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Europe's Multiple Crises and Their Implications for China

Jiang Shixue

Apart from the lingering debt crisis and Ukrainian crisis, Europe suffered from another one in 2015: the refugee crisis. Worse, several deadly terrorist attacks have also dealt a heavy blow to Europe. As *The Economist* put it, "It is becoming hard to remember a time when Europe was not in crisis." The magazine calls Europe a "house of horrors".¹ Then comes Brexit. In a referendum on June 23, 2016, the UK voted to leave the EU. There will be significant consequences if the UK really withdraws from the EU.

China's relations with the EU have not been adversely affected by the multiple crises. As a matter of fact, in the face of the unfavorable situations in Europe, new opportunities of cooperation between the two sides would emerge.

1. The migration crisis

In 2015, the migration crisis generated great repercussions on the EU's domestic and foreign policies.

First of all, the crisis clearly shows that there is disunity among the EU members. In the face of a large inflow of refugees, the EU intended to distribute them through a quota scheme. On September 22, 2015, EU interior ministers approved a controversial plan to relocate 120,000 migrants across the continent over the next two years. However, this plan was not passed unanimously: Romania, the Czech Republic, Slovakia and Hungary voted against accepting mandatory quotas; and Finland abstained from the vote.²

Secondly, the refugee crisis has strengthened the power of the right wing parties. In France, for instance, although the far-right Front National (FN) failed to win control of any regions in the final round of local elections in December 2015, it achieved a historically high score in the first-round when it was ranked as the most popular party in the country. An FN poster even declared: "Marine, présidente."³

Thirdly, the crisis indicates that among the Schengen members there is no effective coordination in terms of their internal border control. Indeed, free movement of people within the EU is upheld, but there is neither common force for border control nor unified migration policy. That is to say, the border line is still protected by

¹ "The TTIP of the spear", *The Economist*, October 17, 2015, p. 52.

² Poland, which had opposed the proposal, voted for it.

³ "France's National Front: Eyes on the prize", *The Economist*, December 12, 2015.

<http://www.economist.com/news/europe/21679832-marine-le-pens-party-regional-elections-are-just-stepping-stone-eyes-prize>

different members of the Schengen members. This is quite similar to the fact that there is a common currency, but without common fiscal policy.

The economic impact of the refugee crisis is also conspicuous. According to the *Frankfurter Allgemeine Zeitung*, the cost of settling down one migrant would be more than 10 000 Euros. In 2014, for instance, Germany spent more 2.4 billion Euros to accept 203 000 refugees. In 2015, if Germany could allow 800 000 refugees to come in, the total expenditures would be almost 10 billion Euros.¹ It was reported that Real Madrid, a professional football club, agreed to donate one million Euros to help refugees in Spain, and some NGOs also expressed willingness to offer a helping hand; but the financial burden to deal with the crisis would still be very heavy.

In the longer run, however, the crisis might be positive in terms of making up for the labor shortage. According to *The Economist*, Germany alone has an estimated 173,000 unfilled jobs for people with mathematics and computer skills, a shortfall that will nearly quadruple by 2020. Sweden's government lists dozens of professions, from midwives to physicists, where the lack of skilled workers is acute. Automation can fill some gaps; migrants from the eastern or southern fringes of the European Union can help. But Europe's labor markets are rigid: workers do not flow to where they are needed. Therefore, many of the well-educated asylum-seekers can offer a helping hand.²

Furthermore, because most of the migrants are young, able-bodied and prolific, and many of them even bring along their children, their arrival in the EU might help slow down the process of aging, whose negative impact will surely jeopardize the economy sooner or later. According to Eurostat statistics, since the mid-1960s, the overall fertility rate, the average number of children a woman is expected to have over her childbearing years, has fallen across Europe. As of 2013, the EU had a fertility rate of 1.55. In order to keep the population across the continent constant, a fertility rate of 2.1 is needed.³ That will raise the old-age dependency ratio from 28% in 2010 to 58% in 2060. These kinds of demographic changes, which may be tempered by people working longer, reflect an earlier transition from post-war baby boom to baby bust, and will therefore hurt European public finances. The EU Commission expects a rise in annual age-related public spending in the EU of four percentage points of GDP over the next 50 years.⁴

Billionaire financier George Soros has warned that the EU is on the “verge of collapse” over the migration crisis and is in “danger of kicking the ball further up the hill” in its management of the issue.⁵ This is a too pessimistic prediction. But the EU really needs to redouble their efforts to reduce the spill-over effects of the crisis.

¹ Refugee crisis ‘to cost Germany 10 billion euros’, DW, September 6, 2015.

<http://www.dw.com/en/refugee-crisis-to-cost-germany-10-billion-euros/a-18696346>

² “Integrating refugees in Europe: More toil, less trouble”, *The Economist*, December 12, 2016, p.12.

³ See Lydia Tomkiw, “Refugee Crisis 2015: Could Syrians Help Europe's Aging Population Problem?”, *International Business Times*, October 9, 2015.

<http://www.ibtimes.com/refugee-crisis-2015-could-syrians-help-europes-aging-population-problem-2091181>

⁴ “European demography: Working-age shift -- Growth will suffer as workers dwindle”, *The Economist*, January 26, 2013.

⁵ CNBC, “Europe on the verge of collapse: Soros”, January 21, 2016.

<http://finance.yahoo.com/news/europe-verge-collapse-soros-161420378.html#>

2. Weak economic recovery

The European debt crisis, which broke out first in Greece in 2009~2010 and then spread to Ireland and Portugal, has dealt a heavy blow to the EU economy. It is encouraging to see that the economy is recovering. According to the 2015 winter forecast released by the Eurostat, GDP growth rates for the EU and the Euro area in 2015 stood at 1.9% and 1.6%, respectively, higher than 2014.¹ Needless to say, this recovery was still weak.

GDP growth rates in different countries were not the same. Greece recorded a positive rate of 0.7% in 2014, but returned to negative rate (-1.4%) in 2015. Ireland has achieved a remarkable turnaround. It was bailed out in November 2010, but exited the program on time three years later. After gaining a positive growth rate of 14% in 2013, Ireland achieved growth rates of 5.2% in 2014 and 6.9% in 2015. No wonder the Irish economy is now praised as a “Celtic phoenix”.²

The debt burden is still quite heavy: 87.8% and 94.0% for the EU and the Euro area in 2015, only slightly lower than the numbers (88.6% and 94.5%) in 2014. It seems that the EU economy has all the three characteristics of the so-called “Japanization trap”: sluggish economic recovery, heavy debt burden, and deflation.

The bright spot of the EU economy is its robust export. In 2015, current account surplus of the EU and the Euro area accounted for 2.1% and 3.7% of GDP, higher than 2014. Germany has made great contributions to the outstanding performance.

In order to stimulate economic recovery, the European Central Bank (ECB) announced on January 22, 2015, that it would undertake an expanded asset purchase program, dubbed as the European version of quantitative easing (QE). It would release 60 billion Euros a month into the economy. Purchases to include bonds issued by Euro area central governments, agencies and European institutions, were expected to last until September 2016.³ By then, total amount of QE would reach more than one trillion Euros.

On December 3, 2015, ECB President Mario Draghi announced that the QE program would be extended until at least March 2017 or beyond. In the same speech, he also called for urgent reforms. “The swift and effective implementation of structural reforms, in an environment of accommodative monetary policy, will not only lead to higher sustainable economic growth in the euro area but will also raise expectations of permanently higher incomes and accelerate the beneficial effects of reforms, thereby making the euro area more resilient to global shocks,” said President Draghi.⁴

The reason why QE came belatedly was believed to be associated with the ECB’s long-standing position of keeping low inflation as the primary goal of its monetary

¹ http://ec.europa.eu/economy_finance/eu/forecasts/2016_winter_forecast_en.htm#

² “The Irish economy: Celtic phoenix”, *The Economist*, November 21, 2015.

<http://www.economist.com/news/finance-and-economics/21678830-ireland-shows-ther-economic-life-after-death-celtic-phoenix>

³ “ECB announces expanded asset purchase programme”, 22 January 2015.

https://www.ecb.europa.eu/press/pr/date/2015/html/pr150122_1.en.html

⁴ “Introductory statement to the press conference”, 3 December 2015.

<http://www.ecb.europa.eu/press/pressconf/2015/html/is151203.en.html>

policy. However, according to statistics released by the Eurostat on January 16, 2015, inflation rate for the month of December 2014 was negative for both the EU and the Euro area, -0.1% and -0.2%, respectively, and sixteen EU members witnessed negative inflation rates. While some economists were not concerned about the danger of deflation, the ECB believed that it must tackle the problem seriously by applying QE.¹

A few years ago, QE was considered an unnecessary policy tool to deal with the EU's deflation and other economic problems. For instance, in an interview with the *Financial Times* at the end of 2011, Lorenzo Bini Smaghi, an ECB executive board member, said, "I do not understand the quasi-religious discussions about quantitative easing...But if conditions changed...I would see no reason why such an instrument, tailor-made for the specific characteristics of the euro area, should not be used." Mario Draghi also said that his priority was to restore trust in Europe. "We won't achieve that by destroying the credibility of the ECB," said the ECB President.²

Apart from the economic reasons, a legal factor might play a role in the ECB's decision to launch QE. On January 15, 2015, Pedro Cruz Villalón, a European Court of Justice Advocate General, issued an interim ruling, saying that the Outright Monetary Transactions, put forward by the ECB in August 2015, was deemed to be "necessary" and "in principle legitimate", thus removing a potential obstacle to the launch of a Euro area quantitative easing scheme.

3. The Ukrainian crisis

In 2015, thanks to the Ukrainian crisis, the EU-Russia relations continued to sour. Russia's action of "taking over" Crimea was seen by the EU as "illegal annexation".³ The EU's first round of sanction against Russia started on March 17, 2014, freezing funds and economic resources of certain Russians "responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine".⁴ On July 31, the second round was kicked off and tougher actions were undertaken, particularly in the economic fields.⁵ On September 8, more restrictive measures were adopted.⁶ By now the EU sanctions had targeted most of Russia's important sectors such as finance, energy and defense as well as the areas of dual-use

¹ Andrew Sentence, a former member of the Bank of England Monetary Policy Committee, wrote for the *Financial Times* on May 28, 2014, arguing that the current situation in Europe looks much closer to "benign deflation" or "price adjustment" than "chronic deflation". He said that "chronic deflation" means prices falling persistently over a long period and this acts as a severe damper on the economy, but "benign deflation", i.e., short-lived periods of falling prices, do not destabilise belief in broader price stability.

(See Andrew Sentence, "EU should stop worrying about deflation", *Financial Times*, May 28, 2014.)
<http://www.ft.com/intl/cms/s/0/ed78bc40-df4b-11e3-86a4-00144feabdc0.html#axzz42rDMu8vL>

² Ralph Atkins in Frankfurt, "Call for QE to stave off euro deflation", *Financial Times*, December 22, 2011.
<http://www.ft.com/intl/cms/s/0/6ce17dac-2ca5-11e1-8cca-00144feabdc0.html#axzz42rDMu8vL>

³ Statement by the President of the European Council Herman Van Rompuy and the President of the European Commission in the name of the European Union on the agreed additional restrictive measures against Russia, EUCO 158/14, PRESSE 436, PR PCE 140, Brussels, 29 July 2014.

⁴ COUNCIL REGULATION (EU) No 269/2014 of 17 March 2014.

<http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0269&from=EN>

⁵ COUNCIL REGULATION (EU) No 833/2014 of 31 July 2014.

<http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0833&from=EN>

⁶ COUNCIL REGULATION (EU) No 960/2014 of 8 September 2014.

<http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0960&from=EN>

goods.

The EU deals with the Ukrainian crisis with both sanction and negotiation. That is to say, while sanctions were upgraded, political dialogues were also held to ease tensions. The notable example was the meeting of the heads of the four players, i.e., Russia, Ukraine, Germany and France, on June 6, 2014, in Chateau de Bénouville, Normandy, France, in celebration of the 70th anniversary of Operation Overlord. The next meeting was held on 16~17 October in Milan, Italy, as part of Asia-Europe Meeting (ASEM). Both meetings were not marked by any significant agreements. The third meeting was held on 11~12 February, 2015, in Minsk, Belarus, when Minsk II agreement was signed. Before then, German Chancellor Merkel French President Hollande paid a surprise visit to Moscow, where they discussed the Ukrainian crisis for five hours with President Putin.

In March 2015, the EU decided to link the duration of its sanction with the results of Russia's willingness of implementing the Minsk II Agreement. On June 22, it announced that the sanction would be prolonged by six months until 31 January 2016. On 21 December, 2015, it decided to maintain the sanctions until July 31, 2016.¹

Undoubtedly, any form of sanction is identical with a two-edge sword. While the Russian economy has been suffering from the sanctions, the EU economy also bears a cost. For instance, in order to deal with the Russian ban on importing apples produced in Poland, the world's largest exporter of this fruit, Polish politicians, TV presenters, journalists and other public figures, including the President, encourage people to consume more apples. "Eat Apples to Annoy Putin" or "One Apple a Day Keeps Putin Away" are slogans that went viral in Poland and Europe.

It is unknown when and how the Ukrainian crisis will be resolved. But one thing is certain that the EU's security strategy and its relationship with the NATO have been undergoing through significant transformation. On the one hand, it will increase its defense budget so as to upgrade its military capacity; on the other, its ties with the NATO will be further strengthened. As the European Council meeting of June 25~26, 2015, pointed out, Europe's security environment has changed dramatically, and this requires action in many areas.²

Since the Ukrainian crisis took place, Finland has been actively pursuing closer cooperation with NATO although opinion polls show Finns overwhelmingly against abandoning their long-standing neutrality.³ Needless to say, Finland's ties with NATO would cause unhappiness of Russia. Speaking in an interview, Russian President Vladimir Putin's personal envoy Sergei Markov said, "Anti-Semitism started World War II, Russophobia could start the third. Finland is one of the most Russophobic countries in Europe, together with Sweden and the Baltic states."⁴

¹ <http://www.consilium.europa.eu/en/press/press-releases/2015/12/21-russia-sanctions/>

² European Council meeting (25 and 26 June 2015) – Conclusions, Brussels, 26 June 2015.
<http://data.consilium.europa.eu/doc/document/ST-22-2015-INIT/en/pdf>

³ Fred Weir, "As Russian bear stirs, Finland reconsiders its neutrality", *The Christian Science Monitor*, May 19, 2015.

<http://www.csmonitor.com/World/Europe/2015/0519/As-Russian-bear-stirs-Finland-reconsiders-its-neutrality>

⁴ 转引自 Thomas Nilsen, "Putin envoy warns Finland against joining NATO", *Barents Observer*, June 9, 2014.
<http://barentsobserver.com/en/security/2014/06/putin-envoy-warns-finland-against-joining-nato-09-06>

4. Terrorist attacks

Indeed, terrorism is not a new phenomenon in Europe. During the years of 2009-2013 there were 1010 failed, foiled or completed attacks carried out in EU member states, in which 38 people died.¹ On 7 January 2015, terrorists forced their way into the offices of the French satirical weekly newspaper Charlie Hebdo in Paris, and killed 11 people and injured 11 others in the building. After leaving, they killed a French National Police officer outside the building. On the night of November 13, terrorist attacks in Paris by gunmen and suicide bombers hit a concert hall, a major stadium, restaurants and bars, almost simultaneously, and left 130 people dead and hundreds wounded. President Hollande had to cancel his trip to the G20 summit in Turkey. On the morning of 22 March 2016, three coordinated nail bombings occurred in Belgium: two at Brussels Airport in Zaventem, and one at Maalbeek metro station in Brussels, killing 32 people.

All the four EU summits held in 2015 discussed the important issue of anti-terrorism. Leaders of the EU members expressed their determination to strengthen their efforts to fight against terrorism. They agreed to improve information exchange between member states' counter-terrorism authorities, implement systematic and coordinated checks at external borders, including on individuals enjoying the right of free movement, and promote cooperation with non-EU members.

China is against any forms of terrorism. After the November attack in Paris, Chinese President Xi Jinping sent a message of condolences to his French counterpart, Francois Hollande and expressed the "strongest" condemnation against the attackers. He said, "At the sorrowful moment of the French people, I, on behalf of the Chinese government and the Chinese people, and personally, condemn in the strongest terms the barbaric acts." He also said that China is willing to work with France and the international community to enhance cooperation in security, fight terrorism and ensure safety of people in all countries.²

5. Brexit and European integration

On the New Year's Day of 2015, Lithuania became the 19th member of the Euro family. By now, all the three Baltic States have joined the Euro-zone. This represents the achievements of both their economic transition and European integration. Andris Vilks, Latvia's former finance minister, said, "Euro is as strong support for Latvia as NATO...Euro is not just currency. It's a shield. For the Baltics, (the) euro is for our security as well."³

The EU is the largest importer of energy. Fifty-three percent of its energy consumption relies on foreign sources, costing as much as 400 billion Euros a year.

¹ <http://www.consilium.europa.eu/en/policies/fight-against-terrorism/>

² "Xi expresses 'strongest' condemnation over Paris terror attacks, Xinhua, November 14, 2015. http://news.xinhuanet.com/english/2015-11/14/c_134815611.htm

³ John O'donnell and Gederts Gelzis, "Russian threat overshadows Baltic debate on ECB money printing", Reuters, Nov 10, 2015. <http://www.reuters.com/article/eu-latvia-idUSL8N13427T20151110>

Particularly, gas importation of six EU members relies on one single exporter, thus entailing great risks to their energy security. Moreover, while the EU has designed a common energy policy framework, different EU members implements this policy in different ways, jeopardizing its integrity and effectiveness.

On 25 February 2015, the Commission adopted “A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy”. The publication of this strategy created a new momentum to bring about the transition to a low-carbon, secure and competitive economy and to deliver on one of the 10 priorities of the Juncker Commission.¹ The goal of a resilient Energy Union with an ambitious climate policy at its core is to give EU consumers (households and businesses) secure, sustainable, competitive and affordable energy, and achieving this goal will require a fundamental transformation of Europe’s energy system.²

The first State of the Energy Union Report, published on November 18, 2015, shows that much progress has already been made since the adoption of the Energy Union Framework Strategy nine months ago. But still much remains to be done, and 2016 will be an important year of delivery.³

Despite the progress, the road towards European integration has never been smooth. On January 23, 2013, UK Prime Minister Cameron delivered an important speech on the UK-EU relationship. He recalled the history of the European integration process, and pointed out the UK’s great contribution to this process. But he also noted that the EU must reform itself to deal with all kinds of challenges. He promised that, if his Conservative Party could win the 2015 election, the UK would hold a referendum on its European Union membership.⁴

After the Conservatives won a majority of seats in a surprising victory in the 2015 general election, Britain started to prepare itself for the referendum. On November 10, 2015, Prime Minister Cameron delivered an important speech at the Chatham House, London. He listed four objectives at the heart of the renegotiation between the UK and the EU: 1) protect the single market for Britain and others outside the Eurozone through a set of binding principles that guarantee fairness between Euro and non-Euro countries; 2) write competitiveness into the DNA of the whole European Union, including cutting the total burden on business; 3) exempt Britain from an “ever closer union” and bolster national parliaments, not through warm words but through legally binding and irreversible changes; and 4) tackle abuses of the right to free movement, and enable the UK to control migration from the EU.⁵

It is interesting to note that, while leaders like Merkel often say “more Europe, not less”, particularly in the years of dealing with the debt crisis, Cameron argued just the opposite. In his Chatham House speech, he said, “The European Union needs to

¹ http://ec.europa.eu/priorities/energy-union-and-climate/state-energy-union_en

² COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN INVESTMENT BANK, A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, Brussels, 25.2.2015.

http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf

³ European Commission - Press release: The Energy Union on track to deliver, Brussels, 18 November 2015.

http://europa.eu/rapid/press-release_IP-15-6105_en.htm

⁴ <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>

⁵ <https://www.gov.uk/government/speeches/prime-ministers-speech-on-europe>

change. It needs to become more competitive to cope with the rise of economies like China and India. It needs to put relations between the countries inside the Euro and those outside it – like Britain – onto a stable, long-term basis. It needs greater democratic accountability to national parliaments. Above all, it needs, as I said at Bloomberg, to operate with the flexibility of a network, not the rigidity of a bloc. Never forget that the European Union now comprises 28 ancient nations of Europe. That very diversity is Europe’s greatest strength. Britain says let’s celebrate that fact. Let’s acknowledge that the answer to every problem is not always more Europe. Sometimes it is less Europe. Let’s accept that one size does not fit all.”

The European Council meeting (17~18 December 2015) had a political exchange of views on the UK plans for a referendum. It was decided that the European Council would work closely together with the UK to find mutually satisfactory solutions at the European Council meeting on 18~19 February 2016. ¹

On February 2, 2016, Donald Tusk, President of the European Council, published an open letter to the Members of the European Council on his proposal for a new settlement for the UK within the EU. He reaffirmed that “keeping the unity of the European Union is the biggest challenge for all of us and so it is the key objective of my mandate...The line I did not cross, however, were the principles on which the European project is founded.” ²

Following intense negotiations at the EU summit in February, 2016, EU leaders achieved a deal which strengthens the UK’s special status in the family. According to the EU’s press information, it is a legally binding and irreversible decision by all 28 leaders. The settlement addresses all of Prime Minister Cameron’s concerns without compromising EU fundamental values.³ Prime Minister Cameron claimed victory and pledged to campaign with “all my heart and soul” to keep Britain inside the EU. Thursday, June 23, 2016, has been named as the date for the historic referendum on whether Britain should leave the EU.

Although EU leaders and Cameron himself supports “Bremain”, remaining in the EU, the results of the referendum shocked the whole world: 51.9% supporting Brexit, exiting from the EU. The world financial suffered a great deal after the result was announced. The biggest impact was on the pound. Its exchange rate with the US dollar fell to less than \$1.32, its lowest level since the mid-1980s. It reflects the expectation that the UK will be a less attractive destination for foreign investment.

The aftermath is far-reaching. In France, Marine Le-Pen, the leader of the far-right National Front, has called for France to hold its own referendum on the EU. Geert Wilders, the leader of the Dutch anti-immigrant Party for Freedom, also called for a referendum in the Netherlands.

The Czech Republic, which joined NATO in 1999 and the EU in 2004, does not have a referendum law, but President Milos Zeman has called for a referendum on

¹ European Council meeting (17 and 18 December 2015) Conclusions, Brussels, 18 December 2015.
<http://data.consilium.europa.eu/doc/document/ST-28-2015-INIT/en/pdf>

² “Letter by President Donald Tusk to the Members of the European Council on his proposal for a new settlement for the United Kingdom within the European Union”, February 2, 2016.

<http://www.consilium.europa.eu/en/press/press-releases/2016/02/02-letter-tusk-proposal-new-settlement-uk/>

³ <http://www.consilium.europa.eu/en/meetings/european-council/2016/02/18-19/>

exiting the EU and NATO just a week after the Brexit vote. He said, “I disagree with those who are in favour of leaving the EU...But I’ll do my best to have a referendum so they can express themselves. The same goes for a NATO exit.”¹

In 2015, China had high-level exchange of visits with twenty-one European countries, including Germany and France. In January Chinese Premier Li Keqiang attended the World Economic Forum in Davos and then paid a working visit to Switzerland. In June, he visited Belgium, France and the OECD headquarters after the China-EU summit. During this trip, China joined the OECD Development Centre.² In October, Chinese President Xi Jinping went to the UK. The two countries agreed to establish a global comprehensive strategic partnership. China has set up more than 70 partnerships with countries and blocs in different parts of the world, and the China-UK partnership is the only one modified with the adjective “global”.³

6. New developments of China-EU relations

Despite the multiple crises, China-EU relations continue to proceed forward steadily. The year of 2015 marked the 40th anniversary of EU-China diplomatic relations. At the 17th China-EU summit took place on 29 June, 2015, in Brussels, leaders of the two sides agreed to reinforce the EU-China 2020 strategic agenda, adopted at the 2013 summit in Beijing.

New developments of the China-EU relations are characterized as focusing on peace and security, prosperity, sustainable development, and people-to-people exchanges. Under these four pillars, many issues were on the agenda, ranging from the synergies between the Investment Plan for Europe and the Belt and Road Initiative to protection and promotion of human rights dialogue, from infrastructure links to the negotiations on the Articles of Agreement for the Asian Infrastructure Investment Bank (AIIB), from digital economy to the ongoing investment agreement negotiations, and from their commitment to the G20 as the premier forum for international economic co-operation to cooperation in the area of research and innovation.⁴

China’s ties with the Central and Eastern Europe countries (CEECs) have been greatly strengthened in recent years. On November 24, 2015, the fourth 16+1 summit took place in Suzhou, China.⁵ The theme of this summit was “New Beginning, New Fields, New Vision”. In his speech at the summit, Chinese Premier Li Keqiang put forward one goal and six priorities for 16+1 cooperation. The goal is

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<http://www.dailymail.co.uk/news/article-3670154/Will-Czech-Czech-Brexit-Czech-President-Milos-Zeman-calls-referendum-exiting-European-Union.html>

² The OECD believes that entry of China to the OECD Development Centre marks an important step in support of China’s transformation and transition to a new growth model, as well as new chapter for the OECD.

<http://www.oecd.org/dev/press-release-china-joins-oecd-development-centre.htm>

³ However, some people in the UK were not happy about this development of the China-UK ties. For instance, Paul Flynn, a backbench Labour MP, described Britain as a “supplicant fawning spaniel that licks the hand that beats it”. (See Daniel Thomas and Jamil Anderlini, “Xi declares ‘strategic partnership’ with UK”, *Financial Times*, October 21, 2015.)

<http://www.ft.com/intl/cms/s/0/bcc1278e-7808-11e5-a95a-27d368e1ddf7.html>

⁴ EU-China Summit joint statement: The way forward after forty years of EU-China cooperation, June 29, 2015.

<http://www.consilium.europa.eu/en/meetings/international-summit/2015/06/29/>

⁵ The 16+1 mechanism of cooperation was established in 2012.

to formulate an agenda for cooperation for the next five years, promote cooperation in a more sustainable and forward-looking way, and build a new model of partnership featuring openness, inclusiveness and win-win outcomes. Six priorities refer to: implementing a roadmap of cooperation; creating synergy between China's One-Belt-One-Road initiative and the development strategies of CEECs; setting new examples for cooperation in the areas of production capacity; developing financial cooperation in a creative way; promoting investment and trade; and expanding people-to-people and cultural exchanges.¹

On March 12, 2012, Chancellor of the Exchequer, George Osborne, announced that the UK intends to become a prospective founding member of the AIIB. He said, "This government has actively promoted closer political and economic engagement with the Asia-Pacific region and forging links between the UK and Asian economies to give our companies the best opportunity to work and invest in the world's fastest growing markets is a key part of our long term economic plan. Joining the AIIB at the founding stage will create an unrivalled opportunity for the UK and Asia to invest and grow together."² In doing so, the UK is the first major Western country to seek to join the multilateral institution. Five days later, France, Germany and Italy followed suit. Then many other European countries decided to join in the multi-lateral financial institution initiated by China.³

On December 14, 2015, the European Bank for Reconstruction and Development (EBRD) announced that its Board of Governors had approved a request by the Chinese authorities to become a shareholder of the Bank. In a letter applying for membership of the EBRD, People's Bank of China Governor Zhou Xiaochuan said the activities of the EBRD complemented efforts to support investment and economic connectivity in the regions which China is promoting as part of the One Belt and One Road initiative.⁴

It is a pity that China-EU relationship is always affected by the "US factor" in a certain way. For instance, after the UK announced that it would become a member of the AIIB, the White House issued a pointed statement declaring it hopes and expects the UK will use its influence to ensure that high standards of governance are upheld in the Chinese-led investment bank. According to *The Guardian*, it is "a rare public breach in the special relationship" between the US and the UK.⁵ *The Financial Times* reported that Washington warned Brussels against granting China "market economy status", saying the long-sought trade concession could hamper efforts to prevent Chinese companies flooding US and European markets with unfairly cheap goods.⁶

¹ http://www.china.org.cn/chinese/2015-12/03/content_37224386.htm

² <https://www.gov.uk/government/news/uk-announces-plans-to-join-asian-infrastructure-investment-bank>

³ <http://www.aiib.org/html/pagemembers/>

⁴ <http://www.ebrd.com/news/2015/ebird-approves-china-membership-application.html>

⁵ Nicholas Watt, Paul Lewis and Tania Branigan, "US anger at Britain joining Chinese-led investment bank AIIB", *The Guardian*, March 13, 2015.

<http://www.theguardian.com/us-news/2015/mar/13/white-house-pointedly-asks-uk-to-use-its-voice-as-part-of-chinese-led-bank>

⁶ Christian Oliver in Brussels, Shawn Donnan in Washington and Tom Mitchell, "US warns Europe over granting market economy status to China", *Financial Times*, December 28, 2015.

<http://www.ft.com/intl/cms/s/0/a7d12aea-a715-11e5-955c-1e1d6de94879.html#axzz443LahkQU>

What would be the effect of Brexit for China? Most of the Chinese scholars agree with the view that Brexit is not benign for China. As Chinese Foreign Ministry Spokesperson Hua Chunying said, “We hope that the UK and the EU can reach an early agreement through negotiation. A prosperous and stable Europe is in the interests of all parties.” She acknowledged that the UK’s decision to leave the EU is sure to have repercussions in various ways, including but not limited to bilateral relations between China and the UK. But she noted that China respects the choice made by the British people and attaches great importance to bilateral relations with the UK. “We are willing to join hands with the UK to maintain and press ahead with bilateral relations, and make new headway in pragmatic cooperation...All parties have to accept the new reality of an EU without the UK and a UK that leaves the EU. We hope that the UK and the EU can reach an early agreement through relevant negotiations and go through the transition period smoothly. Regarding the EU and the integration process of Europe, China’s position is consistent. We support the European integration process, and are happy to see Europe play a positive role in international affairs. We have faith in the prospect of China-EU relations,” said the Spokesperson¹

7. Concluding remarks

The EU has been dealing with multiple crises. As many European scholars acknowledge, the EU is accustomed to all kinds of difficult situations, and the crises-driven European integration process will never fail.

China-EU ties have not been adversely affected by these crises. China would see a prosperous and stable Europe, which is in the interests of all parties.

In the face of the unfavorable situations in Europe, new opportunities of cooperation between the two sides would emerge. In the areas of trade and investment, anti- terrorism and other global issues, there would be new opportunities of cooperation in the future.

¹ http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1375206.shtml