

# A brief introduction to the 2013-2014 Blue Book

Jiang Shixue

[jiangsx@cass.org.cn](mailto:jiangsx@cass.org.cn)

# Layout of the book

- One keynote report on the assessment of the EU expansion;
- Six special reports on
  - the China-EU solar panel dispute,
  - banking union,
  - youth unemployment,
  - Croatia's EU membership,
  - aviation carbon tax,
  - new energy.

# Layout of the book

- Six reports on the EU's politics, economy, international relations, social development, rule of law, and science and technology policies.
- 35 country reports.
- 457 pages.

# 1. Economy

- The debt crisis is almost “out of the woods”, but economic recovery is sluggish.
- The toolkit to stimulate the economy in 2013 contained:
  - Gradually relaxing fiscal austerity;
  - Maintaining loose monetary policy;
  - Creating jobs.
- Economic performance in 2014 is believed to be better.

# Banking union

- It will resolve the “trilemma” of an integrated financial system, maintaining stability of the system and self-regulation undertaken by the member states.
- It is an inevitable step of the long process of European integration.
- It will also offer a good model for the international financial system to deal with its own “trilemma”.

## 2. Politics

- The anti-establishment parties were on the rise because the mainstream parties could not effectively deal with the long-standing economic and social problems.
- There would be fierce competition between the European People's Party and the Social Democratic Party for the 2014 European Parliament election.
- A low turnout of the election was very likely.

# 3. International relations

- EU-US relations was damaged by the phone-hacking scandal, but negotiations of the TTIP have been proceeding steadily.
- EU-Russia relations turned sour because of the Ukrainian crisis.
- The EU made great efforts to implement its “Eastern Partnership”, with partial success.

## 4. EU expansion

- EU membership has the following positive effects for the new members:
  - It contributes to political stability of the new members,
  - It benefits economic growth,
  - It raises their international position and
  - it consolidates regional security;
- But it also widens disparity within the EU, thus negatively affecting policy coordination.

# Croatia's EU membership

- Croatia can benefit from its EU membership in the following ways:
  - Rising position on the world stage;
  - More opportunities of development and more aid from the EU.
- Its membership contributes to one more linkage between the EU and the Balkan area.
- Croatia has set a model for other candidates.

# 5. Social development

- The labor market continued to get worse.
- Youth unemployment had become one of the major socioeconomic problems in the EU.
- Several policies and programs were undertaken to tackle social issues, create jobs, improve social welfare, etc.
- At the same time, it was realized that reforms are needed in the social policy areas.

## 6. Rule of law

- Regarding rule of law, important progress was made in the field of economic governance, banking union, single market, foreign trade, security, justice, etc.
- Particularly, reforms of the EU's Generalized Scheme of Preferences (GSP) and trade defense instruments might create some negative repercussions on China-EU trade.

# 7. Science and technology

- In order to strengthen the EU's competitiveness and realize the European dream, three grand programs were launched in 2013:
  - Horizon 2020
  - Joint Technology Initiatives
  - Connecting Europe
- There is great potential of China-EU cooperation in this field.

# 8. New energy

- Why new energy?
  - To reduce dependence on the traditional energy and nuclear energy;
  - To de-carbonize the economy;
  - To create jobs.
- Challenges:
  - Fiscal subsidy is unlikely to be sustainable;
  - There is inconsistency among the member states in terms of nuclear energy policies

# 9. Aviation carbon tax

- In April 2013 the EU decided to delay the enforcement of the aviation carbon tax (ACT) for a year, but still wishes to include it in its Emissions Trading System (ETS).
- ACT will not be effective till the end of 2016.
- ACT is not in line with international laws.
- A multi-lateral solution is preferred.

# 10. China-EU relations

- China-EU relations witnessed remarkable achievements in 2013:
  - Frequent exchanges of high-level visits;
  - China's second policy paper
  - China-EU 2020 Strategic Agenda for Cooperation
  - Investment treaty negotiation
  - China and Switzerland FTA

# Solar panel dispute

- Negotiation can be an effective tool of resolving trade dispute whereas sanction is a two-edge sword.
- A pre-warning system is needed to avoid trade dispute in the first place.
- The EU needs to protect its market by strengthening competitiveness, NOT by applying protectionist measures.
- It is not a good idea to enjoy using clean energy, leave pollution in the place of production and then apply anti-dumping.

# EU-Japan Summit

- The 21<sup>st</sup> EU-Japan Summit on November 19, 2013, confirmed the importance of cooperation in sanction policies, inter alia with respect to non-proliferation, and reaffirmed their commitment to responsible export controls of arms and dual-use items and technologies, especially in areas of tension, in view of the preservation of regional peace, security and stability.

# Issues to ponder for the 2014 edition

- Why the economic recovery is so feeble and disappointing? How to jump-start it? Will the EU economy suffer from Japanization?
- What will be the political implications of the new EU leadership and new Parliament?
- How the EU will clear up the mess of the Ukrainian crisis?
- What will the social problems look like?
- What else?

Thank you.

