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EU-ASIA RELATIONS IN THE XXI CENTURY. SELECTED ASPECTS

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CEDEU
CENTRO DE ESTUDIOS UNIVERSITARIOS



Universidad
Rey Juan Carlos

1ª edición, 2021

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www.editorialsinderesis.com

ISBN: 978-84-18206-82-5

Depósito legal: M-24066-2021

Produce: Óscar Alba Ramos

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Impreso en España / Printed in Spain

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The opportunity is also used to express our gratitude to the non-teaching and administrative and service staff of CEDEU for their work and contribution to the promotion of this collection.

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PROLOGUE

The 21st century is a period of global changes in the economic, political and social fields. It is also a period of the formation of a new international order and increasing rivalry between world powers. Europe is slowly losing its importance as the world's centre of international relations and is increasingly giving way to the Asia-Pacific region. China, on the other hand, is openly declaring its aspirations to be a global superpower. On the one hand, a manifestation of these ambitions is China's growing involvement in the South Asian region. Its policy is also part of a strategy of global expansion and rivalry with the USA. China is succeeding in pursuing its interests and increasing its economic, political and cultural presence in most of the countries of the region. On the other hand, they are also increasing their involvement in Europe, which, apart from numerous Chinese investments on the continent, is manifested, *inter alia*, by the New Silk Road project. There is a growing conviction in Europe that the scale of the challenges and opportunities now associated with the Asian region has changed. For the EU, the Asian countries are undoubtedly a key economic partner, but also a serious competitor in the field of technology. Despite growing economic interdependence, there are many differences. They concern, for example, issues relating to human rights or the political system. This does not change the fact, however, that the European Union and Asia are destined to cooperate in the 21st century.

The New Silk Road is certainly a project which aims to strengthen China's global position. It may also provide an opportunity for many benefits for European countries, especially in an economic context. However, this project is not without risks for EU countries. It may contribute to the further disintegration of the Member States and paradoxically to a weakening of the international role of the European Union. Whether this project will be beneficial for Europe depends to a large extent on the European states themselves. Whether in the face of growing rivalry between global powers they will be able to rise above their individual interests and jointly face global threats and challenges.

Many scientific, popular science and journalistic publications have already been written on Asian-European relations and the New Silk Road project. In this context, it is extremely important to continuously discuss and analyse the opportunities, threats and potential consequences of the project. Such an attempt has been made in this publication, which is the result of research and conclusions on the above-mentioned relations.

The book consists of two parts written by scholars from Spain, Georgia and Poland. The first part consists of 11 chapters written by experienced researchers representing such scientific fields as economics, political science and law. The second part consists of summaries of papers prepared by PhD students. The presented publication undoubtedly has an interdisciplinary character. It is also the result of numerous studies, discussions and cooperation conducted by an international research group associating such academic centres as: CEDEU Centro de Estudios Univesitarios, Universidad Nacional de Educación a Distancia from Spain, Georgian National University SEU from Georgia and Lazarski University from Poland. We hope that this book will contribute to the discussion on the EU-Asia relations, with a special focus on China, and that it will become a source of numerous reflections and inspiration for further research on this issue.

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EUROPEAN UNION POLICY TOWARDS CHINA

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1. Introduction

When writing about the EU's policy towards the People's Republic of China (PRC), it is first necessary to define the subject of research. In principle, it is the policy of EU institutions towards China, although in practice, the position of these institutions is greatly influenced by the two largest Member States, namely France and Germany. How Brussels' stance towards Beijing has been formed is best demonstrated with the example of two meetings between French President Emmanuel Macron and President Xi Jinping. To their first meeting of March 2019 in Paris, Macron additionally invited the then European Commission President Jean-Claude Juncker and German Chancellor Angela Merkel. Together, they discussed not only the politics of bilateral Franco-Chinese relations, but also the entire Union's policy toward the PRC in a broader sense. During the second meeting in November the same year, Macron was accompanied by EU trade commissioner Phil Hogan and Federal Minister of Education and Research Anna Karliczek (Germany). At the time, the French president brought back 13.6 billion euros worth of contracts from China; neither did he forget to sort out other European issues, such as the protection of European (mainly French) companies' trademarks in the PRC (*Agreement on Geographic Indications*). He also made other important trade arrangements on behalf of EU institutions. Macron then agreed that Chinese authorities and the European Union Aviation Safety Agency would have completed a certification process by March 2020 that would allow the French-Italian company ATR to export its short-haul aircraft to operate domestic flights in China (Momtaz, 2019). Thus, the French leader was making decisions on behalf of an EU agency that was autonomous in theory as well as decisions concerning the EU's trade relations with the PRC, only in the presence of the EC official responsible for this area of "exclusive" EU competence. It is worth adding that France at the time had no formal mandate to represent all Member States or the entire EU in talks with Beijing.

The EU policy towards the PRC is therefore mostly influenced by the two leading Member States, although this does not mean that governments of other countries or other EU institutions have no impact at all. The multitude of different actors involved in the shaping of this policy makes the EU's stance towards Beijing neither unified nor unambiguous, but rather akin to a cacophony of contradictory voices. Not just the multiplicity of actors seems to be blamed, but mainly the two leading countries that do not have a clear strategy towards China. They are simultaneously vying for lucrative contracts and market access to the PRC while reiterating European values or other issues that provoke irritation in the Chinese leadership. As a result, Europe lacks a clear strategy toward China, be it economic or geopolitical.

In the 21st century, three agreements constituted the framework for the EU's relations with the PRC, namely *EU-China Comprehensive strategic partnership* of 2003, *EU-China 2020 Strategic Agenda for Cooperation* of 2013, and finally *EU-China Comprehensive Agreement on Investment* reached in late 2020. Initially, the economic partnership with the PRC was seen as unequivocally beneficial since it enabled the development of European corporations. Later it became apparent that mutual economic relations were distorted by a growing asymmetry to the EU's disadvantage. It concerned both trade imbalances and unequal rules of economic exchange, which unmistakably favoured Chinese entities. With regard to geopolitical matters, the EU has generally tried to stay away from controversies with China, albeit with some exceptions. Brussels has a sense of its own international mission and treats the EU as a “normative power”, which entails promoting universal human rights and democracy on a global scale. This is why European institutions and some Member States have tried to remind Beijing of their values. Most often, this has resulted in a deterioration in mutual relations, but otherwise has not had the slightest effect on changing the PRC's practices. It also showed the inconsistency of the EU's approach to the Middle Kingdom.

Another characteristic of the EU policy towards China was the predominance of declarations over actions. At times, the EU's legal and political decisions were inconsistent with practice, as in the case of the arms embargo on China, which was later repeatedly violated by some European exporters. Even though the European Commission called China a “systemic rival” in 2019, this did not have been translated into any substantive policy, including countermeasures to balance the bilateral relations. Instead, the same year saw two more meetings organized by the French president, seeking economic contracts that were as favourable to French companies as possible.

For all these reasons, EU policy seemed not only ineffective but also unreliable to Beijing. China was thus able to violate the arrangements it had made with the EU, which was not unique in this superpower's dealings with weaker Western actors. For example, Australian authorities warned Brussels to tread carefully when dealing with the PRC's obligations under international agreements. Despite signing the *China-Australia Free Trade Agreement* in 2015, Beijing imposed punitive tariffs on Canberra as a result of political grievances, specifically because the Australian government had insisted on an inquiry into the causes of the 2020 pandemic outbreak (Sheftalovich & Heath, 2021).

China also exploited the existing divisions between EU Member States as well as the divisions within individual European states, such as between successive cabinets. Moreover, it has repeatedly fuelled fragmentation within the EU by, *inter alia*, spreading false information or supporting extremist parties. Josep Borrell, the High Representative of the Union for Foreign Affairs and Security Policy and Head of the European External Action Service, acknowledged that his subordinates are aware of the growing disinformation undertaken by China, but do not have the resources and authority to counter it (Cerulus, 2021). This shows another characteristic of the EU's external policy. Namely, it is relatively weak as it neither has many financial resources at its disposal nor instruments for action (Grosse, 2010). It is also highly dependent on the position of Member States, while they are divided and politically volatile.

2. Economic dimension

When analysing the economic dimension of the EU's relations with the PRC, one should refer to the geoeconomic perspective. Its basic premise is the use of economic instruments for geopolitical purposes (Grosse, 2020; Luttwak, 1990; Blackwill & Harris, 2016). And when it comes to the use of geoeconomics, China is considered to be a model country. For example, they exert economic pressure on other states for political gain, as was the case with the sanctions against Australia over accusations that Beijing was responsible for causing a global pandemic. The question to be asked in this context is whether the EU is, like China, a geoeconomic actor, i.e., whether it can use economic instruments for geopolitical purposes.

For many years, the PRC was treated as an important economic partner and cooperation with it brought benefits to European exporters (especially German ones). For this reason, the largest European countries responded favourably to

Chinese economic initiatives, even when they caused the greatest concern in Washington. This was the case when EU countries joined the Asian Infrastructure Investment Bank (as founding members). However, towards the end of the second decade of the 21st century, the EU's approach to China began to change. Two factors were decisive here. First, unequal treatment of European companies on the Chinese market compared to Chinese companies on the internal market in the EU. Secondly, there was a growing imbalance in mutual relations. China was the EU's largest economic partner in 2020, but at the same time, the EU had a trade deficit as well as a significantly lower level of FDI investment in China compared to Chinese investment in Europe (Wang & Li, 2020). It was the UK that saw the highest level of Chinese investment, with over €50 billion between 2000 and 2019. It was followed by Germany (22.7), Italy (15.9), France (14.4), and Finland (12). Central Europe clearly lagged behind the level of investment seen in Western Europe. For example, in Poland, the cumulative investment in the said period was only EUR 1.4 billion (Wang & Li, 2020, p. 3).

Due to the above-mentioned circumstances, protectionist sentiments were growing among some EU countries and European institutions. It is worth noting that since 2016, the PRC has sought to obtain the status of a market economy on the internal market, which would create much more favourable opportunities for Chinese companies to do business in Europe. The view on this issue was greatly divided among Member States, but in the end the position represented taken by France, Italy, and Spain to deny such a status to Beijing prevailed (Wu & Jensen, 2017, p. 1229). In 2020, the PRC opted out of settling the issue at the World Trade Organization. In 2019, the European Commission labelled the country as *“an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance”* (European Commission, 2019, p. 1). Having strengthened supervision over Chinese investments in their countries, Germany and France found themselves in the vanguard of the protectionist stance towards Beijing as they feared, above all, for strategic technologies important for the long-term competitiveness of their home economies (Hanke & Barigazzi, 2019). Under the influence of both countries, the European Commission also took a firmer stance. In 2019, it demanded reciprocity in economic relations from the PRC, including equal treatment of European investors on the Chinese market, analogous to the treatment that Chinese companies receive there. In particular, it concerned opening this market to investments from the EU, ending the practice of forcing technology transfers to local co-ops and subsidizing Chinese exporters by the state. In 2019, the Union introduced monitoring of foreign investment in Europe. Although non-binding on the Member States level, it was aimed at

increasing the security of strategic sectors. The blade of the regulation in question (2019/452) was informally directed against Chinese investments, which would often acquire companies with unique technologies in the field of information technology, machinery, including robotics, and automotive industry. The Commission also announced that it would close access to the European public procurement market for Chinese companies unless the PRC opened its tenders on a reciprocal basis. It also proposed to initiate a series of measures to reduce protectionism on the Chinese market and the scope of subsidies for Chinese companies, including those investing or otherwise conducting business activity on the internal market (European Commission, 2020a). The EU intended to amend the WTO regulations to reduce protectionism by the PRC. Although several European countries had allowed Chinese G5 technology to enter their market, the Commission wanted a common EU position on the issue in the future.

The problem with the EU's tightening the protectionist stance was that there were still differences of opinion and interests within the Member States. Even the largest EU countries could not decide whether to assume a stricter stance towards Beijing or to seek deeper economic ties, even if this were to continue on an asymmetrically favourable basis for Beijing and thus make Europe increasingly dependent on relations with the Middle Kingdom. An example of such contradictions was the comprehensive agreement on investment that had been negotiated for many years between the two sides with little success. The problem was that Beijing was unwilling to make further systemic concessions, while Brussels was unwilling to reinforce past trends that were generally more favourable to the Chinese side. Such an investment agreement, for instance, could have easily mitigated Beijing's failure to grant China the status of a market economy. Moreover, the main purpose of the agreement was to facilitate investment, which could have undermined the efforts of France and Germany to have the European Commission monitor foreign investment on the internal market.

Nevertheless, the effects of the pandemic and the growing economic problems in Europe forced a change of approach during the German presidency of the EU in the second half of 2020. Germany wanted to have the Chinese open access to their market for the European automobile industry, especially electric cars, chemical industry, energy, telecommunications, electronic equipment as well as computer, financial and health services.

At the same time, it sought to reduce the mandatory transfer of technology to China, which had previously been a prerequisite for gaining access to this commercial market. It was important for the German presidency to try and

reduce the scale of Chinese subsidies granted to their domestic companies, or at least to make them more transparent. The European side managed to obtain some concessions from the Chinese authorities, which mainly benefited German and French corporations. The leaders of both countries were directly involved in the negotiations with China, even if they did not have – as was the case with Macron – the formal title to conduct the negotiations on behalf of the entire Union (Vela et al., 2021). However, the agreement did not fully resolve the problems in relations between the EU and the PRC, e.g., such problems as asymmetrical rules on investments or the Chinese use of state subsidies for companies and forced labour. The latter aspect was heavily criticized by the former head of the Commission Jean-Claude Juncker, who described the agreement as cheap and stated that the EU should not have made such far-reaching concessions (von der Burchard, 2021). Those who criticized the agreement believed that it would facilitate Chinese investments in Europe in strategic sectors, while it could only provide limited support for similar European investments in the PRC. Indeed, the Chinese side could use the means stipulated in the agreement to judicially force Member States to grant it access to such investments, while it was questionable whether the Chinese side itself would respect the decisions of international arbitration courts in similar cases on its own territory (Herrero, 2019, p. 421).

This is an even more dangerous deal for the EU, since the Chinese strategy consists in acquiring key Western technologies and then making its partners dependent on access to Chinese technology. In other words, from the geoeconomic perspective, it is of strategic importance for the Chinese to have the leading technological innovation at their disposal to reduce the PRC's dependence on the West in this respect, and at the same time to make the European economy dependent on the Chinese technology (Lau, 2021).

Representatives of the new U.S. administration viewed the Europeans' negotiating rush with the utmost concern (Zalan, 2020). This was because it implied that a united transatlantic front to force the PRC to adhere to the rules of reciprocity in its relations with the West was less likely to prevail. For Chinese negotiators, not only were the economic issues of great importance, but also geopolitical ones. The aim was to “drive a wedge” between the EU and the US, especially to prevent them from forming a common anti-Chinese front. Therefore, Beijing was making concessions in order to conclude the agreement with the Union before Joe Biden's administration took overpower in Washington. In this way, the Comprehensive Agreement on Investment was an example of geoeconomic action on the part of the PRC rather than Europe. The EU was quite inclined to make far-reaching strategic compromises for the sake

of relatively short-term economic benefits (Schuman, 2021). It was willing to forget the broader geopolitical aspects for the sake of immediate economic benefits.

Therefore, it is difficult to see the EU as deserving to be called a fully-fledged geo-economic actor. Firstly, the economic benefits lead to pragmatic concessions in the sphere of values (as was the case with the acceptance of forced labour in the PRC). Secondly, in the name of economic benefits, geopolitical threats had to be forgotten or at least efforts were made to ensure that geopolitical challenges did not ruin economic relations. Thus, this is an example of the primacy of economic interests over geopolitics rather than the subordination of the economy to geopolitical goals: a course of action that is a contradiction of geoeconomics.

This is hardly surprising when we look at the analysis provided by a representative of one of the leading Brussels think-tanks that advises the European Commission on a daily basis (Herrero, 2019). In his view, the EU should not get involved in the conflict between the U.S. and China, but rather stand aside and benefit from the dispute, mainly due to the substitution of Chinese exports to the U.S. market as well as to the deepening of European-Chinese economic exchanges. Economic gains are at the core of this way of thinking in addition to just the medium-term perspective. Not only does the author of this analysis fail to take into account the broader geopolitical perspective, but also that the future geopolitical order – and who decides about it – will be critical for Europe if it is to keep its economic gains.

3. Geopolitical dimension

Scholars recognize that major states and the EU itself are passive towards the PRC on the geopolitical level (Kirchner et al., 2016). The aforementioned actors did not perceive Beijing as a political rival or security threat. At the same time, the capitals of the largest countries feared economic repercussions if they supported the U.S. in disputes of the geostrategic nature. This was the case even when Beijing did not adhere to international law, which was otherwise particularly important in the official EU rhetoric.

It is worth mentioning that China refused to respect the 2016 ruling of the International Tribunal for the Law of the Sea on violations of the United Nations Convention on the Law of the Sea (Riddervold & Rosén, 2018, p. 555-570; Biscop, 2018, p. 51). Brussels would not address this problem in its official strategy documents for a long time (e.g., in the *European security*

strategy of 2003 and 2009); whereas in the *Guidelines on the EU's Foreign and Security Policy in East Asia* of 2012, it only mentioned the political tension in the South China Sea in the context of threats to EU trade and investment interests (p. 5). Therefore, the EU institutions tried to keep a low profile on the issue, and especially not to aggravate relations with Beijing. Even when the International Tribunal for the Law of the Sea ruled unfavourably for China in its dispute with the Philippines, and the Chinese authorities refused to recognize it, Brussels merely acknowledged the tribunal's ruling and called for a peaceful resolution of the territorial disputes. According to commentators, this was a very weak response to the problem and an attempt to distance itself from it (Cottey, 2019, p. 478).

Primarily, the source of this reaction was the divergence of positions among Member States. For example, France and the United Kingdom undertook missions in the South China and East China Seas under Freedom of Navigation Operations. Other Member States tried to take a pragmatic approach to these disputes, valuing above all the development of economic cooperation with the PRC. This was especially the case for countries with long-standing good relations with Beijing and a large scale of Chinese direct investment, i.e., most notably Greece, Hungary, Portugal, Croatia, and Italy. For example, Italian diplomacy tried to appease all those demands that sought to tighten EU policy towards China on the grounds of respect for values or human rights; it also encouraged the lifting of the embargo on arms sales to China on several occasions (Casarini & Sanfilippo, 2015). National governments were clearly making geopolitical concessions to China, trying to leave sensitive issues (such as the PRC's lack of observance of human rights) to EU institutions (Michalski, 2013). At the same time when the European Commission was criticizing China's policies – including its growing investments in Italy and the Western Balkans – the French government was signing EUR 40 billion worth of economic contracts with President Xi Jinping (Rettman, 2019). This example is very meaningful because it shows the inconsistency of Paris' policy towards Beijing. On the one hand, the French government undertook naval operations on disputed waters as well as military exercises with allies in Southeast Asia, while on the other hand, it promoted arms exports by French corporations to sanctioned China (after the 1989 Tiananmen Square massacre). Major EU arms exporters found ways to skirt the embargo (Bräuner, 2013). This is an example not only of the hypocrisy of some European politicians, but above all of the primacy of economic interests over geopolitics and declared values.

What appears to be a certain exception to geopolitical passivity was the reaction to increasing Chinese investment and political penetration in Central

Europe and the Balkans. Paris, Berlin, and Brussels were also concerned about infrastructure investments made within the EU as part of the New Silk Road, particularly in Greece, Portugal, Italy, and Central European countries (Matura, 2019; Markovic Khaze & Wang, 2020). Remarkably, however, it was the representatives of the European Commission who were most concerned about this expansion in Europe's "backyard." In a document prepared for the European Council summit, the officials demanded greater unity among Member States regarding the "16 + 1" cooperation format (from 2018 "17 + 1"); they also demanded respect for European norms and values in the Western Balkans. They pointed out that Beijing's ambition to build technological supremacy in its armed forces by 2050 is a challenge to European security (European Commission, 2019, p. 2-4). Nevertheless, it should be acknowledged that some European countries and the EU itself saw China primarily as an economic rival and less as a geopolitical one. At the same time, Member States were strongly divided on this issue. As I mentioned, the defenders of Chinese interests in the EU included Portugal, Greece, Hungary, and increasingly Italy.

When reflecting on the low profile of geopolitics in the EU's actions towards the PRC, one cannot help but notice that, compared to Beijing, Brussels presented a diametrically opposed approach to concepts such as sovereignty, statehood or geopolitics. China approached these issues in a traditional manner, primarily in the context of rivalry between major powers. Therefore, it sought to ensure that Western actors did not violate Chinese sovereignty or impose their own political values on China. In turn, the European rhetoric downplayed the issue of sovereignty, geopolitics, and even security for a long time. Integration caused a loss of national sovereignty and weakened traditional statehood (Grosse, 2016). Instead, primacy was given to the economy and the promotion of values, treated in a cosmopolitan and universal manner. European power was to be based on these two pillars.

4. Broader geopolitical dimension

The fundamental geoeconomic mistake on the part of the U.S. was to squander the twin projects designed to link the U.S. with European allies on the one hand and Asian allies on the other. The first project was the *Transatlantic Trade and Investment Partnership*, which posed serious negotiating difficulties during Barak Obama's presidency and was completely abandoned during Donald Trump's administration. The second was the *Trans-Pacific Partnership*, which Trump withdrew from in 2017, deeming it unfavourable to

the United States. This was of particular importance in the rivalry with the PRC, as the aforementioned project specifically excluded that country from deepened trade and investment cooperation. At the same time, during this period, the U.S. authorities set their sights on renegotiating economic relations with individual allies in bilateral agreements and escalated trade disputes with the EU. This did not produce the expected geoeconomic results, but rather damaged allied relations, which was particularly evident in transatlantic relations.

China took advantage of the situation, first leading to the signing of the *Regional Comprehensive Economic Partnership* in November 2020, which brought together several important U.S. allies (*inter alia*, Australia, New Zealand, Japan, South Korea, and Vietnam) and left out the United States. In December 2020, they negotiated the Comprehensive Agreement on Investment with the EU, which – as I wrote earlier – “drives a wedge” into the transatlantic relations. By doing so, Beijing limited the possibility of Washington's allies to gather around it and use economic cooperation to build an anti-China front by – broadly speaking – the countries of the West. The short-sightedness and excessive selfishness of U.S. policymakers led to the PRC gaining an important strategic advantage. This demonstrated the maturity of Chinese geoeconomic thought as compared to Western actors.

Not without significance were the strategic errors in reasoning made by European leaders. They, too, focused on immediate economic gains, especially regarding the competition for those gains with the U.S., and less on the bigger picture of a changing geopolitical order in the world. As one expert put it (Lau, 2021), “*Europeans are sleepwalking on the many urgent challenges posed by China and daydreaming about a strategic autonomy*” without noticing that they were becoming increasingly dependent on Beijing. At the same time, European leaders tried to stand aside in the face of the growing U.S.-China rivalry, forgetting that the economic success of post-war Europe in the second half of the 20th century was founded on the American geopolitical order. In early 2021, Chancellor Angela Merkel rejected the possibility of the EU taking either side in the conflict between Beijing and Washington (Lau & Gehrke, 2021), disregarding the fact that this dispute was not just a trade war but was about geopolitical leadership on a global scale.

That is why, in successive strategic documents dedicated to relations with China, the EU postulated a multipolar world as the preferred geopolitical model in Western Europe (Montesano, 2019). It is hardly surprising that Western Europeans were strongly encouraged to adopt such a strategic vision by both Chinese and Russian politicians. After all, the leaders of both countries were aware that straining transatlantic relations was undermining American efforts

to defend the post-war global geopolitical order that first Moscow and later Beijing intended to overthrow.

Another mistake Western European elites made was to disregard their own Central European allies. They criticized the Eastern EU states for engaging in cooperation with Beijing, but at the same time, they did much to discourage the nations of this part of Europe from their own leadership in the EU. What constituted a telling example in this respect were the alleged violations of the rule of law. They were aimed at right-wing governments, which entertained divergent preferences from those of Paris or Berlin for the development of European policies or for further integration processes and for increasing the autonomy of Central Europe through regional cooperation. In doing so, they protected the sovereignty of local democracies to make – in accordance with the European treaties – choices on, *inter alia*, matters of worldview. The defence of European values by Western European elites seemed all the more difficult to understand as everyone witnessed how, for pragmatic reasons, these same elites made concessions on the issue of values while dealing with Beijing. All this discouraged a large number of conservative voters in Central Europe from European integration. They saw drawing closer to China not only as a factor for economic development, but also as a geopolitical safeguard. It was supposed to be a way of protecting against excessive pressure from Berlin and against German domination in the integration processes, and simultaneously a potential protection against Moscow's aggressive policy in the situation when transatlantic ties were weakening.

5. Corruption of normative power

The EU's expertise on the international stage is to be the promotion of European standards. That is why the Union is referred to as a “normative power” (Manners, 2002) or a “liberal power” (Wagner, 2017). This had some pragmatic value, as EU regulations could provide benefits to European businesses. As the president of the European Commission put it, “*those that write global rules are the ones who are shaping the future of their societies*” (Rubenstein, 2020). An example of such an approach to the dissemination of European standards was, *inter alia*, the EU's climate policy.

Apart from this, European elites tried to promote political values, primarily drawn from the agendas of liberal and left-wing groups. They were disseminated as universal human rights, as exemplified by strategic documents addressed to China (European Commission, 2016, p. 15). This posed a challenge not only to the values of other political movements (primarily

conservatism), but also to other cultures and civilizations. Hence, European cosmopolitanism attracted much criticism because Europeans were perceived as ones that exalted themselves, which alluded to their colonial traditions. This is how the Chinese perceived European missionary activity. They considered it to be disrespectful to the values of their own civilization (Schuman, 2020). Moreover, they argued that it violated their sovereignty because it constituted too much interference in the PRC's political order, which was intended to weaken the power of the Communist Party and – as a consequence – the Chinese government. It also sought to undermine that government's influence in certain regions that, like Hong-Kong, fell under China's sovereign authority. Therefore, the EU's defence of the rights of religious minorities or the rights of residents of certain administrative regions in China not only failed to influence Beijing's policies, but irritated policymakers there and was met with negative reactions from the Middle Kingdom (Cottey, 2019, p. 480). China viewed Western democratic models as a dysfunctional mode of governance that not only creates conditions for foreign powers to interfere in domestic affairs, but also leads the West to neglect strategic interests and to decadence.

In March 2021, on behalf of the EU, ambassadors of Member States imposed sanctions on four Chinese officials and one organization for violating the rights of Uighurs. In response to the EU sanctions, a PRC foreign ministry spokesman said that the Europeans could not look forward to developing economic cooperation on the one hand and harming Chinese interests by imposing sanctions on the other. Therefore, the Chinese responded to them decisively. They imposed penalties on several European parliamentarians, national politicians, academics, a subcommittee of the European Parliament, and the Political and Security Committee of the EU Council as well as on selected think tanks (Ministry of Foreign Affairs, 2021). Some MEPs announced that they would therefore not allow the ratification of the EU investment agreement with China. However, there were also other voices. Representatives of the European People's Party, which is heavily influenced by the right-wing party in power in Germany, appealed for trade relations with China not to fall victim to the turmoil surrounding human rights. Iuliu Winkler, the representative of this faction on the Parliament's trade policy committee, called for the interests of European companies to be safeguarded during the pandemic (Lau et al., 2021). Thus, even within the most value-sensitive European institution, two opposing narratives emerged in the face of the situation.

The growing international power of China and the interest of European politicians in maintaining the best possible economic relations with Beijing

caused the EU Member States and institutions to increasingly deviate pragmatically from the ideals of their own normative mission. An example of this was the scaling back of the EU's human rights dialogue with China, which was initiated in the late twentieth century and which, under pressure from Member States and obstructionism from the PRC, had declining practical political relevance (Taylor, 2020). Neglecting the topic of values in relations with the PRC characterized the behaviour of smaller countries, such as Hungary, Portugal or Greece (Delamotte, 2020), which depended on access to Chinese investment but could also expect geopolitical support from Beijing. Such an attitude was increasingly prevalent in some Central European capitals. More importantly for EU politics, however, a pragmatic approach to European values was also characteristic of the largest EU Member States, including Italy, France, and Germany. According to scholars, Berlin's attitude towards relations with Beijing in particular was characterized by putting economic interests above ideals related to human rights and democracy (Heiduk, 2014).

6. Conclusions

In its external relations, the EU was primarily interested in defending European economic interests, and to a somewhat lesser extent in promoting its own norms and values. Scholars point to the limited scope of the European geopolitical strategy and weaknesses in its implementation (Riddervold & Rosén, 2018, p. 555). It was not uncommon for economic interests to take clear precedence over geopolitical ones or for policymakers to be visibly concerned lest the geopolitical activity would expose European business to risk. Even if European actors - including the EU's policy-leading Member States - had growing geopolitical ambitions, these were either closely linked to their economic interests or the EU was not prepared to pursue them more forcefully. This was the case with the objections of some EU Member States and institutions to Chinese expansion in Europe's sphere of influence, i.e., in the Balkans and Central Europe. The aforementioned objections were never formulated in a principled manner, and thus did not have much significance for the mutual relations between the EU and the PRC.

Thus, European policy was focused on the primacy of the economy, which meant that foreign policy instruments were aimed at supporting this goal, while geopolitical or normative considerations should not, by design, interfere with them. It is therefore difficult to see the EU as a geoeconomic actor in its relations with China. It was not economic instruments that served geopolitical goals, but rather geopolitics was not supposed to interfere with the pursuit of

relatively short-term economic benefits. Moreover, it is hard to believe that the EU still deserved to be called a “normative power” because the prospect of economic gains was too attractive for most Member States to be serious about reminding Beijing to respect European values.

All indications are that China will emerge stronger from the COVID-19 pandemic, while the US and EU will be severely weakened. This should push Europe towards transatlantic cooperation. However, in geopolitical terms, the EU was increasingly distancing itself from the U.S., which it did in the name of the idea of a multipolar order and ambitions for strategic autonomy. Pragmatic calculations concerning economic exchange with China were also of significance here, which caused the EU to distance itself from the American competition with the PRC for the future of global geopolitical order.

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THE EUROPEAN UNION STRATEGY TOWARDS CHINA TO CEMENT A COMMON FOREIGN POLICY: AN ANALYSIS OF THEIR INTERACTIONS AND THEIR VOTING BEHAVIOURS AT THE UNITED NATIONS

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1. Introduction

China has made a strong change to its foreign policy since Xi Jinping became president of the People's Republic in 2012. In this chapter we will analyse the evolution of China's foreign policy and, above all, its relationship with the EU since Xi came to the top of power in 2012. In this respect context it will be analysed the economic relations between the EU and China since 2012, specially focusing on the instruments used to increase China's economic and commercial influence in the 27 and the EU foreign policy at the UN. Foreign policy decisions are taken unanimously, which, at times, means that China can influence them bilaterally thanks to the economic and political ties that it has forged in recent years with several EU countries and its neighbourhood area in the Balkans.

2. Evolution of Chinese foreign policy since 1950 to the arrival of Xi Jinping

If we analyse how China's external relations were before Xi came to power, in the 50's, the revolutionary ideology presided over foreign policy, with Mao Zedong in power, together with an anti-imperialist and anti-colonialist nationalism to re-establish a national pride buried by lost wars and foreign invasions.

The disagreements between China and the USSR, the rapprochement with the United States and the International Community with its entry into the United Nations in 1971 began to change the foreign policy of the Asian giant. At the end of the 70s, with Deng Xiaoping in the presidency, they bet on economic development to legitimize the political monopoly of the Chinese Communist Party (CCP).

In the 90's, the dissolution of the USSR and the repression of the Tiananmen protests gave rise to a campaign of "nationalist indoctrination" (Esteban, 2017). With Jian Zeming in power, this campaign will influence China's economic development subject to a peaceful international order, but with a firm attitude in the international crises that affect it. Beijing will begin to internationalize its economy with aid to the countries that suffered the Asian crisis of 1997 and with the entry of China into the World Trade Organization (WTO) in 2001. With Hu Jintao in the presidency in 2003, the Asian giant does not show neither hegemonic nor revisionist ambitions in the international system, but after the Great Recession of 2008, it began to enter Africa and Latin America.

The arrival of Xi Jinping to power in 2012 will turn around Chinese foreign policy, moving from the low profile initiated by Deng Xiaoping to greater leadership and prominence with his great power diplomacy, with more responsibilities within the framework of the United Nations, and an economic development similar to that of the great powers while defending their security and territorial integrity.

3. EU-China relations since 2012

From 2012 to the 19th Congress of the Chinese Communist Party in 2017, the EU's relationship with China has been naive, trusting that the Asian giant's transition would lead to democracy and the rule of law with respect and protection for the minorities. The 2013 EU Strategic Agenda with China focuses on peace, security, prosperity and sustainable development; targets that are reviewed at the annual EU-China summits. In this document, the EU reaffirms its respect for China's sovereignty and territorial integrity; and China reaffirms its support for European integration.

3.1. Initiative 16+1

However, already in 2012 and in the midst of the financial crisis, Beijing established a cooperation format towards Europe with the 16 + 1 Initiative (which includes 11 countries from Central and Eastern Europe and 5 from the

Balkans). Greece will join later on, in 2019. The objective was to improve the infrastructure and logistics connections (sea, air and land) in the area, so that China can use them as a bridge to enter the single market and as a transit corridor for the future *New Silk Road*. The format, now 17 + 1, follows an approach to regional cooperation with a new type of non-Western multilateralism based on consensus, inclusion, non-conditionality, voluntarism and bilaterality. As for the financing of the projects, it will be with loans from Chinese banks, such as the Chinese Development Bank (CDB) or the Export-Import Bank of China (Exim Bank), or with Chinese investment funds.

From the EU, this bilateral format is seen as a threat to the unity of the European project and to its influence in the countries of the East and the Balkans. They are countries with little economic weight that present a certain need for financing and limited access to it. As we will see, on the one hand, some countries in the East of the EU bloc have positioned themselves on the side of China in some international disputes between the EU and the Asian country. On the other hand, the European Union considers that, on occasions, China violates certain Community rules on investment and financing, such as, for example, some rules of procedures and bidding in public tenders where funds from Chinese institutions participate play a part.

3.2 New Silk Road (BRI)

China is emerging as the undisputed number one economic player and, increasingly, as a norm-setter. Xi Jinping opted for what he called the “Chinese Dream”, which encompasses the New Silk Road (BRI), and for the “National Rejuvenation”, in his first speech as head of the nation on 17th March 2013, to challenge American power on a global level. In late 2013, Chinese President Xi Jinping launched the so-called BRI. With this project, China addresses the most important international initiative in recent decades, to stimulate development and trade in more than 60 countries, covering more than half of the world's population and more than 50% of global GDP. It is an ambitious infrastructure construction program to connect China's less developed border regions with neighbouring countries and improve communication between Asia and Europe by land and sea. Xi's strategy also has a cultural, energy, industrial, and even military and security dimension. The BRI is one of the largest development plans in modern history, an ambitious geopolitical project that seeks to integrate Asia, Europe and Africa into an intercontinental transport network and market.

On land, the project is called the Silk Road Economic Belt and seeks to connect the peripheral provinces of China with Europe through Central Asia with a massive investment in roads, rail links, bridges, oil pipelines and commercial networks, as well as to enhance the sociocultural and interpersonal ties. Through the sea, it seeks to connect the Southeast area of the Asian region with the Southern provinces of China through ports and railways. In addition, it seeks to link Chinese ports with Europe through the South China Sea, the southern part of the Pacific and the Indian Ocean.

In order to finance projects that could reach 900.000 million dollars, the Silk Road Fund (SRF), the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NBD) were created. *“Other multilateral banks will also play a prominent role, especially the Asian Development Bank and the World Bank. Large national banks, such as the Bank of China, and regional ones, such as the Bank of Shanghai, participate in a majority in the financing of related projects, reaching 50% of loans and investments in associated capital”* (García Cuesta, 2018, p. 3).

BRI's goal is to improve trade routes to better sell Chinese products, generate an outlet for excess capacity in its heavy industry, and improve the supply of energy and raw materials. This encompasses with an economy that evolves with its Made in China 2025 strategy towards technology and innovation.

The launch of this Initiative was one more step in the leadership of China's foreign policy of Xi Jinping. China is a nation in rapid transition, which has gone from being an isolated country with a centrally planned economy to an open country with a market economy, integrated into the world's economy, which has developed a series of instruments to become an alternative model that attempts to change the post-war international order.

Through the BRI and its maritime and land corridors, China intends to consolidate its relations with Europe, with the EU being the first trading partner of China, and Beijing the second trading partner of Brussels behind the United States. While the “Eurasian land bridge” tries to connect with Europe through Central Asia and Eastern Europe and reduce the duration of the journey, the sea route tries to facilitate trade between China and Europe.

Chinese investment in the EU raises suspicions in Europe, when it is directed to strategic sectors, due to the effects it may have on national security or on respect for EU norms and International Law. As of mid-2018, Chinese companies had acquired around 360 European companies, owning at least thirteen soccer teams, four airports and wind farms in at least nine countries

and six seaports. These investments are feared by some European leaders, such as Germany or France, who advocate promoting a common strategy that helps to select which investments to allow and which not. Other countries such as Greece or Cyprus consider that such measures would hamper their ability to attract the capital and foreign investment they need (Tartar et al., 2018). The EU is concerned about the New Silk Road and sees it as a strategy for China to consolidate its world power and divide a weak European foreign policy, more than a vehicle to foster economic cooperation (Financial Times, 2019).

Chinese foreign direct investment (FDI) is directed to key sectors such as energy, telecommunications, high technology or transport infrastructure. Within the BRI, the signing of Italy (the first G-7 country to do so) in March 2019 of a *Memorandum of Understanding* sounded all the alarms for the EU. These 29 agreements gather an estimated value of 2.500 million euros with the aim of increasing cooperation between the two countries in sectors as important as tourism, energy or infrastructure. It is not an isolated case: Chinese companies have invested in the port of Piraeus in Greece, Rotterdam, Valencia, Bilbao or the Frankfurt-Hanh airport where they own 82.5% of it (Steer Davies Gleave, 2018); in the energy sector, they have participated corporations such as EDP in Portugal, CDP Reti in Italy; in new technologies they have invested in three major Swedish semiconductor companies; and, in 2017, *Imagination*, a British chipmaker, was acquired by a company owned by a state-controlled Chinese investment group (Braw, 2020); and even in the neighbourhood of the Western Balkans where Montenegro in 2014 signed an agreement with the Exim Bank of China to finance 85% of a highway with a loan worth almost a billion dollars, an excessively high amount for the economy of the country. The Balkan state has asked the EU for help to pay the debt and not have to cede to Beijing in case of default. China has financed infrastructure and energy projects in other Balkan countries as well and has launched its vaccine diplomacy campaign with the donation of 30.000 doses of *Sinopharm* to Montenegro and the sale of several millions to Serbia.

In the area of the New Silk Road, cooperation instruments are negotiated bilaterally, which can weaken the unity of the EU. Another element that worries Brussels has to do with respect for human rights, the rule of law and democracy, which are guiding principles of the external action of the European Union. Regarding this, China does not request conditionality in these three aspects from the countries receiving its investment, which may lead to a reaffirmation of governments leaning to authoritarian practices in developing countries that participate in the BRI (Ghiassy, 2018), for example, in the Western Balkan area.

In addition to the economic sphere, there are other fields where China and the EU could also collaborate. For example, they could find a way out of the Ukrainian crisis, drug and arms trafficking in Afghanistan or piracy in Somalia as well as coordinate in the fight against climate change (Wang & Picciau, 2018). Nonetheless these areas remain as minor compared to other China's strategic interest and the EU has not managed to push a further collaboration on them.

3.3 Made in China 2025

In addition to BRI, the Chinese government launched the *Made in China 2025* plan in 2015 with the aim of turning the country into a global manufacturing power by developing its industrial fabric, thus improving its competitiveness in international markets and reducing its dependence on foreign technology. It was a strategy with which the Chinese government proposed to promote and restructure its industry, so that it goes from an era of quantity to a new era of quality and efficiency in production. With this plan, China sought to be a leader in technology on an international scale, ahead of powers such as Germany, the United States or Japan. Its development is planned in three phases: 1) reducing the differences with western technological powers by 2025; 2) strengthening its position by 2035; 3) and obtaining a leadership position by 2045 (Gómez, 2016).

In this strategy, the central government establishes the priorities, which are followed by public and private companies when investing and even when attracting and establishing alliances with foreign companies as partners to enter the Chinese market, in order to have access to their technological know-how (Wübbecke et al., 2016). The purchase in 2016 of the German robotics company *Kuka* by the Chinese appliance manufacturer *Midea* is a clear example of the strategy of the Asian giant. Thus, the Chinese company achieved control of one of the key companies in the digitization of processes under the German strategy "Industrie 4.0" (Chazan, 2016). In this way, China acquires the technological knowledge of the most advanced countries and ensures that its industrial base acquires quality.

3.4 Turning point in 2017 and European reaction in 2019

The holding of the 19th Congress of the Chinese Communist Party in 2017 was a turning point for the EU's relationship with China. On a political level, Xi Jinping's 2017 speech of the "Chinese Dream" and the "rejuvenation of

China” discards the western model of political organization. Xi’s “Chinese Dream” wants to lead the nation towards a wealthy society in 2021, the centenary of the CCP, and towards a rich and strong socialist country in 2049, 100 years after the founding of the People’s Republic (Sorensen, 2015). On the economic and commercial level, China’s sustained growth over time (ranging from 9.5% in 2011 to 6.7% in 2017) and its positioning as the first exporter and second importer in the EU, shows a European dependence on Beijing (García Coso, 2020) and allows us to venture that Xi’s goal of surpassing the US and the EU in 2049 is closer than ever.

According to Esteban (2017), in that speech, Xi Jinping “*reaffirms China’s commitment to free trade and defending the interests of foreign investors, praises its leadership in international cooperation against climate change, and criticizes countries that impose self-isolation*”. Xi also advocates alternative values such as a relativistic conception of human rights and a “Westphalian” view of sovereignty.

Faced with this presentation of China as an alternative model at an economic and political level, the EU reacts in 2019 with a new strategy, which includes ten specific actions in which the naivety of the 2013 Strategic Agenda model is dispensed with and removes references to the transition to democracy and the rule of law. Brussels considers that China is a partner with which it maintains strategic ties, but also identifies it as a “systemic rival” that promotes alternative models of governance and an economic competitor in the search for technological leadership. As the Financial Times (2019) criticizes, the strong economic and trade relations of the EU with Beijing cannot hide “China’s distancing from the rule of law, freedom of expression, political pluralism, transparency and fair competition”, the values which are basic for Europe. The problem of the EU with China is that economic ties with the Asian giant are essential, but its values and behaviours destroy the rules of the international order of which the EU is one of its fundamental pillars.

European Commission (2016) will call again for greater “*reciprocity, level playing field and fair competition in all areas of cooperation*”. In order to better protect its strategic assets, in March 2019, the EU introduced a new framework for the control of Foreign Direct Investment (FDI). The regulation for the control of FDI in the EU is an example of restrictions to foreign investment for reasons of security and public order, on certain strategic sectors. This legal framework allows EU Member States to defend themselves against threats from third countries and allow them to address cases where the acquisition or control of a certain company, infrastructure or technology would create a risk

to security or public order in the EU, including a risk for critical health infrastructures or the supply of critical inputs.

The COVID-19 crisis has reduced the number of purchases because as Chinese companies are under liquidity pressure, given the slowdown in the national economy, and the Beijing government is unlikely to loosen capital controls in the short term. Furthermore, Europe's response to the crisis has been swift, including the ECB's € 750 billion asset purchase program and specific measures by national governments to support national companies. Compared to 2008-2009, European companies are in a better position to weather a temporary recession and a liquidity crisis without having to face an outside investor. In addition, the European Commission has put in place instruments to ensure that Member States protect critical European assets and technology during the coronavirus crisis.

3.5. The EU-China Comprehensive Investment Agreement

In 2019, the EU became China's largest trading partner with a bilateral trade volume that reached 559.6 billion euros (Dong, 2020). The EU seeks a more reciprocal and less naive bilateral relationship with China. During the first wave of the pandemic, Brussels prevented Beijing from entering critical sectors and, as we have said, approved a regulation to defend itself against the distortions caused by subsidies to foreign companies in the single market (Molina & Benedicto, 2021).

In order to rebalance the economic relationship and achieve reciprocity, Brussels closed, after seven years of negotiations, the EU-China Comprehensive Investment Agreement (CAI) to address the current asymmetries in market access and achieve competitive conditions equitable. European companies wishing to access the Chinese market no longer need a partner from the Asian giant, nor do they have the obligation to transfer their technology to China. Beijing, for its part, is committed to implementing the Paris Climate Agreement and ratifying the ILO conventions on child and forced labour (European Commission, 2021). The agreement will ensure an unprecedented level of access for EU investors to the Chinese market, allowing EU companies to buy or establish new companies in key sectors, helping to level the playing field for European companies in China, and compromise Beijing to rules on state-owned enterprises and transparency in subsidies (Dong, 2020).

The CAI negotiations were closed at the end of the German presidency of the EU, not in vain Germany is one of the few EU states to have a trade surplus of goods with China: 44% of the EU exports to China comes from Germany, almost as much as the next nine countries combined. German companies produce in China or export goods and services for domestic consumers, making Germany one of the largest investors in the Asian country (CIPAGG, FDI Center, 2020). Since China's entry into the WTO in 2001, EU exports to China have grown by between 10% (goods) and 15% (services) annually, but China's exports to the EU have grown even faster, China being the largest source of imports for the EU and its second most important export market.

The agreement must be ratified by MEPs, a process that may not start until the second half of 2021. For the European Parliament (2020b, p. 3) *“respect for human rights is a prerequisite for entering into trade and investment relations with the EU and urges China to comply with international obligations and commit to respecting human rights”*. And in several resolutions, it has already expressed its concerns about the human rights violations by China in forced labour camps for Uighurs in Xinjiang, as denounced by the UN, or about the repression in Hong Kong (European Parliament, 2020a).

4. EU-China relations at the United Nations level

We have analysed the evolution of the EU strategy towards China, from their naiveté to a more realistic stand. However, EU-China relations are carried over multiple fields and it is necessary to check if there is a factual clash between both countries that could be measured in a certain way so that we can rely not only on an analysis of mutual perceptions but also on actual facts as we have already pointed out when dealing with sanctions. Thus, in the next section we will analyse the voting dynamics of both powers at the United Nations. That way we can measure how far are both players and in which dimensions.

4. 1. EU voting dynamics at the United Nations level

Before getting into a comparison between EU and China, it is first necessary to ascertain the voting patterns of EU Member States among themselves. As we have remarked previously, the Chinese strategy has been to divide the EU Member States taking advantage that the foreign policy is a non communitarized policy, what is to say, unanimity is needed. Thus, we will first take a look at the degree of agreement among EU countries when voting at the

United Nations. To do so, we have codified the voting patterns of EU countries following Voeten (2013) and Bailey, Strezhnev and Voeten (2020) databases, noting to what extent they have voted along the same lines. In the next table you can observe the results. We indicate, on the one hand, the degree of agreement measured as the total percentage of EU Member States voting the same and, on the other, the number of instances that this happens.

Table 1. Agreement among EU countries in UN resolutions (2014-2019)

Degree of agreement	Number of voting	%
Total agreement (100%)	335	60.7%
Minor disagreement (90-99%)	102	18.5%
Slight disagreement (75-90%)	67	12.1%
Disagreement (74-60%)	25	4.5%
Major disagreement (less than 60%)	23	4.2%
Total	552	

Source: Prepared by the authors based on Voeten (2013) and Bailey, Strezhnev and Voeten (2020).

We can observe that unanimity has been achieved 60.7% of the time when EU Member States had to vote a resolution at the United Nations being the most common result. This is followed by minor disagreements happening 18.5% of the resolutions voting, which means that in those occasions at least one of the Member States did not vote exactly the same as the rest of Member States. Generally, in those cases it results in an abstention of one or more Member States. On the opposite side, that is, when the voting is divided, this instance happens 2.8% of the time. In those occasions, Member States split up in two and even three blocks.

The second thing to take into account is in which issues EU Member States disagree the most. To study that issue we have followed Voeten (2013) classification of UN resolutions in different categories: Palestinian conflict,

nuclear weapons, arms control, human rights, colonialism and economic development. It might happen that a resolution deals with more than one issue. In those cases, resolutions have been counted twice, each according to their type. Thus, in the following table we offer percentages by issue so that we can compare results.

Table 2. Agreement among EU countries in UN resolutions by issue (2014-2019)

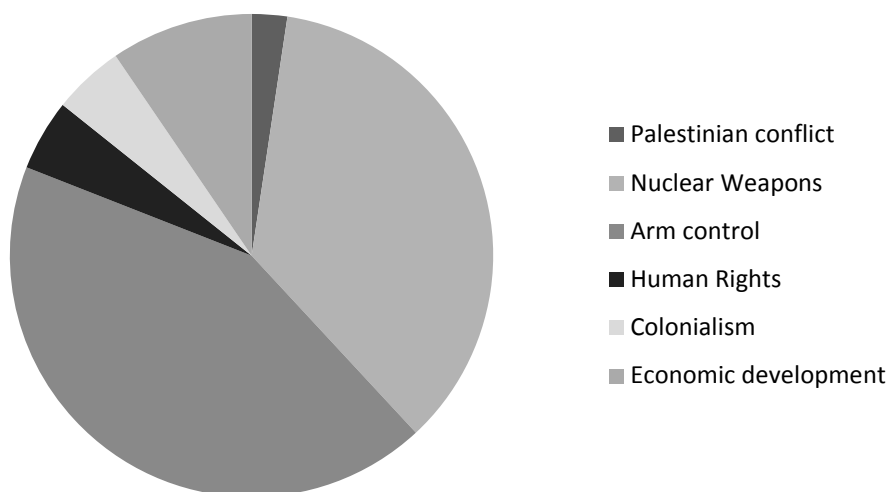
Degree of agreement	Palestinian conflict	Nuclear weapons	Arm control	Human rights	Colonialism	Economic development
Total agreement	79.6%	32.4%	49.0%	76.8%	49.1%	60.1%
Minor disagreement	15.1%	17.7%	21.0%	14.0%	36.5%	27.6%
Slight disagreement	4.3%	32.4%	18.7%	8.3%	14.3%	9.6%
Disagreement (74-60%)	0.0%	16.7%	10.9%	0.8%	0.0%	2.4%
Major disagreement (less than 60%)	1.1%	0.7%	0.5%	0.1%	0.2%	0.2%

Source: Prepared by the authors based on Voeten (2013) and Bailey, Strezhnev and Voeten (2020).

According to our results, we can affirm that the Palestinian conflict and the human rights are the two issues that gather the most unanimous position of EU Member States in foreign policy. More than 75% of the voting all EU Member States vote on the same lines. Linked to the occasions in which there are minor disagreements we can observe that in those two fields most of EU Member States vote the same on the issues of the Palestinian conflict and human rights more than 90% of the time. Thus, especially the human rights constitute the bulk of the European consensus on foreign policy and it should be noted that, as such, it is not hazard that they are the core of the EU strategy. The naiveté of previous strategies has neglected that, but, as we will see in the next section, this is a major field of friction with China.

On the other hand, it is important to check the issues in which there are major disagreements among Member States. We have prepared the following figure to show the issues that are more controversial among Member States. We present the resolutions voting in which there is a disagreement (74-60% of Member States voting the same) or a major disagreement (less than 60% of Member States voting the same).

Figure 1. Controversial issues among EU countries in UN resolutions (2014-2019)



Source: Prepared by the authors based on Voeten (2013) and Bailey, Strezhnev and Voeten (2020).

Nuclear weapons (42.8%) and arms control resolutions (35.7%) are the two salient issues in terms of controversy among Member States. Altogether they constitute 78.5% of the cases. Very far we find economic development (9.5%), colonialism (4.8%), human rights (4.8%) and the Palestinian conflict (2.4%). In order to illustrate this finding, we include the following list with the 23 most contentious resolutions among Member States. That way we can see the voting patterns in a more direct way.

Table 3. List of more contentious UN resolutions among EU countries (2014-2019)

unres	year	Yes	No	Abs
A/RES/71/46	2016	25%	36%	39%
R/70/47	2015	21%	43%	36%
A/RES/72/30	2017	25%	32%	43%
R/73/47	2018	25%	32%	43%
A/RES/74/42	2019	25%	32%	43%
A/RES/71/70	2016	46%	7%	46%
R/73/38	2018	46%	7%	46%
R/69/57	2014	48%	7%	44%
A/RES/72/74	2017	50%	0%	0%
A/RES/74/75	2019	50%	0%	50%
A/RES/74/12	2019	7%	43%	50%
R/72/39	2017	40%	52%	7%
A/RES/71/83	2016	54%	0%	46%
A/RES/72/67	2017	54%	0%	46%
R/73/83	2018	54%	0%	46%
R/73/166	2018	18%	29%	54%
R/72/38	2017	55%	41%	4%
R/69/41	2014	56%	7%	33%
R/69/58	2014	15%	56%	30%
R/69/181	2014	39%	4%	57%
R/70/33	2015	14%	29%	57%
R/73/257	2018	57%	0%	43%
R/73/57	2018	14%	57%	29%

Source: Prepared by the authors based on Voeten (2013) and Bailey, Strezhnev and Voeten (2020).

From the previous lists we can highlight resolutions RES/71/46, R/70/47, A/RES/72/30, R/73/47, A/RES/74/42, all of them addressing the topic of humanitarian consequences of nuclear weapons. Another clear example of disagreement comes with resolutions A/RES/71/70 and R/73/38 about the effects of the use of armaments and ammunitions containing depleted uranium. All those resolutions saw the splitting of EU countries in three blocks, opting to vote for, against or abstaining. In the case of disagreement of the issue of human rights the cases that we have are R/73/166 and R/69/181, both referring to the right to development, which pretend to carry on the human rights beyond their traditional fundamental rights approach to the field of economic rights.

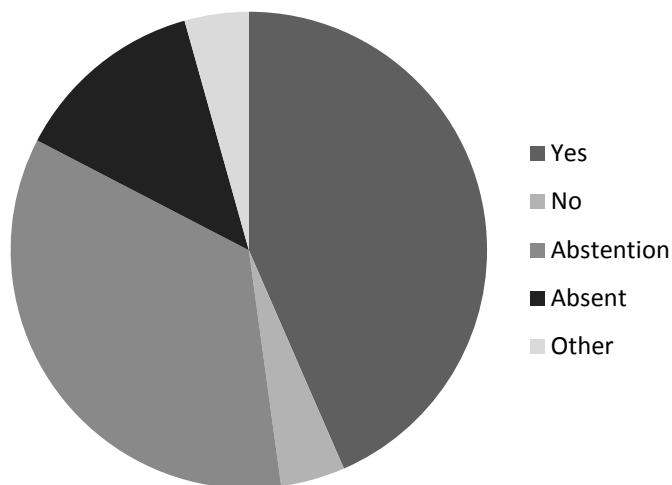
4.2. EU-China interaction while voting United Nations resolutions

Once we have settled that the EU foreign policy traditionally has had a consensus on human rights, it makes it clearer why it has been a priority and a salient issue for the European Commission. This foreign policy issue is the one that gathers more Member States in a unanimous view. On the other hand, we have seen that China has stated to push on EU countries in order to jeopardize this approach. In this section we are going to see if those patterns are visible anyhow on EU resolutions voting. To do so we will observe EU Member States patterns of voting and we will compare them with China's actual voting.

First, we will analyse China's position on issues with major disagreements among EU Member States. In order to do so we will select the subset of resolutions with higher levels of EU disagreement and check what was the stand of China on those voting. The next figure offers an overview of this.

As we can observe, the resolutions in which the EU had not come close to any form of agreement among their Member States do not portray a clear position of China on those issues. That way, we can see that in around half of them it was either absent or it did abstain. Regarding the issues of arm control or nuclear weapons China has either voted in favour or abstained, without showing a clear pattern that might lead to think that it has played any role.

Figure 2. China's position on resolutions without EU agreement (2014-2019)

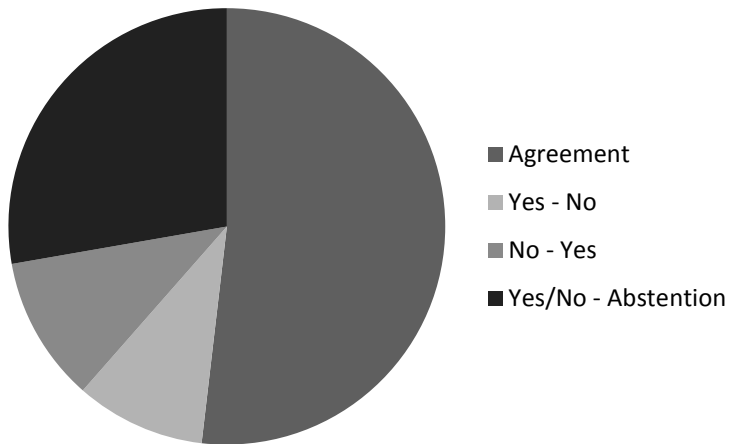


Source: Prepared by the authors based on Voeten (2013) and Bailey, Strezhnev and Voeten (2020).

On the other hand, from now on, we turn to analyse issues where there is unanimity among EU Member States. When we do so, the picture changes. We still have to note that China and the EU vote the same in almost half of the votes, thus showing that their foreign policies are not antagonistic. In the following figure we can see this picture more clearly.

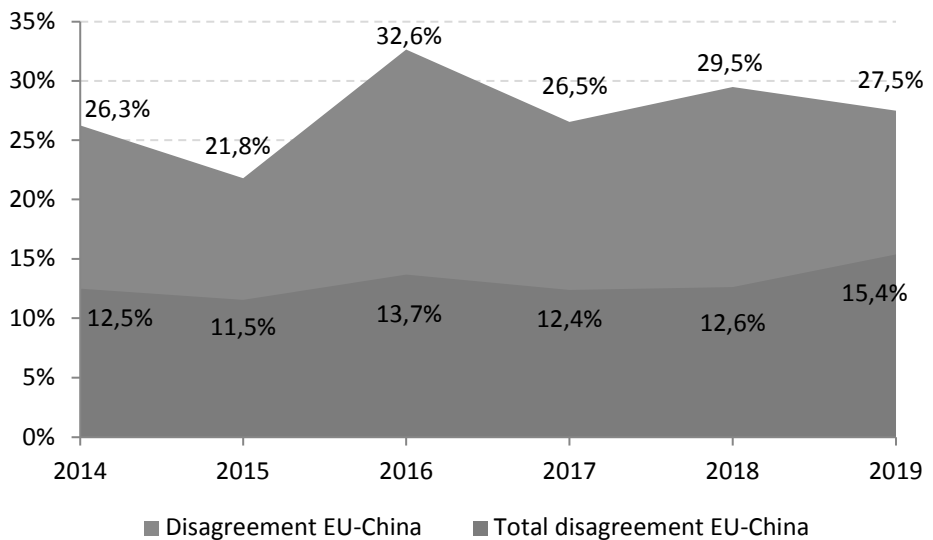
As we can observe, it is interesting that not only agreement is the most common situation but also that, in other circumstances of disagreement, either China or EU Member States abstain from their counterpart yes or no position. This means that in almost three quarters of the voting there is no frontal opposition between the EU and China. This relationship can be observed through time in the following figure. Here we present from 2014 until 2019 where there is a disagreement between the EU common position and the Chinese position. We present two categories: disagreement, which means that one of the blocks voted in favour or against the resolution and the other did abstain, and frontal disagreement, which means that one block voted in favour and the other voted against the resolution.

Figure 3. China's position on resolutions with EU agreement by type (2014-2019)



Source: Prepared by the authors based on Voeten (2013) and Bailey, Strezhnev and Voeten (2020).

Figure 4. Level of disagreement between EU common position and China over time (2014-2019)



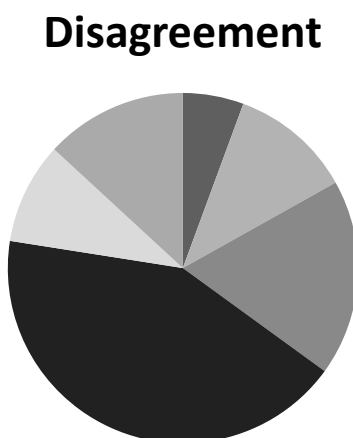
Source: Prepared by the authors based on Voeten (2013) and Bailey, Strezhnev and Voeten (2020).

Over time we can observe a slight tendency towards an increase of the level of disagreement between the EU and China, which corresponds with what we have already pointed out according to mutual perceptions and public manifestations. This might be a punctual disagreement and only time can set if there is a tendency on the future. Anyway, to ascertain the issues in which it happens we still need to deepen our analysis into the specific clashes among the EU and China, which we will be dealing with in the next section.

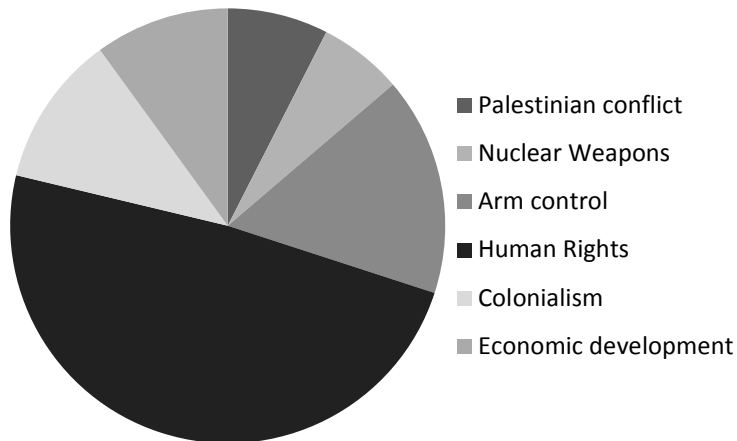
4.3. EU-China clash on human rights

The EU foreign policy has been said to be driven, at least partially, by the importance of the defence of the human rights (King, 1999; Kreutz, 2015). On the other hand, China has shifted its policy from a more defensive stand into a more proactive one. This new strategy has been settled in two steps that seek to “1) block criticism of its domestic human rights violations, and 2) promote key Chinese interpretations of principles of sovereignty and human rights internationally” (Picone, 2018, p. 5). This mutually excluding strategies do collide and we can see it empirically through their voting patterns at UN resolutions. If we compare issues where there is a common position of the EU with the votes casted at the UN by China, we can observe clear differences. In the following figures we can observe a comparison between situation of disagreement (yes/no and abstention) and major disagreements (yes to no vote). We have divided those votes taking into account the type of issue that was discussed.

Figure 5. Level of disagreement between EU common position and China depending on the issue (2014-2019)



Total disagreement



Source: Prepared by the authors based on Voeten (2013) and Bailey, Strezhnev and Voeten (2020).

The diversity of voting patterns is quite clear. China and the EU countries differ first and foremost on the issues concerning human rights and that can be seen quite clearly taking a look at the United Nations voting on resolutions. On the overall, of all resolutions where there is a unanimous EU position and a disagreement between the vote of China and the EU, 43% of the times it is related with human rights and, when we take a look only at frontal disagreements this figure rises up to 49%.

During years, the naïf EU strategy has overlooked this problematic that has always been present, having a very timid stand on the topic. However, China's strategy to undermine human rights has not been left unattended. Human rights are the issue in which the EU has the most prominent standing to carry on a single voice strategy. Indeed, it can be affirmed that it is the milestone to build a common foreign policy as we have seen that human rights are the one that gather Member States foreign policies most of the time. Thus, this is an issue to be taken as a priority and it seems that lately the EU is acting accordingly.

On March 22nd, 2021, the EU approved the first sanctions (Council of the EU, 2021) against China since the Tiananmen crisis. They are targeting senior officials and a body for human rights violations against the Uyghur minority in Xinjiang. Retaliation by Beijing was immediate with measures

against 5 MEPs who are prohibited from entering or negotiating with China. These actions jeopardize the ratification of the CAI by the European Parliament.

The sanctions by the EU Foreign Council represent an advance with respect to what happened in recent years on China and human rights, where the unanimous action of the EU Member States was almost impossible because Beijing's economic relations with some European countries prevented it. This was the case in March 2017 when Hungary refused to sign a joint EU letter denouncing the torture of lawyers detained in China or in June 2017 when Greece blocked an EU statement at the UN human rights Council that it criticized China's human rights record, marking the first time that the EU had not made a joint statement at the main UN human rights body.

In July 2016, Hungary and Greece, the main beneficiaries of Chinese financing and investment in recent years, avoided supporting in an EU statement the ruling of the Hague Court that annulled Beijing's claims in the South China Sea. Previously, China made efforts to discredit the court and to bolster its international support. After the G7 meeting held in Japan in May 2016, Xi Jinping went on a European tour in which he tried to “neutralize” the European response and visited Poland, Croatia and Greece, with whom he discussed the issue. While Japan or the United States urged China to comply with the Court's decision, the European Union, three days after the ruling was issued and after intense negotiations, issued a statement in which it simply “acknowledged” the court's decision, but he did not support her or give her approval.

5. Concluding remarks

China has seen its political influence grow in the EU thanks to its trade and investment relations and its ability to negotiate bilaterally with Member States. However, since 2019 the EU's strategy towards China has changed and it is more assertive. We cannot rule out that the investment agreement with China could be suspended, if Beijing does not change or accept the sanctions for human rights violations (Council of the EU, 2020). Nor should we forget that the current European Commission has equipped itself with new instruments to punish external actors who do not respect human rights and, internally, so that European governments respect the rule of law by binding respect for it to the granting of structural funds.

We have seen that there is not a frontal confrontation yet between the EU and China, but it is necessary to highlight that both actors have different agendas, which frontally clash in the sphere of human rights. The EU consensus on foreign policy has been precisely built around the consensus among members states on human rights. It would be a capital mistake to forget it. In that regard it seems that the new 2019 strategy has set new sails for the different winds that are coming from Beijing.

China has started to interfere in the EU positions on human rights through some of their Member States, as Hungary and Greece. Human rights being at the very core of its foreign policy, this is a serious threat to the future of any EU foreign policy. EU common positions, traditionally human rights oriented, might be challenged if the new strategy is not carried on effectively to stop this new assault from China, especially in a context of economic crisis where the Asiatic giant can seduce many small European economies. Thus, the EU has more than ever to think carefully both its internal and external strategies towards its Member States to keep together the EU project. The first steps taken in 2021 seem to walk on that way, but that is a route still to be completed.

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THE EUROPEAN DEFENCE COMMUNITY: A PROJECT FOR THE XXI CENTURY

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1. Introduction

This chapter raises the possibility of returning to the origins of the integrating process of Europe, with the main objective of analysing the federalist spirit that underlay the formation of the European Defence Community (EDC), starting from unpublished primary sources, to reconstruct the process of its configuration and understand the circumstances that influenced the articulation of the proposal, by the French government, and the role that Jean Monnet himself would assume in the initial promotion of the Community. The research, therefore, outlines the articulation of the EDC from a first-level historical documentation, based eminently on primary sources, not so much on general bibliography that has already been written on the subject.

The justification was clear; Defence developments in the European Union have been progressing very slow in recent years and evidence had to be found to confirm or deny the federalizing desire of the European political elite, to articulate a united Defence over the fifties, immediately after World War II, so that the necessary requirements to reactivate that process today could be known.

Carrying out the research has required the formulation of different hypotheses. On the one hand, it was based on the fact that the European Defence Community was done thanks to an international conflict, such as the Korean War, in addition to a special interest among political elites to achieve greater integration among European states, after the successful experience of the European Coal and Steel Community. We understand that European federalism was present in a generation of leaders willing to give important fields of sovereignty, with the ultimate aim of uniting Europe, but that did not manage to achieve the full ratification of the Treaty by the lack of a common threat, as the Korean conflict was ending and the demobilization

of the political forces, especially in France, in favour of the complete cession of sovereignty in the field of Defence, was expanding.

The methodology chosen has been historical, using chronology as the main tool to present in an orderly manner the events and circumstances that contributed to the materialization of the Treaty and its subsequent ratification. In addition, a qualitative approach, based on documentation sources are used, mostly primary, from the digital archive of the University of Luxembourg.

2. The context prior to the creation of the European Defence Community: The Korean War

The starting point of the European Defence Community can be traced to the words of Jean Monnet, written in the declaration of May 9, 1950, in which the beginning of a new project of supranational integration with a federalizing spirit was expressed. It contemplated the willingness to integrate numerous areas and lay the foundations of the European federation based on “concrete achievements” in different sectors. The speech delivered by Robert Schuman during the inauguration of the High Authority of the European Coal and Steel Community is confirmed, when they took place, after two years of hard and laborious negotiations, and that “constitute our Magna Carta”, to the establishment of relationships that transform the reality in which the European states lived until then and that, for centuries, their very nature had called them to conflict with each other. This trend would be reversed thanks to a new dynamic: the integration of Europe.

Europe was facing the Soviet threat due to the enormous military power that the USSR had and that dominated the countries of Eastern Europe, behind the Iron Curtain that Churchill had described in a conference at Westminster College in Fulton (Missouri) in United States, in 1946. The climate to forge a mutual Defence between the European States had elements that would make it possible: a common enemy (communism) and a fundamental economic ally, the United States. However, a military action was lacking to promote this possibility which, in May 1950, seemed impracticable after the Schuman Declaration was made public. But with the outbreak of the Korean conflict, the European states understood that they could suffer the same fate in the face of communism, if they did not start a military development, articulating a common Defence and thus achieving the foundation of federalism in Europe.

The Korean War was born as a result of this complex international situation. At the end of the Second World War, with the defeat of the Japanese Army, the overwhelming superiority of the United States would be observed with the use of two nuclear bombs on Hiroshima and Nagasaki, assuming the immediate withdrawal of Japan from the Korean territories. The Cairo declaration of November 27, 1943, in a meeting held between the United States, the United Kingdom, and China had reached the conclusion that, once the warfare ended, it would be necessary to free the Korean Peninsula from oppression of Japanese harassment and the articulation of an independent state was promised.

However, the desideratum could not be fulfilled immediately after the war, because part of the Peninsula, the northernmost area, would remain under the Soviet control and the southern part, under the American influence. In the territory a border was drawn on the basis of the 38° north parallel and it was in 1950 when, during the first months of that year, incidents and military clashes took place on the border, which led to the invasion on June 25, by part of the North Korean Army, from the territory of South Korea (Cumings, 2010).

The United Nations troops were able to be on the ground in September 1950 and quickly managed to expel the North Koreans from the capital, Seoul, in a very short time, being pushed back to the 38th parallel north and conquering the North Korean capital of Pyongyang. The Western counteroffensive had immediate consequences on the part of the People's Republic of China, which began its intervention in the war in support of North Korea to stop the capitalist expansionism in the Peninsula that supposed a rupture of the existing equilibrium (Van Tonder, 2020). After more than three and a half million deaths, on July 27, 1953, the Panmunjom Armistice between the two Koreas was sealed and a scene of tension before the war was returned, with repercussions that even affected the thousands of Chinese nationalists who refused to return to their country due to the repression that was being exercised against the nationalists and sought at all costs a way out to Taiwan.

3. René Pleven's Proposal for a European Defence Community

Following these events, a very interesting debate would begin within Europe, to assess the possible integration in the field of Defence. In July 1950, the former Defence Minister René Pleven assumed the Presidency of France, forming a government and heeded the call that Churchill made on August 11, 1950, who proposed the creation of a unified European army. From the Parliamentary Assembly of the Council of Europe, Churchill would propose,

in the face of the recent communist attack by North Korea on South Korea, that Europeans be willing to strengthen their Defence because the threat of communism could sooner or later devour Europe.

Churchill would present a motion on the creation of a European army and the text would be adopted by Recommendation 52 (1950). In the words of Paul Henry Spaak: "*This ... was the most important decision taken so far by the Consultative Assembly. It reflected the state of unrest that reigned in Europe*" (Spaak, 1971, p. 217). On August 29, 1950, Adenauer requested in a memorandum to the three powers the reinforcement of the allied troops and the creation of a European army with German participation. This request, at that time, caused enormous concern, since listening to Germany wish for its rearmament, put the different European states on guard, especially France, which was particularly reluctant to provide its enemy in the last war with new arsenals, that could detonate a new warlike conflagration in Europe.

However, the Americans were very clear about it. The US Secretary of State, Dean Acheson, declared in September 1950 that the United States aspired to see Germans in uniform in the fall of 1951. The preparatory phase of their rearmament was supposed to start at a time when "*the USSR is currently a gigantic arsenal, it is certainly the nation that forges the most numerous and often the best weapons; that too, has by far the numerical superiority of the workforce*" (Rigassi, 1950, p. 1).

It was then that the Americans would urge France to be the state that would take the initiative and lead, before the next meeting of the Atlantic Alliance scheduled for October 28, 1950, a new configuration of German rearmament, bearing in mind that it is about an opportunity to integrate the Germans in a context of Western cooperation and avoid making the same mistakes that had occurred after the signing of the Treaty of Versailles that ended World War I.

In a Memorandum kept in the archives of the Jean Monnet Foundation, sent on September 18, 1950 to the President of the Council of Ministers, René Pleven, are analysed the conditions for acceptance by France of German rearmament in a European framework. Under the influence of Jean Monnet (Pérez-Bustamante, 2008), René Pleven himself, as French Prime Minister, and leader of the Democratic and Socialist Union of the Resistance, as a social-democratic, liberal and anti-communist party founded; submitted to the debate of the French National Assembly on October 24th, 1950 a plan that advocated the articulation of a European Army, as a necessary piece to consolidate the Defence of Europe, one year after the North Atlantic Treaty was signed (*Déclaration du Gouverneur français René Pleven...*, 1950, p. 7118-7119).

In his speech before the National Assembly, Pleven will highlight that France is going to be one of the countries that receives “*a substantial supply of materials together with an appreciable financial aid to carry out its rearmament program. To be successful with this program, France and all other nations will have to make great sacrifices, extend the length of military service and allocate more funds to Defence*”. The method that the President was going to propose for military integration was the same federalizing roadmap that proved successful for the CECA, in which a whole series of “*supranational institutions: a High Authority, a Council of Ministers, a Common Assembly and a Court of Justice, the key political foundations of a European Community (...) Europe will be created, firstly, by the accession or association of new States to these institutions and, secondly, by the creation fast, step-by-step, of analogous institutions in a growing number of sectors of European activity, such as transport, agricultural production, price, supervision, distribution of raw materials and energy and compensation of social costs, all areas in which the unification process would offer clear economic and social benefits*”.

The factors that encouraged the French Government to propose a collective integration of security in Europe, as a continent of Peace, was going to be successful at the beginning due to the combination of different factors: world events, the support of the North Americans and the desire to once again become an international power. Therefore, French government resolved to use the same methods and in the same spirit of the Schuman Plan. It will be Pleven himself who defended “*the creation, for the purposes of common Defence, of a European army linked to the politics and institutions of a united Europe*”.

His suggestion of a European Army transfers the need to combine, on the one hand, battalions from several European countries, including Germany, while, on the other hand, a European Minister of Defence is approved, endowed with a common budget, although directed by the supreme command of the North Atlantic Treaty Organization (NATO). With this proposal, Pleven would underline that France is taking “*the initiative and presents a constructive proposal to build a united Europe. This Europe must not forget the lessons of two world wars and, at a time when its forces are being rebuilt, must ensure that they are never used for anything other than the Defence of international peace and security*”.

On October 30, 1950, Albert Wehrer, Ambassador of Luxembourg in Bonn, sent a report to Joseph Bech, Minister of Foreign Affairs of Luxembourg, in which he reported on a discussion he had with Jean Monnet on the question of German rearmament and the Pleven Plan. In his letter he acknowledges that

Jean Monnet was the architect for the most part of the Plan and that together with the Schuman Plan “*they seem to dream of a new European force, with a new entity, the European Union, from which Great Britain would be excluded or at the same time less to which it would not belong organically*” (National Archives of Luxembourg AE 11346, 1950). A singular and transcendental ambition in which it is also singularly concerned that the debate on the rearmament of Germany takes place “*in a special political environment, in the context of the current Russian-American tension*”.

In the meeting held by the NATO Defence Council, in those final days of October 1950, the vision that France had of the project of building a European Defence was confronted, blocking any other advance in favour of German rearmament that was not following the one that dictated their own interests. They were inflexible, in that sense, without discarding their request for North American support, supplying weapons and material, to maintain the war that had broken out in Indochina and that was pursuing decolonization.

It can be understood that on November 8, 1950, there was clear support in the Bundestag in favour of the Pleven plan, provided that it was implemented under certain conditions and very specifically if it was assumed that the German Federal Republic held the same duties and rights the rest of the States. Heinrich von Brentano himself, president of the parliamentary group of the Christian Democratic Party of Germany (CDU), would emphasize in his speech on the German Contribution to the Defence of Europe and regarding the Pleven Plan that the will of his group is “*contributing to the creation of a European army as part of an integrated Europe. We want to be prepared, within such a European Community, to submit to the same obligations and duties as others, and we want to be prepared for this, not in the sense and on the path of remilitarization, but in the sense of appealing to the German people to defend their freedom and collaborate in such a common army*” (Brentano, 1965, p. 69-86).

4. The negotiations of the European Defence Community

Negotiations regarding the configuration of a European Defence Community would not begin until February 15, 1951, when the powers decided to go to Paris to draw up the road map, the Americans being fully convinced of the viability of the plan and endorsed by all the members that made up the CECA. The French Government extended invitations to all European and some American governments: Canada and the United States sent observers; West Germany, Belgium, France, Italy and Luxembourg delegates. Other European states had expressed their reservations sending only observers, Great Britain,

Norway, Denmark and Portugal. For its part, the Kingdom of the Netherlands would not decide to participate as an observer or as an active member until specific proposals had been presented at the Conference, while Switzerland, from its neutral position, and Spain, under the dictatorship of General Francisco Franco, they were not invited to participate.

4.1. The different national positions in the initial months

The presidency of the Conference would remain in the hands of the French diplomat Hervé Alphand, being the opening session of the negotiations the one that allowed the French Minister of Foreign Affairs, Robert Schuman, to deliver a federalist speech on the challenges of a European Common Defence in which he would highlight that *“the Atlantic Defence and the European Defence are not incompatible, they are not duplicated, but they are on a different plane. The Atlantic organization is a coalition system of national armies, grouped under a single command. The European army must be a supranational army, replacing the national armies, gradually but definitively”*. Assuming that *“the soldiers and officers of the future army require a European spirit; Whatever their origin, they must, without delay, get used to living together, learning, manoeuvring together. Otherwise, we would be doing futile and artificial work”* (National Archives of Luxembourg AE 11720, 1950-51, p. 69-86).

In the same vein, Joseph Bech, Minister of Foreign Affairs of Luxembourg, would speak, paying tribute to the new French initiative on the establishment of a common European Defence and would emphasize that *“the organization of a European army will not only become an important factor in the Atlantic Defence system, but will also represent considerable progress towards the unification of Europe”*.

The French newspaper “Le Monde”, two days after starting the international conference, includes the main objective of this unique integration project, to build *“a European army that can be seen as another attempt to create a Federation”* and whose purpose is to act in case the Russian threat attacks Europe. It highlights the *“inconceivable fact that Europe has an army without its members indissolubly united by an automatic treaty of mutual military assistance and reciprocity, which is an insurance against attempts at subversion that could be promoted from outside”*, to conclude that *“if the Conference results in the establishment of an integrated army attached to political institutions endowed with effective powers, the European Federation will be born”* (Noel, 1951, p. 1-3).

Governments would maintain different approaches to the Conference. There would be like the Belgians, completely willing to fully join the project of the Defence Europe the European Defence project, knowing that they had limited means and that therefore their capacities would be able to be extended to the extent that they had troops, but up to a limit. of 6,000 men “*Based on an army of 100,000 men for a total population of 140 million of the countries represented*” (De Vos et al., 1998, p. 296-297), as established in the Circular by Baron Hervé de Gruben, Secretary General of the Belgian Ministry of Foreign Affairs, in its expression of the position taken by Belgium on the French plan for a European army. While the Government of the Netherlands would maintain a much more pragmatic stance, as a country supporting the movement towards integration but “*every new step in this direction should be, above all, realistic and justified in the circumstances*” and only accept integration into Defence while that the measures did not go beyond the limits of what was necessary, useful and achievable because “*the European Defence Organization would help to deal with political difficulties and, as such, should be seen as a practical mean of paving the way for participation of Germany in the Western Defence*”.

After four months of negotiations, the delegations of the States participating in the international conference that sought to articulate a European Defence Community had reached an intermediate meeting point in which it would be confirmed that “*the armed forces that exist or are going to form, intended to defend the territory of Europe (that is, excluding the police and overseas forces), must be merged under a common supranational authority (...) its efficiency and value, it must also constitute, together with the Coal and Steel Community, an important stage on the path towards the creation of a united Europe*” (*The conference for...*, 1951).

With a structure beginning to be clarified, starting from a joint European Defence Fund to cover all the expenses of these integrated forces and to receive financial contributions from the Member States and foreign aid from other States. The main institutions would be: a European Defence Authority acting as the European Defence Minister; a Council of Ministers whose assent will be required when the Authority must make important decisions; a Parliamentary Assembly (made up of the same delegates provided for in the Schuman Plan for the Coal and Steel Community) that will examine the management of the Authority and, to a certain extent, the funds allocated to it, and a Court of Justice to rule on legal disputes that may arise between the Authority and the States, equating the validity of the Treaty with that of the ECSC, in fifty years.

The Germans, for their part, showed their willingness to the French integration project at a very early stage and their contributions can be analysed in the memorandum of the federal government. They establish a total amount of German contribution to the European Army up to 250,000 men, with which 12 Divisions and associated army troops, tactical air forces and coastal Defence forces would be formed. A certain opposition from the military could have been expected when analysing the progress of the international conference in pursuit of the federalization of Defence, but a series of evidences allow us to affirm that there was not so much military opposition to this new construction.

The Americans had been satisfied. General Eisenhower, Commander-in-Chief of NATO forces, after an interview with Jean Monnet on June 27, 1951, was receptive to the political argument of French-German reconciliation in Europe and from France, one of the highest-ranking generals of his Army was openly in favour of the creation of a European Defence.

In August 1951, we observed General Marie Émile Antoine Béthouart celebrating this movement in favour of the integration of European Defence (Béthouart, 1951b, p. 1-8) as a new opportunity and recognizes the difficulties inherent in the process itself because *“the incorporation of the French army into a European army would mean a new life, not death. Living is knowing how to adapt, and the worst danger for an army, a man or a nation is not keeping up with the times. But, although our times demand unity, there is still no patriotism or a true European spirit, nor have nationalist sensibilities been appeased. They are still influenced by unpleasant memories and the hatred generated by the war. That is why the project is so difficult”*.

It assumes that the future European army will be a *“federation of national contingents, just as its spirit will be a federation of their patriotic sentiments”* and will have a double objective: *“to coordinate the armed forces and increase the efficiency of the national armies by establishing a single command, joint administration and budget, and standardized weaponry, and the formation of a European spirit”*.

This General, who had been Chief of the French Defence Staff, had fought in the First and Second World Wars. Precisely in the latter he led 140,000 men in Alsace, participating in the offensive in Germany and his battalion became the first allied troops to reach the Danube and enter Austria. Furthermore, it is credited that his battalion took more than 100,000 Germans prisoner during this series of campaigns to liberate France from Nazism.

For this reason, his thoughts in favour are enormously important, when he would emphasize that *“the exchanges of officers and the training courses and*

the manoeuvres carried out jointly would help the European army to maintain a spirit, inherited from the spirit of international youth meetings, to unite hearts and minds, creating a cohesive unity. Time will do the rest". This conclusion would be the biggest boost to the French project at this time by the army, to avoid suspicions and the noise of broadswords that could come from the barracks.

On July 24, 1951, the provisional report was adopted, accepted by the United States, France and the Federal Republic of Germany, laying the foundations of the institutional system of what would be officially called the European Defence Community. Based on this document, a draft treaty would be drawn up and published to be negotiated by the different national delegations.

By November 1951, progress was made with full awareness of the total amounts and the proportion of expenses to be covered by West Germany: "*The basic principle of the Community should be that France and Germany make equal financial contributions of their own resources, in proportion to the contribution of the other countries. The rules on distribution must be based on simple proportions established in the Treaty, subject to periodic review. To take into account the population and national income in the most efficient way, the proportional contributions can be considered the following figures: Belgian-Luxembourg, Netherlands: 2, Italy: 5, France, Germany: 9*" (Jean Monnet Foundation for Europe, 1951).

4.2. The Indochina War and anti-communism as unifying aspects of the federalist approach to negotiation.

Bearing in mind that France in those difficult moments was immersed in a war in Indochina, struggling to keep its colonies tied to the domination of the Metropolis and expand military spending, to forge a European Army, represented a challenge for its national finances.

The Indochina War can be divided into two historical phases: The first would encompass the end of the Japanese presence in the area, at which time the attacks against the French were resumed between 1946 and 1949; decisive years in which the Việt Minh, led by Ho-Chi-Ming, applied a war of murderous guerrillas. It is then, when France opposes any liberalization of the territory, preventing an expansion of communism in the region and the war follows the traditional patterns of a war of struggle for decolonization.

The advent of China to communism in 1949 and the outbreak of the Korean War in 1950, meant that the communist Việt Minh began to receive important logistical assistance and the confrontation resulted in an increasingly fierce war - the United States would join in supporting indirectly to France, supplying material and logistical aid and China, supporting the rebels against the Metropolis, and allowing them to establish a true conventional and trained army. So, the second phase, extended from 1949 until the end of the last fights, in 1954. Despite the indirect US intervention, France, whose military forces were exhausted by the opposing resistance and several years of war that had less Popular support to maintain them, had to surrender after the hard defeat of Diên Biên Phu in May 1954, the year in which the war will be closed with the Geneva Conference for Indochina.

It was this conflict that would also add to American fears about the viability of the European Defence Community. In addition, it placed the Americans as the only serious ally who supported the integration of the Europeans in the Defence, before the British as they continued to maintain the mentality of Empire: *“many people in official circles are not surprised by the fact that Great Britain is trying to play the importance of its links with the Commonwealth to avoid too firm a commitment to the European Continent”* (De Vos et al., 1998, p. 254-255).

Unfounded fears about these concerns held by Americans were tried to be allayed by the president of the Italian Council of Ministers, Alcide De Gasperi, in a speech delivered to the Parliamentary Assembly of the Council of Europe on December 10, 1951, where he would highlight the importance of federalist plans for a European Defence Community and the singular importance of integrating the European national armies into a single body, to avoid the *“potential for disintegration and decay, mutual suspicion and moral decay, which we have to fight with all our might. (...) We realize that it is up to us to save ourselves, to save our heritage of common civilization based on centuries of experience”* (Council of Europe, 1951a, p. 88-91).

For this reason, De Gasperi is firmly committed to the federalist union of the forces of Europeans, as the best antidote that will probably dispel the resentment of hearts and can bring peace to the interior of the continent: *“the new generation, which is attracted by a coherent vision and dynamics of life, hesitates before a choice on which his own destiny may depend - whether to return to the path that was ours before the war, a path strewn with claims and conflicts based on the moral concept of the nation as an absolute entity, or to move towards the coordination of certain forces, sometimes ideal and rational,*

sometimes instinctive and irrational, with the hope that life can be expanded further, and the brotherhood of man will spread everywhere ”.

At the same session, the Chancellor of Germany, Konrad Adenauer, would say that integrating projects, such as the European Defence Community, were born as a desire of the Europeans in favour of integration and making real federalism, starting from a context, based on internal forces in favour of the Union that came from the very essence of its peoples *“The deepest and strongest reasons for these efforts to achieve European unification are internal reasons. It is the desire of the peoples of Europe to jointly shape their future political destiny. They are convinced that the historic time has come to take decisive steps. They are aware that the age of nationalism is coming to an end and that the time has dawned for developments leading to new and greater units. The compulsion imposed on Europe to unite is therefore not a fate that Europe suffers. It is rather a creative impulse that is worthy of the magnitude of the European tradition, and therefore is bound to survive beyond the hour of acute danger”* (Council of Europe, 1951b, p. 1005-1010).

In this sense, Adenauer would have decidedly advocated for federalism, at the time of attributing parts of Germany's sovereignty to a supranational organization: *“as it stands, the Basic Law of the Federal Republic contains a provision that allows the transfer of sovereign rights to communities larger ones, and this, at the same time, imposes a task on the Federal Government (...) It is determined not only not to wait for the initiative of other countries to approach it or obstruct it in any way, but it actively participates in these efforts”*.

Six days later, the German Secretary of State, Walter Hallstein, would describe the different points of negotiation in relation to the establishment of a EDC, after the Strasbourg Conference of December 17, 1951, which they attended the Foreign Ministers of Belgium, Paul van Zeeland, the Federal Republic of Germany, Konrad Adenauer, France, Robert Schuman, Italy, Alcide de Gasperi, Luxembourg, Joseph Bech, and the Netherlands, Dirk U. Stikker. An environment then described as *pleasantly collegiate*, which would allow reaching important points of consensus between the different delegations, namely: *“1) No participating state already fundamentally denies the idea of the European Defence Community. 2) The creation of real supranational institutions (and not purely provisional) of the future Europe is more clearly recognized than until now (Art. VII h of the project) 7. 3) All participating states assume that a signed treaty must be presented to the Council of the Atlantic Pact before February 2, 1952”*.

At the same time, the visionary approach that Italy had offered a few days ago in the Council of Europe gradually prevailed, when the idea of a European Constitution was assumed. In the heated debates in which De Gasperi prevailed, he stressed that the “*Assamby has practically the task of drafting a limited European Constitution*” (Schwarz, 1951, p. 672-674). The reigning Europeanism led to the window of opportunity that has rarely been opened in history, the drafting of a European Magna Carta that would give a federal body to the political institutions that would direct the EDC.

It is possible that we only observe European federalism advancing in times of need when the European peoples as a whole feel a threat that endangers their existence or it is possible that we see it in front of individuals with a Europeanism that runs through their veins, after the experiences historical events that they have had to live. Adenauer himself had already pronounced in January 1951 that famous phrase that highlighted West Germany is threatened by the aggressive imperialism of Soviet Russia, as evidenced by the systematic expansion of Soviet power in all parts of the world since 1945. The policies of the increasingly active government of the Russian zone in recent months have led to the inescapable conclusion that we cannot wait for this Soviet imperialist expansionism to stop at the Elbe.

This communist threat was one of the most powerful elements in uniting Europeans and limiting their sovereignty over a shared future. The progress of the EDC talks was taking place with the favourable winds of history, when a group of handful visionary leaders, with high-mindedness and generational responsibility expressed themselves in favour of the unity of Europeans, as never before in continental history.

The Head of the NATO Section in the Belgian Ministry of Foreign Affairs, J. Papeians de Morchoven, would let Louis Scheyv, General Director of Policy of the Belgian Ministry of Foreign Affairs, know that the French project was materializing, among other things, due to the imbalance between the military forces in Central and Eastern Europe, in which Spain did not enter the game for obvious reasons.

The real Belgian fear was not so much in the composition of the Forces of the future European army because they saw France immersed in a war in Indochina, with commitments in Korea under the UN and with special deployments in Berlin and Austria, with a country that would have the existence of two armies, one national (for its own uses in other parts of the world) and the other European, for strictly continental questions. The first would be of considerably greater value than the second, which would give the

Belgians the opportunity to maintain a large military contingent to safeguard their colonial power, maintaining the Congo.

However, the main concern was highlighted in the fact that many members of Parliament were worried with maintaining sovereignty (these are in the ranks of both the Social Christian Party (PSC) and the Belgian Socialist Party (*PSB*); others, on the contrary, they feel that the important thing is the creation of Europe because with this transfer of sovereignty a substantial part of the construction of the Belgian identity was moving away because in each generation, the induction to the army gives a basis in patriotism and national unity. The Belgians were going to fiercely defend maintaining the national military training because “*it constitutes the only means of counteracting the slow but sure denationalization of future degenerations. In any case, the Government should develop a special civic education program that would be integrated in all education courses at all levels*” (De Vos et al., 1998, p. 303-309).

4.3. The final phase of the negotiations

The North Americans, as an impartial part in this process, observed the theatre of movements that the European States assumed in the advance of the negotiations. Ambassador of USA in Paris, David Bruce, would report, on January 3, 1952, in a telegram to the Department of State in Washington that the establishment of a common army was sticking to the plan from France and Germany (Bernbaum et al., 1983, p. 572-576).

There were then some divergences between the Belgians and the Dutch with respect to the consensus established between the Germans, the French and the Italians because “*in substance, their position was that the Community should have a very limited authority in the initial period and would constitute little more than a coalition of national forces of the members, comparable to the Brussels Pact*”.

The two largest Benelux states assumed that, if the EDC was going to be created with sufficient force and efficiency, it would provide an incentive for the United States to withdraw its military presence on the European continent; while the smaller State, Luxembourg, assumed that its military commitment in the EDC had to be negotiated in the Alliance in light of its extraordinary small size and its excellent industry, which would suppose a differentiated contribution with the rest of the countries (Note of the Luxembourg legation, 1952).

Belgium and the Netherlands were concerned that France and Germany would dominate small countries, particularly without a central substantial authority. An excessive centralism that could lead to a refusal to join the British in the future and would imply an excessive expense that they could not assume, because the finances of the Kingdom of Belgium and the Netherlands were very limited, in the face of a German rearmament that would imply a higher cost in their precarious finances.

France and Germany explicitly asked the United States for help, both Schuman and Adenauer issued a request for the Americans to dispel fears of the Belgians and the Dutch. North American diplomacy lent itself to this, in January 1952, wishing to ensure the integration and federation of European States because the European Defence Community: *“is in line with the vision of Congress, as established in current legislation, that favours the political and economic unity of Europe. That the French-German agreement presents a historic opportunity for a fundamental solution of the continent's relations, to strengthen Defence and advance towards the federation. This opportunity should not be missed, and if the Benelux opposition has this result, it would be difficult to justify to American opinion”* (Bernbaum et al., 1983, p. 572-576).

This involvement allowed the conference to advance more quickly and four meetings were held in November and December 1951, and between January 26 and 27, 1952. On February 4, 1952, we would already have a preliminary report of the Paris Conference on the project of the EDC detailing the objectives and general principles of the Community, subject to a review of the main issues affecting the project in military, institutional and financial matters (National Archives of Luxembourg AE 5875, 1951).

The report would distinguish that the peaceful nature of the company led the governments that participated in the development of the project to highlight its peaceful character because, at the military level, it had no other purpose than to ensure the Defence of Europe against all aggression. In this scenario, it is recognized that the old animosity between the European peoples would lead to a fusion of common interests and this would rise as the main guarantee that nationalist considerations and the dangers they imply will disappear, to articulate a sincere European Community. This new federalist design and its novel configuration would mean the birth of a broad European patriotism.

There was white smoke among the six governments on the list of community institutions that included a Council of Ministers, a Common Assembly, a collegiate authority known as the Commissariat of the European Defence Community and a Court of Justice. Likewise, an adaptation of the organization

to a future federal structure was formulated, through the establishment, as soon as possible, of a federal or confederal structure of Europe, in order to allow the adaptation of EDC to the new conditions and possible political institutions of Europe.

The Council of the North Atlantic Treaty that would take place in Lisbon, between 20 and 25 February 1952, presented with enthusiasm the results of the of the Paris Conference on the European Defence Community. This is clear from the Council's conclusions, confirming that *“the principles on which the Treaty was based to establish the European Defence Community were in accordance with the interests of the Parties to the North Atlantic Treaty”* (NATO Council, 1952).

Less than a month later, the chancellor of Germany would insist on the ideas that he had highlighted in the Bundestag. On March 5, 1952, Adenauer would hold an interview with Ernst Friedländer (*The military contribution...*, 1952, p. 261-263), who was one of the most reputable journalists at the head of the German Council and questioned him if *“when you speak of needs, are you clearly referring to the unification of Europe?”*. Adenauer replied *“Exactly that (...) Europe itself is the main thing. A united Europe would be a mandatory requirement even if no Soviet threat existed. The Europeans Nation States have a single past but not a future. This is true in economic policy, but especially in the social area. No European State can do it alone, ensure the standard of living to which the population is entitled”*.

The Chancellor was completely honest, he would not have opted to unify and federalize Europe in an immediate principle starting from the military aspect, it should have been something secondary and as a consequence of a larger process that would involve political integration first *“(integration in Defence) would normally have emerged at the end, not at the beginning. Unfortunately, she is now pushed to the fore; I expressly say “unfortunately”, because I am the last one who would be used to thinking in military terms. The compulsion to arm against the will has increased throughout the West, surrendered by the Soviet threat”*. Then confirms that the era of nationalisms come to an end with the construction of a European army, because national armies will disappear and only become one soon.

Adenauer confessed that *“both the Schuman Plan and the European Defence Community were always only a preliminary stage of a political association, that is, a European federal state”*. The projects of the ECSC and the EDC would contribute to drawing a new political map in the International Relations of Europe, a continent completely accustomed to the dynamics of

the *balance of power* that should banish this practice, to achieve greater stability, through the drafting of a Constitution as soon as possible.

However, Germany was not going to be the promoter of a European Constitution, in order to avoid any misinterpretation of its intentions, because they did not seek to dominate the European countries and it should be others who carried this avant-garde proposal. The Chancellor will openly assume it: *“The federal government's policy is aimed at the United States of Europe. Only within this policy will the German contribute to the Defence”*.

5. The signing and discussions that followed the ratification of the European Defence Community Treaty

The Treaty establishing the European Defence Community would be signed in Paris on May 27, 1952 in Paris, in the Clock Room of the Quai d'Orsay, the same place in which on May 9, 1950 at 6:00 p.m. hours Schuman had made public the founding Declaration of the ECSC. In total 127 signatures distributed among all the documents were those of the Foreign Ministers of France, Germany, Italy, Belgium, Holland and Luxembourg, in the presence of Dean Acheson and Anthony Eden and representatives of other member states of the Atlantic Alliance.

The Treaty would consist of 131 additional articles and protocols, establishing a European Defence Community, endowed with legal personality, according to Art. 7 and within the framework of NATO, as expressed in Articles 5, 13, 14, 18, 77, 94... Likewise, there would be five annexes: 1. A military protocol relative to the basic units, the general organization and establishment of the EDC forces, the personnel, the principles relative to the standardization of military theory and methods, the training and use of languages; 2. A financial protocol that would deal with the preparation of a common budget, its structure and execution, and continuous control procedures, financing, transfer and arbitration issues, external aid and, lastly, accounting procedures; 3. A protocol relating to the Grand Duchy of Luxembourg, which gives an account of the special situation of the Duchy. Due to its demographic situation, it is impossible for the EDC to make a homogeneous unit of nationality available to the other States and, therefore, it is exempt from certain provisions of the Treaty; 4. An agreement on the EDC commercial and fiscal agreements, dealing in particular with customs and procedures (excise and transaction taxes); 5. A protocol on the status of the EDC troops.

Additionally, there were three protocols signed by the Ministers of Foreign Affairs of the six member states of the EDC. The first referred to the relations between the two most important military organizations in the Continent, the nascent EDC and NATO, allowing consultations between members of the two organizations in order to maintain close cooperation at the technical level and whenever it was considered that it existed. a threat to the territorial integrity or political independence or security of any of the member states, or even to the existence or integrity of the organizations themselves. The second protocol highlights the mutual assistance commitments between members of the EDC and NATO, which are identical to those established in article 5 of the Atlantic Alliance. The latest protocol guarantees a close degree of cooperation from Great Britain and the European Defence Community, which was approved by the six Foreign Ministers of the EDC and by Anthony Eden, the British Foreign Minister.

In the words of Robert Schuman, it was “*work of good faith and unprecedented innovation*” (*The ceremony of...*, 1952, p. 3), without the intention of imposing it on any State, forming part of a constructive peace policy. The future Community should be born with a remarkable endowment of human and logistical resources, in total 40 national divisions, of 13,000 soldiers each, with a common uniform and with a much deeper degree of integration than that originally proposed by France in the Pleven Plan. in October 1950. The Treaty also provided for the creation of a nine-member Commissariat, with powers less extensive than those of the High Authority of the ECSC, a Council of Ministers and an Assembly of the EDC, with the task of drafting a plan for a European political authority, aligned with what some of the openly federalist European leaders had proposed.

However, notable distances are observed with respect to the initial Pleven plan of October 1950. The signed text contemplated the end of the status of an occupied nation that weighed on the Federal Republic of Germany, thus acquiring full sovereignty upon the entry into force of the treaty. Germany would begin its rearmament openly and the French had to admit base units much larger than those envisaged by the Pleven Plan. The idea of creating a European Defence minister had to be banished and it did opt for a Council of Ministers, where each national Defence minister would be represented.

The institutions created by the European Defence Community were not the ones that Jean Monnet had in mind. They lacked the true supranational elements, not only due to the absence of the European Defence Minister, but the main decision-making institution within the European Defence force would be the Council of Ministers, which lacked the federalist attributes, to be an

independent authority from the States, such as the High Authority of the European Coal and Steel Community.

In this sense, the Council of Ministers had the ability to veto issues of national interest and the most relevant aspects were voted unanimously. It was planned to create a college of commission two for France, Germany and Italy and one for Belgium, the Netherlands and Luxembourg, but the power differed with respect to the High Authority of the ECSC because states in the Council had greater prominence.

Article 8 of the Treaty provided that the organizational architecture had a provisional character and was expected to be replaced in due course by a new organization, which will result from the construction of a federal or confederal structure. Article 38 of the Treaty provided for the development of a plan for a federal structure to democratically supervise and control the planned European army. However, the EDC Treaty, signed for a period of 50 years, could not enter into force until it was ratified by the parliaments of all the signatory states.

The governments that signed the Treaty began to program the ratification of the EDC and during the following months began to discuss the concrete adoption in the national parliaments. The procedures required reports to the highest bodies within the States, analysing the scope and content of the Treaty. The Council of State of Luxembourg is an example in this case to be taken into account, since it would highlight on July 31, 1953 that the “supranational” Community, created by the Treaty, would have little success because: *“The concern remains. It comes from the antinomy that necessarily exists between the internationalization of certain functions and the deeply rooted nationalism in the minds and hearts of the peoples of Europe. The sacrifices that were imposed to serve and defend their national independence are too recent and sensitive for the abandonment of sovereignty to be done without misgivings or reservations. Some people wonder if the equalization of state regimes whose secular opposition has shown that irreducibility can occur and, especially, stand in the presence of unknowns that are likely to frustrate the best-conceived calculations and the most solemn promises”* (Opinion of the Council of State of Luxembourg, 1953, p. 1-8).

Despite these constitutional reports, Germany was the first country to ratify the EDC Treaty, with the vote in favour of the Federal Parliament on March 19, 1953. The second was the Netherlands, on July 23, 1953, with the affirmative vote of the House of Representatives. Belgium would be the third to ratify the Treaty on March 3, 1954 with the affirmative vote of the Senate (*Session held on...*, 1954, p. 988-993) and after having received support in the

House of Representatives in November 1953, having assessed the dangers posed by the remilitarization of Germany. Luxembourg would be the fourth State to ratify the text, adopting it in the Chamber of Deputies on April 7, 1954. France would propose its ratification from January 1953, but he would not vote for her until August 30, 1954 (*European Defence Community...*, 1954, p. 4455-4474), with 319 votes of Communist, Gaullist, Socialist and Radical deputies against 264 in favour. Italy, noting the extreme polarization in neighbouring France that had caused the debate on the EDC, waited to see the result of the French vote and before its refusal, the Treaty was considered dead and never came to a vote.

6. The Analysis of the French “No” to the EDC and its consequences

The refusal of France to the CED was Regard to the crime of August for the history of European legal integration and the beginning of a dark hour for Europe. The international context which had led to significant sympathy for the EDC Treaty was completely alter it, because before was observed a belligerent Soviet Union and communism in Asia menacing Europe. However, the imminent hostility of communist threat disappeared, with the death of Stalin in March 1953, added to the decline of the Korean War and the arrival of a peaceful coexistence at the hands of the new Secretary General of the USSR, Nikita Khrushchev. EDC supporters would be deprived of their main argument to keep the Treaty afloat.

One of the few parties that was openly willing to support the Treaty was the Republican People's Movement, Schuman's party that existed from 1944 to 1967, of Christian Democratic, centrist and Europeanist ideology, while facing them the communists, openly anti-establishment (Général Petit, 1953, p. 29-34), and the Gaullists, staunch defenders of sovereignty with Charles de Gaulle at the head (De Gaulle, 1970, p. 564-575), who strongly opposed the CED. The radicals and socialists also showed certain ambivalence since they were in the middle of a dilemma and their members did not know which option to follow. In addition, we must bear in mind that the ECSC Parliamentary Assembly emphasized the pressure of the anti-establishment, because the work of Paul-Henri Spaak himself since his presidency had roused the opponents of integration. The appointment of a commission, chaired by Heinrich von Brentano, responsible for drafting constitutional proposals for a European federal state, did not bode well.

The so little warm debate that took place in the National Assembly and the polarization within it led to devastating results that, for visionaries like Jean

Monnet, caused him to immediately resign as President of the High Authority of the CECA because he had opted for the Peace of the Continent on these projects. The failure of the project marked the consciousness of the Europeanists during the following decades, since it banished federalism from the path of Defence of the community framework until it was possible to introduce a legal basis in the primary right of the community, or to articulate a European Policy of Security and Defence, until the founding Treaties were reformed, introducing the legal bases of the European Security and Defence Policy, with the Treaty of Amsterdam that entered into force on May 1, 1999 (Pérez Bustamante, 2008), but that still neither after the reform of the constitutional law with the Treaty of Nice nor with the Treaty of Lisbon, a European army has been achieved. In view of this fact, what we have come to call, the “European federalist spirit” of the 1950s, which has not yet been reborn.

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THE APPEAL OF CHINA: THE INTERPLAY AMONGST THE ECONOMY, VALUES AND SOFT POWER

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1. Introduction

This chapter proposes that, in the next decades, Chinese culture, values and even political system will be expanded as a result of its successful economic performance. This expansion will not only be the consequence of a deliberate plan, but mainly the effect of non-intentional dynamics linked to the appeal that those who economically succeed awake on others.

In order to test this hypothesis, four interrelated points will be addressed along the chapter. First, a short analysis of the projection of China in the world over the last decades will be made. Second, the sociological notion of the “appeal of the successful” will be examined. Third, the Chinese strategy of soft power to deliberately widen its hegemony will be studied, and finally, some conditions that favour the growth of Chinese appeal will be highlighted.

2. Chinese projection

The projection of China in the world over the next decade has different dimensions in terms of its economic position, its effort to contribute to the development goals or its movement of population.

To begin with, according to *Foreign Affairs* (March-April, 2021), the communist party is confident to become the first world economy by 2030. Currently, the Gross Domestic Product (GDP) of China is 12.809.322 dollars in contrast with the 18.330.065 of the United States. However, looking at the evolution of Chinese and American economy since 2000, and their growth rate,

the Communist Party's forecast seems sound: Chinese GDP was about 1.000.000 whereas the American one was 10.000.000¹.

In line with the economic success, China is—and it is expected to keep so—the first world producer of goods and the second of goods and services. The news broke in 2011 into the public, through a piece published by Financial Times that revealed a report of a United States-based economics consultancy, IHS Global Insight. Furthermore, the *Credit Suisse* global wealth report of October 2019 highlighted the fact that half of the world middle class was living in China: about 800 million people.

Another projection related to China is associated with Chinese diaspora and to Chinese students abroad. About 50 million Chinese lived overseas in 2019 (Statista, 2019). Overall, the think tank *China Power* points out that China became in 2016 the first world sending country and the third recipient of international students. This mass of Chinese people indirectly strengthens the influence of China across the world.

On another note, the project known as the “New Silk Road”—One Belt, One Road— is the largest foreign investment since the North American Marshall Plan to rebuild Europe after the Second World War. This project, which will be explored further in the third section of this chapter, aims to create infrastructure to connect goods, people and culture between China and at least 60 countries (CIDOB, 2016). China proposes that this project is, ultimately, a strategy to foster world peace through deepening trade and cultivating trust

Another layer of Chinese projection has to do with the number of loans given to African countries. China is the first world bilateral lender of African countries: it has transferred nearly \$150bn to governments and state-owned companies (Financial Times, 2019). This dependence is a matter of concern for the World Bank officials dealing with the poorest countries' debt as the loans do not seem to be very transparent and the interest rates sometimes are high. In any case, the growing influence of China over the region as a result of these loans is of paramount importance.

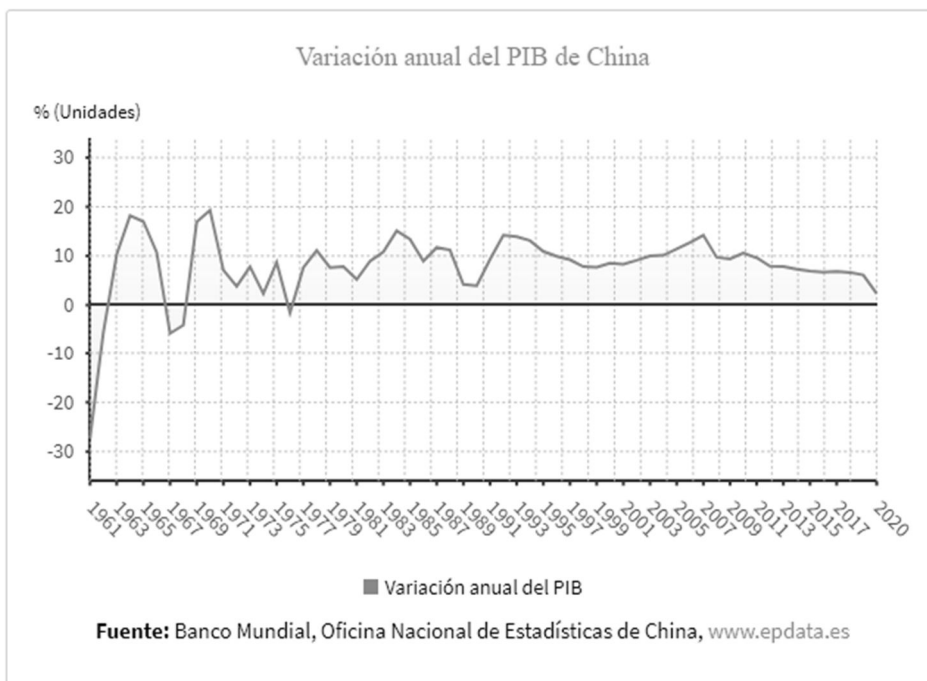
China's role in international forums has been another area that unveils this country's projection in the world. Especially during Trump's mandate and—North American withdrawal from multilateral spaces—, China became an active participant in many global spaces and international organisms. For

¹ These data come from the specialized Spanish Newspaper *Expansion*:
<https://datosmacro.expansion.com/paises/comparar/china/usa>. Other sources confirm the trend:
<https://www.macrotrends.net/countries/CHN/china/gdp-growth-rate>;
<https://www.imf.org/en/Countries/CHN>

instance, despite the ambivalent behaviour of China during the first stages of the pandemics, it may confidently be asserted that China is leading the World Health Organization's struggle to create a common vaccine for COVID-19 (Lee, 2020) and is empowering the United Nations to coordinate the fight against the pandemics.

Following this last point, the economic recovery of China in the last trimester of 2020 is astonishing. Whereas the rest of the world was in a clear recession—according to the United Nations' department for economic analysis, the world output shrank by 4.3%, over three times more than during the global financial crisis of 2009²—China grew, according to the International Monetary Fund, to 6.5% during that period. In addition, it was the only powerful economy of the world with positive results during 2020.

Figure 1. Annual change of the GDP in China



Source: World Bank.

² These data come from: <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-february-2021-briefing-no-146/#:~:text=Following%20a%203.9%20per%20cent,3.8%20per%20cent%20in%202021.>

To end up with this first section, two last points are worth mentioning in relation to China's projection. Firstly, China's ideology is under scrutiny. The notion of "market" communism does not capture the changes that seem to be operating within China at this level. A huge country like China with a population of over 1.4 billion people needs a shared strong worldview that keeps social cohesion. This is the reason why the Communist Party turned to Confucianism, in a search for identity, despite the fact that Mao forbade this religion (Wall Street Journal, 2015).

The second and last refers to what might be considered the greatest success of China over the last decades. According to a report of the World Bank (2017), since 1981 China was able to assist over 850 million people to leave extreme poverty. In other words, 90% of Chinese population was in extreme poverty in 1981, whereas currently only 1% of the population is under that line. Therefore, most of the victories attained in relation to the Global Development Goals were due to China.

3. The appeal of the successful

There is a sociological and anthropological notion that may be relevant to explain why it is reasonable to expect that Chinese values, culture and even its political system will become fashionable within the next decades. People unconscious, intuitive and automatically assume that those whose economic performance is higher are cultural, politically and even morally higher (Geertz, 1973). This logic is shared by both capitalism and postmodern thinking. The former's materialistic perspective subordinates everything else to the economy and money, whereas the latter, apart from renouncing any possibility to objectively get closer to reality, underlines the fact that those who are in privileged positions impose by overt and subtle means truth claims. Thus, given that China's economic performance is admirable, that China is likely to become the first world economy by 2030, that China is responding better than the rest of the world to the pandemics, that its foreign investments do not have comparison and that its efforts to overcome poverty are the main drive of progress in the global endeavours to eradicate that scourge, it can be soundly expected that Chinese culture, values and ideology will also be the object of international admiration. In sum, the assumption can be framed this way: its economic performance is so good because its values, culture and politics must be very good too.

In the case of China, this phenomenon is linked to various social processes. From a very basic view, most people of the world are aware that China

produces the majority of the world goods, as the brand “made in China” is everywhere: shoes, computers, masks, smart phones etc.

From another angle, a growing number of international companies have the seat or the main manufacturing industry in China. The rationalization behind globalization drove companies to China for two factors: production was cheap and hand work was good qualified. As a result of these arrangements, the heads of these international companies have to visit China. China is both a producer centre and a growing market.

Another factor of influence is associated with the fact that China’s economy has become strong in technological innovation. Some decades ago, China was a producer of goods designed by others. However, innovation in China is in the forefront now (Medvedev et al., 2020). The expansion of technologies is linked to the dissemination of the values embedded into the design and production process of the specific device. Cultural settings inform the sort of technologies that are engendered. Therefore, as China generates home ground technologies inspired in its culture and values, they—culture and values—will be diffused through the consumer countries: those who buy and use that technology will be affected by those values (García Magariño, 2018).

Closely linked to technology, arts and media are also important vehicles to convey ideology, culture and values. The Chinese cultural and artistic industry (movies, songs, literature etc.) is constantly growing so, the bigger it gets and the wider the audience becomes, the appeal of China will be enhanced. In this context, Chinese food, as part of Chinese culture and heritage, has become popular all over the world, in every continent. In addition, China grew to the top of scientific production measured in the number of published papers. Estimates vary but it seems that about 36% of world papers come from China or Chinese people (Xie & Freeman, 2019).

China has also become a magnet for international tourism. In consequence, Chinese tourism industry has exploded. A McKinsey’s consultancy research on Chinese tourism changes within China underlined the fact that “*as many as 3.4 million rooms were built from 2011 to 2016, which is equivalent to the entire Japanese hotel market*” (Dichter et al., 2018, p. 24). This has entailed the creation of an environment that improves visitors’ experience, as the lack of appropriate and comfortable hotels was one of the reasons why tourists visiting China were not so happy in the past.

Just in terms of numbers, according to the platform for macro data analysis, datosmacro.com, China was in 2019 among the top ten tourist receptor

countries. The following chart, coming from the aforementioned platform, also shows the impressive growth of international tourism in China.

Figure 2. China – international tourism



Source: macrodatos.com

Apart from the growing number of international tourists, China also receives both expats to work and international students, as it was mentioned in the section about Chinese projection in the world. Those visitors usually leave China with a sense of satisfaction. A survey conducted by Beijing Municipal Commission of the China Communist Youth League in 2015 (China Daily, 2015) with 900 expats aged between 18 and 35 from 86 countries is an indicator of the experience of those visiting China³. The most attractive things about Beijing to them were the cultural atmosphere (34%), job opportunity (21.7%) and friendliness of people (20.2%).

³ All of the respondents had lived in Beijing for over six months, and the largest nationalities were South Korea (18.6 percent), the US (12.0 percent), Japan (6.4 percent) and Canada (6.1 percent).

Finally, even a cursory exploration of the reasons behind Chinese appeal cannot overlook the importance that China has given over the last decade to fashion and beauty pageant. Concerning the former, the China Fashion Week is well established in the world and twice a year Beijing becomes the attraction of the world fashion elite. In relation to the latter, China is currently part of the international major beauty contests and tries to receive world attention for its aesthetics. The meaning of this fact is better captured when Mao's prohibition of beauty contests is remembered (Zhang, 2013).

4. The resource to soft power

Soft power is a concept used in political science to describe the strategies used by States to expand their dominion and influence over other States, but without turning to force and coercion. In contrast with hard power, soft power tries, on the one hand, to enhance the appealing of values, ideologies and National culture and, on the other, to expand values and even interests by subtle means. It is an attempt to dominate but convincing the rest that the behaviour which facilitates their dominance is what is best for them (Nye, 1990, p. 153-171; 2019). Gramsci's notion of cultural hegemony is linked to the concept of soft power (2016). Although the notion was initially developed to explain social change and to prescribe a path for political transformation within the State, his ideas on how changing the cultural dynamics is crucial to modify social structure and eradicate privileges seem relevant to enlighten Chinese efforts to reshape power balance and adjust global geopolitical architecture.

In a set of broadcasted interviews made by the Spanish Consejo Superior de Investigación Científica (CSIC, Superior Council for Scientific Research) in 2020, world experts such as Joseph Nye – the creator of the concept of soft power –, Liz Economy –the Director for Asia Studies at the Council on Foreign Relations – and David Shambauh – Professor of Political Science and International Relations at George Washington town University agreed upon the idea that China was not interested in soft power strategies until the beginning of the 21th Century (China Power, CSIC, 2020).

The speech of the former President Hu Jintao in 2007 at the 17th National Congress of the Chinese Communist Party represented a turning point: *“The great rejuvenation of the Chinese nation will definitely be accompanied by the thriving of Chinese culture... We must enhance culture as part of the soft power of our country... We will further publicize the fine traditions of Chinese culture and strengthen international cultural exchanges to enhance the influence of Chinese culture worldwide”* (Wilson Center).

Xi Jinping, in 2014 at the 18th National Congress remarked, on the same note, that *“We should increase China's soft power, give a good Chinese narrative, and better communicate China's messages to the world”*.

Before those milestones that entailed the take-off of Chinese soft power strategies, China was not very interested in soft power. Its conception was that through the economy and military power, hegemony and leadership might be achieved. This may be the reason why, initially, Nye's ideas on soft power did not fit much into the Chinese political regime: they were considered Western constructs. However, over time, people like the two last presidents of China came to the conclusion that soft power suits Confucious' ideal of leadership by moral elites (Villamizar, 2011).

This tension within Chinese elites about hard and soft power left an imprint on what can be named as Chinese strategy of soft power. Despite the fact that soft power is usually divided into (a) culture, (b) foreign policy and (c) political values (Nye, 2004, p. 11), China's strategy has revolved around the notion of economic diplomacy (Carminati, 2020). This means that Chinese soft power mainly relies on its story of economic success. The government, instead of civil society, internationally promotes an image of China as a humanitarian and committed actor: through loans, investments and promotion of international cooperation. Its international behaviour during the pandemics is another example, since China has tried to show that it is very concerned with global health and has provided masks, supported the project to generate a universal vaccine and has been very involved in the World Health Organization's endeavours. The next paragraphs will try to capture some of the main strategies of Chinese soft power that may be framed under this category of economic diplomacy.

To begin with, China was the seat for the Summer Olympic Games in 2008, just a year after the China Communist Party's National Congress that signalled the launch of its soft power strategy. In addition, China will host the 2022 Winter Olympic Games. Needless to say, that sports in general and Olympics in particular are the opportunity to show the world the grandeur of a country. Millions of people come to visit, the event is globally broadcasted over weeks and everyone speaks about the competition, on the one hand, and the country that hosts it, on the other. These efforts are better described as National-branding campaigns aimed at increasing the “Brand China” (He et al., 2019).

Closely connected to the Olympics, over the last 15 years, China has been the seat of many international events and exhibitions, such as the Shanghai World Expo in 2010, the Asia-Pacific Economic Cooperation (APEC) Summit

in 2014, the Natural Health and Nutrition Expo in 2020 or its biannual Miss World Pageant. Like the Olympics, but with less impact, these events brought the attention of millions of people who either came to China or watched what was happening there through the media (Villamizar, 2011).

Another initiative that has been amply examined and both praised and criticized is the Chinese Government's creation of over 500 Confucius Institutes (CI) abroad. Since 2004, when the first IC was founded after a pilot project, these Institutes have been the main vehicle to promote Chinese culture and language internationally (Carminati, 2020). Beyond its courses, the CIs offer grants to study in China. Recently, some programs, especially in North America, were shut down, under the accusation of being "proxies for Chinese propaganda" and infringing "on academic freedom" (Hartig, 2015).

Another deliberate strategy of China to become "sexy" and subtly promote its values, culture and ideology is the use of media for cultural promotion. This is not new. Countries use media and arts to expand their value: take the cases of the United States of America through Hollywood production or South Korea and Japan through pop music and culture (Carminati, 2020, p. 1). In the particular case of China, two lines of action seem illustrative of this point. The first one is the co-productions that China has fostered with Hollywood (Peng, 2016). Co-productions, especially between partners coming from very different countries and languages, are taught. However, Hollywood has seen this partnership as a business opportunity—investment, new market—and China both as a business opportunity—mainly to feed its inner market—and a strategy to promote its culture internationally. The second line of action has been the effort to internationalize Chinese television broadcasting and to translate Chinese main printed media into other languages (Qian, 2017).

Finally, the One Belt, One Road (OBOR) project needs some attention. This initiative, which is popularly known as the New Silk Road, aims to build a global infrastructure network. Considered as the greatest foreign investment endeavour since the Marshall Plan—about 8 billion dollars in contrast with the 13 billion of Marshall Plan—, it aims to build a global infrastructure network (Quintana, 2018). Beyond this specific aim, the project seeks to present China as an international actor concerned with interconnectedness and committed to peace through the deepening of interdependence and commercial exchange. The project also revolves around the notion of approaching cultures for mutual understanding. If the expectations came true, we would have a kind of international community articulated through a commercial route that involves over 60 countries, 55% of the world GDP, 70% of world population and 75% of global energy sources (Müller-Markus, 2016; Casarini, 2015).

After this rapid examination of the different strategies followed by the Chinese government to make its soft power grow, it might be said that the description of the experts pointed out at the outset of this section seems to be confirmed: all of these dimensions are money dependent and come from the Government. Therefore, the notion of “economic diplomacy” used to capture the Chinese approach of soft power appears quite precise.

5. Conditions that favour the international appeal of China

The world is experiencing important changes and the uncertainty reigning many social spheres is paramount. This juncture, however, has generated certain conditions that favour the expansion of Chinese appeal. This section will address four of them: the USA’s retrain from international forum, the changing attitudes of youth towards democracy, the response of China to the pandemics and the affective polarization hitting liberal democracies.

In relation to the first point, Trump’s mandate entailed a move from multilateralism to unilateralism in the United States’ foreign policy. He decided to strategically avoid certain international spaces, whether the World Health Organization or UNICEF, whether NATO or the World Trade Organization. Although President Biden has promised fundamental changes in this attitude, the vacuum left by the United States of America was filled by China. The symbol of this dynamic was the declarations made by Trump and Xi Ping during the Asia Pacific Summit of 2017. Whereas President Xi Ping emphasized the bounties of international cooperation for progress, President Trump asserted that the USA will not tolerate the abuses imposed upon it as a result of global trade norms anymore (Vaswani, BBC, 2017).

The second condition that favours Chinese culture appeal is the attitude of youth towards democracy. Youth in Western democracies, in contrast with their parents, do not seem to appreciate democracy as an end, a final value, but as a means to solve their problems. If democracy deals effectively with their problems, it is reasonable to support it as the best political system; however, if it does not, another system should replace it (Foa et al., 2020). Surveys conducted in different countries confirm this trend; however, it must be said that sociologists of religion anticipated this phenomenon and associated it with secularization. Hans Joas, in particular, addressed this problem in several of his important works (2000; 2008; 2012). What is important to highlight is the fact that within a social context where democracy is just a means, other political systems and values, like the Chinese, can be more attractive, overall, when they are presented as higher in their problem-solving capacity.

Another factor that makes the expansion of Chinese politics easier is related to the coronavirus pandemics and the response of China. Despite the initial narrative of the lack of transparency and clear norms to control animal and natural exploitation in China, its effectiveness to reduce the contagious curve and to economically recover, its scientific effort to unveil the DNA code of the virus and the generosity of make it public for free, its support to the WHO and its diverse lines of cooperation to provide the world with sanitarian equipment, have generated an image of China as a reliable, capable and caring international actor. It is early to determine the image that China will have at the end of the pandemics, but there are hints to provisionally forecast a good end.

The last factor that seems to favour Chinese soft expansion is the growing affective polarization affecting Western liberal democracies. This polarization has become structural and is clearly recorded in different National contexts (Miller, 2020; Klein, 2020; Levitsky & Ziblatt, 2018). This pattern, in addition, does not seem to correspond to specific policies but to ideologies and identities. What is most relevant here is not polarization *per se* but the problems that it generates to articulate collective action and to address complex social problems that require cooperation. During the pandemics, countries such as the United States, United Kingdom, Spain or Holland have experienced higher levels of polarization than China (Miller, 2020), and this has reduced their capacity to respond to the sanitarian crisis more effectively. China is not free from polarization either (Gaoming, 2019); however, it has tried to avoid it deliberately to follow its own ideological path. In this last respect, there is no clear solution within China yet, as Marxism, Economic Pragmatism and Chinese traditional values are three sorts of ideologies or worldviews informing politics that are in tension, but the agreement to maintain an order that avoids conflict and polarization is promoting an image of China as an effective political actor (Yan, 2018). This is manifestly in contrast with the image projected by many Western liberal democracies assailed by conflict and polarization in the midst of a unique crisis.

6. Conclusions

The Chinese political system will receive greater attention within the next decade. This attention will probably go beyond the simplistic perspectives that describe China as an authoritarian regime destined to fail as a result of the economic liberalization. This prediction does not seem to have occurred and, although it is difficult to anticipate the future, the evolution of Chinese political

system will probably advance in a more sophisticated fashion than just a fall and an adoption of a liberal democracy.

Apart from the political system of China, Chinese values and culture will continue to expand throughout the world and will become the object of admiration. The intensity of this expansion will probably be higher due to four interrelated factors analysed in this chapter.

The main reason for the admiration of China is its economic performance. People tend to associate economic success with moral, cultural and even political superiority. Although there is nothing to confirm that connection, it seems to operate in the collective imaginary

The second reason is the Chinese apparent capacity to respond more effectively and in a less polarized manner to complex and interconnected problems that require cooperation and communitarian approaches. Both its response to the coronavirus pandemics and its mechanisms to overcome the resulting economic crisis are an indicator of this capacity. Most relevant current problems facing humanity, such climate change, poverty, movements of populations or international terrorism and crime demand collective, cooperative solutions.

The third reason has to do with long term historical processes examined after the introduction—projections—that seem to indicate a short-term projection of Chinese influence: it might become the first global economy by 2030, it is the main world producer, one of the main tourism industries, scientific producer, student exporter...

The fourth and last reason for this provisional prediction is the Chinese soft power strategy. Despite the fact that currently, Chinese soft power is led by the Government and is grounded on economic diplomacy, as China gains experience and becomes more familiar with soft power mechanisms, it will probably refine and make this strategy more sophisticated and effective, even involving civil society in it.

For all these reasons, it seems reasonable to expect that the cultural and political influence of China in the world will significantly grow over the next decades, thus making an important imprint on the configuration of the world order already in transformation.

A last point to bear in mind: when you see the Silk Road transporting goods, remember there are powerful, invisible goods being transported too, namely, Chinese culture, values and politics.

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FORMATION OPPORTUNITIES OF SILK ROAD IN XXI CENTURY: NEW CHANCE FOR EUROPE AND ASIA

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1. Introduction

In June 2013, the Chinese government announced new initiative that was called “One Belt, One Road”. The main aim of this initiative was a consisting of a land element-development between Asia and Europe, and a maritime element which was start from South-eastern China and the last stop will be in Venice. The central government has since then further elaborated on the idea of building the Silk Road Economic belt and Maritime Silk Road. This new concept also short banded as “One Belt One Road Initiative, or to be more simply as the Belt and Road.

In September 2013, Chinese President Xi Jinping officially visited Kazakhstan, where he tried to canvass the initiative “One Belt, One Road”. The stated aim was to revive the trade and cultural links between China and western neighbours. A month later, before the Indonesian Parliament, Xi Jinping announced another initiative “A Maritime Silk Road of the XXI century” – a geographically concentrated one on the Indian Ocean and East Africa. According to Xinhua overview, we can see that the overland Road begins in Xi’an, in central China, heading to the border of Kazakhstan. It then heads to south-west to Iran, before passing through Iraq, Syria and Turkey. This road then crosses the Bosphorus, travels through Bulgaria, Rumania, the Czech Republic and Germany. The final route is at Rotterdam in the Netherlands, from which the route runs south to Venice, where it converges with the western terminus of the planned maritime route.

In March 2015, during the Boao Forum for Asia, China issued an action plan for the Belt and Road, bringing the concept one important step closer to realization. The initiative was titled as the “Vision and Action on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road”; the official document lays out the basic goal of “One Belt One Road” Initiative: “It

is aimed at promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all” (Chin et al., 2015, p. 2).

“One Belt, One Road” is one of the most ambitious projects that have ever been developed, which connects Asia, Europe and Africa. To be more specific, there will exist terrestrial routes and maritime routes. With terrestrial routes: Bring together China, Central Asia, West Asia, Russia, Europe; China - Persian Gulf, Mediterranean Sea through Central Asia and West Asia; China - Southeast Asia, South Asia and the Indian Ocean and with maritime routes, which includes from China’s coast to Europe through the South China Sea and the Indian Ocean and from China’s coast in one route through the South China Sea, to the South Pacific in the other (Gogolashvili, 2017, p. 3).

This mega-project will encourage the development of ports, logistics facilities, railway connections, power supply chains and other infrastructure improvements along the mentioned routes. The mentioned routes are supposed to shorten the time and cost of shipment of goods from China to European and global markets. Not only the absence of infrastructure challenges the interstate and interregional transportation of goods; trade and customs barriers, discrepancies in laws, irrelevant transit fees, absence of political will and other factors also discourage trade and economic cooperation. So, the Chinese vision tries to encompass the development of transport corridors tackling all the mentioned barriers and is ready to engage in intensive international dialogue and discussions with all actors along the mentioned corridors.

This new economic project demanded immense efforts from China’s foreign policymaking institutions. That’s why during the last 2-3 years we are witnessed the strong activation of the strengthening Chinese foreign policy in the countries concerned. The main aim of Chinese such international activation was the supporting of Silk Road project. Obviously, the aim is not only to get a promise to facilitate transportation through their countries, but something bigger – solidarity and recognition of the ownership of the initiative from those counties which will be affected.

In March 2014, Chinese President visited inland logistics port of Duisburg in Germany, with undivided attention to the train service that connects the

Chongqing logistics hub with the German one. The main aim was that the railway connection of the One Belt initiative, the faster access of Chinese goods to European market. At that time rail freight delivers EU high tech components to the Chinese factories in less than three weeks, compared to an average five weeks by container shipping.

In 2015, the National Development and Reform Commission (NDRC) in cooperation with the Chinese Ministry of Foreign Affairs (MOFA) and Ministry of Commerce (MOFCOM) released an updated a blueprint (Tian Shaohui, 2015) the vision and actions on jointly presented the “*vision and actions on jointly building Silk Road economic belt and 21st century maritime Silk Road*”. This blueprint was presented the official line that Chinese SOEs and public officials have to follow until the release of the next five-year economic development plan (2016–2020). China’s gradual rediscovery of its continental role is well documented in the blueprint that summarizes the key points of OBOR initiative as: “*The Belt and Road Initiative is a way for win-win cooperation that promotes common development and prosperity and a road towards peace and friendship by enhancing mutual understanding and trust and strengthening all-round exchanges. The Chinese government advocates peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit. It promotes practical cooperation in all fields, and works to build a community of shared interests, destiny and responsibility featuring mutual political trust, economic integration and cultural inclusiveness*” (Alessandro Arduino, 2016, p. 7).

Why China has launched this project? China has several goals from this new project. It can be reached as a plateau in the domestic economy, which we can characterized as the end of the extensive phase, which had been based on enormous infrastructural development. There exists a corresponding freeing up of the resources, which have been devoted for building the infrastructure. State corporations, such as China State Construction Engineering Corporation, China Railway Corporation and China National Petroleum Corporation can get a benefit from Silk Road initiative.

Beijing, the capital of China, is concerned with the situation in Xinjiang and the unrest among its Uighur population. There exists potential for unarresting the population on the basis of under-development, drug trafficking and terrorism, sometimes imported and stimulated by the Central Asian regions, or China’s neighbours itself, included Afghanistan, where many of which are conscious of an ethnic relationship with Uighur population.

The main aim, that China hopes under stimulating this project is the economic stimulus, not only from domestic consumption, but also from opening new trading routes, export markets and energy sources, not only in Asia, but also in Africa and Europe. Shorten transportation system plays an important role, because the distance between Europe and China is significantly shortening. The land distance from central China to Germany is 12-16 days, the sea route takes 50-60 days.

China's main aim is to reduce the impact of US navy power in the South China Sea and in East China Sea, because her territorial claims in these two areas aims to achieve and open so called "Blue Water" for China. A valorisation of the Chinese presence in Central and Western Asia is another element in asserting Chinese power vis-à-vis the US. In the same vein, Beijing sees the Transatlantic Trade and Investment Partnership (TTIP) and Trans-Pacific Partnership (TPP) as a toll of strategic efforts by the US to isolate the BRICS in this initiative. But the BRICS represents its – and Russia's bulwark against what they perceive as unipolarity of US influence in the world's scene. The Silk Road provides an effort at once to demonstrate that such efforts won't be succeed and a way of countering them.

China is paying high attention to the Middle East region, because the country is stepping into an area engaged, or in the words of Richard N. Haas, in a new Thirty Year's War, and where US is affecting to pivot away from, in order, ironically, to be better prepared to deal with the challenge posed by China. In recent years, China entered into strategic partnership with eight Arab countries and has signed agreements with six of them to pursue the initiative jointly. During his visit, President of China announced that the country will give \$55 billion loan to the region, from which \$15 billion will be special loan for industrialization, \$10 billion in commercial loans to boost production capacity and \$20 billion in concessional loans. The remaining \$10 billion is to go to a joint investment fund with the United Arab Emirates and Qatar to invest in traditional energy, infrastructure development, and high-end manufacturing in the region (Murphy, 2016, p. 5). It is permissible to doubt that the vaunted Chinese abstention from interference in internal affairs will be enough to keep Beijing free from being caught up in the new Thirty Years' War, or indeed, despite the "pivot", from getting entangled with the US in the process.

One of the important factors in these projects can become Turkey-China relations. Turkey is strategically placed to benefit from it. In Turkish case, there exist some ethnic complications, because a large number of Central Asian population including in Xinjiang is Turkic. When China suppressed Uighur protests in 2009, Recep Tayyan Erdoğan, the Turkish Prime Minister at the

time, condemned the action as “a kind of genocide”, and in July 2015, Turks and Uighurs protested twice in Istanbul and Ankara. The tone has, however, shifted in Ankara. In 2015, Erdogan, now President, warned his countrymen to be wary of rumours on social media about China’s treatment of Uighurs, and nationalistic Turkish groups such as Young Anatolia have softened their stance towards China. In the meantime, in addition, Turkey has, in shooting down a Russian military plane in November, prejudiced its position as a transit country in Russian gas exports to Europe. On the other hand, at the beginning of 2016, Turkey, clearly under pressure from its NATO allies, abandoned a plan to manufacture jointly with a state-backed Chinese company a sophisticated missile defence system. Turkey’s trade relationship with China is one-sided – it imports \$25 billion per year from China, and exports only \$3 billion – and there is much disappointment in the country at the abandonment of the missile joint venture. For all that, because it would underline Turkey’s role as a strategically important transit zone and will have positive spin-offs in a sector of great Turkish strength, the construction sector, the country can probably be counted on as a full-hearted participant in the Chinese Silk Road initiative.

This project is closely linked to China’s Thirteenth Five-year plan 2016-2020 – the shift in emphasis to consumption domestically, and in the objective of narrowing the gap between coastal and inland areas – hence, among other things, the beginning of the land route in Xian, which, the Chinese emphasize, has historically been linked to the external world.

2. Main aim and interests of EU, Russia and USA in new Silk Roadway project

Russia saw the Central Asia region as a culturally close region for more than a century, that began during the Russian Empire. The quasi-totalitarian political system, including dysfunctionality, are closer to Soviet system, and Moscow would like to think that after the events in Georgia and in Ukraine, Russia is seen as a real centre of geopolitical influence and are able to defend its interests. Russia’s nostalgia for the world that disappeared nearly 30 years ago is still actual, not least in the Kremlin, finding expression in the various efforts for the establishment Eurasian Union. So, Russia’s main aim in this project is that Moscow prefer talking about the Eurasian integration, that Chinese have indulged.

In 2015, Presidents of Russia and China discussed the possibility of coordination and integration of Silk Road Economic Belt to Eurasian Economic Union with the goal of creating “a common economic space”. Xi Jinping

committed himself in a joint document to holt multilateral talks on linking the two projects, as opposed to bilateral negotiations between those concerned. This did not go down well with Central Asian states and in 2015 Kazakhstan and China declared their intention to coordinate the former's Bright Path national development programme with Silk Road initiative.

China has emerged the leader positions and power in the region. Trade has been the main motor because, in 2013, it surpassed \$50 billion, far surpassing trade with Russia and generally the expansion of Chinese influence in the region has been at the expense of Russia's. Example of this is Kirghizstan. In 2015, the Kirghiz Parliament denounced the agreements concluded in 2012, with the signature of Vladimir Putin for building several hydroelectric power stations in the country. What is the reason of this? Despite much discussion, it emerged that two Russian concerns are involved, RusGyidro and Inter Rao could raise the necessary finance. Some of these stations are not far from a railway planned by China to transit Kirghizstan and Uzbekistan to Iran. This railway will need electricity; it is not difficult to imagine that China will step in.

One of the impressive elements of Silk Road project is that Russia is avoided from this project. It's not surprising, because, from the Chinese point of view – reassuring security of Xinjiang, securing access to oil and gas from Middle East and Iran, securing other resources especially from Africa, increasing trade, boosting the Central Asian state – this doesn't call for commitment. On the other hand, it does point up the contrasts in priorities between the two. Russia has an existing railway infrastructure from China to Western Europe, known as Trans-Siberian Railway, which needs an investment. So, Russia's priorities are very simple and comes from domestic policy: The Russian Far East, in which the Trans-Siberian railway can play a significant role.

This new project is a new challenge to US in a number of ways – a counter to US ambitious to confine China's maritime expansion and its objectives in Central Asia. It is also a new intrusion in an area of US primacy, the Middle East and the Eastern Mediterranean. In Central Asia US policy has gone through two iterations which fails. And now they are in search of a third. In 1991-2001, the area was a low priority for US. Washington's emphasis was on helping new states for the security their independence. After 2001, the logistical requirements of invasion in Afghanistan, overrode the promotion of economic and political reforms and of human rights. Here raises the question of the existence of US in this region after the reduction its forces in this country. In the words of Carnegie Endowment paper of Journal of 2015 *“future opportunities to advance American interests will be limited and US relations*

with Central Asian Countries will be challenging” or in the other words, the greater regional integration among Central Asian states has been a long-standing goal of US policy and that America’s own “New Silk Road” initiative was the signature project of the enterprise.

One the most important initiative was TAPI, the Turkmenistan, Afghanistan, Pakistan, India natural gas pipeline. Like all American infrastructure projects in the region not directly linked to the US engagement in Afghanistan, it was oriented North-South, not like the Chinese initiative, East-West, and apparently aimed at focusing development on the Indian Ocean where, for the time being, the US Navy is dominant. The failure of the initiative was perhaps foreseeable, given the focus on Afghanistan and the necessity of close cooperation between Pakistan and India. It is now clearly overtaken by the Chinese proposal.

EU’s interest in Central Asia can be named as scattered. In June 2014, EU review its Central Asia Strategy, and in December 2015, it signed an Enhanced Partnership and Cooperation Agreement with Kazakhstan after year negotiation. Nowadays its priorities are clear and its activity in Central Asia has been focused on institution-building and advancement of human rights. “One Belt, One Road” initiative have some implication to Europe. There exists a European interest in ensuring that infrastructure development in Europe benefits Europe itself. Also, promoting international trade development, and, to that extent, an interest in cooperating with Chinese project. There may exist some interest from EU for promoting the concordance between Putin’s Eurasian Union and the Silk Road, thus joining the EU to the undertaking in order to promote cooperation from Lisbon to Vladivostok (Murphy, 2016, p. 6). As is known, there are thoughts in Berlin of meeting some of Vladimir Putin’s preoccupations at being kept at distance by the EU by proposing special relations between the EU and his Eurasian Economic Union, and some indications that Germany might try to advance this during its Chairmanship of the OSCE this year. Whatever about the latter initiative, and it is not without possible complications to the extent that it might involve consecrating a would-be Russian position in Central Asia, the idea of adding the Silk Road initiative to the mix is probably a step too far: as indicated above, it is very unlikely that Russian and Chinese ideas in the area are compatible.

3. South Caucasus Regions role in new Silk Roadway route and its modern possibilities

Changes in global affairs created new prospects for the renewal of the idea of Silk road since the 1990. From that time the idea has acquired much more importance for the countries of Eurasia continent. European Union has paid much more attention to this project, started developing a transport corridor from Europe through South Caucasus and the Caspian toward Central Asia. From that time EU's mission and aim wasn't to reach China, through the mentioned corridor. They wanted to get access those natural resources that was reach Central Asian region. EU wanted alternative energy suppliers, because of high dependency on Russia gas and oil. For these reasons, several important projects were initiated (TRACECA and INOGATE) which have been dedicated for producing wide feasibility studies for transport and energy infrastructure development along these routes.

The wider Caucasus region is as much blessed as it is cursed due to its location, as it is an arena of geopolitical competition for regional and extra-regional powers and its strategic importance is further increased due to the East-West transportation and energy projects in the globalized world. The strategic vision of the regional cooperation scheme between Georgia, Turkey and Azerbaijan was developed in the 1990s to respond to common threats but at the same time marked the common adherence to the Euro-Atlantic space that predetermined strong support for their cooperation projects from the US and EU. Today's level of relations between Azerbaijan, Georgia and Turkey is a result of multiyear natural development and is not based merely on the political will of the countries to establish stronger cooperation, but on a natural interest and development of projects bringing real benefits to all three. Initiation of this so-called "contract of the century" afforded 10 western multinational companies the opportunity to explore and exploit Caspian energy resources. On the basis of this agreement, Azerbaijan and Georgia became significant transit states for these energy resources. Since 1999, oil from the Chirag oilfield has flowed to the international market through the Baku-Supsa pipeline, and since 2006, Baku-Tbilisi-Ceyhan transports oil from Chirag and Guneshli oilfields to the Mediterranean port of Ceyhan and then onwards to European and other international markets. The same corridor includes the Baku-Tbilisi-Erzurum gas pipeline, transporting gas from Shah Deniz in Azerbaijan to Turkey since 2006. And finally, the Trans Anatolian Pipeline Project (TANAP) was initiated that envisions construction of a natural gas pipeline to transport the Shah-Deniz natural gas to the Western markets, the ground-breaking opening ceremony of which took place in Kars in March of 2015.

To increase the attractiveness of trade along this route, it was necessary the harmonization of custom procedures, economic legislation, simplification of transit. EU was consistent for implementing this idea and had comprehensive political approach. EU helped countries to practically all countries to all these procedures. Also, WTO's role was quite huge, because this organization helped countries along this corridor to adopt those rules and procedures, that was necessary for increasing trade.

One of the most important things was the creation the European Energy Charter and attempt to subject trade in energy products to WTO compatible rules. That included free transit and dispute settlement mechanisms. Most important dimension was the investment in transport infrastructure. More ambitious plans are taking place under the EU, who is observing the possibilities for connecting the East-West corridor with some help in Pan-European networks. These projects have been incorporated in EU policy toward the post-soviet region which included the development of several sphere, such as developing rule of law, good governance, supporting state building.

This idea was successful for several reasons. First of all, all states weren't WTO members

The idea has been just partially successful. Firstly, as not all countries became WTO members, stability and peace was not fully ensured and corruption and inefficiency of customs procedures, alongside unfair and very high transit tariffs⁵ remained as an obstacle for the idea. Most important, the weakness of the EU's approach was likely the limitation of the route ending in Central Asia, which did not promise a large enough scale to private businesses, investors or for those countries desiring full participation and engagement. Another important weakness was lack of investments from the EU. The EU always considered the mentioned projects as "one of EU's endeavours", never promoting the idea at a high enough level to stimulate and secure strong financial commitment from the Member States. Finally, Russian diplomacy and sometimes aggressive moves in the South Caucasus and Central Asia were also a discouraging factor. In the 1990s and 2000s, the EU still believed that the normative transformation of Russia was possible and did not consider the Russian monopoly on oil and gas supplies to Europe as an existential threat. From other side, the importance of developing access to Central Asia avoiding Russia was essential. The EU was not ready to invest tens of billions in ports, railways and highways along the corridor and the partner states did not have enough credibility to consolidate such funds from International Financial Institutions or borrow from the financial markets.

In 1990s, new independent states in South Caucasus, Georgia and Azerbaijan, were highly interested in acquiring international function which will raise the interest for supporting and contributing to the development and stability for these states. That was the reason why the leadership of both countries became supportive to the idea of East-West corridor – an EU project whose name was the Transport Corridor Europe-South Caucasus – Central Asia (TRACECA).

TRACECA is on the great project in Silk Road, which was established in May 1993 between the EU Member States, the Caucasus and Central Asia countries. The program supports the political and economic independence of the former Soviet Union republics through enhancing their access to European and global markets through road, railway and sea. TRACECA has five main working groups: maritime, transport, aviation, road and railway transport security and transport infrastructure.

In 1997, Presidents of Azerbaijan and Georgia proposed an idea of hosting the Presidential Conference in the Caucasus. The main idea was the signing the Basic Multilateral Agreement on Transport initiated according to TRACECA program. The result of this initiative was the conference named “TRACECA – Restoration of the Historic Silk Road” which was held in 1998 in Baku. In this conference, where presidents of several countries were attended, important achievement had been achieved – signing the Basic Multilateral Agreement on International Transport for Development of the Corridor Europe-the Caucasus-Asia and its Technical Annexes on international railway and road transport, international maritime navigation, customs and documentation procedures. The Agreement (MLA) served the following aims: Development of economic relations, trade and transport communication in Europe, the Black Sea region, the Caucasus, the Caspian Sea region and Central Asia; Ensuring access to the world market of road, rail transport and commercial navigation Ensuring traffic security, cargo safety and environment protection; Harmonization of transport policy, development of legal framework in the field of transport; Creation of equal conditions of competition for transport operations (Gogolashvili, 2017, p. 9-10).

After the signature of the Agreement, TRACECA became the program of development of cooperation in the field of transport along Europe-Caucasus-Asia corridor. Georgia and Azerbaijan are intensively supporting and advocating for developing and improving TRACECA corridor. In spite of this, several political and infrastructure issues are preventing the corridor from becoming competitive and attractive enough.

Another important dimension of cooperation is realization of an advantage that all three countries together may offer the rest of the world, in particular to connect by transportation routes Europe with the Caspian region and beyond, essentially, to further increase and facilitate trade between East and West. This potential was supported by Western powers, including the EU which financed the massive regional cooperation project TRACECA. While the main transport routes from the Caspian were connected and dependent on the functioning and capacity of the Black Sea ports of Georgia, or motorways, May 2005 witnessed another important undertaking and opportunity more closely connecting Azerbaijan-Georgia and Turkey: The Baku-Tbilisi-Akhalkalaki-Kars Railway project. Each country has its own mission and functions in the Baku-Tbilisi-Kars railway project. This project has increased the overall potential capacity of international trade turnover directed through the three countries and opened the perspective for such a global endeavour as the New Silk Road project; a project which involves a number of transport corridors which will compete in the near future to attract cargo and passengers. The strong commitment of the involved countries for trilateral cooperation will determine the success of the project.

The South Caucasus Pipeline (which is known as Baku-Tbilisi-Erzurum Pipeline, BTE pipeline, or Shah Deniz Pipeline) is a natural gas pipeline from the Shah Deniz gas field in the Azerbaijan sector of the Caspian Sea to Turkey. This pipeline runs parallel to Baku-Tbilisi-Ceyhan pipeline. First deliveries of gas were implemented in December 2006. During the Russo-Georgian war, BP decided to close the pipeline for the safety reason. The gas supplies were resumed on 14 August 2008. The initial capacity of the pipeline is 8.7 billion cubic meters of gas per year that will be increased up to 25 billion cubic meters by adding additional looping and two new compressor stations, costing \$3 billion. The pipeline has the potential to be connected to Turkmen and Kazakh producers through the planned Tran-Caspian Gas Pipeline. At the same time, Azerbaijan proposed a sentence to expand the pipeline's capacity up to 60 billion cubic meters, by building second line of the pipeline. The aim is to supply Turkey and Georgia. As a transistor country, Georgia, has rights to take 5% of annual gas flow through the pipeline in lieu of a tariff and can purchase 0.5 billion cubic meters (18 billion cubic feet) of a gas in a discounted price. For long-term perspective this pipeline will supply Europe with natural gas through the planned Southern Gas Corridor pipeline, such as the Trans Adriatic Pipeline and Trans-Anatolian gas pipeline.

The Baku-Tbilisi-Ceyhan (BTC) pipeline is crude oil pipeline beginning from Azeri-Chirag-Gun Ashli oil field in the Caspian Sea ending to

Mediterranean Sea. It connects Baku and Ceyhan the port on the Mediterranean coast and provides second largest oil pipeline in the former Soviet Union after the Dzhuhba pipeline. The first oil was pumped from Baku end of the pipeline reached Ceyhan in May 2006.

Another project that should be considered under the Silk Roadway is Baku-Tbilisi-Kars railway project, that is the shortest route via the Caspian Sea by bypassing Iran. Also, we have to consider Kazakhstan side, because they are constructing new railway line that will make is shorter. In this case new railway line will be China-Kazakhstan-Azerbaijan-Georgia-Turkey.

4. Conclusions

The main principle and idea of New Silk Road Project is to establish transport routes from China to Europe. This project has been explored and implemented by different states or group of states, including European Union. Also, the One Belt One Road initiative can be considered as breath-taking in its ambition for several reason. For that reason, it is clear that much needs to be clarified in regard to timing and financing. If we link it to the 35-Year Plan, its timescale clearly extends much further. The Chinese side emphasizes that it represents an effort to find a new way of win-win cooperation, and clearly sees this as including not only other countries concerned, but also other institutions like the Asian Development Bank and the World Bank. They are allergic to any analogies to other such initiatives, of which the Marshall Plan is an obvious one, on the basis that the geopolitical context is quite different and underline their cooperative intentions.

The EU should focus on long-term priorities to engage China, taking into consideration not only Brussels' present lack of available resources but also the high costs to be borne by the EU in the event of a new crisis in South and Central Asia. Although the priority of relations for Russia and the EU are related to the unfolding of the Ukrainian crisis, the Russian influence on its neighbours is going to endure. While the Central Asian republics are enacting a multi-vector foreign policy, balancing China's economic might with Russia's military power, the EU "flexible engagement" with the One Belt initiative could promote cooperation, combining the EU know-how, regional domestic needs with the affluence of Chinese investors. Chinese interests in Afghanistan could benefit from EU mechanisms that counter the spread of drug trade and illegal economies all over Eurasia.

Georgia, Turkey and Azerbaijan fully acknowledge the importance of their involvement in the creation of a middle branch of the Silk Road and are making practical steps for it. It is important that the EU and China develop strong cooperation and divide tasks and duties as well as financial burden to implement projects along the corridor as it is in their interests that states along the corridor equally contribute and actively engage in cooperation on said projects

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THE EU AND THE CHALLENGE OF NEW TECHNOLOGIES

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1. Introduction

Europe has had a critical problem for years: the lack of an adequate technological industry. During this time, some European leaders have taken measures to develop an efficient European strategic with the aim to stop the excessive use of foreign technologies. The situation should not be understood without the presence of a third key element: Europe's relationship with the US, one of the most important historical partners of the old continent and with which Europe maintains excellence alliances.

At present, the technological conflict between the US and China (increased in the last years during the Trump era) has resulted in a situation in which Europe must maintain an equitable position between these two countries. Furthermore, China, one of the most powerful and strong countries emerging in recent years, has shown that it can overshadow the American giant expanding into Europe. Cuenca outlines that: *“Led by Huawei, the Chinese telecommunications giant, this Asiatic country is disrupting the balance of alliances in the EU. Most European countries are willing to incorporate Huawei's equipment into the 5G network (the new generation of mobile telephony) that will bring a whole series of technological advances such as artificial intelligence, autonomous driving, telemedicine or the so-called Internet of things that will connect everyday objects to the network. But at the same time, the EU knows that China is a “strategic rival”: an important trading partner, but also an economic, political and ideological adversary”* (2020).

Gacho (2020) considers that the growth of China as a technological giant has generated a new scenario of structural competition between the US and Europe. In this supremacy, the question of technology is at stake. According to this author, the EU has been a powerful continent without technological impact.

Years ago, Brussels has been under pressure from the US and China to include Huawei in the 5G networks.

In this new context, it seems clear that the European States cannot fight in isolation. Cabestan (2020) points out that if the problem of the EU's technological dependence on the US and China is not solved, a situation based on a deglobalisation process could arise. However, other specialists consider that this theory would not make any sense because a digital globalization will take place. In this sense, data traffic is becoming increasingly important. As García describes: *“Data traffic is considered like a part of a larger-scale strategy. The name is soft power, as opposed to hard power. Soft power tries to get something from other countries without the intervention of force. Examples of soft power are the new silk road (Belt and Road Initiative, BRI), which also includes e-commerce. Another example is the 5G released by Huawei. In this regard, the European Parliament points out that, according to reports from the Body of European Regulators for Electronic Communications (BEREC), total traffic on fixed and mobile networks has increased during the pandemic. Reliable digital infrastructure is a condition for managing the global pandemic with leadership and the digital empowerment”* (2020, p. 5).

It is obvious that Europe must seek a solution. The continent also needs to redefine its positions in this complex moment where the dispute over technological supremacy requires to make strategic decisions that serve to define the future of Europe over the years.

2. The origin of the European dependence. A global race towards technological superiority

It is necessary to describe the moment where Europe began to show symptoms of dependence on other countries. Cuenca (2020) points out, the global production model has been completely transformed to include digital technology and large-scale information. This renewal process has been made possible by the presence of US technology companies, known under the acronym of GAFAM: Google, Amazon, Facebook, Apple and Microsoft. The GAFAM companies have ceased to be a simple economic actor's pursuit to become relevant in our societies all over the world.

These companies arrived in Europe in the early 2000s. At that time, the leaders and governments of the different EU countries chose not to regularize the tendency towards oligopoly of the GAFAM companies. The leaders considered it appropriate to include these companies in the European economy

to promote a global development. This situation favoured the fact that GAFAM gained increasing representation, impact and visibility in all areas of productive activities. Europe did not slow down the growing expansion of American technology companies without no option for European companies. Smyrnaiois considers: *“The contemporary Internet network participates in the production of a certain historical superstructure, according to this stage of advanced capitalism, at the same time as embodying the particular relations of production which characterize the latter. The Internet oligopoly is therefore a powerful tool at the service of the dominant ideology and a laboratory for experimenting with the most advanced modes of the capital gains extraction. Of course, the Internet is not just about Google, Apple, Facebook, Amazon or Microsoft (so-called GAFAM). However, these powerful actors are powerful forces that largely control their current functioning and influence their development. It is not a question of addressing these expanding multinationals as exceptional successes, on the contrary, it is necessary to analyse them as the result of a new capitalism order in which this companies legitimize and strengthen their positions”* (2016, p. 62-63).

In addition to the cross-cutting effect of GAFAM, Europe has also seen its technological independence undermined by China, and in particular through Huawei offering increasingly competitive prices. The irruption of the Chinese mobile phone company was controversial, especially in the United Kingdom with the signing of some specific agreements between Huawei and British Telecom breaking the trades established between British Telecom and Marconi. In France there were also difficult moments. It was confirmed that Huawei had been spying Alcatel. The EU did not retaliate against China and in particular against Huawei. However, in 2013, the European Commission conducted an investigation to clarify the situation.

It is evidence that Europe has a problem with the lack of technological positioning. The EU and other European countries involved in the European project have suffered the absence of initiative in terms of external protection being behind China and the US in the race of technologies such as 5G, artificial intelligence or semiconductors.

According to Ortega (2020), Europe, China and the US are increasingly aware of the relevance of technology in terms of global visibility. That race based on strategy, the ability to surprise other countries and investment in resources, has come to stay. As the author adds, Europe and the US have promoted an attitude towards China based rather on weaving economic or financial relations with Asian companies, with special emphasis on mutual trade, product exchange and investment.

Several European countries -Spain or Portugal, among others- have the same mistrust position with the progressive expansion of China. The alarm went off in 2016¹. That year, the Chinese group Midea bought the German robot company Kuka. Subsequently, a study revealed that between 2014 and 2017, more than 60% of Chinese investments were based on obtaining a 10% stake in German companies. This expansionist attitude by Chinese companies has not been seen satisfactorily in Brussels. Different measures have been taken from the European Commission that have resulted in a change of position regarding to strategic relations with China. It has gone from prioritizing the competition between countries creating links between industrial policies, digital issues and global governance, to look with some suspicion, caution and prudence the Chinese acts.

Germany and Austria have begun to strengthen the national processes of control, screening the permanence of Chinese companies on European territories. France has also stepped forward. Another representative example took place in 2018, when the President of the French Republic, Emmanuel Macron, delivered a speech insisting on the concept of “digital sovereignty”.

The mandatory recalled the importance of investment in artificial intelligence among European countries, as in the case of the French-German coalition of forces. Although this type of cooperation highlights that something is changing in the heart of Europe, it is a testimonial action, which does not represent or integrate all European countries and requires a transnational approach. It is logical to understand that, given the Asian technological superiority, Occident has activated some warning signs in order to avoid the expansionist and growing wave of the Chinese empire. Regarding to what has been said, Gacho highlights *“China has experienced unprecedented economic growth. It has disrupted the liberal order designed after the Second Global War and it consolidated after the end of the Cold War - in which the United States was the hegemon. The end of the Fukuyama Story turned out to be just a parenthesis. Chinese growth has brought with it a new reality: a situation of structural confrontation with the United States, which will try to do everything in its power to stop the Chinese expansion and China, which, following a highly*

¹ Four years ago, Midea bought almost 95% of Kuka. The operation was highly controversial in the Teutonic country, mainly due to the fear of the German authorities that Midea might use different tools and programs designed by Kuka to move them to China. It should be noted that these types of purchases are impossible in the Asian country. Chinese government authorities protect to the maximum the ownership of the local companies.

calculated strategy, is sneaking in as a superpower in the world order. This situation has the appearance of lengthening in time, although it may have moments of tension and relaxation along the way. What role does or can the EU play in this new reality? In general, this Union of sovereign states is united by a strategic alliance and dependence on defence matters with the United States, while with China we have been strengthening economic and financial issues to the point of being also dependent on Beijing. In this framework, EU Member countries have found themselves in a very uncomfortable situation, forced to “choose a side” (2016, p. 1).

The problem of the European digital sovereignty arises, among others, in the way to face this “neo-colonial” context based on dependence between Europe and its American and Chinese partners, respectively. However, Brussels is ready to end this dependent relationship. In February 2020, the Internal Market Commissioner, Thierry Breton², recalled the importance of regaining control not only of technologies, but also of big data. In addition, Breton underlined the need to create a specific protocol based on the protection of European digital authorities fighting against threats that may appear in the future. The challenges that the continent have to figure out are manifold and varied. For this reason, the European diary must include crucial lines of action to help strengthen the different areas of improvement.

3. Europe’s technological challenges at the time of COVID-19

Regarding to the 5G, Gacho (2020) considers that it is a new generation, in this case, would be the fifth of mobile technology. From 1G, developed in the 89’s, to 4G, the network mostly used by mobile phone companies in recent years, there has been a growing process in terms of quality improvement, the volume of data and the provision of differentiated applications. In addition to establishing new policies aimed at positioning Europe as a leading benchmark in the global panorama of new communication and information technologies, the European institutions must face different technological challenges. Ortega believes that: *“We can identify three key areas where the technological competition between the US and China is taking place, and where Europeans face a difficult situation: 5G, IA and semiconductors, in addition to web services. All of them raise complicated questions about trade and security issues, the latter being the one that encourages cooperation between the US*

² Last year, the European Commission presented a detailed report describing the basic actions and lines as regards data processing and artificial intelligence.

and the EU in the face of the cyber threat from China, on which there is a transatlantic consensus, including intellectual property theft, cyberattacks and information global wars” (2020, p. 11).

Thereon, the 5G will not only increase the download speed of information, but it will be useful for more devices to be connected at the same time. In addition, it will represent the opening doors to other industries such as driverless cars or the Internet of Things (IoT). According to the information, the 5G will allow the collection, analysis and study of data in real time, being a fundamental tool for IA systems.

Moreover, the European Commission presented a document in 2018 setting out the priorities for action on 5G in Europe. Sprinborg (2019) assures that the 5G represent the fourth Industrial Revolution. This technology symbolizes a transformative process which will improve not only the quality, but also the quantity, of lifestyles, the relations of companies with society and the economic, geopolitical and strategic fields.

Since 2017, some European countries have agreed to establish different cross-border corridors that will allow for a better environment in which 5G technology will be deployed. 29 countries are committed to the development of large test or connected driving areas in order to create links in corridors.

This approach confirms the Europe’s ambition to lead investments in 5G in several countries. Concerning to this information, the European Commission supports up to three projects based on large-scale testing of connected and automated mobility (CAM). Brussels holds that an intra-European effort is necessary to create a safe environment in which both citizens and companies can enjoy with the benefits of connected, automated and diverse mobility.

These projects, financed with the Horizon 2020 funds, began in 2019 with the application to CAM in more than 1000 kilometres arranged across several borders such as the following: 5G-Carmen (600 km. of roads through a north-south corridor that goes from Bologna to Munich), 5Gcroco (on roads between Metz, Merzig and Luxembourg crossing Germany, France and Luxembourg) and finally 5G-Mobix (through existing corridors between Spain and Portugal, Greece and Turkey, plus six other cities: Versailles, Berlin, Stuttgart, Eindhoven and Espoo). However, these initiatives Ortega considers: *“A substantial number of European operators are dependent on the technological material provided by Huawei for the development of the 5G technology (in which it should be added the urgency to ensure the functioning), both in their own countries and in other territories where they are operating -as the case of Telefónica in Spain, South America or Germany” (2020, p. 13).*

The other two major challenges are the implementation of artificial intelligence -IA- and semiconductors. In both areas, China and the US are ahead of Europe's actions. According to data provided by the *Digital Transformation Monitor* of the European Union³, since 2016 the US has invested amounts ranging from 15.000 to 23.000 million dollars in artificial intelligence.

When it comes to describe the amount of money that the countries spend in terms of digital technologies, Asia, and more particularly countries such as China, South Korea and Japan, spend between \$8 billion and \$4 billion. EU (including the UK) has only allocated between USD 3 billion and USD 4 billion. This approach shows that IA is still an outstanding issue in Europe.

The difference between countries is expected to be even bigger with the introduction of technologies such as deep learning and artificial neural networks. In one hand, Europe is already working on the establishment of community strategies in IA based on the joint efforts of countries such as France, Germany and the United Kingdom (before Brexit). Despite, the widely opinion in Brussels emphasizes that Europe should do much more work in terms of IA. It cannot forget that the European investments in IA are lower in comparison with China or America. On the other hand, the issue of semiconductors is inseparable from IA by relying on it. As in the case of 5G or IA, Europe is also lagging in terms of semiconductors compared to the excellence work done by China and the US. Counteracting this deficiency, trade and industrial strategies are needed in countries such as France and Germany as well as new protocols for action by the European Commission.

4. The European role in the New Silk Road (BRI)

In 2014, the Chinese President Xi Jinping announced the creation of the "One Belt initiative, One Road" (OBOR). It means an economic project -also called the New Silk Road (BRI)- that has as main objectives to enhance trade flows between Asia and Europe. It also has as a crucial goal to boost the presence of Chinese companies in European territories. At this way, the Chinese capacity of influence and the power of pressure would be bigger. Aznar argues: *"The Belt and Road Initiative (BRI) is an ambitious project launched in 2013 and sponsored by China as a kind of release the Marshall*

³ Europe's IA investments are qualitatively low compared to the budget lines set by the US and Asia, respectively.

Plan that, let us remember, modelled the US relations with its allies and enabled the creation of the EU. It is an influence strategy and embodies a challenge to the existing order. It is about bringing the two corners of the earth closer. The project could affect up to sixty countries in Africa, Asia, Europe and the Middle East, 75% of the world's energy reserves, 70% of the world's population and would generate 55% of the world's GDP. It now extends into the Arctic Sea [...] in any case, the magnitude of the Silk Road clashes with the US politics. It also breaks with the well-known practice of silent character intended with the so-called "peaceful ascent" and with it the passive attitude in the field of international relations" (2020, p. 275).

China evokes the ancient spirit of the Silk Road, the legendary trade route that symbolized the union between Europe and China across Central Asia during the time of imperial China, with this revolutionary project. Therefore, this strategic action not only responds to the expansionist need of the Chinese executive, but recalls the place that China had in the past and may have in the future as an economic, technological and social superpower.

Ramos (2016) describes that the Chinese approach goes beyond weaving simple trade relations between countries. It is a vast scheme of trade agreements, infrastructure, as well as collaboration between nations on issues such as energy, science, finance, technology and investment, among others.

The BRI will not only re-establish Eurasia as the core of the global economy, but also will draw a scenario full of challenges to be resolved. One of the most critical points is the European Union. Xi Jinping believes that the EU is essential for the achievement of the Chinese's project objectives. On one hand, it should be remembered that Europe is going through a major crisis of global reputation and credibility heightened by the COVID-19 economic crash, Brexit or the rise of extreme-right political parties in France, Spain or Italy.

On the other hand, within Europe there is a division of different point of views about the China's new BRI. Portugal or Malta consider that the Chinese initiative will strengthen the European trades between European countries and China. Meanwhile, Brussels watches Beijing as a systemic rival that does not yield an apex to European pressure as it moves uncontrolled through different European countries.

5. Conclusions

Due to the uncertain times that we are living, it is necessary that the most powerful countries around the world implement strategic solutions that inspire

global trustworthiness and leadership. Europe has to rethink the priority lines by defining relevant actions. The continent needs to boost the strength of the European project betting on the areas so far undeveloped against potential competitors, mainly the US and China respectively, such as 5G technology and artificial intelligence.

In addition, it is urgent to redesign the global decision-making board in order to provide safe responses to Europe's recovery of loss positions. Europe must undertake major reforms in the coming years to ensure not only prosperity among countries, but also among potential strategic partners. It is important to weave trade networks based on mutual benefit but on misappropriation or inappropriate roles in the global geo-political scenario as China is trying to do with actions with the BRI, among others.

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PROTECTIVE MEASURES FOR AUTOMOTIVE DESIGN: COMPARISON BETWEEN CHINESE AND EUROPEAN REGULATIONS

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1. Introduction

The automotive industry is one of the main economic driving forces in numerous countries, owing either to own trademarks and manufacturing centres or, simply, the sale of motor vehicles and the activities of the ancillary industry. However, it is an industry that also requires significant investment in research, development and innovation. To enable manufacturers to differentiate themselves and obtain protection for the new technologies and solutions they develop and implement, a protection system has been established based on registering trademarks, distinctive signs, patents, utility models and industrial designs.

There are two sides to this system. On the one hand, it ensures consumers can differentiate between the products offered by different companies and prevents them from purchasing an item out of confusion because they believe it has been produced by a different manufacturer. On the other hand, it is a factor that restricts effective competition by allowing monopolistic or exclusive use for a certain time period regarding the marketing and implementation of certain products and solutions.

As far as motor vehicles are concerned, it is difficult to draw a precise line between what constitutes an invention compared to a mere innovation. This has repeatedly been the case throughout the industry's history. Nevertheless, with regard to vehicle design, all of the companies have managed to obtain protection. In some cases, competitors have endeavoured to differentiate themselves from the other manufacturers and, in others, to emulate certain design solutions while maintaining the unique identity of their models.

The situation is entirely different in the Chinese market, however. Every so often, a new model is launched in China with designs that are incredibly similar, if not identical, to European, Japanese or North American vehicles. These models cannot be marketed in the vast majority of countries but the situation is damaging to the image of automotive companies that operate in China for several reasons: the replicate models are manufactured with much lower quality; the number of sales of the original models is reduced; and the Chinese consumer is deceived because they are led to believe that they are acquiring a model from a different company and to expect similar performance and quality to what the original vehicle offers, although it is true that the selling price of the Chinese clone is much lower.

This chapter provides an analysis of the Spanish regulations that relate to product differentiation. These regulations essentially involve the implementation of the same features and measures as in the European Union. It also offers a comparative study against the current situation in the Chinese automotive market based on standards that effectively allow these design copies, which cannot be marketed in the European Union, but which generate substantial profits for the manufacturers that produce them. In short, the objective is to identify the legal grounds that allow Chinese companies to copy model designs that belong to their competitors.

2. Current situation

In 2019, the global production of motor vehicles reached¹ nearly 92 million units (Statista, 2021a). Of that number, 18.5 million were manufactured in Europe. As far as Spain is concerned, the total production in 2019 was 2.8 million units (ANFAC, 2019, p. 7).² China, for its part, has been the country with the highest motor vehicle output since 2008, for various reasons (Li et al., 2015).³

The considerable number of motor vehicles manufactured each year is therefore evident. It is also calculated that there are more than 1.282 billion motor vehicles in the world. In relation to the number of licensed vehicles in

¹ The figures include passenger and commercial vehicles.

² The calculation includes passenger and commercial vehicles.

³ Four fundamental characteristics can be identified regarding the evolution the Chinese automotive industry has undergone in recent decades: diversification driven by increased demand and technological improvements; the apparition and growth of various private Chinese companies; integration in global markets, though generally with scant success in view of the data and in this author's opinion; and the emergence of Chinese innovation, which has hinged on the various incentives and subsidies offered by the Chinese government.

Spain, the figure, including lorries and buses, is 34.434.791 units (Spanish Directorate - General for Traffic, 2020). If the figures are restricted to passenger and commercial vehicles, there are approximately 27.78 million units; that number is expected to reach 29.51 million in 2025.⁴

Without a doubt, there is a substantial number of motor vehicles. However, a simple example will suffice to clearly show the commercial significance of the Chinese market for the automotive sector. The number of licensed passenger and commercial vehicles in Spain is currently 27.78 million units; meanwhile, in China, just two million fewer vehicles (specifically, 25.76 million) are marketed in a single year (Statista, 2021b).⁵

Despite the high number of units sold, the saturation point of the market is still far from being reached. Whereas in Spain, for instance, there are 515 motor vehicles per every thousand inhabitants, in China, there are 43.8 cars per every thousand inhabitants.⁶

Consequently, it is unsurprising that the leading international automotive companies have been focussing on China for years. European, North American, Japanese and South Korean companies market their models in the country despite the unusual conditions they face there. Besides relating to the subject in question, these conditions also affect other important matters, such as production capacity. China still imposes conditions that are vastly different to those of other markets, such as the requirement to share automotive manufacturing with local manufacturers, a policy known as the 50:50 rule.⁷ According to numerous authors, the objective was to replace imported passenger vehicles with internally manufactured ones. The aim was for Chinese companies to develop greater productive and technological capacity by taking advantage of these synergies (Kyung-Min, 2011).

⁴ Data taken from MSI.

⁵ Data taken from 2019, when the Chinese market experienced a drop in registrations. In 2018, the number of motor vehicles purchased totalled 28 million. The record year was 2017, with 28.8 million units. In both 2018 and 2017, the number of motor vehicles sold in China exceeded the number of licensed vehicles in Spain.

⁶ Data taken from the International Road Federation.

⁷ The regulation was approved to prevent foreign manufacturers from dominating the Chinese automotive market and it was a clear move of political protectionism. It forces foreign companies to partner with Chinese manufacturers and to share their technology with them, a fact that has doubtlessly also contributed to the rapid development of Chinese motor vehicles.

The manufacturers accepted this unusual condition owing to the enormous number of vehicles sold in the country (Pérez Almansi, 2020).

In 2018, the Chinese government approved a regulation to eliminate this requirement, which expired in 2020 for manufacturers of commercial vehicles and which will expire in 2022 for passenger vehicle manufacturers.

Regarding issues related to innovation, in Spain, as in most countries, patentable products, distinctive signs and industrial designs are protected by comprehensive regulations. This is not so clearly the case in China, at least not for motor vehicles, as will be shown later.

In Spain, it is thought that the patent system promotes research and technological progress in industry. This is because, if competitors are allowed to freely copy any type of innovation, then few companies, if any, would be prepared to invest in innovation and development, a situation that would lead to much slower progress.

As a result, there is an ambivalent relationship between patent and industrial design regulations and the right to free competition. On the one hand, competition is restricted because the beneficiary is given a temporary monopoly. On the other, competition is stimulated because companies are encouraged to introduce new products to enable them to compete.

Regarding the issue of patents and the regulations in force on this matter, several acts mention this issue and regulate it. In Spain, the Patent and Trademark Office is responsible for registering patents, which are regulated by the Patent Act 24/2015 of 24 July. Even though it is a recent act, the current speed of socio-economic change means that doctrinal opinion can now suggest the approval of a new act rather than a simple update. Among various issues, adaptation seems necessary, to coordinate Spanish and international law on matters such as the Patent Law Treaty concluded in Geneva in 2000 and ratified by Spain in 2013, and within the sphere of the European Union.

On the point of patentability, Spanish regulations restrict specific scope by imposing three cumulative requirements, that is, all three of them must be met and not just one. In this regard, the following must be present: novelty, which is the parameter that decides whether the invention is encompassed by the state-of-the-art or not; inventive activity, which arises only when the invention is evidently not derived from the state-of-the-art in the view of a subject-matter expert; and susceptibility to industrial application, which is when the subject matter can be manufactured or used in some type of industry. Article 4 of the Patent Act establishes the inventions that may be patented. In paragraph one, it provides that: *“In all technological fields, inventions that are new, that involve inventiveness and that are susceptible to industrial application may be patented.”*

In the automotive world, different innovations are patented every year. Some recent patents worthy of special note include: the electromagnetic windshield wiper and laser-beam system for cleaning vehicles, both belonging

to Tesla; a panoramic roof for the Mustang model, from Ford; the halo for consumer models belonging to Ferrari; and crab mode developed by Hummer. Logically, applying for a patent and obtaining subsequent approval means that only the company that owns the patent is permitted to use the invention.

The specific area of industrial design is regulated by the Spanish Industrial Design Legal Protection Act 20/2003 of 7 July (referred to below as the LPJDI, based on the Spanish initials). Article 1 of that act establishes the definition of *design* and *product*, in addition to setting out the definition of a *complex product*.⁸

For a model or technical drawing to be recognised as an industrial design, a registration application must be filed with the Spanish Patent and Trademark Office and, within that office, the Design Registry is responsible for the registration pursuant to Article 3 of the LPJDI.⁹

For the application to be approved, the industrial design must be new and of a singular nature,¹⁰ as laid down in Articles 5 to 7 of the LPJDI. Consequently, a registration will be deemed to be new when there is no other design that has been made publicly accessible prior to the registration application or if priority over that design is claimed. The two registrations will be deemed to be identical if the only difference between them lies in irrelevant details.¹¹

⁸ Drafting of Article 1 LPJDI: “*For the purposes of this Act, the following terms will have the definitions set forth below.*

a) Design means the appearance of all or part of a product, which is derived from the characteristics of, in particular, lines, forms, colours, shapes, textures or materials of the product itself or of its decorative elements.

b) Product means all industrial and handmade items including, among others, pieces destined for assembly in a complex product, packaging, product presentation, graphical symbols and fonts, excluding software.

c) Complex product means a product comprising various replaceable components that make it possible to disassemble and reassemble the product.”

⁹ Article 3 LPJDI: “*1. The application, award and other legal transactions and acts that affect the right over the requested or registered design will be entered in the Design Registry, pursuant to the provisions of this act and to its regulations.*

2. There will be a sole Design Registry in Spain and it will be managed by the Spanish Patent and Trademark Office, notwithstanding the powers that correspond to the autonomous communities regarding the enforcement of industrial property law, as set forth herein.”

¹⁰ The two characteristics are cumulative because both must be present and the existence of just one of them is insufficient.

¹¹ At present, the existence of certain similarities in vehicle design, which is the matter under consideration in this chapter, is not deemed to represent a problem. It consequently occurs that models are not only similar when they belong to the same automotive company or group, but also when the manufacturers are direct rivals. Regarding design, the primary differentiating elements are normally the front and rear of the vehicle, particularly regarding the use of similar grills and lights across the majority of the vehicles manufactured by a certain firm. This also makes it possible to give personality to the vehicles, even by alluding to historical elements.

In relation to the requirement for the design to be of a singular nature, this is deemed to have arisen when the impression created on the user by the design in question is different to the impression created by any other design that has been made accessible to the public¹² prior to the date of the registration application, unless it is proven that this knowledge was accessible within the specialist circles of the specific sector in question. Additionally, the degree of freedom of the author of the industrial design to develop their creation must also be considered.¹³

Following registration of an industrial design, the protection right is granted for a temporary period of five years, calculated from the date the application was filed. It is renewable for successive periods, up to a maximum of 25 years.

This right allows exclusive use of the design and makes it possible to prevent third parties from using it without express consent. In this regard, *use* means manufacturing, offering, marketing, importing, exporting and employing that design in a product.

3. Litigation in the automotive world

Litigation has existed in the automotive world practically since the horseless carriage was invented. In fact, directly after the emergence of the car, there was long-standing doubt as to who the inventor was. Nowadays, it is generally—though not universally—accepted that the first car was developed by Karl Benz in 1885 and patented the following year.¹⁴ The number of units made is unknown. Another German engineer, completely unrelated to Benz, was also involved in a similar process and he is considered the inventor of the first four-wheeled car. Destiny would lead their paths to cross.

However, it is interesting to note that the origins of the earliest instances of litigation that affected the automotive world lie before the invention itself took

¹² This must be understood to refer to a general impression of the whole design. It is not unusual to find similar designs among the different vehicles on the market, a circumstance that frequently draws the attention of automotive fanatics and journalists. However, that similarity should not represent a genuine risk of confusion between the different models available on the European market.

¹³ While freedom in automotive design is important, it is also restricted by technical elements and different regulations. For instance, the vehicle must have a cabin and be equipped with certain safety elements, the majority of which are regulated. Furthermore, it must have a chassis and motor, in addition to other essential structural elements. Regarding these matters, studies have been published that suggest that vehicle design will radically change in the coming years owing to the arrival of electric vehicles (with fewer mechanical elements) and self-driving vehicles (with particular impact on cabin design).

¹⁴ “Benz Patent-Motorwagen”, dated 29 January 1886, with reference number 37435. The model was a three-wheeled vehicle called Velocipede. The patent was granted in November of the same year, but the date of the patent application is considered valid.

place, specifically, in a four-stroke engine constructed in 1876 and patented a year later. Automotive manufacturers were heavily dependent on that creation and the patent right, which belonged to Nikolaus August Otto,¹⁵ because the technical information was highly generic, which meant it encompassed practically all the internal combustion engines of the time. The Supreme Court of the German Empire invalidated the material elements of that four-stroke-engine patent in January 1886, which allowed several engine manufacturers to obtain free access to the market.

The other major litigation that affected the motor vehicle before it was invented also took place in 1876. Once again, it was directly related to the existence of patents. That year, Selden discovered the two-stroke engine, which was built by someone else: Georg Brayton. He saw that it was possible to construct a motor vehicle based on that engine and using several elements that existed only in his imagination (Neubauer, 1995) and applied for the patent in 1877. Two years later, he applied for the patent for a self-propelled vehicle, and it was granted. In reality, the aim of the North American lawyer was not to build motor vehicles.¹⁶ Instead, he planned to profit by charging for licences (Hünninghaus, 1963), which were imposed on any horseless carriage.¹⁷ At least, this is the general academic opinion among specialists; some consider him a pioneer but without denying the existence of controversy.¹⁸ The 1877 patent application offered a brief explanation of the functioning of a self-propelled horseless vehicle, but it allowed him to charge licence fees from automotive manufacturers. He asked them to pay a low fee, 1.25% of sales, if they joined the company that he had created and was running. If they attempted to maintain their independence, he threatened to charge them a much higher

¹⁵ "In 1876, Otto built a four-stroke engine and then registered the patent in 1877. This patent forced all other motor manufacturers into an inferior position because they were not allowed to use this promising construction principle, at least, not without becoming licence holders. Opposition against this situation grew in subsequent years" (Neubauer, 1995).

¹⁶ The model designed by Selden was constructed in 1904 because of the court proceedings brought by Selden against Henry Ford. The proceedings ended in 1911 with the court ruling that Ford had not broken any laws (Smith, 1999).

¹⁷ "Taking advantage of the gaping regulatory holes in the award of patents, George B. Selden obtained copyright over the automobile until Henry Ford, following extensive litigation that ended in 1911, proved that the claim lacked grounds. In 1877, Selden had applied for registration in his name of a self-propelled horseless vehicle based on a brief description and, it would seem, the prototype was manufactured much later" (Ruiz, 1985).

¹⁸ "In 1879 George B. Selden, whose pioneer horseless carriage is pictured on page 1, applied for a patent which seemed to cover any self-propelled gasoline-powered vehicle. For years, most American automobile manufacturers honoured this patent and paid royalties to the Association of Licensed Automobile Manufacturers, which controlled the Selden Patent. It was common practice for the Association to warn and threaten automobile makers and users not licensed under the Selden Patent that they would be prosecuted" (Clymer, 1950).

fee. Initially, in 1909, a court recognised the legality of the Selden patent, in addition to all the licensing requirements being imposed as a result of it; however, new proceedings brought in 1911 led to Selden being granted the right solely over the Brayton engine.

Legislation also appeared while the motor vehicle was being developed, during its early days and even before its development. The Locomotive Acts passed in England are well known, particularly owing to the pressure exerted by the railway owners, who saw a possible competitor, initially in steam-propelled vehicles and subsequently in gasoline-powered motor vehicles. It was in this context that the first regulation was approved in 1836 to try to prevent competition against the railway from steam-powered lorries. The official objective was to protect the peace and pedestrian safety (Lewin, 1989). Nevertheless, in practice, the real motivation behind the acts was to seek protectionism for railway transport.¹⁹

Two industrialists from the automotive sector, Simms and Lawson, attempted to influence the situation by persuading the then Prince Edward, subsequently King Edward VII, to speak to the Queen and convince her to amend the regulation. As a result of that interview, the regulation was amended through approval of the Light Locomotives on Highway Act, which differentiated between vehicles based on weight, depending on whether they weighed more or less than three tonnes, with a maximum speed of 14 mph for the latter.

It is well known that, nowadays, traffic regulations have been in place for many years and remain firmly in force. However, many other regulations have been approved that affect specific matters related to motor vehicles, such as particle pollution regulations and the requirements imposed on manufacturers to market a certain number of motor vehicles powered by clean energy.

In this regard, a point of note is the issue that arose in 2009, when the Euro 5 regulation to reduce emissions was implemented.²⁰ That regulation was particularly focused on motor vehicles with diesel engines, and it was designed to eliminate the particles they produce. Technically, the biggest change it

¹⁹ Among the main requirements that all steam-powered vehicles had to fulfil was the existence of a tremendously onerous road tax and the obligation to respect a maximum speed limit that did not exceed the speed of a man walking. This was literally the case because a man had to accompany the vehicle by walking ahead of it while waving a red flag and ringing a bell to warn pedestrians of its arrival.

²⁰ In this event, the drafting of the Euro 5 and Euro 6 standards took place in a single text. Specifically, Regulation (EC) No 715/2007 of the European Parliament and of the Council of 20 June 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information.

introduced was the requirement to install a particulate filter in all cars. Subsequently, it was discovered that several automotive manufacturers were not complying with the emission standard. The most notorious case was that of the Volkswagen Group, in a scandal the media called Dieselgate.²¹

Several court rulings have now been issued concerning the case.²² On this point, environmental awareness seems to be the reason why courts are inclined to rule in favour of vehicle buyers. At least, that would seem to be the case based on the reasoning expressed in some existing judgments. The problem lies in identifying the people who actually decided to buy a car with the characteristics in question with environmental protection being the primary reason for the purchase, since awareness in this regard cannot always be proven.²³ Several authors have defended the argument put forward by the courts (Carrasco & García Montoro, 2015 and 2016; Emission Analytics, 2019). However, reality does not support this standpoint given that one of the most subjective purchases a person will make in their life is acquiring a motor vehicle, as demonstrated on numerous occasions by the market itself.²⁴

Regarding Dieselgate, and without attempting an in-depth study of the type performed by other authors (Ewing, 2017; Serra, 2018), it is worthwhile noting that the first Spanish judgment on that case was made on May 19, 2015.²⁵ In

²¹ Shortly after discovering the ruse employed by the Volkswagen Group, investigations were extended to several other manufacturers. Recently, in late September 2019, the Daimler Group, which includes well-known brands such as Mercedes-Benz and Smart, reached a settlement with the German government to pay €870 million as a consequence of it manipulating the pollutant emissions created by its vehicles.

²² Nevertheless, 30 September 2019 marked the commencement in Germany of the first court proceedings against Volkswagen in relation to the emission manipulation case. This will be a tremendously complex process and it is expected to last several years, with approximately 467.000 customers having joined the claim against the German manufacturer.

²³ According to the Court of First Instance of Torrelavega, Spain, an economic contribution to an environmental protection association is one of the criteria that suggest there may be material grounds for error. Numerous activities exist, however, that any environmentally aware member of the public can carry out without the need for there to be express proof of their motives, such as recycling, making moderate use of water and even opting for a vegetarian or vegan diet, among many others.

²⁴ One good example is the current fashion for sport utility vehicles, better known as SUVs, which people buy with the idea that they are as big as a people carrier, as frugal as an average sedan and as safe as a lorry, when all of these beliefs are incorrect. In fact, a people carrier has much more space and is more ergonomic, an average sedan consumes less owing to its better aerodynamic coefficient and lighter weight and, while system safety may depend on the technology used, there is no escaping that the centre of gravity is much higher, which means that vehicles with SUV-style bodies will roll over more readily.

Furthermore, Volkswagen sales are a clear example of the automotive market defying typical market logic. Indeed, since the Dieselgate scandal, the group and the brand have improved their sales figures, which have continued to increase year on year (ANFAC Annual Report 2014, 2015, 2016, 2017 and 2018).

²⁵ Judgment of the Court of First Instance in Civil and Criminal cases: ROJ SJPII 21/2016.

the scenario in question, the buyer requested cancellation of their agreement to purchase a VW Tiguan and return of the amount paid for it. Nevertheless, the buyer's claim was refused because the court deemed that the car was perfectly suitable for the use for which it had been designed. In this regard, therefore, it deemed there was no error that would render the agreement void and that, furthermore, repair of the vehicle could reasonably be performed. At time of writing, numerous users are still awaiting a decision on their claims regarding this matter.

Consumer protection was one of the primary arguments in the Dieselgate case, but other scenarios have arisen throughout the history of the motor vehicle that have also led to legislative changes. In this regard, the third generation of the all-terrain Explorer model by the company Ford, brought to market in 1995, was involved in accidents that led to at least 101 deaths according to the United States Congress. The problem was owing to a malfunction in the Firestone tyres used on the model, which experienced an inadmissible frequency of high-speed blowouts owing to a manufacturing defect.²⁶ One of the greatest problems in the case was the fact that it was possible to subsequently prove that both Ford and Firestone were aware of the manufacturing defects in the tyres.

As a result of that scandal, motor vehicles must now be equipped with standard tyre pressure monitoring sensors, a requirement initially introduced in the United States (from 2007) and later in Europe (from 2012).²⁷

These were not the only cases. The first-generation Opel Tigra had a certain tendency to catch fire while being refuelled. Several cars have electrical problems, particularly when they are first marketed. A company belonging to the ancillary industry knowingly delivered defective products that manufacturers included in their vehicles.²⁸ The company Toyota was sanctioned in the United States because some of its automatic cars had pedal

²⁶ In addition to the deaths caused and the massive recall to replace the tyres once the problem became public, the scandal had important consequences for the company. The United States public, the primary market for the Ford Explorer, perceived the tyre company to be the main culprit, although it was also claimed that there was a fall in sales of that model.

²⁷ Regulation (EC) No 661/2009 establishes, in Article 9.2: "*Vehicles of category M1 shall be equipped with an accurate tyre pressure monitoring system capable of giving, when necessary, an in-car warning to the driver when a loss of pressure occurs in any tyre, in the interests of optimum fuel consumption and road safety. Appropriate limits in the technical specifications shall be set to achieve this, which shall furthermore allow for a technology-neutral and cost-effective approach in the development of accurate tyre pressure monitoring systems.*"

²⁸ Several car models made by different manufacturers installed airbags manufactured by the Japanese company Takata, while being unaware that they had a manufacturing defect.

defects. Furthermore, it is considered normal and even positive for automotive companies to launch recall campaigns when they find an anomaly.

Unfortunately, this has not always been the case, as can be clearly observed in the case of the Ford Pinto, a compact model first manufactured in the United States in 1971. The vehicle, which underwent fast development, and which was designed to compete with cheap Japanese cars, had leakage problems in its fuel tank. This problem meant the Pinto could explode when hit from behind if a small spark was produced. That model also had structural deformities that would cause the chassis to fold like an accordion in a crash, making it impossible to open the doors after an accident. Worst of all, the company was aware of these possible defects and it calculated the cost of repairing the cars. It then calculated the cost of paying out compensation based on the estimated number of deaths that would be caused. The approximate cost of repairing each car was €5 but the decision was made to forego reparation. The company was subsequently sanctioned and forced to repair all units sold. The company's decision led to the avoidable loss of approximately 500 lives and the Ford Pinto is considered one of the worst cars of all time.²⁹

Fortunately, nowadays, quality control, monitoring, independent safety tests and the media jointly contribute to preventing cases like that one from arising. A good example is the case of the first generation of the Mercedes-Benz Class A. In 1997, the German company tested its smallest car at that time. During the “moose test”,³⁰ the vehicle lost stability and rolled over.³¹ The result of the test was much like the behaviour of other cars in the segment, but it was on the front page of several publications by the specialist press, which significantly damaged the company's image. The company stopped deliveries of the model, checked the vehicle and implemented improvements. The main improvement was adoption of the electronic stability control system, which corrected the problem. However, sales were markedly affected, and the model never

²⁹ In fact, there is a book with precisely that title. The book states: “*The most dismal aspect of the Pinto was its propensity to explode in a ball of flame when hit from behind. That even a moderate fender-bender could result in death by fire is a numbing fact that hangs over the 1970–76 Pinto like the shadow of the Grim Reaper. Ford Motor Company did take steps, after being sued, to correct the problem by a massive recall campaign. The explosion problem was due, after all, to a defect in the gas tank ventilation system*” (Jacobs, 1991).

³⁰ Colloquial name for a test that measures motor vehicle stability. The test involves an evasive manoeuvre, without breaking, at a speed of between 43 and 50 mph, to simulate an obstacle appearing on the road. It is a typical manoeuvre in Nordic countries as the result of a moose appearing on the road, hence its name.

³¹ A Swedish journalist from the magazine *Teknikens Värld* said the car lost stability with certain ease, with the wheels lifting off the ground and the vehicle finally rolling over.

achieved its expected sales figures. Nonetheless, the company demonstrated its commitment to the customer and its speed at solving problems.

Other litigation that has arisen in the automotive world where consumer protection was used as the primary or secondary grounds for the claim includes the recent litigation in France regarding the similarity of the Polestar logo to that of the Citroën and DS, among many other cases. To provide one example, it is worth mentioning two problems that affected a model manufactured in Spain: The Seat Ronda.

The Spanish model was brought to market in 1982 and the company had to address two controversies. The first and lesser known of them did not reach the courts because a settlement was reached between the companies involved. The company Honda believed that the name of the Seat model could be phonetically confused with its company name.

The second and better-known case involved a claim being brought before the Paris Court of Arbitration³² on 17th November, 1982 by Fiat against the Spanish company as a result of the launch of the Ronda model. The Spanish company, which was cleared of the claim, used a dual-tone, black-and-yellow model as evidence. In that model, the black parts represented unmodified components with respect to the model belonging to the Italian firm and the yellow parts represented its own components.³³

As has been observed, litigation has always existed in the automotive world, between the manufacturers themselves and regarding consumer protection. However, regulations have also had an indirect and direct influence on vehicle design. An example of indirect influence is through aerodynamic efficiency to reduce fuel consumption³⁴ and the emission of pollutants.³⁵ Direct influence, on the other hand, can be observed through laws that have involved the requirement to adopt safety or design measures, or both. One such instance was

³² The governing body of the International Chamber of Commerce.

³³ Under various agreements between the companies, Seat was allowed to modify the original Fiat vehicle by 10% to prevent the Italian company from taking it to court when the model was restyled. The problem was derived from each manufacturer's interpretation of what the term *restyling* meant.

³⁴ Even now, these regulations are still extremely important. For instance, several countries are in the process of enacting laws that may prohibit the sale of vehicles with internal combustion engines in the coming years. Moreover, the European Union has already established specific quotas for permitted average pollution levels for all of the motor vehicles sold by an automotive company or group, though exemptions still exist, and it is possible to purchase quotas.

³⁵ A good example of this issue is the case of the Chevrolet Camaro. It will not be possible for the model to be sold throughout the United States in early 2021 because the pollution caused by the copper brake pads included in its most powerful versions prevent it from being marketed in Washington and California. In late 2020, the company announced that the situation was temporary and that it was hoping to resolve the problem by developing a new braking system.

the prohibition introduced in the early 21st century on using retractable headlights on new vehicles³⁶ because they are particularly harmful to pedestrians in the event of an accident.³⁷

However, regarding the subject of design protection, which is the focus of this chapter, the regulations applicable in Spain and Europe are not the same as the ones in China. It is therefore necessary to analyse the Chinese regulations.

4. Regulation in China and automotive design

The Patent Act of the People's Republic of China was approved in 1985 and has undergone several amendments. The current regulation was approved in 2008 through the application of a third amendment.³⁸ There is also an implementing regulation. The drafting of Article 2 of that act establishes the recognition of three different protection models based on patents and distinguishes between patents for inventions, utility models and designs.

Consequently, patent registration grants the holder the exclusive legal right to an invention or new design and allows them to use the right for a specified time period to prevent third parties from using the subject matter of the patent without their consent.³⁹

It should also be mentioned that patents granted in other countries, provided they are signatories of the Paris Convention,⁴⁰ must also be protected in China within 12 months—six months in the case of designs and utility models—calculated from the date of the first registration application. Within the framework of the National Intellectual Property Strategy, China's goal is to transition from being a country of imitators to a country of innovators (Piña, 2019).

³⁶ Frequently, however, handmade and limited-edition models are exempt from complying with certain regulations, with one such example being the Ares Design Panther.

³⁷ In fact, the regulations do not establish an absolute prohibition but, rather, one of a relative nature because retractable headlights are permitted under certain circumstances and when certain characteristics are met, such as not projecting from the bodywork.

³⁸ The other two amendments prior to 2008 were applied in 1992 and 2000, respectively.

³⁹ Pursuant to Article 11, paragraph 2 of the Patent Act of the People's Republic of China.

⁴⁰ Regarding patents, the holder of a foreign patent is protected in China under the Paris Convention, which was implemented in China in 1985, and under the Patent Corporation Treaty (known as the "PCT"), which China signed in 1994. It is the promotion of national innovation rather than the protection of foreign patents that China is seeking. Nevertheless, the existence of patent regulations serves to increase awareness among Chinese companies and public officials regarding intellectual property protection (ICEX, 2017).

The objective is, therefore, to make the same advances as in the electronics field, where China has progressed from being a simple manufacturer of deliverables and acting as a low-cost factory for international brands, to developing its own branded products not only for the national market but also for the international one (Nong Ru, 2016).

Article 23 of the Chinese Patent Act provides that the aesthetical design of the patent granted must not be an existing design and it must be visually different from existing ones and from the characteristics of existing ones and this is applicable to designs that are publicly known in China and abroad. Article 59, for its part, establishes that the protection granted by design patents is restricted to the aesthetical design of the product shown in the image or photograph and that a brief description can be used to explain it.

Furthermore, Article 61 of that Act provides that, in the event of infringement of a utility model patent or a design patent, the people's court or the patent authority may ask the patentee or interested party to provide a patent right assessment report issued by the authorities of the State Council to enable the relevant utility model or design to be found, analysed and assessed, and this will serve as evidence for processing and deciding on the corresponding patent infringement.

Additionally, the validity of the patent granted arises from the time of publication with protection being offered for a period of 10 years calculated from the application date.

However, the foreign design protection sought does not always materialise in China if a Chinese company is the one taking advantage of the aesthetics of a foreign model, as has transpired on numerous occasions. In this event, marketing of the motor vehicles in question is limited to China since the manufacturers have breached design regulations and taken advantage of their competitors' images. Below are several examples and an analysis of whether it would be possible to sell the vehicles in Europe.

While it is not possible to produce an exhaustive list for reasons of space, the chosen examples are intended to highlight the most flagrant and notorious cases of recent years.⁴¹ One example is the Lifan 320 model, whose outward

⁴¹ There have also been cases where, rather than copying the design of a single car, Chinese manufacturers have instead taken advantage of (or directly copied) stylistic and iconic elements inspired by the external aesthetics of more than one car. Consequently, the company BYD, whose logo is highly reminiscent of that of BMW, brought out the F8 model, which had a frontal design copied from the Mercedes-Benz CLK, while the rear imitated the Renault Megane Coupe Cabrio. Similarly, the Suzhou Eagle Carrier has a frontal design in the style of Ferrari, specifically, the F12 Berlinetta model, while,

appearance is extremely similar to that of the design icon the Mini.⁴² Besides product image, the issue also concerns public perception of the company given that the Chinese model is notorious for its failure to obtain even a single star in crash tests.⁴³ The vehicle in question has not been marketed in Europe.

In 2002, the then Daewoo Matiz had an identical Chinese version (the Chery QQ) developed without any type of permission from the original manufacturer. In 2007, the same company copied another best-selling model. On that occasion, it was the turn of the Japanese Toyota Yaris. The name used by the Chinese manufacturer was the Riich M1. The Japanese firm sued the Chinese company but, before the end of the proceedings, the original model was updated and, concurrently, that of the copy, which had a sufficiently different appearance to make it unnecessary to continue with the proceedings.

Other low-budget models have also been copied, to a greater or lesser extent, by Chinese manufacturers. The utilitarian “Volkswagen Up!” has a Chinese counterpart under the trademark Weikerui. The mechanics of the Chinese model are greatly inferior to those of the original since it has just 12 hp, which, in European terms, means that its driver would need no more than a moped licence.⁴⁴ Furthermore, the iconic Isetta has a Chinese double called Eagle EG63330K, which replicates its signature features. In this case, although some of the aesthetics have been copied, it cannot be confused with the original model because it has two doors on each side, a feature that was never offered by the vehicle that inspired it, although this could confuse some consumers.

However, it is of course the elite models that are worst afflicted by design plagiarism. Indeed, among other clones of European models, Zotye markets the SR9, a copy of the Porsche Macan, which can be purchased for the equivalent of €13.000.⁴⁵ Similarly, the Lamborghini Urus has a Chinese doppelganger

aesthetically speaking, the rear of the vehicle is identical to the Porsche Cayman (the logo is also very similar to that of the German company).

⁴² The British company Mini currently belongs to BMW. The models belonging to the German firm itself have also been copied on various occasions. For example, in 2007, the Shuanghuan SCEO, a copy of the BMW X5 of the time, was launched on the Chinese market. BMW sued the Chinese firm and won.

Furthermore, a company named BNW and another called BMN, which manufacture models that are aesthetically similar to German BMWs, have been registered in China since 2008. In late 2016, a Shanghai court ruled against both companies and the manager of one of them was ordered to pay the German company ¥3 million (approximately, €416.000) for registering similar trademarks to the ones employed by the German firm.

⁴³ In that specific case, tests performed by Latin NCAP in 2014.

⁴⁴ Its market rivals would include Aixam products, for example.

⁴⁵ In the Spanish market, the German model can be purchased from a starting price of €68.000.

called the BAIC Huansu C60. In this case, further to the price difference⁴⁶, there is a difference in power, given that the Italian model offers 650 hp, while the Chinese model has just 195 hp.

In short, all these models and numerous others disparage the brand that created the original, which leads the public to perceive lower quality and power compared to reality. All this suggests that it would be possible for these models to be sold in European markets. At least, that is what is implied in principle, though it has not always been the case.

Litigation has already arisen beyond the Chinese borders in relation to a model that was a copy of an existing European car design. To aggravate the problem, the Chinese firm intended to market it in Europe. In 2007, the Chinese company Shuanghuan launched the Bubble model, also called Noble, which, aesthetically speaking, was a close recreation of none other than the SmartForTwo. Daimler, the company that owns the rights to Smart,⁴⁷ quickly brought a claim against the Chinese company. Specifically, the Greek market was the one chosen to commence sales of the Chinese model.⁴⁸ The price of the top-end version was higher than that of the original model, which could have induced error in future buyers. However, in 2009, the Greek court ruled that it was perfectly legal to market the model because a vehicle's identity is not solely and exclusively related to its exterior but also to all its other elements, including its mechanics and internal appearance. In those respects, the models were clearly different. This “permission” from the courts encouraged the company to also market the model in Italy.

On other occasions, however, the Chinese courts have been the ones to recognise excessive similarities between Chinese and imported models. That was the case with the Shuanghuan copy of the BMW X5. More recently, the courts also ruled against marketing of the Chinese model in a dispute between Land Rover and Landwind.⁴⁹ The former had launched its successful Range Rover Evoque in 2011. In 2014, Landwind launched the X7 in China, a model that looked a lot like the British SUV. Initially, Tata Motors, owner of the British firm, attempted to reach a settlement with the Chinese company, but no

⁴⁶ In the Chinese market, it is possible to purchase the Chinese model for ¥100.000, which is equivalent to €13.400.

⁴⁷ Also, owner of the rights to Mercedes-Benz.

⁴⁸ The specialist media outlets underlined the low quality of the product and its aesthetic similarity to the original model. Furthermore, the Chinese model was not exactly cheap given that it started at €8.800, with the top-of-the-range model being priced at nearly €12.000, which was even more than what the original model cost.

⁴⁹ Jaguar-Land Rover filed a claim at the Beijing court to initiate legal action against Landwind for breach of copyright and unfair competition.

agreement could be reached. To exacerbate the problem, the Chinese patent office refused the registration application filed by the British company since it considered that this design had already been shown or published before the patent application was filed. This decision allowed Landwind to continue marketing the X7.⁵⁰ Subsequently, in 2019, the Chaoyang District Court, Beijing, ruled that the Chinese model was too similar to the Evoque and ordered the Chinese manufacturer to compensate the British company in an undisclosed amount⁵¹ and to cease selling the model.⁵²

However, Chinese companies have not always been in the position of defendants. There have been some instances where they have been the claimants although, in this case, owing to the names of models. That was what happened with the company Chery Automobile, which sued the firm Mercedes-Benz when it planned to market cars called EQ. Two years before, the former had sold its own model in China called eQ and it believed the situation would give rise to confusion among consumers, which meant the German company could not use that name for its models.

5. Conclusions

Regulations that protect patents, utility models and industrial designs are extremely important in Spain and Europe. They grant exclusive rights of use to the registrants and allow them to bring cease-and-desist actions and compensation claims against anyone failing to respect the rights acquired. Furthermore, the system is designed to promote innovation and technological progress. While it is true that, in certain aspects, it restricts free competition, it is believed that the protection granted encourages different companies to invest more in innovation and development, which gives rise to better products and greater benefits for consumers.

Of all the models analysed, only the Landwind X7 had to be taken off the market, in the specific version with regard to which the original manufacturer had established its claim. As has been observed, it has also been possible to sell

⁵⁰ It is strange that manufacturers still bring these cases before the Chinese courts since they know it will be difficult for them to achieve success (Spring, 2016).

When they file court claims, they can win, but after an excessive time period, as was the case with the company Honda, whose CR-V model was copied by a small Chinese manufacturer. Even though Honda managed to obtain a favourable judgement in China, the process took 12 years. The compensation it obtained was scarcely \$2 million.

⁵¹ The British company was pleased with the ruling and stated that it was the first case of its type where a foreign automotive company was supported in China.

⁵² Nevertheless, by that time, the Landwind model had undergone aesthetic remodelling, particularly where it was most similar to the British model, which meant that, in practice, it could still be marketed.

a model in foreign markets. No other companies have attempted this, but it would have been exceedingly difficult for them to obtain permission to market their models outside China.⁵³ Sale of the models in Europe would have been virtually impossible, though this is what was initially thought regarding the Shuanghuan model.

Intellectual property laws exist in China. Among other reasons, this is because they were necessary to enable its entry into the World Trade Organization. However, following its admission, China began to benefit from the advantages of membership but without applying those laws, or by applying them in an extremely loose manner.

Foreign manufacturers share some of the blame for this because few have turned to the courts regarding these matters. In part, this is owing to fear of court decisions, but it is also because the market is so broad that it enables them to continue increasing sales and making profit.

Besides the economic reasons that explain the existence of this protectionism in China, there may also be a social aspect. Indeed, Feldman suggests that the lax attitude in the country in this regard is owing to the collective social mindset, which means lower value is placed on individual rights compared to in the West. The second part of Feldman's theory is based on historical reasoning rooted in the military and economic attacks from the West that China has suffered in the past. This might mean that the Chinese do not trust us enough (Feldman, 2013) and, under the same logic, the same would be true of their feelings towards Japan.

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⁵³ Landwind attempted to market its X7 in the Brazilian market, but it withdrew its petition.

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ANALYSE OF EUROPEAN AND ASIAN WINE MARKETS AND CHALLENGES GEORGIAN WINE FACED DURING PANDEMIC

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1. Introduction

Increased sales indicator of Georgian wines in Europe and Asia in recent years has changed in 2020. It started to drop because of COVID-19 pandemic situation. The slowdown of world economic development had an impact on Georgian wine sales. In January-March of 2020, export of Georgian wine dropped by 9.6% compared to 2019. In this period, in 2019, Georgian wine export value was 48.976 million dollars, while in 2020, it was 44.261 million dollars. Decreased volumes in all basic import countries is divided evenly, that is why there is no dramatic reduction in any of them separately.

Georgia exported 94 million bottles of wine to 53 countries in 2019, which is nine percent more compared to 2018 and the highest export volume in the history of independent Georgia, according to the Georgian National Wine Agency.

Last year, Georgia generated \$240 million from the sale of wine abroad, which is 17% more compared to 2018. The volume of exports increased to strategic markets of Georgian wines:

Poland – 4.114.972 bottles (17% increase), China – 7.089.259 bottles (2% increase), United States – 678.148 bottles (48% increase), United Kingdom – 168.307 bottles (60% increase)

To traditional export markets and Asia: Lithuania – 708.408 bottles (45% increase), Germany – 671.453 bottles (40% increase), Belarus – 2.787.065 bottles (74% increase), Israel – 324.700 bottles (80% increase), Estonia – 693.248 bottles (20% increase), Russia – 58.384.540 bottles (9% increase), Moldova – 625.724 bottles (87% increase), Netherlands – 96.464 bottles (17%

increase), Czech Republic – 92.214 bottles (34% increase), Bulgaria – 34.734 bottles (30% increase), Mongolia – 297.576 bottles (40% increase). Last year 341 companies exported wine, said the Georgian National Wine Agency.

Meanwhile, Georgia exported 31.6 million (+58%) bottles of Georgian brandy and 625.000 bottles of Chacha (+48%) abroad in 2019. Kindzmarauli was the most in demand beverage among the Protected Appellation Wines last year. Georgia exported 17.418.683 bottles of Kindzmarauli in 2019 (National Wine Agency of Georgia, 2020).

2. Characteristics of Asian Wine Market

To analyse wine markets in Asia, we have taken an example of Japan. With a population of more than 120 million, Asia's most mature wine market offers plenty of rewards for companies seeking to invest in it. Japan is a country with a small but thriving domestic grape wine industry and a long history of wine production that goes all the way back to the early Meiji period. Wine Intelligence statistics demonstrate that there are around 30 million regular wine drinkers in Japan. Of these, almost half are 55 and over. The older Japanese consumer prefers to purchase wines from France or Italy, favouring a traditional experience over a new world alternative. The younger generation is less discerning with their wine drinking, inspired to try new things and explore wines from different countries. The younger consumers are moderate drinkers in comparison to the older generation. Fashionable with the young generation, wine is seen as a healthier alternative to sake, shochu or beer. Until recently, wine was consumed mostly by Japan's elite. A massive preference swing toward wine drinking has changed the status quo significantly. Wine consumption, while growing, is still relatively small, and competes with much more established beverages such as Sake and beer. A transformation in the wine world is taking place, evolving to accommodate the taste preferences of Japanese wine lovers. Today the Japanese are ranked as number one in Asia in terms of wine consumption (2.6 litres a year). Ten years ago (2009) it was only 1.90 litres per year – so it is gradually increasing. Red wine is the preferred wine among the Japanese, followed by white. The Japanese market is fast-paced and highly influenced by trends and the media. When scientific findings were published that showed the consumption of red wine is good for your health, annual wine consumption in Japan tripled to nearly 3 litres per person. Another of the more unusual motivations to drink wine in Japan is *Kami No Shizuku* – or *The Drops of God*, considered a modern-day handbook for ordinary wine lovers that are scared off by pompous wine journals. This Manga

comic has a readership of 500.000 each week and when a particular wine is mentioned, sales immediately skyrocket. Sparkling wine has gained popularity recently, especially among women, and more than half the French wine imported last year was high-value sparkling wine. Imports of sparkling wine increased by thirteen percent in 2018, from \$543.5 million to \$615.6 million. Consumers under 35 years of age fully accept screw caps whereas older consumers maintain a strong association between corked wine and quality (Caltabiano, 2020).

3. Wine markets in Europe

Global sourcing of wine is becoming increasingly important, especially in the high-volume segment of the European market. It leads to lower transport and bottling costs, as glass is cheaper in the European Union compared to other wine-producing countries. Bulk wine is increasingly a commodity-traded good with brands staying the same at the consumer level, but with different blends behind it. This makes European buyers less concerned about the wine's origin. This provides opportunities for all developing-country wine producers. The flipside of increased global sourcing is the drive for authenticity among wine consumers, especially in the premium segment. There is a growing awareness of authenticity among the more discerning consumers, in terms of traditional wine production and viticulture, use of endemic varieties, but also how the wine is transported and packaged. Producers from developing countries will need to overcome feelings of doubts among consumers about the origin, new varieties, exotic image and fair labour conditions of the products. Sustainability continues to be a hot topic in the wine industry. Sustainable wine production is not solely limited to organic or biodynamic production, but can also refer to energy and water conservation, use of renewable resources (e.g., use of wind or solar energy) or reduction of CO₂ emissions. Sustainable practices can not only save costs in production or provide favourable taxes, it also provides opportunities for promotion based on sustainable practices to buyers. These kinds of sustainable practices are increasingly required in mainstream markets. For various sustainable practices, certificates can be obtained from third parties. By doing so, wine producers can demonstrate their sustainable practices to potential buyers. Show your buyers what sustainable practices you apply in your business operations. Consider all business aspects, including grape growing, harvesting, winemaking, bottling, storage and transport. Generally, it is good practice to start with identification of sustainable practices that have already been implemented. You may use this information immediately to report to buyers through documentation or promotional materials. After that, identify

opportunities to further improve the sustainability of your business. Buyers often appreciate plans to implement sustainable practices. Obviously, they appreciate reports on achievements with regard to sustainability even more. Inform yourself about sustainability requirements and certificates by third parties (e.g., organic, Fairtrade, ISO etc.) to demonstrate your sustainable practices. Consider whether organic or biodynamic wine production is suitable for your specific farm or not. Also consider if you will be able to earn back the investments of time and money. If these production systems are not suitable, apply other practices to address sustainability.

Global online wine sales were around 600% higher in 2015 compared to 2006, amounting to approximately €5.4 billion. Nevertheless, online sales are still small. In most of Europe, existing wine retailers with an offline presence lead the development. They use the same warehouse for both their offline and online sales. For the moment, large internet retailers have not yet succeeded to enter the wine market in a meaningful way. Nevertheless, online sales have the potential to become a significant market channel in the long term. The online market development can be interesting for new market entrants from developing countries, as they can use the online space to provide more information on their products. This serves as an instrument to convince consumers of the value of their products. For more information about online sales, read our study on online sales of wine in Europe. 1.Small online retailers are a good option if a company wants to aim for the premium, low-volume segment. 2.If a company aims for high volume, existing retailers with an online sales channel may be a good option (CBI Ministry of Foreign Affairs, 2016).

4. Research Analysis

To study the situation of Georgian wine companies and wine sales during 2020, we conducted a research and interviewed representatives of several Georgian wineries.

The research showed that all of them faced a lot of difficulties during pandemic and realized the necessity of direct communication with customers and potential customers. Locally, Georgian wine companies are implementing several important marketing strategies and try to have tight contact with customers. However, during pandemic they had to digitalize their work and deepen digital marketing skills and start online selling to prevent loss. As the company managers explain, it was very complicated process as they didn't see the necessity of investing in digital marketing development before. So, in the beginning of 2020, all of them were in the situation where they didn't even

have imagination how to overcome it. Step by step wine companies started to adapt and managed to control and fit in local market.

Nevertheless, export issues remained to be complicated. Pandemic influenced on both local sales and exports. It was a great hit on business and sales industry in the whole world. From businesspeople it became necessary to quickly react and make actions to make produced goods available in any part of the world. In this process huge role had the partner distributing companies in different countries that help Georgian wine companies in sales. As from our earlier researches showed Georgian wineries are not using direct marketing strategies not even by means of digital marketing tools in different countries. They just rely on partners and do not have sales strategy in exporting countries. During pandemics Georgian wine companies could not take actions to prevent decrease in sales abroad but they had to rely on their partner companies to find ways out fast. By means of them sales were performed online in European and Asian countries. This saved Georgian wine sales from falling.

5. Conclusions

To sum up, the results of our research Georgia wine producers did not dramatically fail during pandemics, but they realized the huge necessity in having marketing strategies and putting resources in creating strong branding strategies in any country they sell their wines to. As our previously conducted researches showed, Georgian wine company owners have lack of knowledge and understanding the value and strength of marketing that led them to fail during COVID-19 pandemic. So, it has become a great lesson to businesspeople not only in wine industry but also in many different fields, and it showed that any kind of business should try to have tight connection with customers and that will help them survive in any circumstances.

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EURASIAN ECONOMIC UNION: THE DEVELOPMENT OF AN INTEGRATION PROJECT

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1. Introduction

The Eurasian Economic Union (EAEU) is a courageous regional project. It is the result of the area's integration process, differentiated and prolonged in time, consequence of a set of post-Soviet reforms of its Member States. The establishment of the Eurasian Customs Union by Russia, Belarus and Kazakhstan in 2006, in force since January 1, 2010, was the first step towards its institutionalization. As its final result, emerges the EAEU, the subject of this study. In force since January 1, 2015, it hosts, in addition to the three founding countries, Kyrgyzstan and Armenia.¹ All of them, former members of the Union of Soviet Socialist Republics (USSR) and on the spectrum of dependence on the political and economic provisions of the Russian Federation.

Through its development, accelerated due to the establishment of the Eastern Partnership of the European Union (Cuñat Arias & Echaniz Cobas, 2013, p. 131), and in response to the commercial activity of the United States² and China³, the Member States of the EAEU seek to find an economic union

¹ Despite the intentions of the founding states, Ukraine, another of the countries on Russia's satellite, herself it has been left out, without signing the accession agreement. The annexation of the Crimean Peninsula or the political crisis and military Ukrainian are some of the factors that influenced the decision of the Slavic country. Other possible Member States include Moldova, Tajikistan, Turkmenistan, Uzbekistan and Syria. Also, the Georgian regions of Abkhazia and South Ossetia have expressed his willingness to join the Eurasian Economic Union.

² The Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).

³ The Regional Comprehensive Economic Partnership (RCEP) and the China–Japan–South Korea Free Trade Agreement.

and a full single market, achieving the free movement of goods, capital, services and people in their territory.

By stepping up work in the fields of economic integration, economics and financial policy, industry and agriculture, trade, technical regulation, customs cooperation, energy and infrastructure, competition regulation, as well as internal markets, computerisation, information and communication technologies, they intend to form a strategic economic and trade area connecting Asia with Europe. In addition, the EAEU aims to strengthen historical and cultural ties, being a space for dialogue and conflict resolution among its members, as well as improving the standard of living of its citizens.

A set of characteristics that are intended to be exposed through the development of this chapter, following the broad definition of regional integration agreement, established by Schiff and Winters (2003), which define it as a pact between two or more independent States to eliminate tariffs on intra-bloc trade, as well as non-tariff barriers, liberalize investments and coordinate other policies, that in its deepest form takes the form of an economic union, requiring shared institutions.

In order to better understand the different aspects and sensitivities of the EAEU, taking into account the inadequacy of the information contained in the analysed literature, as well as the different assessments of the political and macroeconomic effects of the process of integration of the Eurasian economy, the analytical framework is based on the combination of data provided by official documents and academic sources.

To this end, in order to promote the quality of research and to obtain the most complete conclusions, firstly, an assessment of the institution-building process has been carried out; then, emphasis has been placed on the main characteristics of its economic development, finally debating the main future challenges of the Central Asian initiative. Thus, seeking a viable study of dynamic processes, it has been intended to answer the question of whether the process of Eurasian integration has promoted a more integrated governance model in the highlighted areas, emphasizing cooperation between Member States in terms superior to the previous impulses of State aggregation.

2. Institutional and decision-making system of the EAEU

The Eurasian Economic Union is not the first recent integration initiative in the region. After the dissolution of the USSR, several processes began successively changing the economic and political scenario of the area. A set of

structures⁴ with their respective objectives and governing systems, however, also with partially overlapping memberships (Blockmans et al., 2012, p. 1).

In any case, the EAEU is the one that shows an institutional and legislative design more solid, according to the requirements of a 21st century organization. The response to the economic activity of the other world powers, without ignoring the European Union, and seeking to draw on the experience of the European integration process, is a clear example of the effectiveness of the Russian Federation's foreign policy. An initiative promoted by its economic interests, but also geopolitical ones, seeking a model of partnership open to other States in the area and whose institutional design presents elements borrowed from the EU project (Vicari, 2016, p. 2).

Its constitutive Treaty, which incorporates the agreements signed within the framework of the Eurasian Customs Union (EACU) and the Single Economic Area between Kazakhstan, Belarus and Russia, establishes a binding legal framework, creating an international organisation for regional economic integration with its own legal personality (TEAEU, Article 1, Paragraph 2). In a way, and according to Haukkala (2013, p. 173), a challenging community hegemony, being able (in its most advanced state) to come to be seen from the same perspective of power.

According to Article 4 of the EAEU Treaty, the main objectives of its activity include the stable development of the economies of the Member States by improving the living conditions of their citizens; establishing a common market in goods and services, capital and labour (gradually renouncing protectionist measures); modernising national economies and promoting their competitiveness in the context of a globalised world, maximising their profits and reducing their costs.

The jurisdiction of the Eurasian Economic Union is defined not only by the founding Treaty and its scope, but also by the policies coordinated and agreed upon by the Member States (TEAEU, Article 5, Paragraph 2). The latter, at the same time, must be determined by the Treaty, the other international agreements agreed within the framework of the Union and in accordance with its basic principles and objectives.

In conformity with Article 6 of the Treaty, a legal hierarchy is established on the basis of the Union's Treaty, the international treaties within the Union, the international treaties of the Union with third parties, the Decisions and

⁴ The Commonwealth of Independent States (CIS), the Increased Integration in the Economic and Humanitarian Domains, the Eurasian Economic Community (EurAsEC), the Eurasian Customs Union (EACU) and the Single Economic Area.

provisions of the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council and the Eurasian Economic Commission, adopted within the framework of the powers provided for in this Treaty and in the international treaties within the Union. Furthermore, any international agreement (concluded within or outside the Union) may not conflict with the founding Treaty, the latter prevailing in any event of controversy. The agreed decisions and provisions shall be compatible with the above-mentioned legal act and international treaties within the EAEU. Finally, in the event of a collision between the decisions of the main organs of the Union, the provisions of the Supreme Eurasian Economic Council shall prevail (as will those of the Eurasian Intergovernmental Council over those of the Eurasian Economic Commission), thus establishing a clear institutional and decisive hierarchy.

As for the decision-making powers, these reside in the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council and the Eurasian Economic Commission⁵, the latter being the supposed guardian of the treaties and of the jurisdiction of the Court of the Eurasian Economic Union, which are binding on the parties. The organizational structure, established by Article 8 of the Treaty, is transmitted in:

a) The Supreme Eurasian Economic Council → formed by the heads of State, prescribes the strategy and direction of the UEEA integration process in order to achieve its objectives. On the basis of the personal appointments of the other bodies, it has budgetary powers, as well as in the area of the Union's international activity (TEAEU, Article 12), retaining control over the integration process.

b) The Eurasian Intergovernmental Council → composed of Heads of Government, seeks to ensure the implementation and control of the founding Treaty, instructs the Commission and sort out issues that have not been resolved within it, participates in the Union's budgetary process, as well as have other powers provided for in this Treaty and agreements within the EAEU (TEAEU, Article 16).

c) The Eurasian Economic Commission → is a permanent governing body, where powers are subject to the powers of the Eurasian Intergovernmental Council. Formed by the Council (composed of the Deputy Heads of Government, one from each State, and which carries out the general regulations) and the Board (which acts as the executive arm and is combined

⁵ The presidency of each of the bodies is organized on a rotating, one-year period and in Russian alphabetical order.

by fifteen national representatives under the principle of equitable representation of the Member States), presents a certain imbalance of authority, with the Council having the greatest powers (TEAEU, Article 18).

Areas of its competence include tariff and non-tariff regulation; customs clearance; technical regulations; sanitary, veterinary-sanitary and phytosanitary quarantine measures; the transfer and distribution of customs duties on imports; the establishment of trade regimes for third parties; foreign and mutual trade statistics; macroeconomic policy; competition policy; industrial and agricultural subsidies; energy policy; natural monopolies; state or municipal acquisitions; mutual trade in services and investment; transport and transport; monetary policy; intellectual property; labour migration and financial markets, being able, on behalf of the Union, to sign international treaties, always under the prior approval of the Supreme Eurasian Economic Council.

Although the Board has legislative powers, its scope is limited. As has already been stressed, most of the regulatory burden lies with its Council. In the budgetary field, the Commission decides only on its own spending framework.

In line with the work of the Eurasian Intergovernmental Council, its functions are mainly executive. With regard to the mechanism for monitoring the implementation of the Treaty and the other provisions, in practical terms, it is not very effective. As in the case of the negotiation of international agreements where its representative functions in trade policy are not strong enough, certain thematic areas being subject to shared competences to make binding decisions.

Despite the mandatory condition of professional experience, independence of board members from any external pressure or exclusivity in their professional dedication, always under the restrictions and ethical standards for all delegates, their two-level chain of command can hinder the decision-making process. Meanwhile, in other areas Eurasian Economic Commission's functionality may be limited to monitoring and consultancy, rather than to an active and change-making stance, a far cry from its Community counterpart, the European Commission.

d) The Court of the Eurasian Economic Union replaces the Court of the Eurasian Economic Community → it is in charge of resolving disputes and interpreting the legal system of the EAEU. Appointed by the Eurasian Supreme Council, it is made up of ten judges (two for each member country) (TEAEU, Article 19).

In general terms, the decision-making process in the context of the EAEU is governed by consensus (a mechanism which allows the equal treatment of rights, including by facilitating opposition to any of the issues proposed for debate), except in the case of the Commission where it is possible, in specific situations, to take the decision by means of the qualified majority method. Similarly, all legislative acts of the decision-making bodies are subject to publication, with the possibility of commenting on the draft laws by all interested person and the obligation to be examined.

Member States can adapt their regulatory developments in accordance with the principle of “multi-speed integration”, with the levels of unification being different in each of them. In any case, long-term goals are set, seeking a harmonization of the legislative framework, the standardization of technical requirements and the elimination of trade barriers before the year 2025.

Likewise, and as indicated above, the bodies of the Eurasian Economic Union will act within the framework of the powers awarded and based on the principles stipulated in the founding Treaty and the other international treaties of the EAEU. Sovereign equality and territorial integrity, respect for each member country's own political structures and national interests, as well as mutually beneficial cooperation are some of them.

In short, the institutionalized legal regime, the binding secondary law rules, the gradual transfer of competences to the supranational level, the differentiation between “agreed” and “coordinated” policies, the existence of a dispute settlement mechanism between the Member States (which also allows other economic actors to take measures as a tool, even if only in relation to the Commission's decisions). A set of obvious casuistry, inspired by the project of European integration and used for the formation and implementation of the Eurasian Economic Union. A clear similarity, despite its initial phase of development.

3. Economic characteristics

Russia, clearly the leader of the analysed international organization, is one of the largest economies in the world. Oil and natural gas producer, among the other main goods, also emits steel and aluminium. After the implementation of a set of reforms towards the conversion into a market economy and greater international integration, its advances in technological development can be considered remarkable; however, it remains unable to compete with Chinese or American products, exporting its goods mainly to neighbouring States, including countries of the EAEU.

Within the Union, it is followed by Belarus and Kazakhstan, with industrialised economic structures. The first one, has privileged access to the Russian market, depending on the energy supplies provided by its partner (Cuñat Arias & Echaniz Cobas, 2013, p. 132). Shipping refined oil and heavy industry, historically, it has always been an economy with high foreign debt, a pronounced trade deficit and reduced reserves in external currency. The second one, net producer of fuels, uranium, copper and zinc, as well as oil and grain, does not have access to the sea being forced to use Russian seaports (Blockmans et al., 2012). This is one of the main reasons for its membership of the Eurasian Economic Union project.

In contrast, Armenia, exporter of agro-industrial products across the borders with Georgia and Iran, forms a moderate wealth in terms of gross domestic product (Eurasian Development Bank, 2019, p. 24). Meanwhile, Kyrgyzstan, the poorest of all the Union's partners, has an economy with the pre-dominance of the agricultural sector. Specialized in the production of cotton, tobacco and meat, with participation in the EAEU aims to attract more foreign direct investment and take advantage of the benefits of belonging to an economic integration project (Avcu, 2016, p. 7). In short, a group of countries with a relatively dynamic and differentiated economic structure, with a population of more than 184 million people.

In the context of the Eurasian Economic Union, customs and tariff regulations have been maintained, extended by non-tariff measures to imports originating in third parties in the EAEU⁶. In addition, Section XVII and Annex 18 of the founding Treaty provide for the harmonisation of tax legislation, indirect taxes, as well as the improvement of the system of value added tax collection in mutual trade.

Unlike the European Union, the establishment of a common market to accommodate the various specific economic sectors envisages the existence of a dominant position of an economic entity (TEAEU, Annex 19, Article 3) and natural monopolistic entities (referring to the transport of oil and gas via pipelines; transmission and distribution of electricity; rail transport, tradable gas storage and transport service; air transport services; transport terminal and airport services; public telecommunications services and public postal services, in accordance with Annex 20 to the Treaty).

Although fiscal and monetary policies remain in the hands of the Member States, Section XIV and Annex 15 of the TEAEU speaks of a monetary policy

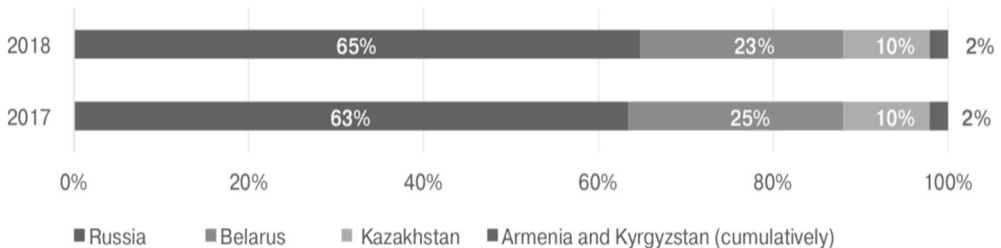
⁶ They may include quantitative restrictions, prohibitions, exclusive import licensing, permissions or non-automatic licenses.

coordinated by its own body, composed of the residents of the national central banks, in the style of the European Central Bank. To this end, the Treaty establishes a set of economic indicators similar to the Maastricht convergence criteria. These include: the annual deficit of the consolidated public sector budget must not exceed 3% of GDP; the debt of the state-controlled sector must be less than 50% of GDP; the annual inflation rate shall not exceed more than 5% the inflation rate of the Member State with its lowest value (TEAEU, Article 63).

Other aspects include regulation of financial markets, trade and investment services, government procurement, special economic zones, industrial policy, intellectual property, agriculture, sanitary and phytosanitary measures or technical regulation. A set of actions already established or to be implemented, feature of an ambitious and long-term will.

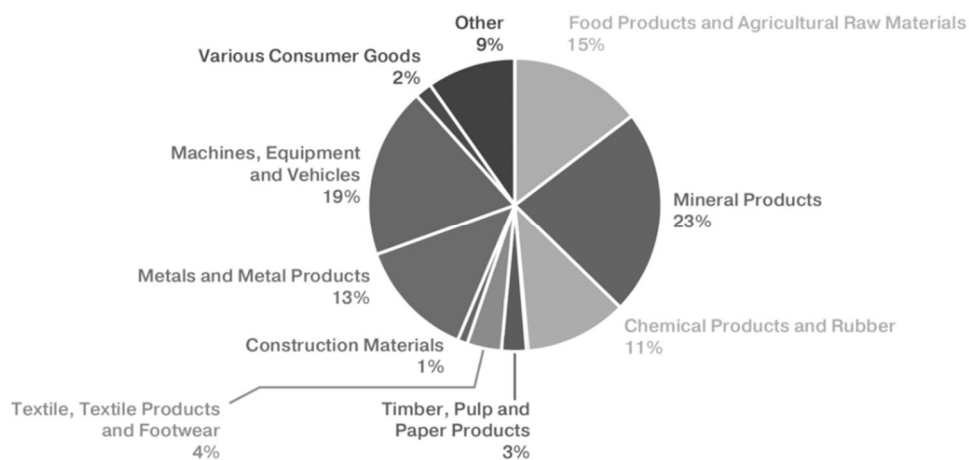
In a relatively short period of operation, and despite its coincidence with the two economic crises, it was possible to observe the increase in the volume of foreign trade of the partners. Furthermore, the single market for services and goods, which is already in operation, is on the path of its deepening. It was agreed to have a coordinated transport policy, a single market for medicines and medical devices, while the establishment of a common market for oil and petroleum products is under construction. Furthermore, the elimination of customs tariffs on exports and restrictions on mutual trade is now a reality.⁷

Figure 1. Geographical structure of exports within the Union



Source: Eurasian Development Bank.

⁷ The mutual trade value increased by 2.3% compared to 2018. Even, and considering the decrease in the average prices of goods, the amount of saying trade increased by 3% (Eurasian Development Bank, 2019).

Figure 2. Sectoral structure of mutual trade of the UEEA (2018)

Source: Eurasian Development Bank.

The syntagmatic agreements with China are yet another example of closer ties on the continent. The acceleration of bilateral and multilateral cooperation within the Silk Road Economic Belt or the signing of the Memorandum of Southern Common Market and the EAEU undoubtedly contribute to the economic stimulus of the concerned States, also forming bridges between East and West. The acknowledgment of trade agreements with Vietnam, Iran, Serbia, Singapore or Egypt are other biases in the expansion of its cooperation with third countries. In other words, a set of actions in order to become a benchmark in the region.

Figure 3. EAEU international cooperation (2018)



Source: Eurasian Development Bank

4. Conclusions and future challenges

The Eurasian Economic Union is an international organization, whose foundation has been accelerated by the establishment of the Eastern Partnership of the European Union, as well as the different trade agreements promoted by the United States and China, encouraging Russia to promote efforts to delimit and maintain its influence in the area against other competitors (Rocha Pino,

2013, p. 65-66). The integration process is not yet finished, which opens up a multitude of possibilities for the advancement of its development.

It can be considered a valuable project, which has received wide interest from the international community, especially developing States. Attracted by this new system, they take into account the set of benefits of participating in an economic integration project, especially possible Russian investments and trade opening. The establishment of economies of scale or greater harmonisation with the commitments founded by the World Trade Organisation are other benefits that it takes into account.

Undoubtedly, a worrying scenario for the European Union that lacks a certain degree of flexibility due to the set of bureaucratic and law-based instruments, as well as mainly an implementation of global policies, unlike the model of national measures practiced by Russia or China (Rocha Pino, 2018, p. 18). A strategy that has even disappointed its potential partners, affecting the implementation of Europe's geopolitical efforts.

However, the absence of the parliamentary dimension within the framework of the EAEU reduces the democratic margin of responsibility of its institutions. Being an alleged temporary gap, despite its future establishment, it is not expected to significantly change the character of the decision-making process. Except in the case of obtaining a veto power, vis-reaching the Supreme Eurasian Economic Council and the Eurasian Economic Commission. Similarly, the possibility of establishing a counterpart to the European Economic and Social Committee is being evaluated, but for the time being, without results.

On the other hand, the EAEU is an initiative marked by the geopolitical criteria and personalities of the political leaders of the member countries, with certain inequalities within the bloc and clear predominance of the main partner, where the particular interests of the Member States and the intergovernmental logic continue to prevail in their current activity. Digitalisation, major infrastructure projects, the gradual development of the single market, combating dumping and unfair competition vis-reaching third countries or strengthening the customs union are some of the main future challenges it has to face. Also, its flimsy logic and the scant democratic culture linked to the weak separation of powers in the Member States are no less important, creating serious doubts about the viability of the supranational organization in question.

The achievement of these objectives depends on multiple factors. The allocation of the new powers by the Eurasian Economic Commission or the Court of The Eurasian Economic Union could be one of the possible solutions.

Greater involvement and compliance with World Trade Organisation regulations would be another step to be taken. All this, demonstrating once again the greatest current progress in economic aspects, given the ease of agreement and the mutual benefits for the arts, rather than the greater integration in the institutional and political sphere in its context.

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EU AND CHINA – ABOUT ONE OF THE RECENT EVENTS

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1. Introduction

Back in XVIII c., Jacques Mallet du Pan, French journalist, compared writing modern history to “*painting a landscape on a foggy day*” (Kereev, 1924, p. 35). We referred to the statement because we believe it is going to be very difficult to draw an unbiased conclusion to the issue, we take an interest in. However, tough the issue may be, it calls for a thorough investigation. Despite of scarcity of publications on the issue, the article is maximally enriched with articles of different analysts and scholars

In his paper “One Belt, One Road and One Big Competition” published in December 2017, analyst Jacob Mardell said that a new version of the XXI c. “big game” was now underway in Eurasia and “*what we are witnessing now is building bridges rather than invading territories*” (Mardell, 2017). We will agree with him and say that CAI can be considered as such a kind of bridge of cooperation.

2. Analysis

The European Union and China are two of the biggest traders in the world. China is now the EU's second-biggest trading partner and the EU is China's biggest trading partner. The EU is committed to open trading relations with China. Most importantly is the issue about the EU' desire to ensure that China trades fairly, respects intellectual property rights and meets its obligations as a member of the World Trade Organization.

“One Belt-One Road” initiative has attracted the attention of European politicians since 2013. In 2013, the EU and China launched negotiations for an Investment Agreement. The aim was to provide investors on both sides with

predictable, long-term access to the EU and Chinese markets and to protect investors and their investments.

On December 30, after seven years and 35 rounds of negotiations, the EU and China were able to conclude a deal in principle on investments. The Comprehensive Agreement on Investments (CAI) is the most ambitious agreement that China has ever concluded with a third country.

This agreement was signed by Chinese President Xi Jinping and European Commission President von der Leyen, European Council President Charles Michel, and German Chancellor Angela Merkel on behalf of the Presidency of the EU Council, as well as French President Emmanuel Macron. In an official statement, European Commission President von der Leyen underlined that *“This agreement is of major economic significance... China has committed to an unprecedented level of market access for EU investors, giving European businesses certainty and predictability for their operations”* (Cyrill, 2020). Thus, China-EU Comprehensive Agreement on Investment Emphasizes the rapprochement between China and Europe and the importance of trade relations between the two regions.

The CAI is not a free trade agreement, but it is going to make it possible for the European and Chinese companies to enlarge their investments and consequently, increase their economic integration. Today, the direct European investments in China amount to 150 bn euros, while those of China in Europe make up 113 bn euros. Although all the Chinese investments in the EU are not necessarily associated with the Belt and Road Initiative (BRI), Europe remains the key destination of Beijing’s steadily growing investments. A bigger part of the Chinese investments is placed in Western Europe, the Central, East and South European countries have been showing a keen interest to the BRI, which is a clear indication that, given the CAI, both sides are likely to enlarge their investments in the said regions.

For all Europe’s mixed feelings about the BRI and the fact the EU was more sceptical and apprehensive about China’s intentions and the way that some projects are being carried out, the CAI finally was signed.

CAI is a clear evidence of the parties’ agreement on the principles of further activities, forms ground for stronger international cooperation and larger bilateral investments and recognizes importance of the economic growth in the EU, especially within the context of the COVID-19 pandemic.

The European Commission developed a document, which sets out the results of the EU-China talks. The Commission noted that the document had to

be brought out to a referendum, and that both sides had to take a number of details and further procedures into account, EU-China Comprehensive Agreement on Investment. The Agreement in Principle (European Commission, 2020).

In the preamble of the document, the parties confirm their allegiance to the UN Charter and the fundamental principles of the Universal Declaration of Human Rights and agree to protect environment and human rights while making investments.

The CAI ensures:

- Market access and investment liberalization
- Level playing field (state-owned enterprises, forced technology transfers, transparency in subsidies)
- Domestic regulation
- Transparency in standard setting
- Financial services
- Sustainable development
- State to state dispute settlement mechanism
- Institutional and final provisions

The principles of the document portray the EU requirements towards China, and thus gives the EU investors an unprecedented access to the Chinese market: they will be able to establish new companies in the key industries.

Upon the execution of the agreement, Beijing will be obliged to make public the list of subsidies into the industries, such as: real estate, telecommunications, development and banking. On its part, the EU give the Chinese access to its market, which is not to be taken lightly as everyone, who had market access negotiations with Brussels, knows (Cyrill, 2020).

Here we wish to focus on several issues depicted in the Agreement. While we agree with the paper „EU-China Investment Agreement Expected to Give EU Companies Unprecedented Market Access”, (Killik & Maclellan, 2020) published by several authors in January 2021 namely: Rules to create a level playing field for foreign investments. Here it is emphasized that *“Pursuant to the promised investment discipline commitments by China and general transparency requirements for domestic regulation, the EU’s aim with the CAI*

would be to level the playing field for EU investors by ensuring robust rules in the following areas:

- *SOE disciplines: SOEs would be required to follow commercial considerations and non-discrimination rules in purchase and sale of goods or services. Under special transparency rules, requested information must be provided for assessment of whether particular SOEs are complying with their obligations, and any unresolved issues can be submitted for special dispute resolution.*
- *Transparency in subsidies: The CAI would impose unique transparency obligations for subsidies in relation to services with a specific consultation procedure in relation to subsidies considered to have a negative impact on a party's investment-related interests.*
- *Forced technology transfers: There would be specific rules against compulsory transfer of technology, including bans on various investment conditions compelling technology transfer (e.g., to joint venture partners) and government interference in technology licensing. The rules would also include disciplines to protect confidential information collected by administrative bodies from disclosure.*
- *Standard-setting and authorizations: To ensure the ability to provide input when various product standards are developed, EU and Chinese companies would have equal access to standard-setting bodies. Also, for related authorizations, there would be rules to improve transparency and predictability.*

These levels playing field provisions would benefit Chinese and EU investors alike by creating a stable and predictable business environment suitable to attract foreign direct investment (FDI) in both China and in the EU” (Killik & Maclellan, 2020). Here we should mention sustainable development: “The CAI would reflect the current EU approach to sustainable development by establishing certain commitments relating to labour, environmental protection, climate change, and corporate social responsibility. The relevant provisions would be subject to tailored implementation mechanisms involving a dedicated institutional set-up to ensure inclusion of civil society, and potential government consultations through a special working group to address potential issues or differences in interpretation. While some in the European Parliament have made strong statements that the rules do not go far enough, the European Commission has countered that they are an important lever for further change” (Killik & Maclellan, 2020).

Although the Europeans realized the opportunities the BRI gives in terms of the trade relations, they were apprehensive about the threat the open, global system poses to the European interests. For all the earlier Chinese projects implemented in the EU, mixed feelings towards the BRI were created by the way the Chinese carried them out – disregard of the labour, environment and human rights protection standards. The EU requested China to pay attention to the principles of openness, interoperability, transparency, and sustainability in its operations. The EU also called for compliance with its market guidelines, creation of the legal framework for the projects and respect to the rule-based international system. By signing a document on 30 December 2020, Beijing more or less confirmed its readiness to meet the EU requirements.

Restoration of balance between the two markets is the ultimate goal of the EU. Minimal restrictions are going to be imposed on the Chinese companies operating at the 450 M € EU market, while regardless of the reforms, the Chinese market is still regarded closed. It should be said though that the Agreement makes it easier for the European companies to operate and invest in China. It is a win-win partnership, as it will create new opportunities for businesses, and allow consumers to enjoy a wider range of products and services. Also, the Agreement makes it clear that China is set to open its economy, become more transparent in terms of subsidies, give the Europeans access to the new sectors of economy etc. In order to operate at the Chinese market, the European companies will not have to set up joint ventures and a number of restrictions relevant to their activities are going to be lifted.

The seemingly harmless Agreement roused more criticism than support among the Europeans. To some extent, we agree with both the supporters' and critics' views. The critics express concern about China's disregard of the human and labour rights enshrined in the international contracts, enactment of the Hong Kong National Security Law and the fact the Beijing does not always fulfil its contractual obligations. However, we agree that *"In the European Union's vision, a major trade or investment agreement is also a political act, advancing European norms and values or recognizing the adequacy of the partner's legal system, starting from the rule of law itself"* (Godement, 2021). And it is going to make a positive influence on China: Beijing is more likely to follow the rules of the game. The Agreement is positive in terms of solving the world economic problem created by the COVID-19 pandemic. It should be said though that much will depend on the cap. of the Agreement "On Investments" to be finalized within the next two years. The EU-China "Comprehensive" Agreement on Investment was intended to cover market access as well as investment protection. The agreed text of the agreement only concerns market

access, with investment protection still left to negotiate for a future agreement. Fulfilment of the CAI obligations is going to be supervised by the Investment Committee by means of various transparency mechanisms and consultations relevant to the success of the ongoing bilateral dialogue.

Conclusion of an agreement calls for readiness of the parties to meet their contractual obligations. In addition, there are factors, which may be regarded a hindrance to its implementation. It is not only about economy. Although compliance with the environment and labour rights protection standards by China has been a hot issue, no timeframe has been developed. Neither there is the investor protection mechanism, which would allow them to sue the Chinese side, there are only the arbitration commissions imposing penalties.

Although in case of default of its contractual obligations, China's access to EU market is going to be restricted, quite a few European diplomats voiced their concern saying that the prospects of the Chinese investments in the lucrative energy and renewable energy sectors are bright enough (Joswiak, 2021).

We suppose that Erhan Akdemir's view expressed in his paper "Chinese Strategy Towards Europe: The Belt and Road Initiative and 17 + 1 Strategy – What Does It Mean for the EU and Central and Eastern Europe?" published in „*Studies in European Affairs*” 2/2020: *“China is trying to become a global leader in international politics by using its economic power. It is therefore of great importance to the development of its commercial and economic relations with the EU, while also trying to exclude conflicting EU viewpoints from these bilateral relations. It should be emphasized here that China is sending messages to the USA by developing its economic and commercial relations with the EU. Considering that the USA is an important geopolitical actor of Asia, its most important message to the US is that China is now an important actor in Europe, suggesting that there can be no Europe without China. For China, the EU's importance extends beyond that of a commercial and economic partner; the position of the EU can also be used as a tool or a bridge to improve China's relations with the West. As a result, China has created the perception of the USA as being an “other” or an “enemy”, something that is not true regarding the EU and its Member States. The Chinese government, which is aware of this situation, plans to continue its mutually beneficial commercial and economic relations with the EU, and to further increase its own political and economic confidence by progressing its general foreign policy and trading process through the Belt and Road Initiative”* (Akdemir, 2020, p. 134-135).

3. Conclusions

The US and Europe will have to coordinate their dealings with China. They should convince Beijing to comply with the international standards of foreign trade and investments, boost the supply chains and pay more attention to the prevention of violation of human rights. They'll have to protect the allies from the economic coercion. During Donald Trump's presidency, the prospects of this kind of cooperation were actually nil, while the expectations with regard to the approach to be taken by Joe Biden's Administration are more positive.

Here we should say that the timing of the agreement is much worse than its content. After nearly 7 years of negotiations, China made unanticipated concessions so that the agreement could be executed before Biden took Office. Signing of the agreement came up as a success of the Chinese diplomacy for CAI is going to make it difficult for Washington to develop a common approach with regard to China.

The EU will have to do all it can to mitigate the results of the agreement. The EU leaders will have to realize that much more is at stake than just giving the market access and trade relations with China.

The EU ought to avert the risk of the transatlantic schism. Modern technologies seem to be the right starting point. New international standards will have to be defined, efforts coordinated in order to inspect the Chinese investments in the vulnerable industries and the growth of Beijing's military potential prevented.

The European leaders were right to describe Trump's one-sided Chinese policy as fruitless. There is no reason to suppose that Europe's unilateral approach is going to be more efficient.

In this context the question arises: what impact is the agreement going to make on the EU-US relations? As Rikard Joswiak remarked that the Administration of the US President-elect Joe Biden warned the EU against hasty execution of the Agreement with China. However, Brussels responded that Washington had signed "the First Phase" trade agreement with Beijing last year and that the EU was just trying to find the way to enter the Chinese market (Joswiak, 2021).

It is strange that the EU did not pay heed to the warning of the US President-elect, whose political conception are reunification of the West and multilateralism.

It is obvious that the issue is complex enough for both the EU and the US to focus on it, all the more so that because of the COVID-19 pandemic the world

economic slowdown is going on, while China is determined to stay at the top of not only the international economic but political agenda, as well. Therefore, China's compliance with its CAI obligations calls for strict supervision.

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COOPERATION BETWEEN EUROPEAN UNION AND CHINA IN THE IMPLEMENTATION OF THE CONCEPT OF SUSTAINABLE DEVELOPMENT FROM THE PERSPECTIVE OF ORDOLIBERALISM

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1. Introduction

The first two decades of the 21st century were a period of growing global challenges and changes of political, economic, and social nature. The previous neoliberal approach to economic development has led the world economy into numerous imbalances. These manifests themselves primarily in two areas - global climate change and the socio-economic sphere. On the one hand, the main challenges of today's world include: the problems of growing inequality of income and wealth, the aging of societies in developed countries, the digitisation of the world of work, global trade imbalances, the overgrowth of the financial sphere in relation to the real sphere, the alarming public debt in many countries, overexploitation of natural resources or environmental degradation, and on the other hand, the increasingly apparent lack of effective international cooperation in counteracting unfavourable trends. The current crisis related to the COVID-19 epidemic has only further highlighted various irregularities in the socio-economic sphere. This translates into growing social discontent in numerous corners of the globe, despite the unquestionable material and technological progress of the modern world in recent decades. In the accurate opinion of Bogusław Fiedor, Marian Gorynia and Elżbieta Mączyńska, *“the global economic achievements, based on the priority of economic growth, have not ensured the proper degree of social and ecological progress. Thus, the condition of harmonious, sustainable, triply (economically, socially, and ecologically) balanced socio-economic development is not fulfilled. The negligence in the social and ecological sphere, manifested both on a global scale and in individual countries, is becoming a barrier to improving the quality of life”* (Fiedor et al., 2020, p. 14). In this context, the question of the directions of global development in the economic and political

terms remains valid and justified. It can be assumed with high probability that the main economic centres of the modern world, i.e., the USA, the European Union and China, which together account for nearly 60% of global GDP (Statista, 2019), will have a fundamental impact on the evolution of the current model of development of the world economy. In a globalised world, the cooperation of these three actors will be crucial in solving global economic, social, and environmental problems. In this configuration, cooperation but also rivalry between the European Union and China - an integration organisation and a country pretending to be a global leader in combating climate change and implementing the concept of sustainable development - may turn out to be essential.

The People's Republic of China is an example of a country that is highly individual and specific due to cultural and traditional conditions that affect decision-making processes, foreign policy, trade relations or building economic growth. China is undoubtedly an economic and trading power on a global scale. After the US, it produces the largest share of global GDP and is the largest producer of goods, the largest exporter and the second largest importer (Jitaru & Popescu, 2017, p. 187). The country is in stark contrast to European states which, affected by the enormous impact of world wars, economic crises, have sought integration, cooperation and protection related to territorial security (Reikowska, 2016, p. 243). The People's Republic of China is the most dynamic economy in the world, but also a country facing four great challenges: rising inequality, increasing levels of environmental degradation, persistent external imbalances, and an ageing population (Alexandru, 2014).

The European Union, on the other hand, is an economic and political union of 27 European states implementing, in accordance with the Treaty of Lisbon, the economic and political model of a social market economy which has its origins in ordoliberalism. This means that ordoliberal ideas and values are commonly found in the processes of European integration. The creation of the European Union provided an opportunity for Member States to be a player co-determining global rules (Mączyńska & Moszyński, 2019, p. 13). However, this does not mean that the European Union is a remedy for all challenges faced by Member States, which include - as in the case of China - ageing populations, climate change, or increasing social inequality. Cooperation between the EU and China in promoting the concept of sustainable development may be a significant step towards changing the current development model, not only in both countries, but also on a global scale. Certainly, this is a task not for years, but for decades, but both the European Union and China are forced to seek new paths of development. Cooperation in this area is analysed in this chapter, as

well as an attempt to answer the question to what extent the values contained in ordoliberalism can contribute to achieving the objectives of the concept of sustainable development.

2. Ordoliberalism and sustainable development from a theoretical perspective

The idea of a social market economy based on ordoliberalism has been developed in West Germany since 1948. It is also implemented in different variants in the other Member States of the European Union. Its main idea is to combine free market capitalism with social policy, so that on the one hand, freedom of competition is guaranteed, and on the other hand, the principles of the welfare state are implemented. The foundations of the social market economy can be found in the works of the German ordoliberals Walter Eucken, Franz Böhm, Alexander Rüstow, Wilhelm Röpke and Alfred Müller-Armack, who advocated a strong state as the centre of social and economic order (Glossner, 2010). An essential element of a state system based on the ordoliberal concept is the idea of an institutional framework that would guarantee economic freedom as a source of legitimacy for state power (Mulder, 2019, p. 22). It is worth emphasizing that China's economic policy is to some extent based on a similar assumption, although in principle the Chinese model of socio-economic development - especially in the political sphere - is far from ordoliberal values.

The postulate of shaping an appropriate institutional framework constitutes the foundation of ordoliberal thought, as it gives the market mechanism a special function. It is the market that measures the value and scarcity of goods, it also allows for the provision of reliable and credible data that form the basis for economic decisions by producers and consumers. Moreover, it is the institutional framework that determines the scope and level of state intervention and the permitted activity of other market participants. Ordoliberals, rich in experience with totalitarian regimes, assume that the state interfering excessively in economic processes may play a destructive role, especially if this were to lead to concentration of power. The intention of ordoliberals is to establish a space of economic freedom and to build a state around it responsible for its functioning.

German economics classifies economic policy into two types: the policy of the economic order (Ordnungspolitik) and the policy of the economic process (Prozesspolitik). Ordnungspolitik is the sum of all legal and institutional measures used by economic policy makers to shape a particular economic

order. It has a long-term character, and its purpose is to create a framework for the economic process. The objective of this policy is to create the form of subsystems of economic order, such as property order, planning, guaranteeing monetary order or corporate governance, to give it the desired form (Kaminska, 2019, p. 116). The purpose of Prozesspolitik is to ensure the stabilization of the course of the economic process or the growth of aggregate economic activity through the instruments of monetary and fiscal policy. It is short-term oriented and inherently characterised by discretion. The best-known model for Prozesspolitik are the recommendations of the Keynesian doctrine (Kaminska, 2019, p. 116).

Ordoliberalism assumes that the state as a complex institutional structure acts in the interest of social well-being (Erhard, 2012, p. 41). Another assumption of ordoliberal theory concerns the building of the economy on private ownership of enterprises. Maciej Miszewski rightly draws attention to significant changes in this regard in the last century. According to the researcher, individual economies are dominated by large-scale entities, usually being branches of transnational corporations. Even in the largest economies, big entities move some of their structures outside the borders of the home country, making regulatory actions difficult for the state. In many economies, the state-owned enterprise sector is a vital part of the overall economic system. In corporations, power is exercised by managers in coalition with speculative investors. Neither one nor the other is necessarily interested in the sustainable development of a given company, nor in the steps that ensure efficiency in the long run. Taking this into account, it should be noted that state-owned enterprises may even more than private entities contribute to the stabilisation of the economy and behave in accordance with the expectations arising from the concept of a social market economy (Miszewski, 2019, p. 148-149).

The tradition of ordoliberalism also includes a consistent anti-monopoly policy, preventing the process of concentration of power. The inability to conduct such a policy towards the largest transnational corporations is a well-known issue raised in numerous scientific and expert discussions. This problem affects even such powerful entities as the European Union, although some limited successes can be noted here. The situation is slightly different in China, where the state often supports the process of concentration of economic power, treating large Chinese companies or sovereign wealth funds as one of the instruments of foreign policy conducted by the state (Kamiński, 2015, p. 79-92).

Another important assumption of ordoliberal thought is social policy based on the principle of subsidiarity. Subsidiarity requires decentralisation of the

social system and individualisation of the approach to beneficiaries, which increases the effectiveness of expenditures, but does not have to reduce its size. When taking a global perspective, a new aspect of social policy, unknown to the founders of ordoliberalism, appears. The scale of poverty and the size of the population in need of assistance are enormous. The measures taken by highly developed countries are dominated by handouts, combined with a lack of concern for the effectiveness of the use of resources by poor countries. In most cases, the aid given by governments is many times smaller than the size of the profits exported from the recipient countries by the corporations of the countries providing the aid. An effective solution consistent with the idea of ordoliberalism would imply a fundamental modification of customs policy and control over the use of transferred funds, preventing their capture by local elites (Miszewski, 2019, p. 150). In the long run, such a policy change could prove profitable, for example, due to reducing migration processes and decreasing the costs associated with them.

A similar situation can be observed in the area of entities' responsibility for the results of their activities. What is at stake here is the effective internalisation of the negative externalities generated by economic activity. These may include the consequences of the bankruptcy of an entity, its financial instability and, above all, environmental damage. As in the case of social policy, in Western European countries the policies pursued in this area tend to follow the principles of ordoliberalism. However, in less developed countries, there is no legal infrastructure to protect the interests of employees and no effective environmental protection. Cases of environmental disasters caused by mining companies show that the same rules that a given entity complies with in its home country no longer apply to it abroad (Miszewski, 2019, p. 151).

The principle of responsibility of entities for the effects of their activities, defined in ordoliberalism, is one of the most important assumptions in the context of developing and strengthening the concept of sustainable development. Growing global ecological challenges, increasing environmental pollution naturally result in a growing interest in environmental protection issues. Already in the 1990s, ecological, social, and economic issues were covered equally. The essence of implementing the assumptions of this concept was to secure the needs of living societies around the world without limiting the ability of future generations to meet their own needs. However, everyday practice has shown and still shows that this assumption is extremely difficult to implement. The growing awareness of responsibility for man's exploitative approach to natural resources has led to a search for a development model that will ensure the fulfilment of human needs while limiting environmental

damage. Sustainable development thus became a response to the need for a new approach to environmental resources and their use for human and economic needs. The study of development, which is increasingly seen in an integrated way as ecological-social-economic development, has been brought into the mainstream of ecological considerations about the state of the environment. It has been argued in favour of its sustainability, i.e., socio-economic development that does not disturb the ecosystems in which humans' function (Adams, 2009). The concept of sustainable development has taken an important place in the discourse on the natural environment and is now the foundation of key actions: socio-economic, political, and environmental (Baran, 2017, p. 4).

The concept of sustainable development means both the global approach to economic, social, and natural phenomena and the interdependencies between them; selection of development priorities using economic, ecological, and social criteria, as well as treating the natural environment as a limited whole which is subject to evolution, partial transformations - to a large extent under the influence of human actions. It should be noted that the systemic approach to phenomena in the socio-economic sphere is also typical of the ordoliberal thought. In sustainable development, the basis is nature protection and maintaining its resources at the current or higher level. Very often, the natural environment is treated as a quantity that can be qualitatively compared to capital expressed in the form of physical or financial resources. Therefore, when its value decreases, its functions are limited, the capital itself also decreases. Then we can deal with the so-called strong sustainability or weak sustainability. Strong sustainability assumes that despite economic development, natural capital is maintained at a non-decreasing level, while weak sustainability assumes the possibility of substituting natural capital with man-made capital, while the sum of natural and man-made capital cannot decrease.

The main principles of sustainable development policy relate to three basic relations: environment - economy, society - economy, society - environment, concerning both individuals in the country and international relations. They were formulated in 1992 during the Second UN Conference, the so-called Earth Summit, and included in the documents created at that time. The following should be considered the most important (Mazur-Wierzbička, 2013, p. 39):

- the focus of sustainable development is on people, who have the right to a creative, healthy life in harmony with nature,
- the developmental and environmental needs of the present and future generations must be fairly taken into account,

- environmental protection must be considered as an integral part of development processes in order to achieve sustainable development,
- reduce and eliminate production and consumption patterns that would contribute to disturbing sustainable development
- strive to eradicate and prevent poverty.

The essence of sustainable development is, therefore, the dynamic development of the economy and society which will not lead to any changes in the environment where its condition is good or, where the condition of the environment is bad, it will enable the eco-development of the economy and society and will lead to the improvement of the condition of the environment. Such an approach to eco-development makes it possible to identify it as a process rather than a state. It is constantly changing and evolving in its various aspects. It adapts flexibly to changes and emerging new needs. Therefore, it is extremely important to determine and adopt a strategy allowing for its implementation, realisation, and control of its course. It follows that the basic aim of eco-development is sustainability, i.e., not deteriorating the condition of the environment during the interference in it, while guaranteeing natural basis for functioning of social and economic systems. Maintaining sustainability concerns here both the economic and social systems (since the survival of human culture depends on their sustainability) and the ecological systems (since they are a condition for the sustainability of economic systems).

3. EU-China cooperation on sustainable development

EU-China relations have developed dynamically since the establishment of diplomatic relations in 1975. In particular, the creation of the EU-China Comprehensive Strategic Partnership in 2003 has deepened and broadened cooperation in several areas, leading to increasing interdependence between the EU and China. Today's world is in the process of profound and complex structural changes resulting from the evolution of the international order and from existing social, economic, and environmental challenges. As important actors in a multipolar world, the EU and China share a responsibility to promote peace, prosperity, and sustainable development for the benefit of all (EEAS, 2020, p. 2).

Given that the 21st century is characterised by serious problems affecting the whole world, ensuring sustainable development is a top priority. As the world's second largest economy and the country with the largest population,

China plays a major role in achieving this goal. To find effective solutions, China is forced to cooperate with other countries that have the necessary technology, know-how and financial resources and are open to such cooperation (Jitaru & Popescu, 2017, p. 188). Considering these criteria, the European Union is one of the key partners for China.

The EU and China face the common task of achieving innovative and sustainable development. Addressing climate change, protecting the environment, promoting transparent international energy markets, and facilitating resource-efficient, far-reaching, inclusive, and low-carbon development policies are high on the list of international activities. Emerging green sectors contribute to the sustainable growth of the global economy and create new business opportunities for Chinese and European companies. Green growth should therefore become a key area of strategic and practical cooperation between the EU and China. The EU and China are determined to continue promoting cooperation on flagship environmental initiatives. Both sides agree that innovation can make an important contribution to achieving sustainable development and that effective protection of intellectual property rights is essential to support the effective development and implementation of innovative solutions and emerging industries. In addition, several important societal challenges such as social security, health care, and population ageing need to be addressed to ensure sustainable and balanced development (EEAS, 2020, p. 9). As one of the major centres of the global economy, the EU and China share a responsibility for progress in global development.

European and Chinese political leaders have agreed to work together to achieve the goals of the 2030 Agenda for Sustainable Development. These goals include *“protecting the planet from degradation, through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations”* (United Nations, 2015). The origins of this cooperation date back to 2002, where at the Copenhagen Summit, each side expressed its satisfaction related to China's accession to the WTO. At that time, talks were initiated on promoting sustainable development, maintaining peace and security, but also the commitment of both partners to multilateral arms limitation activities (Sporek, 2016, p. 30). On the other hand, a landmark meeting in the context of cooperation between the described actors was the Beijing Summit on 28 November 2007. At that time, important documents related to sustainable economic and social development were signed, and broader cooperation was established in the fields of economic exchange and human resource development, public administration, environment, and energy

(Sporek, 2016, p. 30). The dialogue undertaken at that time to contribute to reducing global climate change became an important aspect. An agreement related to financial assistance to China was also signed, which was to contribute to the country's own projects to reduce the process of environmental destruction (Reikowska, 2016, p. 243).

Environmental and climate change issues are at the heart of their bilateral relations and are consistently on the agenda of bilateral summits. This was also emphasized by the European Commission in 2006: *“One of today’s key global challenges is to ensure our development is sustainable. China will be central to meeting this challenge. On issues such as energy, the environment and climate change, respect for international social standards, development assistance, as well as wider macroeconomic issues, the EU and China should ensure close international co-operation”* (European Commission, 2006). The importance of cooperation between the two entities on sustainable development is also underlined by the fact that this concept is one of the main pillars of the EU-China 2020 strategic cooperation programme.

Climate change is a priority for China, but also for the EU, when it comes to achieving sustainable development. These usually include not only environmental issues but also other issues such as development, economic growth, international security and, in some cases, even social and political stability. The European Union is seeking closer cooperation with China and other major global development players in a new partnership to achieve the Sustainable Development Goals. This commitment has been reaffirmed at the highest political levels, including at the 20th EU-China Summit in July 2018, where the European Union and China agreed to share their experiences in international development cooperation through enhanced exchanges and to make joint efforts to implement the 2030 Agenda for Sustainable Development (EEAS, 2018).

4. Conclusions

The very fact of the European Union and China's declaration of willingness to cooperate in achieving the objectives of sustainable development is in line with one of the central values of ordoliberalism, i.e., responsibility for externalities arising in the economic growth or development process. Also, several activities aimed at social development, counteracting negative consequences of demographic changes or economic imbalances should be considered consistent with the postulates contained in ordoliberal thought. The issue of political freedom, especially the concentration of political power in

China, which is contrary to ordoliberalism, is still debatable, but this aspect was not analysed in this study.

Environmental protection and green development are now priorities for the Chinese Government, and China can benefit significantly from policies, resources and technology in the EU and other parts of the world. In the coming years, we are very likely to see China experimenting with new policy approaches, technologies and other solutions that will have implications beyond China as well. This creates hope for a wider consolidation and popularisation of ordoliberal thought in China, but also in the European Union itself. Cooperation in promoting sustainable development can be an important step in this direction.

The main causes of environmental destruction in the 21st century are various socio-economic factors that have resulted in erroneous political and legal framework conditions in which the waste of natural resources is economically profitable, and the development of the world economy is heading in a direction that is destructive to all mankind. Until recently, it was believed that this problem primarily affects industrialised countries, but since the end of the last century there has been a marked shift in this view. Developing countries now consume more energy and thus emit more greenhouse gases than the group of industrialised countries (Rogall, 2010, p. 73). Additionally, they have higher inequalities and social disparities compared to highly developed countries. This also applies to China. Both China and the European Union must strive for a common position and action in the context of global problems. This applies primarily to global warming, to possible phenomena of economic crisis, but also to social issues. In a globalised world, such cooperation is necessary in order to deal with global challenges and threats.

Global climate change represents the greatest constraint, but also challenge, to the economic and social development of both China and the countries of the European Union. This is forcing them to create a new development model characterised by a shift away from focusing solely on economic growth. Development that takes into account environmental costs must be characterised by a move away from overburdening the natural environment towards a harmonious coexistence with nature. The ideas contained in ordoliberalism can be a valuable reference point in this regard. Cooperation between China and the European Union in the implementation of the sustainable development goals offers an opportunity to work out a new development model based on a low-carbon economy. The green development of China and the European Union is a major element in the global fight against climate change. Failure in

this regard will mean a disaster for all the global players struggling to improve climate conditions.

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STUDENTS' CONTRIBUTIONS

EUROPEAN UNION AND CHINA RELATIONS: BETWEEN A STRATEGIC AUTONOMY BASED ON VALUES AND A NECESSARY GLOBAL AGENDA OF SHARED INTERESTS

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China–European Union diplomatic relations were formally settled in 1975, following the violent crushing of the Tiananmen Square protests by military forces in 1989, which provoked the suspension of all type of diplomatic relations. The EU did not recover relations until 1994, however, the arms embargo it imposed in 1989 remains in place.

The growing economic and geopolitical interdependence between the EU and the Asian giant is reflected in the joint EU-China 2020 Strategic Agenda for Cooperation. Beijing is the EU's essential economic partner (being its second largest trading ally), also cooperating on global issues, whether the EU remains China's biggest trading destination.

Beijing is an economic competitor and even a systemic rival with its rising political influence reshaping international governance structures. China's Silk Road initiatives are reaching every corner of the globe, promoting globalization with Chinese characteristics.

The EU's approach towards China was set out in a Strategy adopted in 2016 and updated in March 2019 in a Joint Communication of the European Commission and the High Representative. The balance of challenges and opportunities presented by Beijing has shifted over time. For the EU, China is simultaneously (in different policy areas) a cooperation and a negotiation partner, an economic competitor, and a systemic rival. The EU pursues realistic, effective, and coherent engagement with Beijing, based on European values and interests.

The 22nd EU-China Summit on June 22nd, 2020, held by videoconference, was overshadowed by the continuing COVID-19 crisis and by growing disagreements and serious strains on bilateral relations.

Asian giant firmly opposes any outside “interference” in its internal affairs, including on human rights. During the 22nd EU-China Summit in June 2020, the EU underlined its expectation that the next Human Rights Dialogue will take place in China once the COVID-19 restrictions have been eased. However, an Agreement on Geographical Indications (GIs) was signed on September 14th, 2020, guaranteeing a high level of protection.

Additionally, on December 30th, 2020, EU and Beijing announced the accomplishment of a long-awaited EU-China Comprehensive Agreement on Investment (EU-China CAI), in a move to open more investment opportunities between both economies. The political agreement must be ratified by the European Parliament.

It is important to study how the European Union is developing a policy towards China based on values and interests. For this, it is crucial to analyse the different milestones and documents mentioned above, to see some of the difficulties faced by these relationships and to highlight some of the fields in which its development is more necessary today than ever. Still the field of cooperation is vast and without renouncing our principles and values: dialogue, respect, and mutual knowledge, but also the rule of law must guide our common future.

THE IMPACT OF THE BELT AND ROADS INITIATIVE ON POLISH CHINESE ECONOMIC RELATIONS

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The Belt and Roads Initiative (BRI) is the largest infrastructure investment in the history of China, and probably the world, focused on expanding the network of both: maritime and land infrastructure; connecting China, Central Asia, Middle East, Africa and Europe.

BRI, from the beginning, generated many positive and negative emotions. Experts argue about its actual motives. Many pay attention to ideological issues, suggesting that China and the Communist Party will try to export the Chinese revolution and make the world dependent on Chinese economy, while others focus on Chinese pragmatism and economic benefits for both sides, defining this initiative as a win-win project. The main reason for this doubt is the fact that the initiative is very flexible and undefined. It is long-term concept, covering at least three decades, and due to unstable geopolitical situation in the world including many countries which are involved in BRI Initiative it is very difficult to define.

All potential threats are important and they must be taken into account, but they should not lead to resignation from participation in BRI, it could be worse alternative. Instead, involved countries should take appropriate action to mitigate potential risks. The overall balance of opportunities and threats related to the implementation of this Initiative speaks in its favour.

From a logistics perspective the main Goals of the BRI are to shorten the transport time of goods, improve their safety and reduce costs. The core element of this concept are very ambitious plans to expand the logistics infrastructure between China and Africa, the Middle East and Europe.

Due to geographical location Poland has a chance to become a logistic hub for trade, not only between China and Western Europe, but also on south-north

connections. The routes running through Poland already connect Antwerp and Duisburg with Chongqing, as well as Hamburg and Zhengzhou.

The number of railway connections and the number of trains between China and Europe is systematically growing. Transporting goods from China to Poland by rail is faster than by ship and cheaper than by plane. In times of all kinds of turmoil and black swans, such as the COVID-19 pandemic, it is also the most reliable form of transport.

But the dynamic increase in the popularity of rail connections also leads to congestion and increasing delivery delays which is crucial for many industries. In order to maintain the competitiveness of rail transport large investments in the infrastructure, necessary to improve and shorten the time of these connections should be made.

Poland is aware of these needs and implements such investments; however, according to industry experts, they are insufficient, and implementation is too slow. If things do not get better quickly international forwarders will choose alternatives, such as trains to the Czech Republic via Turkey or rail-ferry connections bypassing Poland via the Baltic Sea.

Sensible investment decisions and proper execution in the area of infrastructure will allow for higher revenues from the provision of transport infrastructure, a wide range of logistics services, and income from customs duties on goods imported from China to Europe.

BRI also creates many new possibilities for Polish entrepreneurs. But the question is if Polish entrepreneurs will be able to seize these opportunities. Despite the dynamic development of bilateral trade, the negative trade balance is constantly growing. On the Polish side, the most important reasons for low exports are artificial restrictions on access to the Chinese market. However, attention should also be paid to the lack of motivation on the part of Polish entrepreneurs and the choice of an easier direction, which are European Union countries. That is why a lot depends on the Polish government, which should constantly develop its offer of support for Polish companies trying to force themselves on the difficult Chinese market. BRI could contribute to reduction of very large disproportions in balance of trade, but it largely depends on the attitude of the Polish government and the appropriate motivation of Polish entrepreneurs. The stakes are high, a Chinese market with 1.4 billion inhabitants and a GDP of \$ 15 trillion.

FREE ECONOMIC ZONES AS A TRADE BRIDGE BETWEEN EAST AND WEST: A CASE OF GEORGIA

Paata Shurgaia

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Free Economic Zones, hereinafter referred to as “FEZ” or “Zone's”, are measured as a policy and an infrastructure rationale. Firstly, free economic zones are a useful tool for a strategy of economic development, reduction of a host country’s unemployment and encourage foreign direct investment. The general principle for the establishment of free zones is to grant the location of the host country the status of international trade routes. The zones can be considered as international institutions where international companies have invested over the years. The zones potential impact on global business strategy makes it a very important phenomenon on that business researchers and international economic and managers clarifies and understands the functionality and role of the zones. In 2013, the president of China introduced the Belt and Road Initiative (BRI). Secondly, it is anticipated that BRI should provide a colossal series of investments and flow of capital-intensive, mostly in infrastructure in number of states and regions over a long-term perspective. Georgia has been gradually become a reliable and valuable partner for China and part of the BRI thereof.

Due to mentioned reasons, it is important to identify a strong interconnection between Georgia's economic expansion strategy throughout Free Economic Zones and the BRI process. Since FEZ's, as a framework of firm development and as a tool of economic growth, as well as infrastructure rationale, can appropriate the countries strategy of being transit and trading hub between east and west. Also, to clarify the main characteristics and zone configurations, regulation in Georgia, as well as BRI perspectives.

CENTRAL BANK DIGITAL CURRENCIES – THE FUTURE OF MONEY?

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Digital technologies have become more prevalent in financial markets around the world in recent years. Digital currencies, stablecoins, digital tokens that serve as payment mediums, equity or debt instruments based on distributed ledger technology have given rise to a new class of assets known as crypto-assets or virtual assets. As a result, monetary policymakers are confronted with two big issues. First, they must devise an optimal regulatory approach to these new digital assets; second, central banks intend to use the Distributed Ledger Technology (DLT) to maintain control over the money supply while also improving the efficiency and integrity of the monetary and payment systems.

According to its creators, the Central Bank Digital Currency (CBDC) model will be able to reduce the risks associated with traditional cryptocurrencies while also providing the state financial system with the necessary flexibility, speed, and transparency. Only a few States have officially declared their intention to implement a digital equivalent of their national currency (for example, Ecuador or China). CBDC has some opportunities, such as decreasing the use of physical cash, improving payment infrastructure, and total citizen traceability for taxation. At the same time, it will pose difficulties for monetary and financial stability.

CBDC does not appear likely to completely replace current settlement systems at this time. As a result, the scenario in which two payment systems coexist and support each other appears more realistic.

THE CRASH BETWEEN EUROPEAN UNION LAW AND THE MEMORANDUMS OF UNDERSTANDING WITHIN THE BELT AND ROAD INITIATIVE

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Since his election as General Secretary of the Communist Party of China in November 2012, Xi Jinping has promoted the doctrine of the “Chinese dream”, presumed as the rejuvenation of the Chinese nation and the impulse of a strong country, where citizens experience a considerable improvement in their quality of life.

Nowadays, China is no longer an underdeveloped country. In a matter of decades, the Asian giant has gone from constituting the world's factory, characterized by low investment in infrastructure and R&D, and very low labour and environmental standards, to being part of the group of world powers, which daily struggles to extend its influence in all regions of the world. To reach its current position, the Beijing government has had to make great efforts to modernize its policies and strategies and to change its perception abroad. Initiatives such as “Made in China 2025” to promote and restructure its industry with which China aims to be a leader in technology on an international scale, or the Ban on the import of plastic waste in January 2018 are some examples of the great changes that China is undertaking.

However, the most impressive plan to date is the Belt and Road Initiative, which aims to create a global infrastructure through a multitude of investment projects mainly focusing on building transport and energy infrastructure that allows the country to take advantage of the resources and raw materials of third countries, to expand China's influence abroad and to increase economic growth.

Some of China's partners in this Initiative, with whom the Government of Beijing signs bilateral Memorandums of Understanding, are European Union Member States, such as Italy, which must simultaneously comply with European Union Law and with the agreements reached with China. These concurrent obligations are currently causing legal problems, that will be

analysed in the present chapter to answer the question of whether Member States are violating European Union Law and, more specifically, the Common Commercial Policy. As we will see, the violation of European Union Law is arguable, but the weakening of the European Union trade power as a consequence of the bilateral Memorandums of Understanding between European Union Member States and China rise no doubt and puts European Union at crossroads. In this context, the question is what should the European Union do to stop the rise of Chinese influence on the continent?

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ISBN: 978-84-18206-82-5

