

T-TIP and the EU-China Strategic Partnership

Preksha Shree Chhetri

Research Scholar, School of International Studies, Jawaharlal Nehru University

preksha.chhetri@gmail.com

Introduction

The European Union (EU) has established strategic partnerships with a total of ten countries amongst which four are in Asia – India, China, South Korea and Japan. The EU views Asia as an important region and aims to deepen its economic diplomacy in Asia by concluding free trade agreements with its strategic partners as well as with ASEAN. The expression "strategic partnership" was first introduced to the EU's official vocabulary in 1998 when the European Council conclusions used the expression to identify Russia as a "strategic partner to the Union" (Cirlig 2012: 6). The instrument of a strategic partnership represented the EU's response to an increasingly interdependent world, since cooperation with key powers was necessary to ensure that the EU's values and interests are preserved at the global level. In China too, the concept of strategic partnership emerged after the end of the Second World War. China established its first strategic partnership with Brazil in 1993. Since then, building strategic partnerships has become one of the most notable dimensions of Chinese diplomacy. Presently, China has established strategic partnerships with forty-seven countries and three international organizations, mostly since the early 2000s.

Amongst other strategic partners, the EU occupies an important place. The EU is China's biggest trading partner (European Commission, 2018) and China is the EU's second-biggest trading partner after the United States (US). The EU's Global strategy and Asia (2016) document singled out China as a key partner for deepening trade and investment relations. (European Union, 2018) The highlight of the EU-China relations was in 2003 when they recognized one another as strategic partners. China and Europe trade on average over €1 billion a day. (European Commission 2018) Forums such as the Asia Europe Meeting (ASEM), Asian Infrastructural Development Bank (AIDB) and the Belt Road Initiative (BRI) are expected to bring them closer. As far as investments agreement is concerned, the negotiations for an investment agreement between the EU and China began in 2013.

This was the same year when the EU embarked on another ambitious trade and investment negotiation – the Transatlantic Trade and Investment Partnership (T-TIP). The T-TIP is "a comprehensive and high-standard trade and investment agreement being negotiated between the US and the EU. (USTR, 2018) It aims to remove divergent standards across the Atlantic, reduce or eliminate tariffs and reduce technical barriers to trade (TBT) and non-tariff barriers (NTBs). The goal of T-TIP is not only vast and complex but also controversial. There have been

many apprehensions and misgivings amongst the public in Europe as well as countries in Asia about the latent ambitions of T-TIP. Many in the academic circle have hypothesized that the aim of the T-TIP is to strengthen the EU-US economy against the emerging economies, especially China (Bi et al, 2013). Though the T-TIP is in itself a challenge given its vast and complex scope, if successful it could be a game changer and alter the world trade rules, standards and patterns adversely impacting the emerging economies to a considerable extent. T-TIP negotiations therefore pose a threat to the EU-China trade and investment negotiations since it aims to unite the western economies at the expense of the emerging Asian economies. On the one hand transatlantic partnership is very important for the EU but on the other hand its trade and investment relation with China is growing and definitely not less important. After all, China is the EU's second largest trading partner after the US.

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This paper will begin with a study of the EU-China strategic partnership, followed by a detailed study on T-TIP, its aims, objectives and its impact on the EU-China strategic partnership. International partnerships today are constantly putting to test the supremacy of politics versus economics. The incestuous relationship between business and politics increases the complexities ten folds. Given this context, the paper attempts to answer the question if economics and not politics will pervade the T-TIP and EU-China strategic partnership.

The EU-China Strategic Partnership

A comprehensive strategic partnership meant that the two sides were keen to develop bilateral ties in multiple areas from a long-term and strategic point of view. (EEAS, 2013). The domain of such a relationship would be extensive covering political, strategic, economic, cultural and social areas. The two sides

emphasized on not only partnership in bilateral relations but also in global affairs. In order to get a comprehensive understanding of the EU-China strategic partnership, it is important to study the evolution of this partnership from its formative stages. This is complex since all the academic research done so far on this topic consider the year 1975 as the year when the first diplomatic relation was established, but the EU as we know it today was created only in 1992 with the treaty of Maastricht. (Council of European Union 1992) Therefore before 1992, the EU-China partnership focused only on trade since the European Economic Council (EEC) had no legal competence concerning foreign policy (Snyder 2009: 309). It was only in 1992 that the EU had an integrated foreign policy and was able to develop a more coherent and comprehensive policy towards China.

The first political dialogue between the EU and China was established in 1994 and it was upgraded in 1998 to hold regular EU-China summits. These annual summits are at the pinnacle of the EU-China political dialogue and they take place alternately in China and Europe (Snyder 2009: 767). The annual summits cover a wide range of issues symbolizing the increasing extent of partnership. So far there have been twenty annual summits and with every passing year they have exchanged dialogues on a wide range of issues. The most recent annual summit was held in Beijing in June 2018. Some of the important issues taken up by the two sides during this summit included climate change, clean energy and human rights and commitment to rules-based trading system with WTO at its core. Most importantly the EU and China agreed to forge synergies between China's BRI and the EU's initiative with a view to improve Europe-Asia connectivity. (European Council 2018).

The EU-China partnership has endured numerous stumbling blocks over the years, but the annual summits, together with the bilateral agreements and sectoral dialogues continue to uphold this unique partnership and ensure future cooperation and collaboration on various grounds. Trade and development of economic ties has been an integral part of the annual EU-China joint summits. An important milestone for this economic partnership came in the form of 2020 strategic agenda for cooperation in 2013

(EEAS, 2013). This document laid down four major areas of EU-China cooperation out of which ‘prosperity’ was one of the most important area as it included initiatives on trade and investment, industry and information, agriculture and transport and infrastructure. In 2016, the joint communication to the European parliament and the council titled ‘Elements for a new EU strategy on China’ (European Commission 2016) emphasized the implementation of a win-win cooperation between the two sides. This document stands out from the rest of the dialogues on China especially because it discusses the Comprehensive Agreement on Investment as an immediate priority for further strengthening of economic ties. The council also lays special emphasis on assisting China in its economic reform towards liberalization.

As far as divergences in the EU-China relationship is concerned, this relationship has been strained with several issues, such as trade deficit, continued arms embargo and the question of China’s market economy status (MES). Apart from these three main irritants, other problems such as human rights violation in China, the issue of dumping and complaints from the businessmen in Europe regarding the safety of their intellectual property rights created difficulties. In addition to these issues, an indirect barrier to a successful EU-China partnership is the US interference. The US has been influential in some of the important decisions taken by the EU on China. For instance, the US had an influential role in the continuation of the arms embargo on China, though some of the major European powers such as France and Germany were in favor of lifting the embargo (MOFA 2006).

T-TIP and its impact on the EU-China strategic partnership

In 2013, President Obama announced the launch of negotiations for a comprehensive T-TIP with the EU in his State of the Union address. The negotiations for T-TIP had stalled following the election of Donald Trump as President in 2016 but in March 2018, U.S. Commerce Secretary Wilbur Ross announced that the Trump administration was open to discussions with the

EU on T-TIP. What forced this change was the growing trade deficit between the EU and the US. According to the census bureau, the U.S. trade deficit with the EU stood at \$146.3 billion in 2016 (CNBC). In an interview with the CNBC Wilbur Ross explained that the US had withdrawn from the Trans Pacific Partnership (TPP) and not T-TIP. The reopening of the T-TIP negotiations has stirred fresh skepticism amongst the global community, especially China. The official website of the USTR affirms that the T-TIP aims to create opportunities for American families, workers, business and farmers by giving them an increased access to European markets for made in America goods and services (USTR 2018). The USTR further states that the aim of the T-TIP is to bring together the US and the EU, two of the most modern, developed and most committed to high standards of consumer protection in the world (USTR 2018).

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T-TIP’s agenda includes not only “a strategic vision of significantly improved transatlantic relations” (Eliasson, 2015) but also the beginning of a new foundation for global cross border trade. Its keen emphasis on maintenance of international trading norms and standards in two of the largest trading blocs in the world has led to a sense of nervousness in China. If and when the transatlantic partners come to an agreement, the T-TIP is feared to have far reaching geopolitical implications. Since it facilitates the EU and the US to make new rules on matters such as intellectual property rights (IPR) and labor standards, it will have an adverse impact on Chinese companies looking to expand their business in the American and European markets. Moreover, if trade is free between the EU and the US, tariff will naturally be higher for China when it does business with either of the two economies.

Nevertheless, it should be remembered that any concern about the impact of T-TIP on developing countries is currently only an

estimation, guess or speculation since the final terms of the agreement are still unknown. Some scholars such as Puslecki and Polityczne (2016) in fact argue that trade with China is higher than ever for both the EU and the US therefore engaging with China would be a priority for the transatlantic partners rather than isolating it. However, having said that, if the T-TIP deal is successful, the countries which are not part of the deal are likely to suffer. In an essay titled “*The Impact of TPP and TTIP on the International Trade in China: A Computable General Equilibrium Analysis*”, the authors, Huimin Bi, Hao Xiao and Mengzi Xiao argue that the T-TIP has been devised by the West to get itself out of the negative effects of the economic depression of 2008. They believe that the creation of free trade zones would also give an upper hand in the domination over global trade rules.

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The transatlantic partnership is indeed very important to the EU but most countries within the EU recognize the significance that the huge markets that China provides. Therefore, it can be hoped that the impact of T-TIP on China may not be as negative as it had been speculated to be.

Conclusion

The EU and the US have a lot in common and the transatlantic relations have never faced a dearth of academic attention as there are numerous books and journals focusing on the transatlantic partnership over a long period of time. The EU and China do not share such a journey. They are ideologically very different and do not have a common history. In fact, their partnership is rather recent. The only relation that the EU and China shared in the past was trade relations and till date economics has been the biggest driving force for this partnership. Nevertheless, of late China and the EU have

started holding common views on issues such as climate change and good governance. The EU and China still have a long way to go but their partnership is in a right place for a start. Both the EU-China partnership as well as the transatlantic partnership have faced their share of glitches time and again. The solution to do away with such glitches lies in trade agreements – bilateral or multilateral.

Currently the EU is a part of the T-TIP negotiations and at the same time it has shown interest in negotiating an EU-China investment policy. Speculations have played an important role in demonizing the T-TIP but as of now it is definitely too early to write it off. ■

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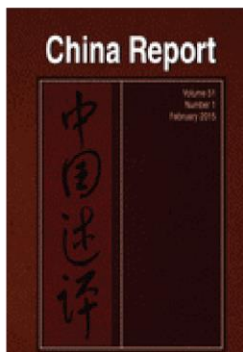


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Fax: +91 (0) 11 2383 0728
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