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China - Europe: New Alliance? (I)

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The United States and the EU continue the policy of confrontation with Russia in Europe and the post-Soviet space against the background of China's growing clout and stronger influence on European affairs. The China's global contribution is not limited by fast moving consumer goods. Today it leadsthe United States in GDP adjusted for purchasing power parity. The country seeks to play a leading role in such international organizations as BRICS, the Shanghai Cooperation Organization and bilateral relationships. Soon China may launch an economic stimulus package comparable with the quantitativeeasing program implemented by US Federal Reserve System.

The US is already concerned over the rapprochement between China, Russia and some member-states of the European Union. Pepe Escobar, a well-known Brazilian journalist, reported that China now has trains that deliver containerized freight from its Pacific Coast to Madrid. The new trade route is a promising project destined to boost the world trade. It links the territories of China, Kazakhstan, Russia, Poland, Germany, France and Spain. The Yiwu-Madrid route across Eurasia represents the beginning of a set of geopolitical game-changing developments and a graphic example of Eurasian integration on the go. According to Pepe Escobar, the Silk Road strategy is being implemented against the background of heightened cooperation among the BRICS countries (Brazil, Russia, India, China, and South Africa) and accelerated cooperation among the members of the Shanghai Cooperation Organization (SCO). No wonder there's the perception across the Global South that, while the U.S. remains embroiled in its endless wars, the world is defecting to the East.Mr. Escobar emphasizes the importance of Russia-China military and energy cooperation. He believes that Russia is going back to the doctrine of collective security in Asia “as a possible pillar for a new Sino-Russian strategic partnership.”

No doubt China is going to give a new impetus to its diplomatic efforts in Europe. In November 2011, a new China’s initiative was launched. Before 2008 its economic activity in Europe mainly boiled down to buying European companies in the wake of financial crisis encompassing the equity market. The policy was added by a new initiative launched in the autumn of 2011 when Beijing offered the European Union a $100 billion financial aid package in exchange for some concessions. It included the rise of China’s status in the International Monetary Fund and the World Trade Organization and the lifting of arms embargo on China (today the European embargo is still in force being strongly supported by Great Britain, Sweden and the Netherlands, while Germany and France demonstrate a more flexible approach to the issue). In addition to the financial aid package Beijing promised to open its markets for European producers as a way to support the old continent’s industry in hard times.

China was ready to accept at least one of the listed concessions it wanted. The idea to include the yuan into the SDR (Special Drawing Rights - supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund – IMF) hit the spotlight. At present the currency basket includes four major currencies: the U.S. dollar, the euro, the British pound and the Japanese yen. With the yuan added to the basket China would acquire the right of veto in the International Monetary Fund – the organization that serves as the main instrument of protecting the United States’ global interests.

Evidently the Europeans consulted Washington on the matter. The response to the bailout proposal was negative. Brussels found the China’s proposals humiliating and dangerous. It started a new round of trade war with China. In June 2013 the European Commission imposed duties of 8, 6% on the Chinese solar panels to be raised to the level of 47, 6% in two months. China exports €20 billion of solar panels to the EU annually. According to the 2013 data, Chinese companies Yingli Green Energy Holding Company Limited and Trina Solar Limited are the world leaders in solar panels production. The trade war ran against the interests of the European Union putting under risk 20 thousand jobs and 27, 2 billion euros of added value.

In response to the steps taken by European Commission (the measures against China were mainly lobbied by France, Spain and Italy) China initiated ant-damping and anti-dotation practices against European wine producers accusing the EU of illegal subsidies. German Chancellor Angela Merkel received China’s Prime Minister Li Keqiang in Berlin. Somehow she failed (or did not want to) to prevent the further development of conflict. Germany is the largest European market for Chinese solar panels. The Chancellor promised that the European Commission would come up with a solution to the problems. At that the decision of the European Commission to impose levies on solar panels remained in force. Europeans remembered that the anti-damping investigation on solar panels was not launched in Europe but in the United States. Chinese Huawei and ZTE telecommunications equipment producers were added to the list of companies set to face an EU investigationfor anti-competitive behavior. It was clear that the unfolding events ran contrary to EU interests. China is the second largest EU trading partner breathingdown theneck of leader - the United States. According to the 2013 data, the EU trade with the United States totaled 483,926 euros (14, 2% of the total trade) against 428,062 billion euros with China (12, 5% of the total trade). China leads the United States in European imports. It accounts for 297,931 billion euros (16, 6%) in comparison with 195,964 billion (11, 6%) in case of the United States. As an EU importer the United States also lags behind Russia which accounts for 206,581 billion euros (12, 3% of total European import).

Officially the European Union affirms its readiness to conclude a comprehensive trade agreement with the United States. The European Council Summit that took place on December 18-19, 2014 confirmed the EU readiness to sign the Transatlantic Trade and Investment Partnership (TTIP) with the USA till the end of 2015. On its part, Washington wants to expedite the procedure and make Europe strongly tied to the Trans-Atlantic Partnership because 2016 is the year of presidential race and the pre-election campaign may complicate the negotiation process. It should be noted that the opposition to the agreement is gaining strength in Europe. Over one million people signed the petition calling for suspending the TTIP talks with the United States. The European Citizens' Initiative (ECI) is one of the major innovations of the 2009 Treaty of Lisbon. The initiative enables one million EU citizens, who are nationals of at least one quarter of the member States, to call directly on the European Commission to propose a legal act in an area where the Member States have conferred powers onto the EU level.

In particular, the petition authors believe that the TransatlanticTrade and Investment Partnership agreement will put the European energy market under the United States control. The US will take advantage of the established monopoly to make Europeans import its shale gas which is more expensive than the natural gas produced by Russia. It’s worth to note that at the same time the EU leaders decided to launch the Investment Plan will unlock public and private investments in the real economy of at least € 315 billion over the next three years (2015-2017). The time is propitious to remember the promising prospects for investments coming from Russia and China.