds that the monopoly of power by national governments is a hindrance to effective global governance. It therefore proposes that national governments nurture civil society and reform governance structure, allowing non-governmental organizations (NGOs) to play a bigger role in domestic and international governance.

GG theory maintains that cross-border intervention can be justified for the purpose of protecting human rights as long as the intervention is in line with international laws. It advocates resolving global and national issues by applying international human rights standards and changing existing economic systems in countries that cannot meet these human rights standards, thereby internationalizing domestic issues of nation-states (Wu 2010). According to GG theory, it is necessary for the international community to assume responsibility for protecting human rights and conducting humanitarian interventions when large-scale violations of basic human rights, such as ethnic cleansing, occur.

## 2.5 GG theory regards the general public as an important actor of governance and places it in the central position

Contrary to the "realism" mentioned above, GG theory does not regard nation-states as the only main actors in international relations. It considers civil society and the business sector as two other central actors in interna-

tional relations and holds that the participation of NGOs in global governance is conducive to transforming the responsibility and function of governments by enhancing their efficiency and policy transparency while stabilizing society and fostering ethical behaviour within states. GG theory advocates believe that “a global civil society full of vigour is emerging” due to globalization and that global governance helps the international community make human security equally as important as national security, if not even more so. In their view, the wide participation of NGOs has made international governance more representative, pluralistic and democratic, and therefore more likely to conduct effective governance (The Commission on Global Governance 1995). GG theory calls on the public to actively engage in the process of global governance, and, in so doing, to change their status from that of national citizens to that of world citizens. It also calls on the peoples of all countries to strengthen their sense of being Global Villagers, to support the idea of shared governance, and to identify and accept global core values.

## 2.6 GG theory stresses the role of the business sector in promoting global governance

GG theory maintains that communication and exchanges between different countries in various fields have reached a historic high, while at the same time the division of labour and transnational businesses are expanding. This globalization process has resulted in many new problems and challenges, some of which are caused by transnational production and operation, and the effective resolution of these problems goes beyond the ability of any single nation-state to solve them. Under such circumstances, it is of great importance for all countries in the world to incorporate the business sector into the global governance structure and to process and grant enterprises the status of legal international actors. At the same time, GG theory has put forward new ethical requirements for commercial production and operation. For instance, the Manifesto for a Global Economic Ethic launched in 2009 proposed the principle of humanity and basic values for global economic activity that enterprises should follow and pursue. These values include non-violence, respect for life, justice and solidarity, honesty, tolerance, mutual esteem, and partnership (The Global Ethic Foundation 2009).

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## Part II

### Foreign policies of China and Europe in a regional context





The relevance of “Building a Harmonious World”  
and “Global Governance”

A comparison of the foreign policies of China and the EU

*DONG Manyuan / JIN Ling*



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## The relevance of “Building a Harmonious World” and “Global Governance”

A comparison of the foreign policies of China and the EU

DONG Manyuan / JIN Ling

Building a Harmonious World (BHW) and Global Governance (GG) are the theoretical proposals made by China and the European Union (EU) respectively for addressing global challenges in the context of globalization. Due to the different cultural traditions and national conditions of China and the EU, the concepts of BHW and GG have both commonalities and differences which are manifested in the formation and implementation of their respective foreign policies.

### **1 The concept of BHW and China’s new diplomatic practice**

On 15 September 2005, Chinese President Hu Jintao called on the countries around the world to uphold multilateralism in order to realize common security, to carry out mutually beneficial cooperation in order to achieve common prosperity, and to adhere to a spirit of inclusiveness in order to build a harmonious world together (Hu 2005). As the above speech indicates, the concept of BHW has become the guideline of China’s diplomacy. In his report at the 17th National Congress of the Communist Party of China (CPC), President Hu Jintao further elaborated the concept, pointing out that the core connotation of the concept is “*lasting peace and common prosperity*” (Hu 2007). By doing so, the Chinese Top Leader clarified both the nature of China’s relations with the outside world and the basic conditions, objectives, principles, and ways and means of BHW, thereby formulating a preliminary theoretical system. Since then the Chinese government has readjusted its foreign policies and has actively engaged in the process of promoting the construction of a harmonious world.

## 1.1 China perceives its relations with the outside world from the viewpoint of a general trend of global development

In China's view, the contemporary world has been undergoing a period of "tremendous changes and adjustments" during which peace and development remain the main themes of the times, and the pursuit of peace, development and cooperation has become an irresistible trend of the times. As the largest developing country, China's survival and development are in tune with the common interests of mankind, and China's development constitutes an important component of the all-round development of mankind. China cannot seek development in isolation from the rest of the world, nor would the rest of the world enjoy prosperity and stability without China's sustainable development. The interdependence between China and the rest of the world forms the bedrock of China's relations with the outside world. China regards its pursuit of peaceful development as one of the basic means for building a harmonious world.

## 1.2 China's diplomatic practice in building a harmonious world

First, when dealing with major incidents or crises, China prioritizes safeguarding the general situation of world peace and stability. In this regard, China advocates tension reduction through political and diplomatic means and endeavours to create favourable conditions for peaceful resolution of international disputes. For instance, China has been doing so in handling the Korean Peninsula nuclear issue, the Iranian nuclear issue and the Palestine-Israeli conflict.

Secondly, China combines the interests of its people in terms of survival and development with the interests of the people in other countries. With a responsible consideration for itself and other countries, China has been devoting itself to scientific, open and mutually beneficial development so as to bring itself and other countries into harmonious relations and sustainable development. China has been working hard to realize the Millennium Development Goals (MDGs). It respects and takes into account the development needs of other countries, provides resources and opportunities for other countries while sharing the opportunities and resources brought by world development. China has constantly displayed the peaceful nature of

its development to the outside world by seeking mutual benefit and common progress. By releasing its ambitious target in emissions reductions before the opening of the Copenhagen UN Climate Conference, China has demonstrated its willingness to cooperate with all other countries in the world to tackle climate change, one of the severest challenges faced by mankind in the 21st century.

Thirdly, China has been earnestly fulfilling its international obligations, in accordance with its national conditions, national strength and development stage. China is a developing country by whatever standard it is measured, e.g. hard power or soft power. To address the global financial crisis, China has adopted such measures as increasing domestic demand, reducing the trade surplus, increasing imports, and accommodating the interests of other countries, thereby making great contributions to the recovery of the world economy.

Fourthly, China has made great efforts in building the framework of relations with major powers on the basis of comprehensiveness, balance, equality, mutual benefit and common progress. The relations among big powers defined by China include not only its relations with Western powers, but such traditional powers as Russia and major emerging economies. By pursuing an independent foreign policy of peace, China has neither built alliances with any big power nor treated any big power as its enemy. On the contrary, it has been vigorously promoting its positive interactions with all the big powers according to the new outlook regarding security, cooperation, and development and in line with the principle of mutual trust, mutual benefit and collaboration.

Fifthly, China has been actively building a harmonious neighbourhood and deepening South-South cooperation. Guided by the BHW theory, China has formulated its policies toward neighbouring countries with unique features which abide by the principles of being a good partner of neighbouring countries and securing an amicable, tranquil and prosperous neighbourhood. Over the recent years, China’s efforts in building a harmonious neighbourhood have produced important results in such frameworks as “10+1”, “10+3”, the Shanghai Cooperation Organization (SCO), the South Asian Association of Regional Cooperation (SAARC) and the East Asia Summit. In addition, a unique model of South-South cooperation has emerged between China and other developing countries. In contrast to the donor-recipient model of North-South relations, China and other de-



veloping countries have achieved the objectives of mutual respect, equal treatment, mutual benefit and common development. The Forum on China-Africa Cooperation and the China-Arab Cooperation Forum are typical examples in this regard.

Last but not least, China has called for a spirit of inclusiveness and for dialogues among different civilizations on many international occasions, including the United Nations (UN) conferences. The spirit of inclusiveness covers the change toward inclusive economic growth, mutually beneficial cooperation, and tolerance of other systems, ideologies, and development paths. It is China's firm conviction that different civilizations should conduct dialogues, deepen mutual understanding, and learn from each other so as to realize common progress.

### 1.3 Problems that China encounters in promoting the construction of a harmonious world

The first problem is the issue of how to live in harmony with a rapidly developing China. China's rapid development has triggered a sense of inadaptability on the part of some countries, which then start to worry and doubt the nature, implied meanings, modality, and objectives of China's development. Various versions of China Threat and Neo-colonialism have appeared in the academic circle and media institutions and have engendered erroneous theoretical and public opinions in many countries; these in turn have influenced the relevant governments in their relations with China.

The second problem is the issue of how to deal with the emerging China. The Cold War mentality is still rampant in both the domestic politics and foreign affairs of some countries. In spite of the fact that China has been acting as a responsible partner of most countries, many countries and governments still regard China as an "alien" in terms of its political system, culture, and values. Therefore, they have been working continuously to "guide China", "reform China" and "assimilate China" into the so-called international community which remains governed by Western values and standards.

The third problem is the issue of misunderstanding BHW theory. Indoctrinated with their own political theories, some countries refuse to accept the fact that the BHW theory is very compatible with the theory of GG. Main-

stream academic circles and the governments of many countries hold the view that the BHW concept is too far removed from the reality of the contemporary world, and thus they react indifferently.

## 2 Global governance and EU foreign policies

The GG theory, first elaborated by an American scholar, was further developed by the EU and used to promote its own governance model throughout the world. The EU maintains that *“both state and non-state actors need go beyond the boundaries of nation-states and regions in the context of globalization so that global public problems can be solved by various institutional and non-institutional arrangements”* (Ye 2010).

### 2.1 The roles of “Leaders” and “Shapers”

The above two roles are not only the natural extension of the European World Outlook but also a reflection of its intention to promote its governance model and to seek and maintain a leading role amid globalization and the international financial crisis. In history, the European World Outlook originates from its Christian values, the spirit of rationality during the Enlightenment and its history of colonial expansion. The above ideas and colonial history gave birth to the European world views of “value universality”, “sense of cultural superiority”, “sense of responsibility for the whole world” and “worldwide enterprising spirit” (Tian 2008, 83) The above World Outlook has made the EU define itself as a Leader and Shaper of globalization and the World Order in the post-financial crisis era. Therefore, the EU is determined to lead the process of rule-making and global governance.

### 2.2 Soft power diplomacy and effective multilateralism

The EU experience in governance determines its views on peace, security and the development of global governance. The EU is of the view that the convergence of rules, institutions and ideas, and institutionalized cooperation are conducive to promoting peace and security, whether in terms of domestic peace or security among neighbours. It advocates the realization of security objectives through comprehensive means, including trade, foreign aid and political dialogues (e.g. the EU Enlargement and

Neighbourhood Policy). The EU regards development aid as its most important security policy. Based on its own experience, the EU holds that:

*“Promoting good governance, supporting social and political reform, fighting against corruption and abuse of power, establishing the rule of law and protecting human rights, are the best means of strengthening the international order. ... Contributing to better governance through assistance programs, conditionality and targeted trade measures remains an important feature in our policy that we should further reinforce.”* (European Council, 2003)

Based on the above analysis, an important EU foreign policy goal guided by the GG theory is to spread the rules, systems and values of the EU by such means as soft power and multilateralism. For the European Union, multilateralism is not only the preferred avenue for the conduct of international action; it is also part of its own identity; and so the Union has a vital interest in an international system based on norms and rules that facilitate the survival and expansion of its own model (Álvaro 2010, 16).

### 2.3 Neighbourhood policy and South-North dialogue

The goal of EU neighbourhood policy is to encourage neighbouring countries through membership and semi-membership mechanisms to institutionalize their cooperation with the EU, to bring about a convergence of systems, rules and values, to formulate security policies, and to extend the EU's influence. In terms of policy practices, the EU has mainly been promoting the realization of policy goals through benchmarking combined with incentive measures characterized by standardization and institutionalization.

It is the conviction of the EU that it must help relevant developing countries push forward political and economic reform and promote the convergence of systems, rules, and values, and that it can best achieve this through partnership dialogues and cooperation mechanisms as well as its own superiority of systems and economy. Both the non-official cooperation mechanism of the Euro-Asia Parliament and the Euro-Africa Strategic Partnership have demonstrated the above policy characteristics. To take EU-Africa relations as an example: the EU has established eight area cooperative mechanisms with African countries, all of which call for a con-

vergence of rules. Currently, the major aim of dialogues between North and South within the EU framework is still to maintain the EU's institutional influence through trade and development assistance. The EU believes that trade and development policies are effective tools for promoting “good governance” and democratic reform, and that as the largest donor entity and trade partner, the EU and its members have continued to be in a very favourable position in the above regard (European Council 2003).

## 2.4 Human rights and democracy diplomacy based on universal values

Human rights and democracy have become the main principles and objectives of the EU; this is due to the European view of universal values along with its theory of cultural superiority and global responsibility as shaped by Christianity, the Enlightenment, colonial history, and the EU's understanding of peace and development in light of its own experience of development. The EU has incorporated its own human rights and democracy values into almost every field of its foreign policy, thus demonstrating the one-way nature and exclusiveness of EU foreign policy.

## 3 Commonalities and differences

Recent years have witnessed the deepening of China-EU cooperation in such fields as politics, culture, and global issues. However, as China continuously elevates its international status, the EU has been feeling an increasing sense of crisis.

### 3.1 Participant of international order versus leader of international order

Although both the BHW theory and the GG theory have been put forward in the context of globalization, they propose principles and standpoints that are different from the viewpoint of power politics. Both theories squarely face the reality of interdependence among various countries; they advocate addressing common challenges through cooperation and oppose unilateralism and hegemony. The BHW theory aims at building a favourable international environment for China's domestic development while providing opportunities for the development of other countries through its

own development, so that all countries concerned can achieve common development. In the view of the GG theory, although the end of the Cold War has left the United States in a dominant position as a military superpower, no single country is able to tackle today's complex problems on its own. (European Council 2003) Advocating a spirit of cooperation is therefore one of the fundamental commonalities between the two theories and the foreign policies of China and the EU.

Nevertheless, China and the EU have different outlooks on cooperation due to their different historic and cultural traditions, development stages, and international identities. As a developing country, China believes that hegemonism and power politics still exist, and that the democratization of international relations has not become a reality, even though interdependence between or among countries has increased. Therefore, it maintains that countries big or small, strong or weak, should enjoy adequate rights to develop and participate in the construction of a new international order on an equal footing. Perceiving itself both as a world leader and shaper, the EU on the other hand proposes to build a new international order with European regulatory systems, and it believes that countries can go beyond the limits of national sovereignty to take interventionist action when the commonly perceived "rules" are broken.

### 3.2 Just multilateralism versus ordered multilateralism

Both China and the EU advocate strengthening international cooperation through multilateral means in order to address global challenges and issues, especially by giving full play to the core role of the United Nations. Guided by the BHW theory, China's view is that multilateral diplomacy is an important arena, that the United Nations as the core of collective security mechanisms plays an irreplaceable role in international security cooperation, and that such a role should only be strengthened and must not in any way be weakened. The purposes and principles of the UN Charter are crucial to safeguarding world peace and security. They have been widely recognized as the basic norms governing international relations, and must be complied with in earnest (Hu 2005). For its part, the EU likewise sees the UN Charter as the fundamental framework for international relations. In this view, the UN Security Council has primary responsibility for the maintenance of international peace and security. Strengthening the United

Nations, equipping it with authority to fulfil its responsibilities and to act effectively, is thus a European priority (European Council 2003).

However, China and the EU differ in some respects regarding their understanding of multilateralism. Considering current injustices in the international order and gaps in development levels between developed and developing countries, China stresses the “comprehensiveness, balance, fairness, justice and reasonableness” of multilateral mechanisms, while multilateralism in EU eyes is a means for realizing a convergence of institutions, rules and concepts. To be sure, Just Multilateralism and Ordered Multilateralism are not completely at odds with each other. Both are required for adherence to the principle of cooperation, for strengthening communication, and for jointly building a multilateralism which has justice as its overarching principle and order as its basis.

### 3.3 Neighbourhood policies: win-win versus democracy promotion

Another difference between BHW theory and GG theory in diplomatic practice lies in their respective policies toward neighbouring countries. Although both China and the EU advocate the achievement of neighbourhood security through peaceful means and the promotion of regional development, their actual policies differ to some extent due to differences in concepts and the surrounding environment. China does not exploit its development model to influence its neighbouring countries when promoting regional integration and deepening regional cooperation. It proposes mutually beneficial cooperation that “seeks commonalities while reserving differences”. The EU neighbourhood policy has been largely shaped by its own integration experiences. It has set up various kinds of benchmarks to promote democracy and enhance the influence of its development model, all of which reflect its strategy of global governance in its neighbourhood policies.

### 3.4 Inclusiveness versus exclusiveness: inter-civilization dialogue versus universal values

BHW theory advocates mutual learning and a search for commonalities while preserving differences in culture, respecting the diversity of the

world, and jointly promoting the prosperity and progress of human civilization. In China's view, it is completely possible in the contemporary international system for countries to co-exist peacefully despite their different social systems, cultural and civilization backgrounds, and different development stages. It is also possible for them to enhance mutual trust through dialogue and cooperation, to seek common interests, and to resolve disputes. Although the EU also emphasizes cooperation, it aims to promote the acceptance by other countries of European standards regarding human rights and democracy. Therefore the EU outlook on cooperation and universal values has a one-way nature. It is worth pointing out that both BHW and GG are evolving theories. As national or regional conditions in China and the EU continue to change, both sides will accumulate new experiences in foreign interactions and thereby enrich and perfect their respective theories; this will, in turn, provide a better theoretical underpinning and more workable policy proposals for achieving global governance objectives and the construction of a harmonious world from which all countries can benefit in terms of economic development and social harmony.

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Policy approaches of the Chinese government  
towards “Building a Harmonious World”

*SHI Yongming*



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## Policy approaches of the Chinese government towards building a “Harmonious World” (BHW)

SHI Yongming

Since the eruption of the international financial crisis in 2008, the China model has been receiving more attention from many countries in a world in which the concept of “Building a Harmonious World” (BHW) has become an important component. This paper aims 1) to give a brief introduction to the development of the BHW concept and policy approaches to it on the part of the Chinese government and 2) to compare the BHW concept with the concept of “Global Governance” (GG) in terms of objectives, approaches, methodologies, activities, perceptions of the future of international order, etc.

### 1 The concept of BHW

The BHW concept, first put forward by Chinese President Hu Jintao in 2005, represented both an academic concept and an element of the Chinese government's foreign policy guidelines.

#### 1.1 BHW: China's new concept for building a fresh international order and its national development

On April 22, 2005, at the Asia-Africa Summit in Jakarta, Chinese President Hu Jintao launched the following initiative: that Asian and African countries should jointly promote the friendly co-existence of different civilizations, including dialogue on an equal footing, development and prosperity, and the building of a harmonious world. (Hu 2005a) At the summit of the leaders in commemoration of the 60th anniversary of the founding of the United Nations (UN), President Hu Jintao elaborated the BHW concept in all its aspects as an organic whole (Hu 2005b). On 1 July 2005, when President Hu visited Russia, the concept of BHW was written into the China-Russia Joint Statement on the 21st Century World:

*“The two countries are determined to make unremitting joint efforts with other countries concerned to build a world that is developed and*

*harmonious and to become important constructive forces in a secure global system.”* (Xinhua News Agency 2005a)

On the following September 9th, the 22nd Congress of the World Jurist Association (WJA) in Shanghai not only incorporated the said concept under the theme of “The Rule of Law and Harmony of International Society”, but also issued the Shanghai Declaration calling on the peoples of the world to make joint efforts through the rule of law to build a harmonious international society embodying the common aspiration of all peoples for peace, development and cooperation. (Xinhua News Agency 2005b) This was the first time that the BHW concept was recognized in a broadly representative international document.

From then on, China has continued to proclaim to the world (e.g. in the White Paper on China’s Peaceful Development Road, the Report at the 17th Party Congress, and a series of policy statements) that working in collaboration with the international community to build a harmonious world will remain an important component of its strategy of peaceful development as well as a concrete way of implementing the scientific outlook on development in its diplomacy. China had long striven for a peaceful international environment for national development, which would, in turn, contribute to world peace, development and cooperation. To this end China supports the authority and role of the UN in global affairs and effectively promotes solidarity and coordination among the countries of the world so as to achieve common development, on the basis of mutual benefit and a win-win outcome. In an effort to resolve the numerous challenges confronting all human beings, China joins hands with all countries concerned and makes unremitting efforts to build a harmonious world of lasting peace and common prosperity.

## 1.2 The theoretical basis and historical context of the BHW concept

President Hu Jintao derived his BHW concept mainly from the People's Republic's nearly 60 years of experience with national construction and diplomacy.

### 1.2.1 Heritage and innovations of the five principles of peaceful co-existence

The BHW concept inherits the core spirit of the Five Principles of Peaceful Co-existence which were jointly launched and advocated by China, India and Myanmar when resolving their border issues in 1954. These have been generally recognized and accepted by the international community. However, over the past 60 years, the theory and practice of international society in building an international order have both evolved and developed in line with changing international situations. For that reason, the Five Principles of Peaceful Co-existence need revision. Firstly, the notion of equality serves as the foundation for the democratization and legalization of international relations. However, the principles of democracy and equality need to be advocated and fulfilled in international relations. Secondly, there is a need to establish the new security concept of mutual trust, mutual benefit, equality and coordination. Countries around the world need not only to build up and promote mutual trust through dialogue, but also to ensure security through cooperation and to resolve international disputes peacefully through dialogue, rather than resorting to force or the threat of applying force. Thirdly, countries in the world need to respect the diversity of human cultures. Various civilizations should respect one another and live together in harmony. Fourthly, they should vigorously advocate multilateralism in resolving the common challenges confronting all human beings. And last but not least, all countries must seek the sustainable development of mankind while steering globalization towards mutual benefits and win-win outcomes.

### 1.2.2 Traditional Chinese culture and the concept of peace and cooperation

The BHW concept has inherited the traditional Chinese culture of peace and cooperation, which stipulates that a world in which the peoples of all countries live in harmony with one another and with nature is conducive to common development. At the same time, this culture also recognizes cultural diversity as an important characteristic of human civilization. The diversity of human cultures is an objective reality



which corresponds with bio-diversity in the natural world, and human civilization can progress only by respecting cultural diversity. An intrinsic tenet of the BHW concept is that human civilization can achieve sustainable development only by realizing and maintaining peace among countries, by fostering amity between or among peoples, and by establishing harmony between man and nature.

### 1.2.3 Perception of the intensifying trend of globalization

The Chinese leaders have realized that interdependence between countries has been intensifying as economic globalization takes deeper root and that mankind is now faced with increasingly common challenges: the widening gap between the rich and the poor, the deteriorating natural environment, the increasingly frequency of natural disasters, the rampancy of contagious diseases, and so on. However, the Chinese leadership believes that peace, development and cooperation remain the central themes of the times, and that sustainable development is realistically attainable only when human society steps up its cooperative efforts, manages the above challenges, and seeks common development. Therefore the need for enhanced international cooperation in the context of globalization is one of the driving forces in the formation of the BHW concept.

### 1.2.4 The concept of “Building a Harmonious Society” (BHS) and the scientific outlook on development

BHS is the basis of the BHW concept. It lists the fundamental features of a harmonious society as follows: democracy, the rule of law, equity and justice, honesty and fraternity, vigour and vitality, stability and order, and harmony between man and nature. The BHS concept maintains that government must strive for scientific development by putting people first and making their development comprehensive, balanced and sustainable. By putting people first, the government must exert itself to the utmost to safeguard the interests of its people and to meet their increasing material and spiritual demands. In pursuing comprehensive development, the government must maintain a sustained, rapid and sound development of the national economy while carrying out the construction of a political and spiritual civilization so that the material and the spiritual civilizations harmoniously complement and support one another and achieve development side by side. In pursuing sustainable development, the government needs to coordinate

and harmonize economic growth simultaneously with population increase while also managing resources and the ecological environment.

### 1.2.5 China’s peaceful development strategy

Peaceful development is the national strategy that China has been adhering to in light of its national conditions as well as its understanding of the international situation. China has adopted social and political systems that are in accordance with its specific national conditions. The road that China has embarked on is completely different from the traditional one of rising powers. China will not promote its development model worldwide, nor will it seek to spread its political system and values. China will not challenge the existing global system and order, nor will it seek hegemony. China stands ever at the ready to work with the international community in promoting the transformation of the global system and building a new international order that is in line with the times. It vigorously works to integrate itself into the international community, to create a peaceful international environment for its own national development, and to contribute to world peace and development through sustainable economic and social development. China has been trying to realize development based on its own national strength and reforms by fostering a mutually beneficial and win-win form of cooperation with all other countries of the world.

## **2 The vision of a harmonious world and related policy recommendations**

China put forward the BHW concept in 2005 in line with its domestic effort of building a harmonious society. Ever since then, China has been painstakingly adjusting and implementing relevant foreign policies in this regard.

### 2.1 The vision of a harmonious world

The BHW concept, in the context of respecting cultural diversity in the world, aims at building a new international political and economic order that ensures lasting peace, sustainable development, common prosperity, and a harmonious societal co-existence of humans with each other. It is the conviction of China that a harmonious world should feature democracy, peace, justice and tolerance, and that sovereign states are the main actors

in a new, harmonious world. In order to build such a world, all countries should uphold the purposes and principles of the UN Charter and abide by the international laws and universally recognized norms which govern international relations. To realize the above vision, all countries should embrace the spirit of democracy, harmony, collaboration and win-win progress in international relations; countries with different social systems and cultural traditions need to respect and tolerate each other, and all peoples around the world should contribute their efforts in this regard.

## 2.2 Policy recommendations for building a harmonious world

Underpinning the BHW concept is the conviction that all countries should respect one another and carry out consultations on an equal footing in a common endeavour to promote democracy in international relations; that the role of the United Nations should be reinforced; and that the momentum of regional cooperation should be sustained. Economically, all countries should respect the development paths chosen and pursued by other countries; they should cooperate with one another, draw on each other's strengths and experience, and work together to advance economic globalization in the direction of balanced development, mutual benefits, and win-win outcomes. With regard to societal, political and cultural aspects, all countries should respect one another in terms of the right of each to independently choose its own social system and development path. Moreover, all countries should learn from each other in the spirit of seeking a common ground while shelving differences; they should seek to enhance dialogue and the exchange of ideas between different civilizations, to embrace the spirit of equality and openness, to respect the diversity of the world, and to make joint efforts to advance human civilization. In the area of security, countries should construct a collective, equitable, and effective security system with the UN at its core; they should uphold multilateralism while also striving to ensure common security. They should reject the cold war mentality and establish a new security concept featuring mutual trust, mutual benefits, equality, and coordination. All countries should settle international disputes by peaceful means, rather than by coercive means or by wars and should jointly safeguard peace and stability in the world. On environmental issues, all countries should assist and cooperate with one another in a concerted effort to take care of the Earth, the only home of human beings.

### **3 A comparison of the BHW concept and the GG concept**

China and the EU put forward their global strategic concepts, i.e. BHW and GG (Global Governance) respectively, around the turn of this century. The two concepts have both similarities and differences in terms of objectives, approaches, methodologies, areas of activity, perceptions of the future international order, etc.

#### **3.1 Theoretical objectives**

Both BHW and GG are dedicated to the reform of the existing global order; they endeavour to construct a world of peace, stability and sustainable development. The GG concept posits “sustainable development” as an important tool of “good governance” based on the conviction that the current mode of development has become unsustainable and ineffective as a result of blindly copying the Washington Consensus and focusing solely on economic returns regardless of anything else. For its part, the BHW concept stands for a scientific outlook on development, incorporates sustainable development into national development strategy, and takes into overall consideration the interrelationships between economic and social development as well as the relations between man and nature. It is in this sense that the two concepts share the same objectives.

#### **3.2 Approaches and methodologies**

With regard to the approaches and methodologies leading to the aforementioned objectives, the two concepts also share some common ground: both support multilateralism and oppose unilateralism. Both agree that the notions of hegemonic stability and unipolar equilibrium show little or no correspondence with the facts of major transformation and restructuring of the current international power distribution and state-to-state relations. Unilateralism cannot safeguard global stability and harmony. Quite the contrary: it would only aggravate international divisions, conflict and confrontation. Therefore, the European Union attaches importance to the concept of “effective multilateralism” and appeals for full play to be given to international multilateral institutions, including the UN. It calls on all countries to jointly meet global challenges through negotiation, coordina-

tion and cooperation on the basis of recognized international norms. Likewise, China attaches importance to multilateralism, stands ever ready to reinforce the authority and efficiency of the UN, and has been fortifying the capacity of the UN to address old and new challenges for the purpose of ushering in a harmonious world of lasting peace and common prosperity.

### 3.3 Subjects of activities

The BHW concept and the GG concept have convergences as well as divergences on the subject of activities. They both underscore the central status of the UN in promoting global governance. However, GG is derived from the experience accumulated by Europe through its own integration process; it leans toward good governance as well as an order of management and control and notably infringes upon the role of sovereign countries. It puts forward such notions as “limited sovereignty” and “delegation of state sovereignty”, and grants non-state actors such as NGOs and transnational corporations (TNCs) equal status with that of sovereign countries in promoting the governance of global affairs. The BHW concept, on the other hand, stresses the harmonious co-existence and common development of all sovereign states based on the view that sovereign states are the main actors in handling global and international affairs. In this view, the foundation for international organizations to administer global affairs is that all sovereign states participate in international rule-making on equal terms, without one country overriding the others. The non-state actors i.e. the NGOs and TNCs, are in no position in this case to replace sovereign states, but should play an appropriate role together with their respective national governments and international organizations. The BHW concept also holds that global issues which might seem to have dissolved national boundaries should not be used by any country as an excuse to “limit sovereignty” or “delegate state sovereignty” in an effort to seek dominance in promoting global governance. The world of today is far from being “as one”. National interests continue to be the motivation and the ultimate goal of various countries in participating in international affairs. Any efforts to downgrade sovereignty would be detrimental to developing countries, whereas the international political and economic order is still unfair and irrational. It is based on the equality and inviolability of sovereignty and the notion that developing countries can and should effectively safeguard

their legitimate rights and interests while sharing equal development opportunities.

### 3.4 Perception of the value basis of the future international order

The GG concept argues that the “universal value system” of democracy and human rights is a prerequisite and cornerstone for realizing good global governance. The BHW concept, on the other hand, is based on the conviction that differences in historical traditions among different countries, gaps in the levels of economic and social development, and the diversity of ethnicities and cultures preclude the existence of universally “correct” human standards or democratic values. The BHW concept therefore envisions the future international order as one based on sovereign equality, democratization of international relations, common economic development of all countries, and mutual tolerance among different civilizations. In BHW, all countries are entitled to build up their human rights and democracy in line with their specific national conditions and the world can reach its goal of lasting peace and common prosperity only by respecting the diversity of civilizations and their development paths.

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The European neighbourhood policy  
Everything but incentives

*Mark Furness*





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## The European neighbourhood policy

Everything but incentives

Mark Furness

### Introduction

This contribution addresses three questions with regard to the efforts of the European Union and its member states to foster good governance and economic prosperity in Europe's neighbourhood: what are the EU's interests and objectives in neighbouring regions? What policy instruments does the EU use to pursue these interests? What is the impact of the EU's regional engagement?<sup>3</sup>

The 2003 Commission Communication which launched the European Neighbourhood Policy (ENP) coined the term "ring of friends" to evoke the EU's vision for its "near abroad" (EC 2003). The ring of friends included a disparate group of countries extending from Belarus through Eastern Europe and the Caucasus, across the Middle East and North Africa (MENA) to Morocco.<sup>4</sup> The Communication and subsequent policy documents have called for nothing short of the political, institutional and economic transformation of most of these countries, many of which are organised according to varying degrees of autocracy, clientalism, and rentierism.

The ENP was rolled out at a high point for the EU as membership was expanded to eight central and eastern European and two Mediterranean countries in the "big bang" of May 2004. The policy envisaged not only a framework for relations with the enlarged EU's neighbours but a model for them to become liberal democracies in Europe's image. Partners promised to work towards "a zone of prosperity and a friendly neighbourhood"

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3 Examples and discussion are mostly drawn from the Southern neighbourhood, where the uncertain aftermath of the 'Arab Spring' is compelling Europeans to rethink their engagement.

4 The ENP includes Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Territories, Syria, Tunisia and Ukraine. Russia is not covered by the policy but is eligible for funding from the European Neighbourhood and Partnership Instrument (ENPI). The Libyan government under Muammar Gaddafi and the Belarus government of Alexander Lukashenko have not been active participants in the policy framework.

based on “adherence to shared values”. The assumption underpinning the ENP was that the EU model was so successful and attractive that neighbours would inevitably embrace it sooner or later, even if the key incentive that lay behind the transformation of the former Warsaw Pact countries – an EU membership perspective – was not on the table.

Unsurprisingly, the visionary undertaking and the high-minded language in which it was expressed raised expectations out of proportion to the EU’s and the neighbours’ ability to deliver. Nevertheless, even if we accept that the bar for success should be set much lower than the abstract objectives expressed in the policy documents, the evidence so far suggests that the EU and its members have not been particularly successful in supporting political and economic reform in neighbouring countries.

## **1 Background**

As the EU has worked to become a larger and more consequential international actor in the post-Cold War period, its efforts to influence its neighbourhood have increased. EU engagement in the MENA deepened following the window of opportunity provided by the 1993 Oslo Accords and the subsequent thaw in Arab-Israeli relations. This engagement culminated in the November 1995 launch of the Euro-Mediterranean Partnership (EMP) with the Barcelona Declaration. In Eastern Europe, bilateral engagement with newly independent countries that were formerly part of the Soviet Union commenced in the early 1990s. The ENP, which linked the two regions in an overarching policy framework in 2004, was more an effort to define the borders and external identity of the enlarged EU than a regional geo-strategy. De-facto recognition of the need for different political frameworks to guide relations with the two sub-regions was restored with the 2008 Union for the Mediterranean (UfM) and the 2009 Eastern Partnership.

The main difference between East and South is that Eastern European neighbours (with the exception of Russia) have an EU accession prospect, even if this is distant. Ukraine, Moldova and Georgia have all shown varying degrees of interest in joining the EU at various times, although this has only been reluctantly reciprocated by the EU and some of its members. A second difference can be seen in the areas of cooperation. According to the European External Action Service, the main co-operation fields under the

Eastern Partnership are transport, energy, natural resources management, border and migration management, the fight against organised crime, and arms control.<sup>5</sup>

In the southern neighbourhood the situation is somewhat different: A Moroccan application for EU membership was rejected in 1987 and, even though Algeria was not long ago considered part of France, European leaders generally agree that southern neighbours are not “European countries” and therefore do not have any prospect of joining the EU. The main cooperation fields with southern neighbours were defined in the Barcelona Declaration’s “three baskets”: the Political and Security Partnership, covering dialogue on justice issues, migration, political cooperation and the ill-fated Euro-Mediterranean charter on Peace and Stability, the Economic and Financial Partnership covering economic cooperation and stop-start negotiations on a Euro-Mediterranean Free Trade Area as well as energy, environment, information society and transport; and the Social, Cultural and Human Partnership covering cultural exchange, education and training, gender issues, youth, civil society and local authorities.<sup>6</sup> Cooperation regarding issues in the first basket is practically non-existent, sidetracked by the tedious deadlock of the Arab-Israeli conflict, the reluctance of MENA ruling elites to engage in meaningful reforms, and Western policy towards the Arab world in the context of the “global war on terrorism” since 2001. Only small, largely elite groups benefit from cooperation on issues in the third basket. Cooperation between the EU and its Mediterranean neighbours has been heavily concentrated on the second basket objective of deepening economic ties, especially in the areas of trade and finance.

## 2 European interests

European interests in the East and South are quite different, to the extent that there is a noticeable northeast/southwest split between member states over whether the EU should prioritise southern or eastern neighbourhood relations. In addition to the fields of cooperation mentioned above, relations with Eastern Europe are dominated by the question of engagement with Russia. EU members are not in full agreement over the extent to

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5 [www.eeas.europa.eu/eastern/index\\_en.htm](http://www.eeas.europa.eu/eastern/index_en.htm) (accessed 2 May 2011).

6 An overview of the Barcelona Declaration’s objectives is available at [www.enpi-info.eu](http://www.enpi-info.eu).

which they should push neighbours to choose between Moscow and Brussels, with Germany favouring a “softly, softly” approach, and Poland favouring a clear accession perspective for Ukraine and Moldova especially.

European interests south of the Mediterranean are dominated by security concerns, especially in southern EU member states but increasingly also in northern Europe following terrorist attacks in the last decade. An important political rationale behind the Barcelona process was Europe’s medium-term objective of defusing regional conflicts that may spill over through acts of terrorism or increasing numbers of refugees. Economically, the package aimed to increase trade, wealth and jobs in the MENA and reduce the numbers of economic migrants to southern Europe. Since 2001, the sense of urgency brought on by perceived threats posed by terrorists and migrants has led to a deepening securitisation of bilateral cooperation between EU member states and MENA governments and the abandonment of weak pressure for reform to the existing order. Illegal migration has returned to the forefront of public discussion in the wake of the 2011 Tunisian uprising and Libyan war, as an increase in unauthorised crossings of the Mediterranean prompted Denmark to take the extraordinary step of re-imposing border controls.

This pattern of relations dovetailed with the interests of MENA elites, who were not interested in reform and for whom the threat posed by Islamist extremist movements was even more tangible than in Europe. Furthermore, most MENA countries have been much more interested in bilateral cooperation with the EU than in deepening engagement with each other, thus weakening the EU’s efforts to promote regional cooperation and economic integration in the southern neighbourhood.

### **3 Instruments**

Even through the ENP’s multilateral tracks (the UfM and Eastern Partnership) receive the most attention, its bilateral track is by far the most important. Association Agreements (AAs) and Partnership and Cooperation Agreements (PCAs) ratified by the partner country and all EU member states are the legal basis of cooperation. These are focussed mostly on deepening economic relations. Since 2004 the AAs have been complemented by bilateral ENP Action Plans, which were supposed to emphasise political reform and good governance, but which are mostly very vague on these issues.

<b>Table 1: EU Agreements with neighbouring countries<sup>7</sup></b>			
<b>Partner</b>	<b>PCA/AA Signed</b>	<b>PCA/AA in Force</b>	<b>ENP Action Plan</b>
<b>MENA Neighbours</b>			
<b>Algeria</b>	2002	2005	-
<b>Egypt</b>	2001	2004	2007
<b>Israel</b>	1995	2000	2004
<b>Jordan</b>	1997	2002	2004
<b>Lebanon</b>	2002	2006	2007
<b>Libya</b>	-	-	-
<b>Morocco</b>	1996	2000	2004
<b>Palestine</b>	1997 (interim)	-	2005
<b>Syria</b>	2004	-	-
<b>Tunisia</b>	1995	1998	2004
<b>Caucasus and Eastern European neighbours</b>			
<b>Armenia</b>	1996	1999	2006
<b>Azerbaijan</b>	1995	1999	2006
<b>Georgia</b>	1995	1999	2006
<b>Belarus</b>	1995	-	-
<b>Moldova</b>	1994	1998	2004
<b>Ukraine</b>	1994	1998	2004
Source: European Commission (see <a href="http://ec.europa.eu/world/enp">http://ec.europa.eu/world/enp</a> )			

<sup>7</sup> Partnership and Cooperation Agreements (PCAs) have been signed with former Soviet Eastern European, Caucasus and Central Asian countries. Association Agreements (AAs) have been signed with many non-EU countries. The AAs signed with MENA countries aim at establishing of a Euro-Mediterranean free trade area.



Most of the EU's financial support for its neighbourhood policies is programmed bilaterally. The overall allocation for the European Neighbourhood and Partnership Instrument (ENPI) is almost €12 billion for the period 2007-2013, around 95% of which is used for bilateral actions. The remaining 5% is allocated to support regional and cross-border initiatives and mechanisms aimed at deepening multilateral cooperation: € 288 million in the South, and € 349 million in the East.<sup>8</sup>

The ENP relies on “positive conditionality” as an incentive for reform, but this offer has been inadequate for supporting the transformation that Europeans say they want to see. Neighbours are offered “everything but institutions”, and a “stake in the internal market” in return for implementing the reforms agreed in the Action Plans. However, just as the Action Plans are vague on the actual reforms to be carried out, they are also vague on what “everything but institutions” and “a stake in the internal market” actually mean.

In the East, European vacillation over the membership issue can be partly explained by the delicacy of pushing the Ukraine in particular to choose between the EU and Russia, a choice that would be divisive in the Ukraine and problematic for relations with Moscow. In the southern neighbourhood the fact that the EU has not been able to offer sufficient incentives to compensate the costs of deep reform is moot, as MENA elites were not interested in reforming anyway. MENA governments have simply asked for more money when the question of reform stasis was raised, and have raised the Israel issue whenever disappointment at the progress of regional cooperation was expressed.

There have been some high-profile efforts to re-invigorate EU-Mediterranean relations. The Union for the Mediterranean (UfM), a prestige project for French President Nicholas Sarkozy following his 2007 election, was designed by the European Commission after a diplomatic demarche by Germany in early 2008 prevented the creation of parallel structures outside the EMP framework. The UfM attempted to breathe life into regional cooperation by providing the Arab states and Israel with an institutional setting for developing common positions towards the EU, including a co-presidency and the promise of regular summit meetings. The UfM framework was also an attempt to build confidence by focussing

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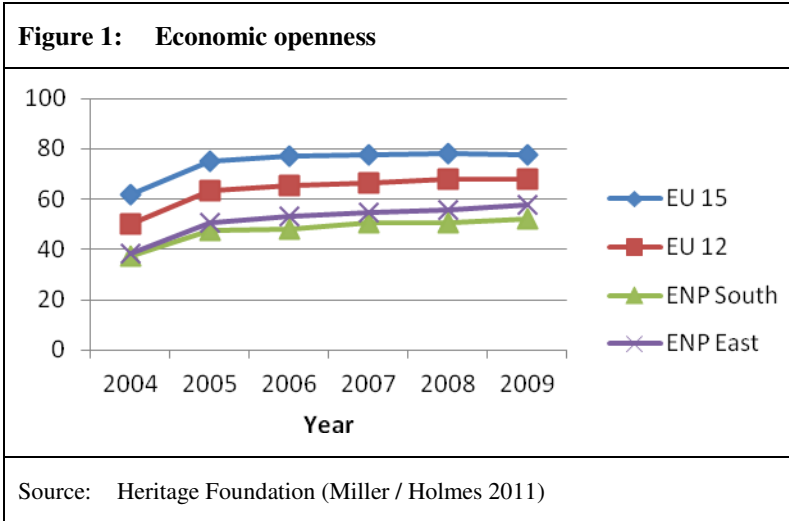
8 A breakdown of the ENPI is available at [www.enpi-info.eu](http://www.enpi-info.eu) (accessed 2 May 2011).

on areas in which progress was already being made under the Barcelona Process framework – regional cooperation on environment, infrastructure, renewable energy, small-and-medium enterprises, and tertiary education. However, the partners have not taken the opportunity to use the UfM projects to build confidence. Instead, against a backdrop of rising tensions in the region, the UfM's effect has been to politicise these issues and stall cooperation, even in areas where progress had previously been made.

#### **4 EU policy towards the Southern neighbourhood: an effective policy?**

Figures on political and economic reform in the neighbourhood show that economic cooperation has deepened since the end of the Cold War. Total exports to the EU from the southern neighbourhood have grown by around 10% annually since 2000, while imports from the EU have increased by 4% since 2000. Foreign direct investment (FDI) has also increased: 2010 FDI in the Mediterranean partners amounted to € 33.2 billion, a 17% increase over the € 28.4 billion invested in 2009. However these numbers do not necessarily indicate causality: the question remains as to whether deepening economic cooperation would have happened anyway, without the Euro-Med partnership, the ENP and the UfM.

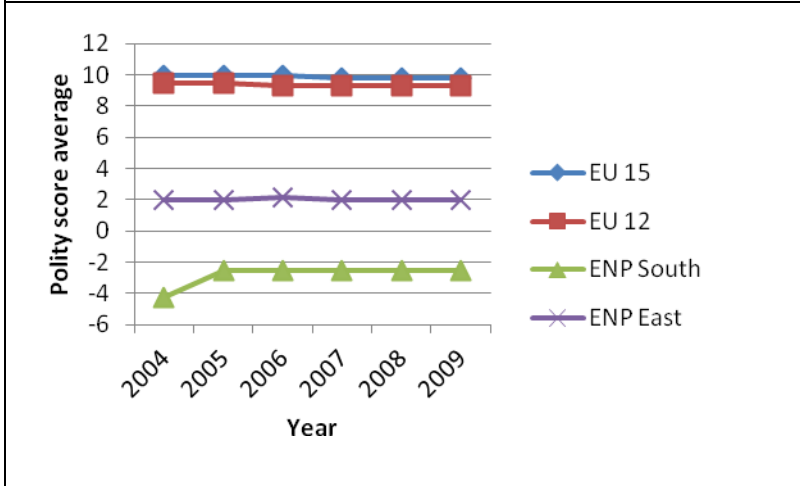
Figure 1 shows the progress of economic reforms in the neighbourhood since 2004. The table aggregates the Heritage Foundation's scores for trade freedom, business freedom, investment freedom, freedom from corruption and labour freedom. Lower values depict higher non-tariff barriers and restrictions on doing business. The marginal overall convergence suggests that EU policy in the region has failed to induce the desired economic reforms. The raw data (available on request) reveals that trade freedom has converged from a difference of 35 points in 2004 to around 15 points in 2009, but that gaps in business freedom and freedom from corruption have grown while labour is significantly less free in the southern neighbourhood than in the EU. This indicates that the dividends of economic liberalisation have not profited the whole population. A model of development creating more jobs, reinforcing local industry, prioritising southern initiatives and interests, and better respecting social responsibility criteria still remains to be built.



More telling for the efficacy of EU’s “grand transformation” policy are political openness scores. The Polity IV database provides two indicators to measure two dimensions of democratic governance: an aggregate measure of the amount of democracy and autocracy in a country with higher numbers showing higher levels of democracy (figure 2), and the institutional constraint score which measures checks and balances on the executive branch of government by institutions such as the constitution, the legislature and the judiciary (figure 3). Higher values stand for more constraints and thus for stronger institutional controls on governments.

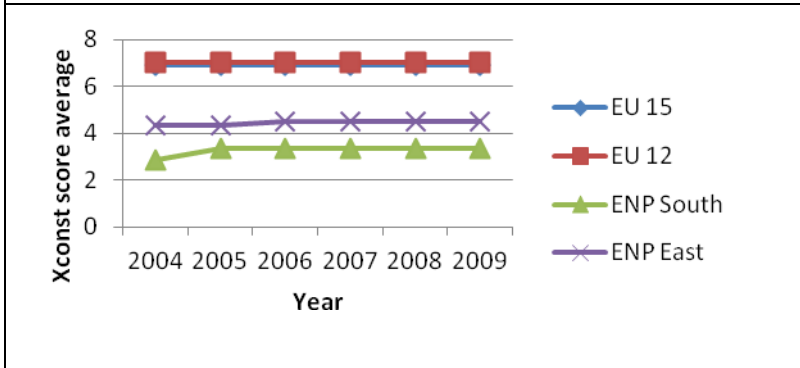
The picture that emerges is that Mediterranean neighbours have clearly not improved their democratic records over time. Between 2004 and 2009 their polity score jumped in 2005, when for a brief moment it seemed that real reforms were taking hold in Egypt, Morocco, Jordan, Syria and the Palestinian Territories. This was quickly snuffed out following the victory of Hamas in the January 2006 EU-monitored elections in the Palestinian Territories. However even this jump did not bring southern neighbours much closer to the democracy scores achieved by EU member states. Institutional constraints scores tell a similar story, suggesting that Mediterranean countries did not undertake any meaningful reforms of their political systems despite their promises under the ENP.

**Figure 2: Political openness: democracy**



Source: Polity IV (Marshall / Gurr / Jagers 2010)<sup>9</sup>

**Figure 3: Political openness: institutional constraints**



Source: Polity IV (Marshall / Gurr / Jagers 2010)

<sup>9</sup> This scale differs slightly from the original, owing to the difficulty of depicting the Polity figures graphically. Instead of -10 to 10, the scale runs from -6 to 12.

## 5 Why such a poor record?

The figures above appear to support the argument that the best incentive the EU can offer is the membership perspective, and where this is absent partner governments have few external incentives to embark on risky political and economic reforms. This is especially telling with regard to the Eastern neighbourhood, where positive conditionality has not been strong enough to prevent the stalling of democratic processes in Ukraine, Georgia, Azerbaijan and Armenia. The EU was powerless in dealing with Russia's invasion of Georgia during the Beijing Olympics in 2008 and has been ineffective (or in the case of some member states, downright clumsy) with regard to other key issues in the Caucasus region, such as the wars in Chechnya, the Nagorno-Karabakh dispute and Turkish-Armenian relations.

The main obstacle for the EU in designing and implementing effective, long-term policy in the neighbourhood is that the cost of reform in neighbouring countries is likely to be very high for two key groups: the ruling elites in partner countries, and voting publics in key EU member states. This makes it difficult to generate the political will required to agree on concrete strategies and to stick to them, even when conditions become less favourable.

For partner country ruling elites, the EU's calls for reform threaten their hold on political power and their control of the lucrative rents that power entails. In the southern neighbourhood especially it is highly unlikely that any offer from outside could compensate for the loss of this power and influence. Nevertheless, the events of 2011 across the MENA have shattered longstanding assumptions about the region, particularly the idea that no change could occur without the cooperation of incumbent presidents and their inner circles.

Many observers have pointed out that the EU's influence and image in MENA countries could have been much improved by offering concrete incentives that meant something to ordinary people. Four such incentives have been repeatedly called for: measures to open up markets for south Mediterranean agricultural produce, policies enabling more trans-Mediterranean migration, an agreement on trade in services, and the provision of greater support for civil society movements in Arab countries. Despite assurances and promises, meaningful European offers in these

four areas have never seriously been contemplated, largely because of the costs they would impose on domestic groups in EU member states.

With regard to agriculture, Spain, Italy and Greece especially do not want to allow competing agricultural products into the EU, especially at times of the year when their own produce comes on to the market. With regard to migration and trade in services, no European countries are openly willing to welcome more migrants from MENA countries, even on a short-term basis. Despite the likelihood that Europe will face significant labour shortages over the next decade and the likely welfare gains from services liberalisation, many European voters and politicians argue that ‘temporary workers’ can be hard to get rid of when their job is done (Hoekman / Özden 2011). With regard to civil society, south Mediterranean elites treated this as a sovereignty issue and have warned Europeans against supporting civil society actors who challenge the political and economic status quo.

The EU’s inability to offer a juicy enough carrot has been compounded by its reluctance to use the stick. Sanctions have been imposed on Belarus, but Lukashenko remains in power. Following the Arab Spring of 2011 sanctions were imposed on the inner circles of the Ben Ali and Mubarak regimes, albeit only after the Tunisian and Egyptian leaders were forced from power. Sanctions have also been imposed on Libya and Syria since the uprisings in those countries turned violent, although in the Libyan case these measures were quickly overshadowed by the NATO-supported rebellion which overthrew the Qaddafi regime. Prior to 2011, the only instance where the EU imposed sanctions on a MENA partner was after the victory of Hamas in the Palestinian elections of 2006. The irony of this decision – Hamas won an election generally declared free and fair by the EU’s own election observers – was not lost on the Arab public.

The absence of incentives has been compounded by the widely held perception that Europeans are unwilling to practice what they preach. Although close cooperation with the security sectors of repressive regimes is not advisable for a polity professing its attachment to transparency and the rule of law, this is precisely what has happened regarding terrorism. Such weaknesses and double standards have not only undermined the southern dimension of the ENP – they have also harmed the EU’s reputation as a legitimate actor and honest broker in the region.

## 6 The next steps

The upheaval that has swept the Arab world since early 2011 has justified what many regional analysts have been saying for years: while the deadlock in Euro-Mediterranean relations may be stable in the short term, it is unlikely to be sustainable in the long term and when change comes, the EU and its members are unlikely to be able to shape its course or turn it to Europe's advantage. The Arab Spring, the timing of which caught even seasoned MENA watchers by surprise, also belied the long-held assumption that the agents of change would be radical Islamist movements. The fact that the driving forces for change have been the educated but frustrated middle class creates a unique opportunity for the EU and its members.

While the change sweeping the MENA is political, its roots are in the socio-economic underdevelopment of the region. The "straw that broke the camel's back" was the self-immolation of an unemployed Tunisian university graduate, captured on mobile-phone cameras and broadcast across the region on YouTube and al-Jazeera. The tragic incident had such resonance precisely because it symbolised the hollowness of the 'bargain' between rentier elites and their people: acceptance of authoritarian rule in return for a steadily improving standard of living. This deal, which has prevailed throughout the region since independence, has long been reinforced by elites using a combination of tribal clientalism and repression of opposition to maintain their advantages. The model has been tacitly supported by the EU and its member states in the interests of maintaining regional stability. However, it has failed to deliver broad-based development and has been rendered obsolete by a combination of demographic, educational, technological and socio-political factors.

Whatever the outcome of the 2011 Arab revolutions, a new strategy for development in the MENA is needed. Key institutions are weak, poverty and unemployment are widespread, authoritarianism remains the predominant political feature, and political stability cannot be guaranteed. These issues need to be addressed if the desire for peaceful and lasting change expressed by the 'Arab Street' is to be reinforced by legitimate governance and sustainable development. The incentives for which Arab publics have been asking Europe for years – market access for agricultural products, less restrictive migration policy, a meaningful agreement on trade in services and support for civil society – are all key to supporting the agents of change and entrenching what they have achieved, particularly in Egypt

and Tunisia. Providing these incentives still involves costs, but this is the way forward.

European leaders have made grand promises for more aid, new agreements on advanced status, easier access to the EU single market and so on. UK foreign Minister William Hague said that the EU was ready to make “a big, bold offer to our southern neighbours” (Hague 2011). On 8 March 2011, High Representative for Foreign and Security Policy Catherine Ashton launched a proposal for a “Partnership for Democracy and Shared Prosperity with the Mediterranean” (EC 2011 a) followed by a review of the European Neighbourhood Policy in May (EC/HR 2011) In September the Commission followed up with a package to Support Partnership, Reform and Inclusive Growth in the MENA – the SPRING programme. Unfortunately, the new “partnership” for the southern neighbourhood merely repackaged the offers already on the table, and did not contain any indication that concrete incentives are ready to be provided, aside from small increases in aid. The EU created a new instrument for supporting civil society in the region, but it is small (€ 22 million over three years). Aside from rhetoric and good intentions, the signs that Europe is prepared to invest sufficient resources and make the most of the unique opportunity to support reform in its near abroad are not promising.



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and regional governance (the EU)**  
A tentative comparison of two concepts

*CHEN Xulong*



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## Building a harmonious neighbourhood (China) and regional governance (the EU)

A tentative comparison of two concepts

CHEN Xulong

In the wake of his famous speech entitled “Build Towards a Harmonious World of Lasting Peace and Common Prosperity” at the High-level Plenary Meeting of the United Nations (UN) 60th Session on 15 September 2005, President Hu Jintao put forth initiatives for “Building a Harmonious Region” on 15 June 2006, “Building a Harmonious Asia” on 17 June 2006, and “Building a Harmonious Asia-Pacific Family/Region” on 18 November 2006. Meanwhile, Chinese Premier Wen Jiabao put forward the proposal of “Building a Harmonious East Asia” on 14 January 2007, and called on the neighbouring countries in a collective effort to “build a new and harmonious Northeast Asia” on 11 April 2007. All the above proposals demonstrated China’s belief that “world harmony begins in the neighbourhood”<sup>10</sup> and that China needs to build a harmonious periphery, or neighbourhood, through joint efforts with its neighbouring countries. This paper focuses on China’s theoretical and policy approaches to the building of a harmonious neighbourhood and the promotion of regional governance, and attempts a tentative comparison of China’s experience with that of the European Union (EU) in the above regard.

### **1 Interests, objectives and principles of China’s neighbourhood policies**

Since it started its historic process of economic reform and opening up to the world in 1979, China has been implementing and adjusting its neighbourhood policies in accordance with its domestic and international situation. Currently, China’s neighbourhood policy reflects its core interests, objectives and principles as follows.

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10 This is the theme of the Pavilion of the Shanghai Cooperation Organization at Expo 2010 Shanghai.

## 1.1 Core interests of China's neighbourhood policy

It is well known to the international community that China has three core interests in its foreign policy, especially its policy toward the neighbouring countries. The **first** is to secure the stability of its form of government and political system, including that of the leadership of the Communist Party of China, as a socialist system with national characteristics. **Second** is China's sovereignty, territorial integrity and national unity. **Third** is to ensure sustainable economic and social development (Dai 2010a). For that matter, it remains the first and foremost objective of China's foreign policy to safeguard the above core interests, which give life to China's policy towards its neighbourhood. China has been learning through cooperation with its neighbours to combat three evil forces in a joint effort, namely terrorism, separatism and extremism, which are threats to China's core interests. China has been reaching out for understanding, support and cooperation from its neighbours in order to safeguard its sovereignty, its territorial integrity, and its national unity. China needs a peaceful and stable international environment, good neighbourly relationships in the surrounding region, a cooperative environment of equality and mutual benefits, and objective and friendly public opinion in order to facilitate conditions for its sustainable economic and social development.

## 1.2 Objectives of China's neighbourhood policy

Generally speaking, China sees its neighbourhood and the region where it is located as a strategic base for peaceful development. Its neighbourhood policy objectives are as follows: Deepening and strengthening bilateral ties with its neighbours for good- neighbourly relationships; shaping a stable and good-neighbourly surrounding environment conducive to China's peaceful development; building effective regional and sub-regional frameworks for common security and development; promoting the construction of the East Asian community, and cultivating a healthy and progressive regionalism.

## 1.3 Principles of China's neighbourhood policy

In order to build and maintain harmonious relations with its neighbouring countries, China has been adhering to the principle of "kindness and

friendship with the neighbours” and “peace before anything else” with the aim of achieving a friendly surrounding environment. This is an important external condition for China to build a harmonious society and a harmonious region, both of which are important components in the strategy to promote the construction of a harmonious world. To this end China has successfully resolved border disputes with most of its neighbours, in line with the principles enshrined in the relevant international laws, and in accordance with the spirit of consultation among equals, mutual understanding, and compromise. As of now, China has signed border agreements with 12 neighbouring countries on land and has been achieving progress in the negotiations with India and Bhutan, etc.

#### 1.4 China’s policy approach toward regional governance

In order to join hands with the countries affected by regional governance, Chinese Premier Wen Jiabao stated, at the 7th China-ASEAN summit in Bali in 2003 that the Chinese Government was committed to building good-neighbourly relationships and partnerships with China’s neighbours, and that we (the Chinese) would take concrete steps to promote good-neighbourliness, friendship and regional cooperation and bring our ties with the surrounding countries to a new high (Wen 2003). China has made it very clear to its neighbours that it is not China’s national policy and strategic choice to seek hegemony. China advocates equality among all countries, big or small, strong or weak, rich or poor, and respects the rights of the people in other countries to independently choose their own development paths. China adheres to a policy of mutually beneficial cooperation and common progress.

China has been dedicating itself to the construction of an Asia of lasting peace, common prosperity and harmony. Acting on the principle of kindness and friendship toward neighbours, China has been actively pursuing regional cooperation. China considers that openness and transparency are sources of vitality for regional cooperation. China welcomes all the proposals that are conducive to regional stability and development, and supports the participation of the United States, Russia, the EU, and other countries and organizations in the East Asian cooperation process. It has remained China’s firm belief that all countries must respect the independence and diversity of East Asia and follow a step-by-step approach. The priority now is to give full play to the existing cooperation frameworks,



including Association of Southeast Asian Nations (ASEAN) plus China (10+1), ASEAN plus China, Japan and South Korea (10+3), the Shanghai Cooperation Organization (SCO), the **Asia-Pacific Economic Cooperation** (APEC), etc.

China is committed to addressing territorial and maritime disputes through dialogue and negotiations on the basis of facts and in keeping with the basic norms governing international relations. It has been working tirelessly to achieve proper solutions to disputes over territories and maritime rights through bilateral channels. China opposes any attempt to aggravate or create tensions and make issues bigger and more complicated. It is firmly against the use or threat of force in addressing the issues between or among countries in the region.

China has been involved in the initiative to promote regional dialogues and cooperation and has been playing an active role in such regional mechanisms as 10+1, 10+3, the SCO, and the APEC. China is the first major country outside the region to accede to the Treaty of Amity and Cooperation in Southeast Asia and to forge a strategic partnership for peace and prosperity with ASEAN. The Free Trade Agreement between China and the ASEAN went into effect in 2010, and China, Japan and South Korea have been in active dialogues, in an effort to formulate the East Asia Community.

## **2 Policy instruments used by China to build a harmonious neighbourhood and promote regional governance**

Over the years, China has worked for regional governance through its diplomatic efforts to promote the construction of a harmonious neighbourhood, taking full account of the respective domestic and regional situations. China has developed its policy instruments as follows:

### **2.1 Area diplomacies**

Basically, China's regional diplomacy, which has been very instrumental in reaching its objectives in the neighbourhood, has taken various forms. The first is **security diplomacy**, which aims to protect China's sovereignty and security interests. It includes the promotion of international

cooperation in non-traditional security fields. The second is **economic diplomacy**, which aims to serve the development of China and related countries. The third is **party diplomacy**, seeks to promote political dialogues and mutual trust. The fourth is **public diplomacy**, which is designed to promote a better understanding of China's policies on the part of the international community and to improve China's national image. The fifth is **environmental diplomacy**, which steadily promotes international cooperation in environmental protection. The sixth is **anti-terrorism diplomacy**, which is dedicated to jointly addressing terror as the scourge of the world and protecting common security interests. The seventh is **military diplomacy**, which works at gradually promoting foreign military relations. The eighth is **international peace keeping**, which constitutes a platform for China to play its due role as a major developing power. The ninth is **culture diplomacy**, in line with China's belief that people-to-people exchanges form the bedrock for China's relations with its neighbouring countries. Last but not least is **consular protection**, which is in line with the principle adhered to by the Chinese Government of "putting the people first".

## 2.2 Action plans

Action plans have become very practical and effective instruments for China to deepen its cooperation with its neighbours as a means of simultaneously helping to promote China's strategy of building and maintaining a harmonious neighbourhood. For example, on 29 November 2004, the Heads of State/Governments of ASEAN and China signed the Plan of Action to Implement the Joint Declaration on the ASEAN-China Strategic Partnership for Peace and Prosperity (2005-2010) in Vientiane, Laos People Democratic Republic. This Plan of Action was formulated to serve as the "master plan" to deepen and broaden ASEAN-China relations and cooperation in a comprehensive and mutually beneficial manner. On 29 October 2010, the Plan of Action to Implement the Joint Declaration on the ASEAN-China Strategic Partnership for Peace and Prosperity (2011-2015) was adopted at the 13th ASEAN-China Summit in Vietnam. Pursuant to the Plan of Action, the two parties will pursue joint actions and measures aimed at promoting cooperation on the political, security, economic, social, cultural, international and regional levels. The issues of funding and institutional arrangements are also addressed in the Plan of Action.

### 2.3 Official development assistance

Official development assistance (ODA) has a significant role to play as a policy instrument for China to develop good-neighbourly relationship. China is ready to assist less developed countries in its neighbourhood with no political conditions attached. The Chinese government will increase its input in capacity-building and human resource training to help less developed neighbours progress faster towards their development goals.

### 2.4 Dialogue mechanisms

China employs a total of 10 mechanisms to promote regional cooperation. They are: “10+1”, “10+3”, the China-Japan-Republic of Korea (ROK) Summit, the Six-Party Talks, the Shanghai Cooperation Organization (SCO), APEC, the Conference on Interaction and Confidence-building Measures in Asia (CICA), Asian Cooperation Dialogue (ACD), the China-Russia-India Foreign Ministers' Meeting, and the Brazil, Russia, India, China and South Africa (BRICS) Summit. These are discussed in the following.

“**10+1**” is China's way of firmly support the leading role of the ASEAN in regional cooperation. China sees it as a regional organization which is becoming increasingly influential politically, increasingly competitive economically, and increasingly attractive in regional cooperation. China supports ASEAN in achieving its goal of building a community which is politically secure, economically stable, and socio-culturally viable by 2015. Above and beyond bilateral affairs, China seeks productive cooperation with ASEAN countries in both regional and international matters. The two sides have joined hands in promoting the sound development of dialogue mechanisms including “10+3”, the ASEAN Regional Forum (ARF), the Asia Cooperation Dialogue (ACD), APEC, the East Asia Summit, the Asia-Europe Meeting (ASEM) and other regional and trans-regional cooperation mechanisms. It is China's steadfast position that the existing regional cooperation mechanisms in East Asia, including “10+1”, “10+3” and the East Asia Summit, should always develop with the “10” or the ASEAN in the driver's seat and that East Asian cooperation will enjoy sound development only if ASEAN continues to play its leading role.

Since 1997, the “**10+3**” mechanism has brought together 13 leaders at meetings which have resulted in two joint statements on East Asia cooperation. A direction for East Asia cooperation has been identified, and the

long-term goal of building an East Asia community has been set up. At the 11th“10+3” meeting, a Work Plan (2007–2017) was adopted, and the decision was made to establish a fund for “10+3” cooperation. Chinese leaders have participated in all the above meetings and have played proactive roles in promoting cooperation. It was at the 10th“10+3” Leaders' Meeting that China put forth its initiative for building a harmonious East Asia. China wishes to play a leading role in promoting economic and trade cooperation among the “10+3” countries.

**China-Japan-ROK** cooperation has taken the form of summits, foreign ministers' meetings, and senior foreign affairs officials' meetings which serve as inter-governmental cooperative mechanisms. All of these are conducted on a yearly basis. On 13 December 2008, the First Summit issued an action plan on trilateral cooperation in Fukuoka, Japan. The document worked out specific plan for trilateral cooperation in the fields of political and economic affairs, environment protection, science and technology, social and culture affairs, and international cooperation. On 29 May 2010, the Third Summit adopted The Trilateral Cooperation Vision 2020, which says that trilateral partnership will be institutionalized and enhanced. Among other things in this regard, a Trilateral Cooperation Secretariat is to be established in ROK in 2011. The Joint Study for an Foreign Trade Association (FTA) among the three countries was launched in May 2010, and many other efforts will be made to strengthen sustainable economic cooperation for common prosperity. Measures will also be taken to promote cooperation regarding environmental protection and socio-cultural exchanges among the three countries.

The **Six-Party Talks** are important not only for solving the North Korean nuclear issue but also for maintaining peace and stability in Northeast Asia. During the past decade or more, China has been exerting itself to the utmost to be not only a participant but also a coordinator as well as the presiding country vis-à-vis the nuclear crisis in the Korean Peninsula. As a participating party, China has contributed to the on-going process in terms of principles and relevant obligations. As a coordinator, China has been coordinating the contradictory policy stands and principles, so that the parties might reach a compromise at any time. As the presiding country, China has endeavoured to facilitate dialogue and keep the process alive in order to reach a solution which will be conducive not only to the parties concerned, but also to the international community as a whole.

The **SCO** is vital for China to build a harmonious neighbourhood in its North and Northwest as well as in Central Asia through joint efforts with other SCO members. The SCO has served China as a useful platform to generate such concepts as harmonious neighbourhood, harmonious region, and a harmonious world. Furthermore, it provides China with good experience in the construction of a harmonious neighbourhood and a harmonious region in terms of confidence-building, long-term good-neighbourliness, friendship and cooperation, and institutionalisation in regional cooperation both generally and specifically. In the Declaration of the 10th Meeting of the Council of Heads of State of the SCO Member States held in June 2010, it was stated that the SCO “will continue to uphold the concepts of peace, common development, cooperation on an equal footing, mutual respect and inclusiveness, expand dialogue and cooperation with the rest of the international community and make unremitting efforts to strengthen regional and international security and stability and achieve harmony and prosperity” (SCO 2010).

With **APEC**, China is committed to the unity of the Asia-Pacific community and has worked energetically for a harmonious Asia-Pacific region of enduring peace and common prosperity. China is deeply involved in the following three main areas: liberalisation of trade and investment, facilitation of business, and economic and technical cooperation. Throughout the past decade or more, China has been contributing to regional cooperation in terms of visions, theoretical analysis and policy proposals which have helped to keep the process alive.

It was at the 2nd Conference on Interaction and Confidence Building Measures (**CICA**) Summit held in Almaty of Kazakhstan on 17 June 2006 that Chinese President Hu Jintao put forward the notion of building a harmonious Asia, and called for all the countries in the region to join hands, in an effort to realize common development and common prosperity. Meanwhile, China has been contributing to Asian peace, development and cooperation through its contributions in terms of institution building, political guidance, trade, investment and technology opportunities.

The **ACD** was created in 2002 to promote Asian cooperation at a continental level and to help integrate individual regional cooperation organizations such as ASEAN, the South Asian Association for Regional Cooperation (SAARC) and the Gulf Cooperation Council (GCC). China has participated in all the Ministerial Meetings of the ACD and hosted the third

one. It has become one of the most constructive and trustworthy member countries of the ACD.

At the **China-India-Russia Foreign Ministers Meetings** Russia, India and China are all major players and promoters of regional cooperation. The ten trilateral meetings that have been held so far have added steam not only to trilateral relations, but also to **BRICS** cooperation. At the regional level, the three countries are active members or dialogue partners in all the existing Asia-Pacific institutions and mechanisms. The timely dialogues and policy coordination have deepened cooperation among the three countries on regional and global issues; these in turn have helped to promote multilateralism and democracy in international relations. At the bilateral level, the ministers not only meet regularly with mutually agreed agendas and issues, but also ensure that the heads of relevant departments in the Ministry of Foreign Affairs maintain close contact on issues related to bilateral and trilateral cooperation and come up with policy proposals for the leaders to discuss.

## 2.5 Track II diplomacy

China attaches importance to Track II diplomacy in promoting regional governance, which covers all the regional forums, seminars and conferences, etc. The ARF is used for conducting security dialogues, while the Boao Forum for Asia is used for carrying out economic dialogues and cooperation. Both are conducive to regionalism. Non-governmental organizations (NGOs) are used as tools for deepening bilateral and regional cooperation in the societal sector. Many sister cities and provinces/states have been utilized for strengthening bilateral cooperation at local levels.

## 2.6 Soft policy instruments

China implements and promotes the following five concepts in improving regional governance: 1) a cooperation concept featuring mutual respect and equal consultation; 2) a concept of interest in mutual benefits, win-win outcomes, and common development; 3) a security concept characterized by mutual trust and equal consultation; 4) a civilization concept characterized by learning from each other and seeking similarities while reserving differences; and 5) an environmental concept featuring mutual assistance and joint approaches. The above concepts are conducive to the establish-

ment of a fair and rational new international order as well as the construction of a harmonious neighbourhood.

### **3 Policy practices by China in terms of regional governance**

China's range of policy instruments for promoting regional governance covers the political, economic, security and cultural areas, and the results are beginning to surface.

#### **3.1 Political governance**

China has established various forms of partnership and conducted fruitful political dialogues involving almost all the countries in its neighbourhood. These strategic partnerships and dialogues with its neighbours have proven most valuable and useful. For instance, the Joint Declaration of ASEAN and China on Strategic Partnership for Peace and Prosperity signed at the 7th. ASEAN-China Summit on 8 October 2003 in Bali has provided important political guidance for the development of China-ASEAN relations in various fields. Before that, China separately signed political documents with the ten ASEAN member countries aimed at deepening bilateral relations in the 21st. century. Departments at various levels have engaged in extensive exchanges and dialogues with their counterparts, and relevant mechanisms have been established in this regard.

#### **3.2 Economic governance**

It is the firm belief of China that trade partnership and financial cooperation are vital instruments. Over the past decade, China's trade with Asia-Pacific countries has grown continuously. Among China's top ten trading partners, eight are in the Asia Pacific. China's trade with Asian countries has grown nearly threefold during this period. For several years in a row, China has been Asia's largest import market and the largest trading partner for Japan, the ROK, India, Vietnam and Mongolia. During China's 11th. Five-Year Plan Period (2006-2010), over 60% of China's overseas non-financial direct investment has gone to its neighbours (Yang 2010). Asia now hosts more of China's overseas companies than any other region. China has actively expanded fiscal and financial cooperation with Asia-

Pacific countries. China has signed bilateral currency swap agreements totalling 360 billion Yuan (RMB) with Malaysia, Indonesia and ROK (Yang 2010). For China to deepen its economic cooperation with its neighbours, connectivity by land, sea and air is very instrumental. For example, in the next 10 years, China will speed up the realization of land connectivity between China and ASEAN countries and provide financial support for roads and railways, communication, electricity and other infrastructure development in the ASEAN countries in the form of bilateral aid and loans and through the China-ASEAN Investment Cooperation Fund, commercial loans and by other means.

Meanwhile China has assured ASEAN that it would increase its input into maritime and air connectivity and take continuous steps to promote the facilitation and standardization of related areas in a bid to create better conditions for the free flow of goods, capital and information and economic and social development in Southeast Asia. Major cooperation projects are also useful instruments for China to strengthen its bilateral ties with neighbouring countries. For instance, the Suzhou Industrial Park is not only a symbol of China-Singapore friendship and cooperation, but also a model for China's opening-up endeavour. Indonesia's Suramadu Bridge, built with China's support, connects the Madura Island and the most populous Java Island and stands as a bridge of friendship between the two peoples. The China-Philippines Agriculture Technology Centre, built jointly by the two countries, has been playing a positive role in addressing food shortages among local people.

### 3.3 Security governance

China is strengthening its cooperation with neighbouring countries regarding the issues of counter-terrorism, weapons proliferation, trans-national crimes, and public health. The Joint Declaration of the ASEAN and China on Cooperation in the Field of Non-traditional Security Issues was signed on 4 November 2002 in Phnom Penh. The Declaration on the Conduct of Parties in the South China Sea between China and ASEAN member countries was signed on the same date. When natural disasters like the Indian Ocean Tsunami, the floods in Pakistan, and the earthquake and tsunami in Japan took place, China showed sympathy for the affected population and promptly offered disaster-relief assistance. China has made joint efforts with its neighbours to tackle such non-traditional threats as terrorism,



trans-national crimes, natural disasters and communicable diseases, and has fostered a peaceful and harmonious environment.

### 3.4 Cultural governance

People-to-people and cultural exchanges have become an important policy instrument for strengthening China's bilateral ties with neighbouring countries. For China, people play an essential role in enhancing state-to-state relations, and interactions between peoples are instrumental in strengthening friendship. To increase people-to-people contact between China and ASEAN, Chinese Premier Wen Jiabao called at the 13th. China-ASEAN Summit for conscientious implementation of the initiative on "Double 100,000 Goal of Students Mobility in 2020", and proposed to have 15 million mutual visits between the two sides by 2015 (Wen 2010). Wen also said that China is willing to provide 10,000 government scholarships to young teachers, scholars and students from ASEAN member countries in the next ten years. Over the past ten years, the number of Asian students in China has been growing year by year. In 2009, it exceeded 160,000, accounting for three fourths of foreign students in China (Yang 2010). China has now set up more than 100 Confucius Institutes and classrooms in Asia and has established Chinese cultural centres in the ROK, Japan and Mongolia (Yang 2010). At present, nearly 6,000 Chinese volunteers are actively involved in 35 Confucius Institutes or classrooms, teaching the Chinese language and culture to over 50,000 Southeast Asian students (Dai 2010b). China has trained over 14,000 professionals in various fields for ASEAN countries over the past five years (Yang 2010). China will further tap the potential of cooperation with its neighbours in education and tourism and will encourage more two-way flows of students and tourists who will become the witnesses and participants of China's good-neighbourly relations with ASEAN and the joint efforts to build a harmonious East Asia.

### 3.5 Impact of China's engagement in the neighbourhood

China has made strenuous efforts since 2006 to build a harmonious neighbourhood and region and has made headway in the following areas: first, China's notions about building a harmonious neighbourhood and a harmonious region are now accepted and welcomed by

neighbouring countries and regional powers. This is shown by the inclusion of these notions in various bilateral, trilateral and multilateral diplomatic documents. Secondly, China's neighbourhood diplomacy as one of the pillars of its diplomatic architecture has been strengthened. Thirdly, China's relations with its neighbouring countries have never been so close. To build a harmonious neighbourhood and a harmonious region, China has committed itself to following a peaceful development road and implementing a mutually beneficial strategy featuring an opening-up to the outside world. China pursues a policy of developing good-neighbourly ties and partnerships with its neighbours. China supports community-building efforts and actively engages itself in regional integration. Fourthly, China's soft power in its periphery and the Asia-Pacific has been more assured and has great potential to increase.

The impact of China's engagement in the neighbourhood is quite positive. Generally speaking, peace, development and cooperation have been reinforced. Peace and stability in China's neighbourhood has been maintained and improved. Common security and common development have been enhanced. Regional cooperation has been put on the right track, and cooperative multilateralism in the region has been promoted. Countries in the region are more united in coping with international and regional challenges, and the construction of an East Asian community has been advanced.

China's impact is in evidence in every field. Politically, confidence in China and its partnership with the neighbouring countries have been strengthened. Economically, rapid economic growth and common development have been achieved, partly because of better land, maritime and air connectivity in the region. In security fields, the new security concept is popular in China's neighbourhood, and cooperation has been deepened in the direction of common security. Culturally, the concept of peace and harmony has gained relevance and momentum among China's neighbours, and dialogues among the different civilizations have been more frequently carried out. Environmentally, bilateral and multilateral cooperation between China and its neighbouring countries has made remarkable progress.

## **4 A tentative comparison between building a harmonious neighbourhood (China) and regional governance (the European Union)**

Generally speaking, there are both points in common and differences between China and the EU in terms of building a harmonious neighbourhood and managing regional governance.

### **4.1 Points in common**

Coincidentally, China and the EU have developed and maintained their respective regional policies for sustainable economic development and social harmony due to the same international situation, the same mission to promote sustainable economic development and social progress, and similar challenges from both within and without. In short, the points in common in building a harmonious neighbourhood and managing global governance include: the safeguarding of geo-political and geo-economic interests; identical objectives of common security and common development in a sustainable fashion; active engagement in peripheral and regional affairs; effective multilateralism; various multilateral cooperative mechanisms; integration approaches; community building measures; strategic partnerships and dialogues; practical cooperation in various fields, visions and plans of action; etc.

### **4.2 Differences**

The regional backgrounds for China and the EU to formulate regional policies are quite different in many ways. Firstly, while China is situated in a fragmented, diverse and complicated region, and there is a very long way for China to go along the direction of regional integration, the EU now enjoys an integrated, whole and free Europe. Secondly, while the ASEAN has been acting as a weak engine for regional cooperation in the Asia-Pacific, which is vividly described as “small horses pull a big cart”, the EU has been acting as a very strong engine for regional cooperation in Europe. Thirdly, while multilateral institutions for regional cooperation in the Asia-Pacific are still developing ones, the ones available to the EU are much more developed. Fourthly, in the process of regional cooperation, while China has a strong influence in economy but a weak influence in

politics and ideology, the EU enjoys a strong influence in all dimensions. Fifthly, the American factors in the Asia-Pacific are much more negative for regional integration than those in Europe. Last but not least, China and the EU are facing different challenges in promoting regional integration.

In terms of policies for building a harmonious neighbourhood and managing regional governance, the obvious differences are at least as follows: Firstly, China's policy objective is much less ambitious than the EU's. Secondly, while China is reluctant to take the leadership in regional cooperation, and willing to put ASEAN in the driver's seat, the EU itself plays a central role and takes a very strong leadership. Thirdly, China tends to take advantage of economic means to exert its influences, while the EU has no hesitation to make effective use of all dimensional means. Fourthly, China can only follow the ASEAN way, which is quite different from the European way. The ASEAN way mainly means non-interference in internal affairs, taking a gradual approach and winning the support of all parties. Last but not least, China applies a strategy of opening-up and "going out" towards its neighbourhood, while the EU applies a strategy of expansion and "reaching out".

#### 4.3 Preliminary conclusions

Some preliminary conclusions can be drawn based on the above comparison. China, as a latecomer to the contemporary international order, has much to learn from the EU in promoting regional integration and community building, while the EU can learn much that is valuable and useful from China's notion of building a harmonious neighbourhood and a harmonious region in developing its neighbourhood policy. The two sides have much to communicate and exchange regarding both conceptual and substantive issues. The EU has a bigger role to play in promoting East Asia cooperation as a source of inspiration and/or a constructive player. China and the EU should jointly promote the construction of a harmonious world of lasting peace and common prosperity in which each draws on the experience of the other in building a harmonious neighbourhood and managing regional governance.

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## Part III

### Climate Change and development cooperation

How China and Europe can cooperate in key of  
global governance



Climate change governance  
A comparison of the EU and China

*Doris Fischer / CHEN Ying*





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## Climate change governance: a comparison of the EU and China

Doris Fischer / CHEN Ying

### **Introduction**

Climate change can already be felt in daily life. The global average temperature is rising, the number of extreme weather turbulences, floods and droughts is increasing, and some islands now seriously fear their extinction as sea levels rise. How climate change is experienced differs from region to region: People in some regions may actually enjoy the warmer temperatures, at least in the short run. But overall, the perspective of further temperature rises, extreme weather conditions, rising sea levels etc. is not promising.

The idea of addressing climate change through collective action at the global level is not new. The Kyoto Protocol - so far the most tangible global governance mechanism related to climate change - was the result of years of complicated negotiations. Negotiations in recent years that aim at a new global agreement for the Post-Kyoto period seem at least as complicated as the negotiations in the run-up to the Kyoto Protocol. Even though today most experts and negotiators agree that climate change is caused by human behaviour related to in the areas of industrialization, urbanization, motorization and consumerism, no consensus exists on the perspectives for decoupling social and economic development from greenhouse gas emissions and resource depletion.

Currently, climate change considerations and climate change governance are being integrated into the green growth agendas now being prepared for the Rio +20 Conference (2012). Numerous publications and initiatives by the World Bank, United Nations Environment Programme (UNEP), the Organisation for Economic Co-operation and Development (OECD) and other global governance institutions reflect the attempt to develop concepts and strategies of green growth or green development while stressing the idea that neither climate change mitigation nor sustainability-oriented policies necessarily negate perspectives for economic growth.

So far, we still lack proof that 'green growth' will eventually lead to emission reductions at the global level. However, recent initiatives for linking global climate change negotiations to the UN's sustainability initiatives

provide an opportunity to enter new avenues of dialogue and create new strategic coalitions in global governance.

This paper is based on the expectation that one such strategic coalition could develop between China and Europe. However, cooperation between China and Europe in terms of global climate policies is currently limited. We see this as a result of limited mutual understanding for the governance challenges in Europe and China.

Consequently, this paper argues that a better understanding of the European and Chinese approaches to climate change governance and the related challenges faced by the two countries might be a building block for such a strategic coalition. Part 2 of the paper gives a short overview of the involvement of climate policy targets in the EU and China in the context of progress made at the global level. Part 3 summarizes the challenges faced by the EU and China in terms of climate policies, with specific reference to the question of multilevel governance. The paper ends with suggestions for fields of cooperation that might support global climate governance.

## **1 The EU, China and global climate governance**

The development of climate change policy in the European Union has been closely linked to progress made at the global level, i.e. to the major stepping stones in global climate governance (Oberthür / Pallemmaerts 2010). The European Union initially agreed on a stabilization of emission levels in the run-up to the Rio Conference in 1992. The agreement at that time was not legally binding and did not lead to any kind of burden-sharing rule among European countries. Instead European countries reacted individually, thereby coming up with diverging national emission reduction targets. In the run-up to the Kyoto Protocol (1997), the European countries agreed on a 15 per cent emission reduction target for 2010 (compared to 1990) for three greenhouse gases. This target was supposed to be binding. An internal burden-sharing agreement based on a set of indicators and distinguishing between different sectors was envisaged. However, the agreements reached at the global level in 1997 differed from the European ideas. During the course of the negotiations, Europe promised 8 per cent emission reduction for 6 greenhouse gases by 2012 (compared to 1990 or 1995, depending on the specific gases). As a result, the European countries had to renew their burden-sharing agreement before finally reporting their

binding collective commitment to the United Nations Framework Convention on Climate Change (UNFCCC) as a basis for the ratification of the Kyoto Protocol in 2002 (Haug /Jordan 2010). With the end of the Kyoto Protocol time frame (2012) approaching, the European Union in 2008 propagated the “Climate and Energy Package”, a comprehensive approach to climate change and energy policies, therein promising a unilateral 20 per cent emission reduction target for 2020 (in comparison to 1990 emissions). In the run-up to the Copenhagen climate negotiations at the end of 2009, the EU underlined the European willingness to increase the reduction target to 30 per cent if a substantial agreement could be achieved at the global level.

As a result of being involved in and pushing for global climate governance for more than 20 years, the power of the European commission vis-à-vis the Member States has increased (Braun / Santarius 2008). While earlier agreements between member states were a result of intergovernmental negotiations, the initiative and blueprint for the Climate and Energy Package originated from the Commission and was accepted by the Member States with minor adjustments (Haug / Jordan 2010). This change in the role of the European Commission reflects an increased commitment to climate policies in Europe, but is also a practical result of the enlargement of the European Union, which has necessitated changes in policy development processes.

The development of China’s climate-related policy targets has also been closely linked to global negotiation processes but started later than comparable processes in the European Union (CAS Sustainable Development Strategy Group 2009). Since China – until recently – was regarded as a developing country, it was not expected to contribute to any global reduction target, even though China signed the Kyoto Protocol. This has changed during the course of the current negotiations for a Post-Kyoto Protocol, mainly for three reasons: Firstly, China is now the largest emitter of greenhouse gases in absolute terms (but not per capita); secondly, China’s economic development success raises the question whether it is still correctly to be characterized as a developing country. Last but not least, experts point out that if a serious attempt is made to prevent global warming beyond the famous 2-degree threshold, it will be necessary for the developing countries to enter into binding commitments to limit greenhouse gas emission (GHG) emission growth as well.

In practice, China's government expected greenhouse gas emission reductions to result from policies promulgated in the 11th Five Year Plan (FYP) (2006–2010) and aimed at decreasing the energy intensity of Gross Domestic Product (GDP), i.e. reducing the energy needed for achieving a certain national output. With most energy in China produced from fossil fuels, a decrease in energy intensity of production would reduce the GHG emission per GDP unit accordingly. In the context of the Copenhagen climate negotiations, China for the first time presented an explicit target: to reduce the CO<sub>2</sub> intensity of its GDP by 40 to 45 per cent by 2020 from the 2005 level. This non-binding target was reported as a contribution to the Copenhagen Accord in early 2010. Because this target has recently been integrated into the 12th FYP (2011–2015), it is clearly to be seen as a serious, internally binding target, even though it is not (yet) a binding target in the global context.

<b>Figure 1: Summary of EU and China commitments under the Kyoto Protocol and the Copenhagen Accord</b>		
	Kyoto-Protocol (1997)	Copenhagen Accord (2009/2010)
EU	8% emission reduction for 6 GHG (2012/1990) binding	20% emission reduction (2020/1990) binding
China	No target	40–45% reduction of CO <sub>2</sub> intensity of GDP Non-binding
Source: Authors		

## 2 Multilevel governance as a major challenge for the EU and China

After several years of lengthy and controversial negotiations at the global level for a post-Kyoto agreement, a kind of stalemate has evolved in the positions of specific country groups and countries. In particular, both developed and developing countries seem to be unable to come up with a joint understanding of the challenges ahead, the responsibilities involved,

and the steps which must be taken. Major differences in the positions of developing and developed countries in general and China and the EU in particular result from their respective economic development stages, their different interpretations of historic liability for today's policies of burden-sharing, the question of MRV (Measurement, Reporting and Verification), and their different perspectives on the role of technology transfer and technology financing. These differences are often at the core of reports on conflicts in the course of the negotiation process.

A way out of the deadlock could be to look more for common issues and goals. At least as far as the European Union and China are concerned, the challenges faced by the two in terms of climate change and related energy policies seem to be rather similar:

- The economic structures of both China and the European Union are highly dependent on the use of fossil energies.
- In spite of some local reserves, neither China nor the European Member States have sufficient fossil fuel reserves to meet local energy demand.
- Both China and the EU have to fear a serious impact of climate change (though the impact may vary within their respective territories).

Taken together, these common features represent strong incentives for charting a climate-friendly course, if only to achieve the targets of reduced energy dependency, increased energy security, and a reduced impact of climate change on local living conditions. Not surprisingly, both China and Europe have worked out rather elaborate strategies for developing renewable energies as a core means for meeting future energy demands and mitigating climate change at the same time.

Apart from these common features of resource endowment and energy considerations, another important point in common between Europe and China is the challenge of climate governance within their respective constituencies. Due to their size, history and political systems, climate governance in both China and the European Union faces the challenge of translating targets and promises made in the context of global negotiations into sub-national (China) or national (European Union) policies as well as guaranteeing policy implementation.



Interestingly, this challenge and the related discussions and negotiations concerning the distribution of emission reduction targets, historic liability, burden-sharing, equity etc. are very similar to the discussions and negotiations at the global level (Bulkeley / Newell 2010). To mention just one example: historic liability, i.e. the notion that those countries which have contributed most to global warming due to their earlier industrialization and development should offer more in terms of GHG emission reductions, is mirrored in discussions between the old and new member states in the EU. The new members have claimed that they emitted less in the past and hence should be granted more emission rights than old and more developed EU members.

That such historic liabilities can be interpreted in different ways is reflected in the choice of the indicators that decide how the ‘burden’ of the EU-wide target is to be shared among the member states.<sup>11</sup> The indicator used within the EU under the Kyoto Protocol was different from the one used for distributing the pledges made under the Copenhagen Accord. While the original index was a composite of several indicators, the EU 20 per cent reduction target (compared to 1990) formulated for Copenhagen has been distributed according to GDP per capita only.

<b>Figure 2: Burden-sharing among European countries (required percentage change in GHG emissions)</b>			
	<b>1997</b>	<b>2002</b>	<b>2008</b>
	<b>(2010/1990)</b>	<b>(2012/1990)</b>	<b>(2020/2005)</b>
Denmark	-25	-21	-20
Ireland	15	13	-20
Luxembourg	-30	-28	-20
Sweden	5	4	-17
Austria	-25	-13	-16
Finland	0	0	-16

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11 This refers to those emission reductions that are not targeted by the European Emission Trading System.

<b>Figure 2 (cont.): Burden-sharing among European countries (required percentage change in GHG emissions)</b>			
	<b>1997</b>	<b>2002</b>	<b>2008</b>
	<b>(2010/1990)</b>	<b>(2012/1990)</b>	<b>(2020/2005)</b>
Netherlands	-10	-6	-16
UK	10	-12,5	-16
Belgium	-10	-7,5	-15
France	0	0	-14
Germany	-25	-21	-14
Italy	-7	-6,5	-13
Spain	17	15	-10
Cyprus			-5
Greece	30	25	-4
Portugal	40	27	1
Slovenia			4
Malta			5
Czec Rep			9
Hungary			10
Estonia			11
Slovakia			13
Poland			14
Lithuania			15
Latvia			17
Source: Haug / Jordan (2010) extended			

Sharing based on  
a mix of criteria

Sharing based on  
GDP/capita

In China the mechanisms and criteria for burden-sharing are less transparent. The energy intensity target of the 11th FYP was allegedly distributed rather evenly, i.e. each province was expected to reduce the energy intensity of the provincial GDP by 20 per cent. However, the targets for ‘saving energy’ that resulted for each province varied. Only 20 provinces faced a 20 per cent energy saving target, while 4 provinces had targets ranging from 22 to 30 per cent, and another 7 provinces faced targets between 12 and 17 per cent (Chen 2010). For the distribution of the CO<sub>2</sub> intensity target of the 12th FYP, groups of provinces have been formed (Table 3) that strongly reflect the differences of the provinces in terms of GDP per capita. Beijing is an exception here, having been granted a slightly lower reduction target due to progress already made in the run-up to the Olympics. Interestingly, during discussions concerning the distribution of energy and carbon intensity targets, the provincial representatives also used the argument of historic liability and development needs. It is only natural that discussions about monitoring, reporting and verification come up once targets have been distributed, since such mechanisms are required to prevent shirking and moral hazards.

**Figure 3: Regional energy intensity targets under China’s 12<sup>th</sup> Five Year Plan**

<b>18% reduction</b>	<b>17% reduction</b>	<b>16% reduction</b>	<b>15% reduction</b>	<b>10% reduction</b>
<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>	<b>Group 4</b>	<b>Group 5</b>
<ul style="list-style-type: none"> <li>•Guangdong</li> <li>•Jiangsu</li> <li>•Shanghai</li> <li>•Tianjin</li> <li>•Zhejiang</li> </ul>	<ul style="list-style-type: none"> <li>•Beijing</li> <li>•Hebei</li> <li>•Liaoning</li> <li>•Shandong</li> </ul>	<ul style="list-style-type: none"> <li>•Anhui</li> <li>•Chongqing</li> <li>•Fujian</li> <li>•Heilongjiang</li> <li>•Henan</li> <li>•Hubei</li> <li>•Hunan</li> <li>•Jiangxi</li> <li>•Jilin</li> <li>•Shaanxi</li> <li>•Shanxi</li> <li>•Sichuan</li> </ul>	<ul style="list-style-type: none"> <li>•Gansu</li> <li>•Guangxi</li> <li>•Guizhou</li> <li>•Inner Mongolia</li> <li>•Ningxia</li> <li>•Yunnan</li> </ul>	<ul style="list-style-type: none"> <li>•Hainan</li> <li>•Tibet</li> <li>•Qinghai</li> <li>•Xinjiang</li> </ul>
Source: Fulton (2011)				

While the challenges of managing multilevel governance have been similar for the EU and China so far, the approaches taken by China and EU to tackle the challenges are different in detail. Figure 4 summarizes the major differences in climate governance within China and the EU. It can be argued, however, that the differences are less in substance and much more in experience. As stated above, the EU started considering climate governance much earlier than China, and consequently has already had more time to discuss, to experiment, and to revise policies and instruments.

<b>Figure 4: Tackling the multi-level climate governance challenge</b>	
<b>EU</b>	<b>China</b>
<b>Complex multi-level, multi-actor setting</b>	
Burden-sharing bargaining rather transparent	Burden-sharing less transparent
Trend towards more centralization at EC; binding commitments	Integration of targets into Five-Year Plan (binding)
Absolute emission reduction targets (xx % reduction of <i>emissions</i> )	Relative emission reduction targets (xx % reduction of energy or carbon <i>intensity</i> )
Carbon market (Emissions Trading System) as major instrument; no EU-wide carbon tax	Carbon market under consideration; Carbon tax under consideration
Multi-level responsibility: EU to UNFCCC Member States to EU	Multi-level responsibility: Provinces to National Government Sectors/ Enterprises to National Government
Source: Authors' compilation	

One additional difference, apart from that of policy development, seems to be the way how China and the EU deal with the challenge of multilevel governance at the global level: The history of global climate governance development and the role attributed to the EU shows that the EU has been rather ambitious in pushing the global process (Jordan / Rayner 2010). Clearly, the EU has at times promulgated targets that were rather ambi-

tious, even though the ability to realize these targets was not guaranteed. The underlying assumption of this approach was that only ambitious targets (for the EU) would trigger both substantial negotiation outcomes at the global level and (eventually) sufficient real outcomes in terms of climate change mitigation. In contrast, the Chinese attitude in the past tended to reflect a different logic: the Chinese government has been reluctant to make promises at the global level, but has nevertheless developed rather ambitious policies nationally.<sup>12</sup>

Both attitudes can be interpreted as reactions to the multilevel governance challenge. In the European context, ambitious agreements made at a higher governance level could be used as a stick to force member states into agreements and compliance. On the other hand, China's reluctance to make ambitious promises at the global level are a result of past experience that the conditions of multilevel governance 'at home' make it difficult to keep promises on the global level. In this case, a reluctant approach – as in the case of China- is a strategy for preventing loss of face in the future.

### 3 Potential for collaboration

Unfortunately, the common challenge for China and the EU to tackle multilevel governance issues is often neglected in reports on global climate negotiations (Freeman / Holslag 2009). Instead, the differences in development stages, historic responsibilities etc. are stressed, thereby contributing to a deadlock in global climate negotiations. For progress in global climate governance it may be helpful to focus on the points shared in common and to develop a better understanding of the respective internal governance challenges and the strategies needed to overcome these challenges. Since neither Europe nor China have so far developed perfect policies, an exchange of information on experiences and mutual understanding regarding the difficulties of multilevel climate governance could be a good start for building trust.

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12 This was at least true until the Copenhagen Accord and the 12th FYP. Chinese experts were disappointed with the government's decision in the 12th FYP not to exceed the pledges made under the Copenhagen Accord. The reason for this seems to have been discussions whether these pledges were realistic at all. While some felt that China could do better, others see the pledges as already extremely ambitious and therefore argued against stricter internal targets. (Interview Information, Energy Research Institute (ERI) and Chinese Academy of Social Science (CASS).

Trust will be needed for further cooperation. Starting from there, it may be possible to overcome a fixation on the role of the United States in terms of global climate governance. It may also become possible to jointly create strategies for developing countries to grow even in the context of climate change and necessary climate change mitigation. A special focus of future cooperation for the EU and China could be research on low-carbon or green economic models. Unfortunately, we still do not know what a green economic model would look like, nor do we really know how to manage the transformation towards such a 'model'. A great deal of research is still needed. China and the EU would be promising partners for this research, especially if they were to include and share their rich experiences in multi-level governance.

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# China and the EU in UN climate negotiations

Different positions and ways to bridge them

*WANG Qiang*





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## China and the EU in UN climate negotiations

Different positions and ways to bridge them

WANG Qiang

China and the European Union (EU) together account for around 30% of global energy consumption and 30% of global greenhouse gas (GHG) emissions (Chatham House 2007). They are the world's third largest and the largest economies respectively, producing approximately 35% of the world's GDP at present (World Bank 2011). Politically, China and two member states of the EU, the UK and France, are standing members of the UN Security Council. As major powers in both economic and political terms, China and the EU have been playing important roles in the UN's climate negotiations, and the differences in their positions have already become a challenge to the success of the negotiations (the failure of adoption of the Copenhagen Accord offers an example). Therefore, it is very important for these two big and crucial players in UN climate negotiations to deepen their understanding of each other's positions and seek ways to bridge the differences. This article aims to address three questions: First, what are the major differences between the positions of China and the EU in UN climate negotiations? Second, what are the main reasons for the differences? Third, what are the possible ways of bridging the differences between China and the EU in the UN's climate negotiations?

### **1 Major differences between China's position and that of the EU in the current UN climate negotiations**

A comparison of the position documents<sup>13</sup> issued by China and the EU reveals the fact that the differences between the two sides mainly lie in the following three issues: The future status of the Kyoto Protocol (KP); mitigation commitments or actions by developed countries and developing ones; technology transfer and financing.

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13 The position documents refer to NDRC (2009) and Council of the European Union (2009).

## 1.1 The future status of the KP

China regards the KP, together with the United Nations Framework Convention on Climate Change (UNFCCC), as the basic framework and legal basis for international climate cooperation. It holds the view that the KP remains valid *sine die* (i.e. with no clear expiry date), and thus will not be terminated by the expiry of its first commitment period. China opposes discarding or rewriting the KP. Meanwhile, although the EU agrees that the KP remains the central building block of the UN process, it emphasizes the need for a legally binding agreement for the period starting 1 January 2013 that builds on the KP and incorporates all its essentials. It considers that a single, legally binding instrument would provide the best basis for enhancing the implementation and ensuring consistency in the application of the international climate regime post-2012 and facilitating both its ratification and its enforcement by the parties concerned. The EU argues that the KP in its current structure cannot alone achieve the Copenhagen Accord's objective of limiting the increase in global temperature to 2°C, since the KP only covers 30% of world emissions today and also contains serious weaknesses which risk undermining the environmental integrity of an agreement. That is to say, the EU is of the view that the KP should be revised substantially or simply replaced by a new, legally binding agreement to which all major GHG emitters are signatories.

## 1.2 Mitigation commitments or actions by developed and developing countries

China is of the opinion that there should be a clear distinction between mitigation commitments by developed countries and those by developing countries. Given their differences in historical responsibility and development stages, developed countries should undertake legally binding, quantified emission reduction commitments and reduce their GHG emissions by the year 2020 in the aggregate by at least 40% below the 1990 level, whereas mitigation actions by the developing countries are to be aligned with their legitimate development priorities and the eradication of poverty. These actions are to be initiated by the developing countries themselves, apart from any international and legally binding commitments of the developed countries. In addition, mitigation actions by the developing countries should take the form of concrete mitigation policies, actions and

projects, distinct from the quantified emission reduction commitments and targets of developed countries.

The EU maintains that the developed countries as a group should reduce their GHG emissions through domestic and complementary international efforts by 25% to 40% below 1990 levels by the year 2020 and by 80% to 95% by 2050, while the developing countries as a group should achieve a substantial drop in the neighbourhood of 15-30% below the currently predicted emission growth rate by the year 2020. The EU has repeatedly stated its own emission reduction targets, that is, to achieve a 20% emission reduction by 2020 compared with 1990 levels, regardless of other parties' mitigation commitments. Moreover, if other developed countries commit themselves to comparable emissions reductions and the developing countries contribute adequately according to their responsibilities and respective capabilities, the EU will commit to a 30% reduction from 1990 levels. The EU is of the view that mitigation actions by the developing countries should be measurable, reportable and verifiable, and should be supported and enabled in a measurable, reportable and verifiable manner.

Another important issue related to mitigation commitments or actions by the developed and developing countries is the establishment of a long-term global goal for emission reductions. The EU has attached great importance to this issue, with the conviction that the establishment of such a goal is crucial for limiting the average global temperature increase to no more than 2°C above pre-industrial levels, and it proposes that the goal be a 50% reduction from 1990 levels by the year 2050. Meanwhile, China holds the view that while it is desirable to share views on this issue, it is much more important to set mid-term emission reduction targets for the developed countries. It emphasizes that any long-term global goals should ensure adequate leeway for the developing countries to achieve the goals of substantive development and poverty eradication.

### 1.3 Technology transfer and financing

China has put much emphasis on the issue of technology transfer. It organized a high-level international conference on the issue in Beijing in 2008 and put forward very specific proposals before and during the Copenhagen Climate Conference. It is the conviction of China that the top priority of technology transfer is to establish appropriate institutional arrangements

for ensuring that the obligations of the developed countries under the UNFCCC be implemented. In this regard, China proposed that a Subsidiary Body on Technology Development and Technology Transfer and a Multilateral Technology Acquisition Fund (MTAF) be established, and that the MTAF be mainly financed by public funding of the developed countries. In contrast, the EU holds the view that the main obstacle for technology transfer is the lack of an enabling environment in the developing countries. Therefore, it has suggested that the developing countries design and implement favourable national policy frameworks in order to redirect and scale up their private investments while also stepping up their activities in research, development, demonstration, deployment, diffusion, as well as the transfer of technologies. It has proposed that all except the least developed countries (LDCs) prepare low-carbon development strategies/growth plans (LCDS/LCGPs) and that all parties agree on global technology objectives and on properly addressing the issue of intellectual property rights (IPRs).

Regarding financing, China's view is that the governments of developed countries are under an obligation to provide new, additional, adequate and predictable financial resources. For this reason China has proposed that the developed countries contribute 0.5% to 1% of their annual GDP to the MTAF and other climate funds. For its part, the EU holds the view that domestic finance in developing countries, the global carbon market, and complementary international public financial flows should all play a role in meeting the finance requirements of developing countries. It has proposed the establishment of a coordination mechanism that includes a registry of LCDS/LCGPs and Nationally Appropriate Mitigation Actions (NAMAs) in order to ensure transparency and to facilitate the matchup between finances and needs as identified in developing countries' NAMAs and LCDS/LCGPs.

## **2 The main reasons for the above differences**

The above-mentioned differences stem mainly from the differences between China and the EU in terms of economic development stages, energy structure, population projections, responsibility for climate change, and understanding of the principle of equity.

## 2.1 Economic development stages

China is at the intermediate stage of industrialization and urbanization, while the EU has basically concluded the process of industrialization and urbanization. Theoretically speaking, the share of service industries in a country's national economy is an important indicator of its level of industrialization, while the share of urban population in a country's total population is used to measure its urbanization level. Currently, service industries account for only 43% of China's total gross domestic product (GDP) and provide jobs for only 34.8% of its workforce<sup>14</sup>, while in the EU, service industries account for 71.6% of total GDP and provide employment for 67% of its workforce<sup>15</sup>. The share of urban population of the total population in China is 47.5% (Chinese Government 2011), whereas the same indicator is over 70% in the EU member countries (Wang 2008).

History and the current reality show that the carbon intensity induced by energy consumption has a U correlation with the industrial structure level. During the primary stage of industrialization, the rapid growth of the industrial sector leads to an increase in carbon emissions and carbon intensity. In the intermediate stage of industrialization, the rapid growth of such sectors as power generation, metallurgy, and the chemical and building materials industries contributes to a continued rise of carbon emissions, while carbon intensity may stabilize or even decrease due to the expanding share of service industries in the national economy. At the advanced stage of industrialization, the utilization of raw materials reaches its peak, and the share of manufacturing industries in a national economy tends to shrink, whereas service industries assume an increasingly large share of the national economy; this then pulls down the intensity of carbon emissions enormously (Liu et al. 2010, viii). In addition, the energy consumption of an urban resident is 2.5 times higher than that of a rural resident in China. Therefore, with rapid urbanization, China's energy consumption can be expected to increase accordingly. For the above reasons, China is under greater pressure than the EU in terms of future energy consumption and corresponding GHG emissions, and it is much more difficult for China than for the EU to reduce GHG emissions.

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14 These two figures are from 2010. (Chinese Government 2011, 3)

15 These two figures are from 2008 and 2001 respectively. (EC 2010a, 93; EC 2003, 5)



## 2.2 Energy structure

Energy use is the largest source of GHG emissions in both China and the EU; it accounted for 91% of China's total CO<sub>2</sub> emissions in 1994 and 59.8% of the EU's GHG emissions in 2007, respectively. (Compilation Committee of the CNARCC 2007, 336; EC 2009, 47) The majority of China's energy consumption is supplied by coal, which amounts to 69.1% of the country's total energy consumption in 2005, while for the EU, the energy sources most consumed are oil and gas, which account for approximately 60% of the EU's total energy consumption. (Liu et al. 2010, Summary; EC 2009, 15) Since coal is more carbon-intensive than oil and gas, China's coal-reliant economy is more carbon-intensive than the economy of the EU. This is important for two reasons: First, China faces greater difficulties in reducing GHG emissions than the EU because of its heavy reliance on coal; second, China has a greater potential for emission reductions than the EU because it can cut more emissions by switching fuels.

## 2.3 Population projection

China projects a population growth of approximately 8% during the next two decades, while the EU projects a population decrease of 1.4% in the same period (EC 2010a, 155). As we know, population growth and increasing consumption (especially of fossil fuels) are the two major global trends that lead to increased GHG emissions and reduced "sinks" for carbon dioxide (Figures / Ivanova 2002, 3). Although China should not seek more emission rights by increasing its population, the trend of population growth does pose a grave challenge to China in terms of emission reductions.

## 2.4 Responsibility for climate change

Since carbon dioxide (CO<sub>2</sub>), the largest GHG in volume, can stay in the atmosphere for 142 years, CO<sub>2</sub> emissions emitted in 1870s can still have an effect on today's climate. Scientists therefore often use cumulative CO<sub>2</sub> emissions from fossil fuel consumption to measure a country's responsibility for climate change<sup>16</sup>. According to the statistics of the World Resources Institute (WRI), the EU's CO<sub>2</sub> emissions from fossil sources from 1990 to 2007 amounted to 72,661.2 million tonnes (Mt), i.e. 16.90% of the

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16 See, for example, WBGU 2009 and Pan / Chen 2009.

world total, while China's CO<sub>2</sub> emissions during the same period were 68,072.9 Mt, or 15.83% of the world total. (WRI 2011) That is to say, in terms of total emissions since 1990, China and the EU would have a similar responsibility for climate change. However, this method of measurement does not take into account the population size of the two economies, and therefore it is not really equitable. Considering that population growth is also a cause of increased GHG emissions and reduced “sinks” of CO<sub>2</sub>, and that countries should take responsibility in these respects, we can take 1990 as the base year for calculating per-capita cumulative emissions: 1990 was the year in which the Intergovernmental Panel on Climate Change (IPCC) published its first assessment report, and by that time all of the world's countries were fully informed about the climate problem, its causes and effects. The total populations of China and the EU in 1990 are 1,143.3 million and 482.8 million respectively. (NBSC 2011; EC 2010a) Thus per-capita cumulative CO<sub>2</sub> emissions stemming from fossil fuel consumption in China and the EU were 59.5 tonnes and 150.5 tonnes respectively in the periods under consideration. That is to say, the EU's responsibility for climate change is at least 1.5 times higher than that of China. If we consider that the EU and other industrialised nations should bear some responsibility for their high cumulative emissions from 1870 to 1990, the EU's responsibility for climate change will be even higher in comparison to that of China. This difference in responsibility would give China a solid basis for differentiating mitigation commitments between developed and developing nations.

## 2.5 Understanding the principle of equity

China and the EU have different understandings of the principle of equity. The EU advocates a gradual convergence of national per capita emissions between the developed and developing countries, taking into account national circumstances. The EU views this as the embodiment of the principle of equity, while China thinks that such a convergence is actually inequitable because it overlooks the historic, current and future differences in the emissions of developed and developing countries before the point in time at which convergence is to be realized (Pan / Chen 2009, 85). China is of the view that any plan for distributing emissions allowances should ensure that all countries have equal per-capita emission allowances not only at a future time when convergence is realized and afterwards, but long before that time, thus taking into account the convergence not only of

future per-capita emissions, but also of cumulative per-capita emissions. According to one Chinese scholar's calculation, if the global goal is set at a 50% emission reduction by 2050 and developed countries in the aggregate reduce their emissions by 80%, the per-capita emissions of developed countries will still be 2 to 5 times more than the per-capita emissions of developing ones by 2050 (Zhuang 2009, 19). Considering that there is no reliable mechanism for substantial international financial and technological transfers at present, the developing countries, including China, will certainly oppose such a plan for burden-sharing.

The main reason why China opposes the Monitoring, Reporting and Verification (MRV) requirement for mitigation actions funded by its domestic funds is that China believes this requirement is in violation of the principle of "common but differentiated responsibilities" and is therefore inequitable. In contrast, the EU believes that transparency is of key importance for ensuring mutual trust and demonstrating the effectiveness and adequacy of targets and actions, and that strengthening MRV requirements must be a priority in the work to anchor the compromises in the Copenhagen Accord in the UN process (EC 2010b, 9). The EU argues that by 2020 the emissions of developing countries will account for more than 50% of global emissions, and that it is therefore indispensable for the developing countries, in particular major emerging economies, to start reducing the growth of their emissions as soon as possible and to cut their emissions in absolute terms after 2020 (Commission of the European Communities 2007, 10).

### **3 Possible ways to bridge the differences**

To bridge their differences in negotiation positions, China and the EU should intensify their communication so as to deepen their understanding of each other's national conditions and aspirations in relation to climate change; they should strengthen bilateral cooperation both inside and outside the UN negotiation process and should make efforts toward constructing innovative mechanisms for cooperation on climate change issues.

#### **3.1 Effective communication**

A consistent finding throughout experimental studies of common-pool resources and public good settings is that being able to engage in face-to-face communication is a major factor which enhances the proportion of individu-

als who cooperate, thus producing higher group payoffs (Cardenas / Ahn / Ostrom 2003, 4). Other scientists find that verbal and anonymous chat rooms with open verbal exchange are almost as effective as face-to-face communication in enhancing cooperation (Cardenas / Ahn / Ostrom 2003, 6-7). Due to the major differences between China and the EU in terms of development stages, actual and projected population densities, and their histories and foreign strategies, it is very important for the two sides to increase their communication in various ways in order to enhance cooperation.

### 3.2 More mutually beneficial cooperation

China and the EU should strengthen bilateral cooperation both inside and outside the UN negotiation process. After the announcements made by Japan, Russia and Canada that they will not sign up for a second KP commitment period, it is unlikely that the international community will reach a consensus on the future status of the KP in Durban. If the EU and Australia abandon the KP as well, that would mean the demise of the KP, and it would then be necessary to negotiate a new agreement from scratch. In fact, abandoning the KP is not in the fundamental interests of the EU because it would undermine the coalition of countries which advocate a top-down approach in tackling climate change and commitment to the 2°C target. The KP was never designed to be a fixed regime which would split the developed and developing countries in perpetuity, and there is nothing in its architecture which prevents the developing countries from making commitments (Mabey 2011). China can encourage the EU's signing up for a second KP commitment period in Durban by announcing that, like the EU, it will take on binding quantified emission reduction commitments in future so as to limit the global temperature increase to 2°C.

It is also important to strengthen China-EU cooperation outside the UN process; that would enhance trust between China and the EU, thereby having a positive impact on their cooperation inside the UN process. The EU's decision to include emissions from international aviation to the EU Emissions Trading Scheme (EU-ETS) has aroused great concern on the part of China. The Chinese Government regards it as a unilateral move that will undermine the UN process and as one which is clearly not in line with the provisions and principles of the UNFCCC, especially the principle of equity and common but differentiated responsibilities (Li 2011). China has reportedly postponed the announcement of an order of 10 Air-

bus airplanes in order to show its dissatisfaction in this regard. However, the best way to solve this dispute is through dialogue and compromise. The current communication between the European Commission and the Chinese Government and the China Air Transport Association about the possibility of exempting incoming flights from China is in this direction.

In its 12th Five Year Economic Plan, China established a binding quantified target of CO<sub>2</sub> emission intensity reductions by 17% by the year 2015 (Chinese Government 2011). China will also start a pilot carbon emissions trading project and will gradually set up a carbon emissions trading market (Qiu / Yang 2011). Since the EU is the most advanced region in the world in terms of carbon trading and other policy tools for emission reductions, China has a great deal to learn from the EU. In 2010, China started a low-carbon transformation experiment in some of its provinces and cities, and there is great potential for cooperation between the two sides in the low-carbon transformation of those provinces and cities.

### 3.3 More innovative mechanisms for cooperation

China and the EU should make efforts to set up innovative mechanisms for cooperation on climate change issues. The EU and other developed countries have rightly pointed out that the KP alone cannot deliver attainment of the 2°C objective because it only covers 30% of world emissions. On the other hand, the achievement of large-scale emission reductions in fast-growing developing countries such as China and India is necessary if we want to keep the 2°C objective within reach, and this requires an unprecedented transfer of financial resources and technologies from the developed world to the developing world. However, the current mechanisms within the UNFCCC and the KP cannot finish the job. We need new mechanisms. The budget approach proposed by the German Advisory Council on Global Change (WGBU), and two eminent Chinese experts, PAN Jiahua and CHEN Ying, offers some constructive thoughts. This approach is based on an equal distribution of available emission space among all persons in the world, and on the idea that countries which have emission deficits due to high historic and contemporary emission levels need to purchase emission allowances from those countries that have an emission surplus. This, would ensure that the principle of equity receives its due and that a mechanism for large-scale transfer of financial resources will be established (WGBU 2009, Pan / Chen 2009).

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Why are we so critical of China's engagement in Africa?

*Axel Berger / Deborah Brautigam / Philipp Baumgartner*





Why are we so critical of China's engagement in Africa?

## Why are we so critical of China's engagement in Africa?

Axel Berger / Deborah Brautigam / Philipp Baumgartner

Why is Germany so critical regarding China's engagement in Africa? China's growing role on the continent is attracting considerable attention across all the traditional donor countries. While public debate in nearly all European and North American countries has a disparaging undertone, media coverage in Germany is especially critical. Headlines such as "Weapons, oil and dirty deals – how China pushes the West out of Africa" ("Waffen, Öl, dreckige Deals – wie China den Westen aus Afrika drängt") from Germany's influential weekly magazine *Der Spiegel* suggest that the impact of China's activities in Africa is outright negative.

We think otherwise. Despite all the challenges which China's development assistance faces in Africa, it has surprisingly much to offer for the continent's development.

The conventional wisdom on Chinese aid is largely in error in three of its central beliefs: the size of China's aid flows, the role of resources, and the impact on governance and human rights.

First, China's aid programme is far smaller than we are led to believe. The estimated US \$1.6 billion of official assistance that China transferred to Africa in 2009 is much smaller than aid flows from Africa's main donors, including Germany. Together, the West disbursed nearly US \$30 billion in official development assistance (ODA) to Africa in 2009. If one looks instead at trade financing and other government loans, the situation is quite different. In 2009, western governments provided only US \$3.2 billion in official credits, the terms of which are less favorable than those of ODA. China probably committed more than US \$6 billion that year, according to our own estimates based on Chinese statements, in part to finance exports worth US \$50 billion. While before the financial crisis private banks from the West sent billions into Africa, these private flows have almost completely dried up since 2008. China's ability to keep funds flowing has been critical for business in Africa.

In light of these figures, it is difficult to argue that China is pushing the West out of Africa. On the contrary, the engagement of the second largest

economy in the world should be welcomed, particularly in the face of the financial pressures faced by the West.

Second, we often hear that China's alleged hunger for natural resources is the main driver of Chinese aid. However, a closer look at the facts shows that Chinese aid is distributed fairly evenly around the continent, and is primarily used for diplomacy, or as part of a framework of economic co-operation. In fact China's aid, with its focus on infrastructures and small-holder agriculture, is complementary to Western aid inasmuch as these sectors are often neglected by traditional donors. Access to resources, often traded against the provision of physical infrastructure, is definitely a key part of China's engagement in Africa, as it is for the West. Yet the resource-infrastructure packages we have seen rarely involve Chinese development aid, but rather use other official funds. Of course, whether those barter-type deals will be beneficial for the African countries will be decided only in the long run. Finally, Chinese companies are active in a number of other sectors as well, such as construction, manufacturing, and telecommunications.

Last but not least, the Western media often portray China as undermining the West's ability to use conditionality to support human rights and governance initiatives. A more nuanced picture would show Beijing voting in favour of sanctions on Libya, pushing Sudan to allow a joint UN-African Union peacekeeping force into Darfur, and successfully pressing Robert Mugabe to form a government of national unity with the Zimbabwean opposition. China provides no aid to Libya, and little to Sudan or Zimbabwe, although its companies and banks were not barred from doing business with these three pariahs. More generally, there is no evidence at all that in Africa Beijing prefers to cooperate with poorly governed, authoritarian governments instead of democratic regimes. Some of China's best business partners in Africa include robust democracies: South Africa, Ghana, and Mauritius.

As these examples show, the public discourse has still not gotten the basic facts right about China's engagement in Africa. This does not mean that China's record is without problems. Chinese aid to Africa faces several challenges, such as environmental and social impact, overall transparency of aid flows, and coordination with the aid of other donors. And the complaints of African workers vexed at poor salaries and labour conditions have grown as Chinese employers become more numerous.

Why are we so critical of China's engagement in Africa?

We see the critical public discourse in Germany as partly a reflection of different views of what aid is and what it should aim to achieve. For China, a country which still struggles with huge domestic development challenges, aid is one instrument for building mutually beneficial economic cooperation. From a German perspective, this accentuation of economic (self-) interest seems suspicious. Africa is often seen by the West as a continent of poverty and violence, an object of charity rather than, as the Chinese see it, an investment opportunity. Lastly, the criticism might be influenced by the persistent paternalistic views of many Western development workers who believe they know how "to develop Africa". If the Chinese are doing something different, they feel, it must be wrong.

In our view the biased account of China's aid to Africa in the German media is even more a result of the prevailing negative picture of China. As a recent BBC survey revealed, European citizens – and Germans most of all – are suspicious and mistrustful of China mainly because of its rising economic power. Against this background it comes as no surprise that media reports are often tinged with these fears, which colour our views of all aspects of China's growing global presence. Surprisingly, the German public almost totally disregards the growing engagement of other rising (democratic) powers such as India or Brazil in Africa, even though their practices are more comparable to those of China than to those embodied in Western aid.

Our critical focus on China's aid obstructs our view of the role of African governments and societies. They are the ones who should be in the driver's seat, deciding what kind of international assistance they need and which partnerships they take on. Rather than pointing the finger at China we should discuss how we can strengthen the capacities of African governments and societies to enable them to engage with traditional and emerging donors as equals, thus ensuring that their offers are aligned with national development strategies.



Dialogues and mutual learning between China and  
the EU in development cooperation

Opportunities and challenges

*JIN Ling*



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## Dialogues and mutual learning between China and the EU in development cooperation

### Opportunities and challenges

JIN Ling

As an emerging donor, China has attracted the attention of many policy makers and scholars alike who have focused on China's distinctive ways of aid delivery, the possible impacts of China's emergence as a donor on partner countries, and possible avenues of cooperation between China and traditional donors. The European Union (EU), as the largest traditional donor in the world, has actively promoted coordination and cooperation with China in development cooperation regarding low-income countries. In October 2008, the European Commission published its communication on trilateral China-EU-Africa cooperation (European Commission 2008a); this marked the official beginning of the EU's outreach for development cooperation with China. Now, more than two and half years later, little progress has been achieved. This paper will look into the facts that could provide steam not only for future cooperation but also for a mutuality of perceptions, added value for recipient countries, and possible areas of cooperation between China and the EU.

## **1 Conflicts of interests and values between the EU and China**

Generally speaking, the development policies of both the EU and China are aimed at fostering sustainable social and economic development on the part of low income countries. In reality, however, due to the many differences in their histories, development experiences, and development stages, each side has its own logic; this has led to seemingly conflicting objectives and values in terms of development policy.

### **1.1. Are the criteria of EU's good governance a precondition for development?**

The main difference between the EU and China in terms of development policy is whether political conditionalities should be attached. Since the

1990s, the EU has developed its own logic in delivering aid, with good governance as a precondition for achievement of the Millennium Development Goals (MDGs).<sup>17</sup> With that logic, good governance has become an integral part of the EU's development policy objectives.

*“The European Consensus on Development sets out the EU approach and contribution to this approach, identifying good governance, democracy and respect for human rights as integral parts to the process of the sustainable development and as major objectives of the EU development policy.”*  
(European Commission 2006)

Even with this expansion of the concept to include the economic, social and environmental dimensions, the core benchmark of good governance by the EU remains the political dimension, which includes human rights, democracy and the rule of law, as stressed in the newly published Green Paper on EU development policy. In order to achieve that objective, political dialogue, political conditionality and prioritizing governance items<sup>18</sup> have been used as major instruments.

As in the EU, the objectives of aid policy by China have also expanded considerably historically, from the goal of merely winning political support from partner countries in the world to a more strategic and comprehensive form of win-win cooperation in the political and economic areas.<sup>19</sup> However, China always makes friendship with its partner countries the top priority in its development policy. In order to build up friendship, China adheres to a principle of equality that naturally leads to the principle of "no strings attached". President Hu Jintao announced at the FOCAC summit of 2006:

*“Sincerity and friendship are the solid foundation of China-Africa relations, equality is the guarantee of mutual trust. Both sides respect each other’s way of development and concerns.”* (Hu 2006)

That conveyed the fundamental features of the past sixty years in China's development policy. In April 2011, China for the first time published a white paper entitled "China's Foreign Aid" in which the principle of no

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17 For an analysis of the transition of the EU's development policy logic see Jin (2010a).

18 In the Country Strategy Papers (2007-2013) signed by the EU and partner countries, good governance has been a priority in most cases. That can also be demonstrated in the aid allocation between 2004 and 2009 (European Commission 2008b).

19 The enrichment and shift of China's development cooperation with low-income countries have been analyzed in Jin (2010b).

political preconditions was again stipulated as one of the basic features (Information Office of the State Council 2011).

Differences between the EU and China over political conditionalities arise from many complicated factors, including different political systems, different identities and experiences in development policy areas, and different starting points related to relationships with partner countries. Because of the complexities, it seems difficult for the EU and China to reach a consensus on the “good governance” issue. Past experiences have demonstrated that the issue of political conditionalities has been the biggest barrier to substantive cooperation between the EU and China on development aid.

## 1.2 Is there any zero-sum game in areas related to development policy?

In addition to the policy objectives of poverty eradication, including the MDGs, which both the EU and China advocate in their development policy, they at the same time regard development policy as an integral part of their external policies aimed at serving their broader interests, including political, economic and security interests.

On the EU side, although the reduction, and in the long run, eradication of poverty has been clarified as the overarching objective for development policy, the Treaty of Lisbon clearly states that:

*“Union policy in the field of development cooperation shall be conducted within the framework of the principles and objectives of the Union's external action.”* (European Union 2007)

In other words: development policy should be subordinated to the EU's strategic interests. Following the signing of the Cotonou Agreement, a number of policy statements emphasized that development policy and cooperation programmes are the most powerful instruments when the Community wants to treat the causes of conflicts (Olsen 2007). When reflecting on EU foreign policy, the heads of member states reached the following consensus:

*“In order to more generally improve the functioning of the European Union's external policy, the European Council calls for a more integrated approach, ensuring that all relevant EU and national instruments and policies are fully and coherently mobilized, consistent with the provisions of the*

*Treaties, in support of the European Union's strategic interests.*" (European Council 2010)

The Commission's communication on trade policy in 2010 implicitly stated that trade policy would help reinforce its international influence and that concerted actions at the EU level should pursue and support its economic interests in third countries (European Commission 2010). Therefore, the Union's trade and foreign policies can and should be mutually reinforcing in areas such as development policy. At the practical policy level, the EU has spent more and more aid money in the areas of security and trade-related areas, especially in African countries, through the Aid for Trade Programme and the African Peace Facility, which aims at the so-called politicization and securitization of EU development policy.

In contrast to the EU donor-recipient development cooperation model, China's development cooperation with its partner countries is conducted under the South-South cooperation framework, in which the achievement of mutual benefits and common development is one of the main principles. Apart from friendship and the MDGs, China's interests have also shifted and expanded along with the evolution of its development policies, from winning political support at the beginning to promoting economic cooperation and building up a good international image, etc. In the speech to commemorate the 60th anniversary of China's aid to foreign countries, Premier Wen Jiabao said that *"it is imperative to enhance and modify China's aid policy in order to better serve the internal and external interests"* (Xinhua News Agency 2010). It is true that Wen did not elaborate what those interests are. However, considering that China's primary goal is domestic development, for which international relations would provide the necessary conditions in terms of security, stability, predictability, and economic and commercial benefits, this should include security interests, that is, a peaceful environment for China's development, for promoting its economic and energy interests through win-win cooperation, and for improvement of its image in the world. Generally speaking, China's aid to its neighbouring countries is often given out of security considerations, while its aid to other regions is motivated more by political or economic considerations.

Since both sides pursue broader interests than the reduction of poverty, it is only natural to ask whether the interests of the EU and China can be reconciled. The former EU commissioner Louis Michael, when commenting on the competition between the EU and China in Africa, once said:

*“In today's changing world, Africa has become the playground of a new great game; it is not just a great game about getting access to natural resources; it is also about power politics and competition over models of development, notably in relation to the more assertive Chinese foreign policy.”*  
(Michael 2008)

However, there is no simple answer to the above questions, since the answer largely depends on the perspective from which people see things.

From the perspective of low-income countries' development, China and the EU have common objectives as to the achievement of the MDGs. Thus no matter how different their policy approaches may be, they can become complementary and be reconciled. To take aid to Africa as an example: China has a comparative advantage in the area of the economic infrastructure, while the EU leads in the build-up of social infrastructures. Were the two sides to collaborate in carrying out assistance programs in recipient countries, they would immediately produce better comprehensive results; this would be conducive to the sustainable development of the recipient countries. For that matter, both sides should seek the consent and cooperation of recipient countries.

From the perspective of national interests, there will certainly be competition, especially in the area of markets and energy. However, it should also be stressed that there is still room for cooperation because of the strong interdependence between China and the EU in a globalized world. For example, the EU's security interests in Africa are also the interests of China as it directs more and more of its investments there, and vice versa. China's involvement in infrastructure construction in Africa is also in line with the EU's trade and economic interests. Naturally the relevant parties would have to shift from the current zero-sum paradigm to a constructive one in order to tap into the above-mentioned potential of cooperation; this may take a long time.

## **2 Dissipating mutual misperceptions: the precondition for mutual cooperation**

Misperceptions represent a key challenge for cooperation. As discussed above, because of both a different understanding of governance issues as well as the perceived competition of interests, the debate on cooperation with low-income countries, especially with African countries, has been

dominated by emotional misperceptions which centre around almost every aspect of development policy: from principles and priorities to the development model. The following analysis shows how wide the gap of perceptions is between the EU and China. As long as these misperceptions exist, it will be difficult for both sides to start real cooperation.

## 2.1 Mutual misperceptions about aid principles

It is the belief of the EU that political conditionality is a way of helping recipient countries to carry out economic and political reform as a precondition for sustainable development; China, on the other hand, believes that political conditionality is merely an instrument used by the EU to promote its own political interests, its values, and the European model of human rights and democracy. At the same time, China's non-interference principle shows a spirit of equality and respect, which both helps to lay the basis for aid effectiveness and benefits partner countries in terms of long-term development; in the EU's view, on the other hand, this undermines the EU's endeavour to support good governance and only serves China's political and economic interests.

## 2.2 Misperceptions about aid priorities

In drawing conclusions from its some 50 years of experience with foreign aid, the EU attaches importance to social infrastructures, especially governance issues. It believes that social infrastructures are the only effective way to promote development, as stated in 1996 in the EU Green Paper on Development Cooperation:

*“On the aid front, the assessment was that there had been insufficient account of the institutional and policy context of the partner country, undermining the viability and effectiveness of aid.”* (European Commission 1996)

For its part, China firmly believes that due to the lack of a foundation for sustaining good governance the EU approach is not appropriate for the partner countries' context and hinders development. The same misperception exists as to China's priority of economic infrastructures. Based on its own development experience, China thinks that **poor** infrastructure is a critical barrier to sustainable growth and poverty alleviation, while the EU

is convinced that China provides development aid only out of economic considerations.

### 2.3 Misperceptions about instruments and modalities

Over the past years, aside from aid principles, most of the debate between the EU and China on development policy has centred around China's concessional loans and its means and ways of delivering development aid with a focus on complete plant projects. The EU argues that China's modalities benefit only its own going-out strategy at the cost of capacity building in the recipient countries. Besides that, China's concessional loans, due to a lack of transparency, prevent a level playing field and endanger the debt sustainability of partner countries. Meanwhile, China thinks that concessional loans which combine market forces and government support can promote public-private partnerships in the infrastructure sector and can serve mutual benefits. China argues that it has taken enough measures to prevent debt unsustainability.

## 3 **Added value as seen by partner countries constitutes a basis for mutual cooperation**

To a large extent, whether the EU and China can effectively cooperate in development policy depends on the issue of added value as seen by the partner countries, since any cooperation should adhere to the principle of partner country ownership. According to interviews conducted over recent years, low-income countries have their own worries and concerns when asked about the issue of cooperation between China and the EU.

### 3.1 The fear of losing bargaining power with donors

The majority of the officials and scholars interviewed expressed reservations about China's teaming up with the EU in terms of trilateral development assistance programs and projects. They had the feeling that European donors have traditionally imposed harsh conditions for their conventional aid programs or projects. Therefore, they largely regard China's increasing presence in the area of development aid with no strings attached as an alternative way of development. They hold the view that China's emergence as a donor will increase the international role of the recipient coun-



tries in the development cooperation area while enhancing the latter's bargaining power for more ownership. However, they also worry that the trilateral cooperation mechanism may take away the rights of recipient countries to equal participation and further weaken their bargaining power vis-à-vis both China and the EU.

### 3.2 The concern in terms of conditionality

The bulk of African recipient countries have acknowledged that China is not in the same league as the EU in terms of aid volumes. However, they had the consensus that Chinese aid is more efficient and free of strings, and that the Chinese were more likely to listen to their advice and look after their interests. Therefore, they worried that should China really team up with the EU it would be forced to implement the same political conditionality as the former European colonial powers did when providing development assistance to Africa. In addition, many African countries tend to think that political conditionality is the EU's way of maintaining inequality among the recipients.

### 3.3 The sense of ownership

Respondents from Africa were grateful for development assistance from both the EU and China, since it has helped the African countries to improve their capabilities in national administration, fortify their capability to provide public goods, speed up their process of industrialization, and build up their capacity to participate in the international division of labour. However, many of them worry about asymmetry in any trilateral cooperation. Whether from the perspective of the development stage or negotiation capability, Africa is the relatively weak member of the three, so that it is natural for African recipient countries to worry about a possible loss of ownership as a result of the proposed trilateral cooperation.

## 4 New opportunities arise?

With the ongoing debate, the international context of development cooperation policy has experienced great changes. In order to adapt to the changing context, different donors, both emerging and traditional ones - including China and the EU - are thinking about making policy changes

and extending development cooperation beyond financial aid. The new changes may bring new opportunities for promoting bilateral or trilateral cooperation.

#### 4.1 Could the new policy trends open a new window for cooperation?

Both the EU and China have undertaken some policy reviews and changes in their development cooperation with low-income countries. Even though the new trends will not fundamentally change the respective logics of development policy, this may open up new windows of opportunity for mutual cooperation through a mutual increase of understanding in terms of development policy, including the trickiest issue of good governance.

The year 2010 marked the 60th anniversary of China's aid to foreign countries. At a ceremony to mark the occasion, China's Premier Wen Jiabao proposed in his speech that China's aid should favour the least developed countries, including both inland and small island developing countries, and focus on livelihood projects that are urgently needed and welcomed by local people, such as hospitals, schools, water supplies and clean energy. Furthermore, Wen also called for more transparent aid systems and the promotion of international exchange and cooperation (Xinhua News Agency 2010). The publication of the white paper "China's Foreign Aid" was an important first step towards a more open and transparent aid system.

Recent years have also witnessed great changes in the EU's aid policy, especially its policy on promoting good governance. Its concept of governance has expanded, and its governance conditionality has also been partly modified by its own experiences and lessons learned in Africa. Besides the political dimension of governance, the EU now also prioritizes the economic and social dimensions of governance that include the issues of sustainable management of natural resources and environment and the promotion of economic growth and social cohesion. In promoting good governance, the EU has put forward three important principles: 1) democratic governance cannot be imposed from the outside; 2) support for governance must be tailored to each country's situation; 3) any kind of needed reform should proceed gradually (European Commission 2006). The above three principles are in line with the long-standing debate on the political reform process in China. Internally driven, gradual reform with Chinese characteristics has

been summarized as the key to a successful reform. On the governance conditionality side, the EU has admitted the following:

*"Because of the existence of political conditionality, there is always a lack of fair distinction between poor performance resulting from the lack of resources and capabilities or from wrong policies and lack of willingness that have prompted the EU to seek more balance between needs-driven and performance-driven approaches."* (European Commission 2006)

Furthermore, the EU has also shifted from its sanction-approach to an incentive approach in promoting good governance.

## 4.2 The shift of aid discourse

Apart from the new policy trends, the shift of aid discourse may also provide opportunities for China-EU cooperation on development cooperation.

Firstly, altruism is matched by self-interest in development cooperation. With the increase of interdependence, collaboration in poverty reduction will benefit not only the poor recipient countries but also the donor countries themselves, since many problems and challenges that poor countries face today are global challenges that warrant joint efforts. The G20 Toronto Summit Declaration read:

*"Narrowing the development gap and reducing poverty are integral to our broader objective of achieving strong, sustainable and balanced growth, and ensuring a more robust and resilient global economy for all."* (G20 2010a)

Secondly, there is a trend toward a new scope of development cooperation.

*"Beyond the contribution of the ODA, development is considered as related to and playing a part in many other fields, particularly through involving trade, investments, infrastructure..."* (G20 2010a)

Nowadays, it seems that there is a consensus in the international community to think beyond aid while conducting development cooperation with low income countries. Aid itself is only one instrument, and it should be combined with trade, investment, and other tools in order to fully tap into the market potential of the recipient countries. Thirdly, the above shift will naturally lead to more global cooperation and coordination. The insertion of development issues into the G20 agenda to some extent signifies the increase of political will of the G20 leaders for cooperation in this regard.

### 4.3 Could the G20 be a new global framework for cooperation and coordination?

There exist in fact different frameworks for cooperation and coordination on different levels, whether these be bilateral, multilateral, formal, or informal, such as the Organisation for Economic Co-operation and Development (OECD-DAC), the UN Development Cooperation Forum (UNDCF), high level forums (Rome, Paris, Accra and Busan), multilateral organizations, and in-country cooperation. For different reasons, however, the role of the above mechanisms in promoting cooperation and coordination is limited, especially in the current international context in which more and more actors are becoming involved in development policy areas.

The G20, as the premier forum for international economic cooperation, has successfully put development on its agenda. During the Seoul summit last year, the G20 leaders reached a development consensus on shared growth in which six development principles and nine key pillars for inclusive and sustainable development were identified (G20 2010b). Since then, the G20 as a new framework for global development governance has aroused great interest within academic circles.<sup>20</sup> It is true that the G20 appears to be a new force, more inclusive than the G8, as stated in the Seoul Development Consensus for Shared Growth:

*“The G20 has a role to play, complementing the efforts of aid donors, the UN system, multilateral development banks (MDBs) and other agencies, in assisting developing countries, particularly the LICs, to achieve the Millennium Development Goals (MDGs).”* (G20 2010b)

However, how to put the idea into practice is still a question to be answered. First, could the G20 bridge the perception gap between traditional donors and emerging ones? Secondly, since the Low Income Countries (LICs) do not have a representative in the G20, how could the G20 persuade them to accept its legitimacy and help them to see the added value in terms of cooperation between different donors? Thirdly, how could the G20 avoid duplication with existing frameworks? Fourthly, how could the G20 involve non-state actors in the process? In the face of so many questions, it seems difficult for the G20 to promote global norms and standards on the development issue. It could therefore be more pragmatic not to

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20 There are a lot of discussions on this in the e-publication “G20 and Global Development: How can the new summit architecture promote pro-poor growth and sustainability?” (Fues / Wolff 2010).

overburden the G20 with high expectations. However, the discussions on development cooperation in the G20 will definitely add possibilities for experience-sharing and mutual learning among the different actors on an equal footing; this may lay the foundation for building mutual trust and common understanding, thus promoting cooperation in the relevant field.

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