

The Rise of China and Global Governance

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All this week, China has been playing on chessboard of multiple trade negotiations with the USA, the EU and the ASEAN, the dynamic South-East Asian countries. If the rise of China started with the transformation of this big country itself, now it might transform the world. How should Europe deal with this in a progressive perspective?

The rise of China started with its choice of pursuing export-led growth, building on fast-paced industrialisation, which has driven hundreds of millions from rural to urban areas. Massive investment in education, training and technology has gradually led to a rise in wages, while different parts of a new welfare system have been built and extended to new groups of the population. This has visibly reduced the poverty rate and created an affluent middle class. It then became possible to add a new engine to growth in the form of an expanding domestic market. This has in turn attracted increasing foreign direct investment, which is filtered by the Chinese authorities in order to operate a massive transfer of technology to domestic companies, enabling them to swiftly climb the technological and competitiveness ladder. China is now a leading country not only in solar panels, batteries and electric cars, but also in artificial intelligence.

A new phase began when China's export surplus was turned into financial capacity for the country to invest and buy strategic assets all over the world, backed by its network of state-owned public enterprises and public banks. More recently, the Belt and Road Initiative (BRI), inspired by the mythic Silk Road, has already gained the participation of 70 countries in large-scale projects involving transport, energy and telecommunications – and some of these countries are in Europe. This could re-balance not only Eurasia but also the world.

Towards an ambition EU-China relationships?

There is a clear gap between the current global challenges, on the one hand, and the current global governance system, on the other. Against isolationist and nationalist trends, the European Union should promote international cooperation with all countries that want to strive for a more open, fairer, sustainable order and those that believe in the multilateral method to update our common global rules.

This ambition should be present in the new phase of the partnership between the European Union and China, where the European side should defend its values and interests, as China does, but where both can engage in greater cooperation – for example, in:

- Peace building operations where the EU and China are both important global actors; or in critical cases of conflict resolution, such as the Iran nuclear agreement, now under threat by Trump's offensive.
- Domestic plans to deal with climate change and implement the sustainable development goals. Both the EU and China are committed to this and on the way to translating these goals into their development cooperation. This is particularly relevant regarding development cooperation with Africa.
- Defending and updating the WTO as the multilateral framework for trade and investment negotiations, when this has also been undermined by Trump's administration. An updated multilateral system is also necessary to define new technological standards regarding digital improvements such as 5G or new development in artificial intelligence or biotechnologies.

In all these negotiations, we need to have a united and consistent European position in defence of our values and our social and environmental standards. An active industrial and innovation policy and the screening of foreign investment to protect our strategic assets and our jobs are also necessary, as well as a principle of reciprocity when it comes opening up our public procurement markets. And, in the public sphere, our principles in defence of the rule of law, political rights and media pluralism must also be stated clearly. This will be on the table in the current negotiation of the EU-China investment agreement, as well as in how we deal with the recent events in Hong Kong.

Beyond all this, a more fundamental discussion should take place about the two different models followed by the EU and China. The Chinese model is based on a very particular combination of a semi-public economy, a more incipient welfare system, weak collective bargaining and an authoritarian state under the label of a socialist market economy with Chinese characteristics. European progressive actors should multiply channels to explain their agenda for democratic socialism and social democracy aiming at a free, democratic, fair and sustainable model.