



► **Europäische Politik**

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**The EU's effective multilateralism –  
but with whom?**

Functional multilateralism and the rise of China

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## The EU's effective multilateralism – but with whom?

### Functional multilateralism and the rise of China

The EU's security strategy is built around effective multilateralism<sup>1</sup>. But the EU cannot be multilateralist alone. Currently, it seems difficult to find partners for multilateralism: US unilateralism has been steadily increasing since the end of the Cold War<sup>2</sup>. Russia is leaving the West<sup>3</sup>, rebuilding its near abroad and using its oil, gas and currency reserves for imperial diplomacy; UN Security Council reform has stalled; the WTO is in crisis over the failure to agree on the Doha Round; a rising China is antagonising the US and Japan which are responding with reflexes acquired during the Cold War. Africa, Latin America and Central Asia have become platforms for new scrambles and Great Games with oil and other resources as the prize. The Middle East is deeper in crisis than ever. Economic and political nationalism is on the rise everywhere, including among EU Member States.

China is perceived as a challenge to the liberal democracy mainstream, as an economic and social com-

petitor, an oil-thirsty new kid on the block, a supplier of arms to crisis regions<sup>4</sup> and a supporter of authoritarian regimes in Africa and elsewhere. China is a key priority for US policy makers, as it is seen with varying degrees of antipathy as a challenger of US hegemony, but also a crucial partner to achieve US policy objectives. Similarly, Chinese policy makers tend to see the world through the prism of their relationship with the US, less because they want to, but because they have to. To a certain extent, the EU is also a pawn on the strategic chessboards of the two players<sup>5</sup> and thus needs to grow into being a more pro-active player.

In this situation, seemingly dominated by realist positions, does the EU's key foreign policy concept still make sense? Besides the geopolitical challenges effective multilateralism seems to suffer from institutional shortcomings:

1. Despite a number of successes and many improvements over the years, EU foreign policy is not as cohesive, effective and rapid as that of a state actor.
2. In the current multilateral system, with the exception of the WTO, the EU plays a peripheral role, as it is the (large) Member States which steer these organisations. While this leads to a strong representation of Europeans in these institutions, that representation does not reflect their unity<sup>6</sup>.
3. The ESS offers no concept for effective multilateralism in relation to Asia and the rising powers there, they are merely mentioned and it is time to fill that strategic gap.

Despite these challenges there is no serious alternative for the EU, but to develop the strategy of effective multilateralism further. An internal reorganisation of

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1 As outlined in the European Security Strategy, adopted by the European Council in December 2003. The Declaration of European Identity, which marks the beginning of European Political Cooperation, at the Copenhagen European summit 1973, makes interesting contrasting reading to the ESS. The EU has taken a major step forward from its earlier ambition to be nothing else than a civilian power.

2 As the US is the only remaining superpower it follows, and increasingly so since 11 September 2001, an imperial logic in its dealings with the world which in its most pointed expression was embodied by the US President's 2002 State of the Union speech in which he said that who is not with us is against us and his classification of a number of countries as evil or rogue states. But this is only a paroxysm of a more general trend, preceding the Bush administration, of unilateralism which finds expression not only in various foreign policy developments, but also in the refusal of the US to subject itself to international law and norms. The US is not only refusing to sign or ratify a large number of international treaties and conventions, but it mostly ratifies them with conditions and has a general reserve that international law is inferior to its Constitution and can thus not be used in American Courts unless Congress votes a law to that effect (which it is very reluctant to do). Thus, for example, while the US has ratified the UN Covenant on political and civil rights, this Convention is without legal effect in the US. For a profound analysis of the changing, yet classical concepts of Empire, see Muenkler (2005).

3 Trenin (2006).

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4 Amnesty International (2006)

5 It is in this vein that China offered a strategic partnership to EU leaders in 2003.

6 Currently the US is pushing for an increase of voting rights for China and other Asian countries in the Bretton Woods Institutions at the expense of European votes; although the combined weight of Europe is roughly in line with its weight in economic terms, some individual European countries are either under- or overrepresented, complicating the negotiations.

the EU's policy making procedures and external representation is necessary and long overdue. This topic on which much has been written will not be the focus of this essay, however<sup>7</sup>. It addresses the strategic gap in the ESS regarding the rise of China, which requires a qualitatively new response, embedded in an analysis of the global drivers of change. China is now a compulsory reference for Europe's international relations strategy. A strategic focus, nearly as important as the transatlantic one, on China and Asia is crucial for the EU's international positions in many policy areas and will shape the EU's role as a global player.

## Part 1: A new strategy of multilateralism for the EU

### The global agenda: Drivers of change require an innovative European response

The world is no longer the same Atlantic one which dominated world affairs in the second half of the twentieth century: China, twenty years ago a poor, inward-looking country, has become not only a global player, but also a driver of global change because of its size, rapid economic growth<sup>8</sup> and active role in world politics. India is another global player in-waiting. Europe's transatlantic partner, the US, has an increasingly transpacific focus and – as US opposition to the lifting of the EU arms embargo against China has shown – this focus can be more important than transatlantic relations.

International politics has changed dramatically since the end of the Cold War. Three major drivers of change have profoundly altered the strategic picture:

First, globalisation is a formidable destabilising force that has contributed to the collapse of the USSR, the rise of new economic powers, huge shifts in trade flows, the international division of labour and competition and new social and economic divides. Yet globalisation has also brought new opportunities for development, trade and communication, which countries such as China and India, but also the EU, have seized

successfully. Globalisation is a major driver of global governance and institutionally shared responsibilities.

Second, globalisation has led to fragmentation. Geography got the better of ideology, countries are no longer predictably divided into camps or united in non-alignment, but pursue their national interests and are creating strategic spaces for themselves. In the worst cases, states degenerate or fail<sup>9</sup>. Established norms may be losing their global binding force: multilateral organisations have shown little ability to address the new challenges adequately. Incremental reform has prompted a crisis of multilateralism and a renaissance of power politics and realism, underpinned by the diversity of cultures and civilisations that provide protective identities against the forces of globalisation.

Third, because of the spectacular terrorist strikes against liberal democracy and the no less spectacular decision of the US to fight terrorism with military intervention abroad, the world has become more challenging at many levels:

- governments need to address non-traditional threats to security such as environmental degradation, increased resource consumption, migration, disease, international terrorism and crime<sup>10</sup>
- individuals feel insecure because of the effects of globalisation on their lives and prospects<sup>11</sup>
- failing states show that weakness can beget strength (as havens for terrorists and criminals)
- the gold standard currency of power, military might, has become diluted as it is no longer a monopoly of the state and has not proven effective on its own to ensure security or for solving crises in a sustainable manner
- economic power is no longer fully controlled by states, but largely in the hands of transnational or global companies and financial markets, the size, mobility and anonymity of which make them particularly powerful and unaccountable.

As a result, almost every international problem has become a security issue of a transnational nature and difficult to tackle within an international system based on states with their borders and power monopolies. Unilateral, often ill-conceived, US responses have dominated the global agenda since 2001, but have not

7 Sometimes, provided there is general agreement, the EU can be more effective as different Member States and the Commission can play different roles and use a variety of means (a mix of classical diplomacy, trade, aid, cooperation) or work with different partners to achieve outcomes that would be beyond reach for a single country.

8 China is 1<sup>st</sup> in population, boasts the world's 4<sup>th</sup> biggest GDP (in USD terms, 2<sup>nd</sup> in PPP terms), the biggest foreign exchange reserves and is the 3<sup>rd</sup> biggest trading nation, with key imbalances in both volume and regional distribution of trade.

9 Hippler (2005: pp. 3–5); Schneckener (2005 pp. 26–31); Hein (2005 pp. 6–11).

10 A Human Security Doctrine for Europe. The Barcelona Report of the Study Group on Europe's Security Capabilities. Barcelona, 15 September 2004.

11 Commission on Human Security: Human Security Now. Protecting and Empowering People. 1 May 2003.

proven particularly effective in reaching strategic objectives.

Development policy has gained in importance as an instrument for tackling the new challenges, but it is itself under pressure because of its often modest results which pale against the spectacular development successes in China and other Asian countries which have taken place largely outside the Western development policy agenda.

In short, it seems that the new post-Cold War world order was short lived, a mere decade, and that the new century, which opened so dramatically, has to search for new institutional responses to the new challenges, rather than to rely on the old toolkits created in the twentieth century. The EU faces the biggest challenge, as it has placed its bets on multilateralism and the old institutions as the rationale for its global role. On the positive side, its innovative internal organisation has made it more than ever an attractive strategic partner and reference model for other regions in their efforts to face the challenges of globalisation through regional cooperation as well as a possible alternative to US hegemony. But can the EU be more than the old master inspiring a young avant-garde?

### **The need for a new type of EU response: Tackling the global agenda through functional multilateralism**

For multilateralism to become effective, the EU should, together with partners, identify issues of common interest, make multilateral solutions relevant to partners and involve them in the setting of new norms. To make multilateral approaches attractive and successful, they have to focus on concrete issues and interests rather than on general concepts such as "promoting regional integration" or "multilateral institutions". The term "functional multilateralism" describes this approach, referring back to the initial concept of European integration,<sup>12</sup> that is, creating international cooperation around issues of variable degrees of common concern with trade-offs and spillovers to other issues with an open-ended integration objective.

At the same time, the term expresses a novel approach to multilateralism different from the generic one developed after 1945 to address a totally different world with fewer actors, focused on institution building and born from the spirit of the Atlantic Charter. This Atlantic multilateralism implies a normative tendency to create a new Western world order to which

many countries are not receptive, not least because of the West's failure to take on board developing countries' concerns in areas such as development, trade, environment, energy consumption and, more broadly, nation-building. In the long run and through the spillover the new multilateralism may well supersede or modify the old institutions of multilateralism as we know them today, possibly on the basis of regional differentiation. For instance, Asia's limited attempts at integration are taking place in a much looser, pragmatic, process-focused and informal setting than the EU's, with a strong respect for sovereignty and nation-building. African attempts, even though more recently modelled on the EU, have traditionally stressed sovereignty, non-interference and nation-building, but this is changing through the good governance agenda of NEPAD and AU<sup>13</sup>.

The new concept, less focused on institutional approaches, needs to be more open to the interests of the rising powers and developing countries (China, India and Africa in particular) and integrate common interests and pragmatic solutions with a differentiated set of norms of variable binding strength. The outcome of the new approach may still be a multilateral world order with criss-crossing transregional cooperation (for example, ASEM, APEC, Asia-Africa partnership), but it need not be defined from the start. Incidentally, the concept of multipolarity, based on realist and power-policy assumptions to challenge US hegemony, has no place in this framework.

### **A European strategy on the drivers of change**

The EU, with its post-imperial stance in world affairs and an emerging post-Westphalian foreign policy,<sup>14</sup> has to propose alternatives to US policy in its dialogues with partners in Asia, Russia and even Africa where the EU is supporting nascent integration efforts. The strategy of functional multilateralism should aim at creating a more propitious political and security context based

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13 Van Nieuwkerk (2004 pp. 41–61).

14 This does not mean that sovereignty has become obsolete, but that it is used and pooled to increase common interests and enlarge space for win-win situations. In a way one could portray the EU as a non-imperial Empire, as it has been able to enlarge and consolidate its periphery. But the difference is that the 25 members of the club are all equals and pool their sovereignty in order to make policy, so that there is no centre-periphery tension, which is characteristic of empires. The same is not true for the US and its allies, where Washington is the centre and the allies, including EU and NATO members, are peripheral and can be ignored if they do not follow Washington's line. For a Chinese view on the changes in the Westphalian system: Yu, Que (2006)

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12 Cf. Pollack (2005) for an overview of the different theories.

on dialogue, reconciliation, building of trust, international law and peaceful resolution of conflicts to allow common security (institutionalised or informal) to proceed hand in hand with common prosperity. The pursuit of these objectives implies restraint on the moral front: a policy focusing on imposing one's own values as a precondition will clash with the values of others and always be tainted by double standards. It is more honest to pursue interests and be grounded in strong values and principles that can be promoted with subtlety and patience, by virtue of example and through dialogue.

### The EU should brace itself for that global role by focusing on three priorities:

1. A strong EU policy on globalisation, including EU internal reforms, EU international economic policy (beyond trade)<sup>15</sup> and leadership on environment, energy and development policies with partners in the developing world, notably China, India and Africa.
2. The primacy of rules and norms (not necessarily only the EU's), win-win situations and partnerships to solve conflicts peacefully.
3. Engage strategic partners in building functional multilateralism in areas which are crucial to addressing challenges brought about by globalisation and the tectonic shifts in the world order since the end of the Cold War:
  - sustainable development, environment, energy and resources
  - world economic governance, trade and social cohesion
  - non-traditional security threats and governance.

### Is the EU an attractive model?

The mechanisms of balance of power politics – a European invention to prevent hegemony on its continent – have worked for centuries in Europe, but have led to disastrous wars and – at least from a European point of view – utterly failed in 1914. In pre-twentieth century Asia it was an altogether alien concept. The world of the twenty-first century is ripe to work out a more sophisticated approach to coexistence and cooperation to promote the global goods of peace and prosperity.

<sup>15</sup> As outlined by Pisani-Ferry (2005).

In this context analysts in recent years have resorted to dichotomies such as “Kantian versus Hobbesian”, suggesting that this corresponds to a dichotomy of soft and hard power<sup>16</sup>. Leaving aside that in general international affairs are not black or white, the EU is not a soft-spoken idealist or a postmodern<sup>17</sup> benefactor of the world. It pursues its interests with hard power when necessary and it has its own double standards:

- military: FYROM, Aceh, Congo, Lebanon, arms embargoes (China, Myanmar)
- economic: WTO, anti-dumping, sanctions.

But the EU's objectives and policy mode transcend nationalism (without replacing it with “Europism”) and the EU has a preference for wielding power (hard or soft) within a framework of norms<sup>18</sup>.

The European experience, with all its inconsistencies, is a laboratory for a diverse, complex, but ultimately harmonious new global structure. One could argue that the transformation of the world order began with the creation of an integrated Europe during the 1950s: a quiet revolution that channelled power politics and conflict into a structural end to war. The emergence of new powers with similar traumatic war experiences might allow this revolution to spread, slowly perhaps, but with a human and universal destiny. On these key questions Europe should build its foreign policy project. That is not a question of moral superiority. It is a question of interest and survival, because in a world of conflict and power politics, Europe cannot thrive. Even if the EU is unlikely to be copied, it provides a useful example and inspiration. This is why the EU's internal reforms and economic performance are crucial for the EU's global influence. A prosperous EU which succeeds in organising and influencing its neighbourhood by peaceful means and in such a way as to increase common prosperity and security could be a much more attractive model for Asian countries, not least in their own historic tradition<sup>19</sup>, than the imperial Great Power strategy embodied by the USA. In this context it is useful to remember that Asia is not

<sup>16</sup> Kagan (2002).

<sup>17</sup> The term was coined by Cooper (2004).

<sup>18</sup> For an interesting essay on these issues see Laidi (2005).

<sup>19</sup> In China's more distant past, its empire was organised in terms of political, cultural and economic dominance based less on conquest than on alliances and systems of symbolic and economic tributes, a classic soft empire, to paraphrase Joseph Nye's concept of soft power. The soft power of Chinese culture has also uniquely forced all its conquerors and invaders to adapt to its culture, except for the brutal occupations in the last two centuries.

only made up of China, India and Japan, but also a large number of smaller countries which have little interest in being dominated by either, nor by the lone superpower. It is these small states, the original founding members of ASEAN in particular, which lead the Asian integration process. Asian leaders recognise that solving territorial conflicts is a necessary precondition for more cooperation and mutual trust, building security communities and eventually sharing sovereignty<sup>20</sup>.

The EU has a major interest in analysing, supporting and shaping developments in China and Asia at large in the desired direction of peaceful cooperation, openness of Asia and prosperity benefiting the region and the global economy.<sup>21</sup> Europe's strength lies in its experience of stepping out of its own mould, recognising diversity and allowing it to be part of a larger identity and allowing time to shape an order which does not have a predefined finality. Europeans share resources and power and formulate policies at different levels that allow them to better confront the challenges brought by globalisation than within the narrow framework of classical inter-state relations. Europe's potential to innovate in international relations is greater than those analysts who focus on its institutional weaknesses would have us believe<sup>22</sup>.

## Part 2: China as a partner in multilateralism?

Can China be a partner for the EU's multilateralism when it is apparently an authoritarian system, forming unholy alliances with international outcasts such as Sudan, Zimbabwe and Myanmar; when its energy diplomacy and trade strategies seem to be an onslaught on the EU's Africa policy and an undercutting of the Monroe doctrine in Latin America; when it thwarts UN reform with the help of its old and new friends in the developing world; and when it embarks on dominating

Asia and flooding the world with cheap bras, cars and manufactures?

China has become a global player which cannot be ignored and by its mere (re-)emergence poses a challenge to other countries which have to make room for it. The real question is how to achieve productive cooperation and to ensure sustainable and harmonious development of the industrialised, emerging and less developed countries in a world structured by principles of international law, dialogue and shared responsibilities and resources. In this context China is a key actor:

1. it has a veto in the UN Security Council;
2. its present and projected trade and economic influence and attraction as an investment and business destination are significant;
3. it competes (quite successfully) with European countries and the US for resources and political influence in Africa and other continents, but on the other hand it is the West's "workbench" in a global value chain;
4. its role is decisive in global policies to address areas such as the environment, energy and resources;
5. it is the most potent developing country which has successfully developed (global progress on the MDGs is widely due to China) despite rejection of the Western development agenda and of interference by the international financial institutions. It does not belong to the club of liberal democracies (or the "free world"),<sup>23</sup>
6. its soft power is growing, its films, culture, medicine, martial arts and even language are becoming more popular.

Steering the right course on China is a challenge the EU needs to take up; it is crucial to devise a truly strategic response which goes beyond the current diplomatic routine and rejects the simplistic China threat paradigm which does not allow any operational and even less innovative approaches to regional and global challenges. The containment option has not been abandoned by those in the USA (and Japan) who see the USA as an ultimately imperial guarantor of a global balance of power<sup>24</sup>. For Europe in the twenty-first century, containment seems the least adequate policy op-

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20 See the Declaration of ASEAN Concord II (Bali Concord II) of 7.10.2003. <http://www.aseansec.org/15159.htm>

21 In this logic the argument that the EU is too inward looking loses some of its edge, as the EU's internal, social and economic reforms define its answer to the challenges of globalisation and their success is a precondition for Europe's successful external action and influence. A Europe weakened by globalisation cannot convincingly advance its agenda, which is constituted around effective governance of globalisation. It is therefore also important not to solely focus on Europe's defence capabilities or CFSP procedures and institutional arrangements when discussing the EU's role in the world.

22 A strengthening of the EU's foreign policy making powers and implementing procedures would of course be an asset and would make implementing functional multilateralism easier. But it is not an essential prerequisite.

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23 While this is more of a problem for the US which makes promoting liberal democracy a priority feature of its national security strategy, the EU certainly quite legitimately makes a difference between its relations with other democracies and China or other non-democratic countries.

24 And Congress more than the White House might become a champion of containment.

tion to ensure peace and prosperity for the Eurasian continent and to tackle the multitude of global challenges. Through containment the implausible China threat would become a self-fulfilling prophecy. China is overrated when one views its indicators on a per capita basis and when account is taken of the low productivity of capital, labour, energy use and the huge costs in terms of environmental degradation, resource consumption and social instability. Besides, for the moment at least, the large majority of China's foreign trade stems from processing by foreign invested companies.

To assess whether the option of harnessing China to the course of a multilateral world order is feasible, we need to look at China's foreign policy, analyse the dilemmas on the way and examine the EU's and China's potential for global cooperation.

### China's foreign policy – from independence to interdependence, but short of integration

China's foreign policy transformation from a lone player to a globally engaged member of the international system has only just begun, although its transformation has been very rapid in historical terms with the most radical changes dating back to the turn of the millennium only.

Geopolitics has put China in a unique position reflected in its name "the Middle Kingdom". It has 29 neighbours with whom it shares 22,000 km of land borders and more than 18,000 km of sea borders. Four of them are nuclear powers – not counting the US. China's foreign policy is to a large extent a reaction to this situation and the security agenda of the US in Asia, which can be described essentially as a heritage of the Cold War.<sup>25</sup> There is certainly a demand by some states in the region for US security guarantees, which complement the regional soft security arrangements, but the US has not been able or willing to develop an innovative policy in Asia since the end of the Cold War: it continues to try and play the countries there off against each other and has contributed to a subsequent proliferation of nuclear technology and weapons

<sup>25</sup> The 2005 Indian–US Civil Nuclear Cooperation Initiative (CNCI), which has yet to be approved by the US Senate, allows US exports of civilian nuclear technology to India, while committing India to assume the responsibilities of a nuclear weapons state. The USA's engagement with India in this field has raised concerns about the impact on the nuclear non-proliferation regime, in particular on the Nuclear Suppliers Group and the NPT to which India is not a party.

and more generally a tendency to increase military spending in the region<sup>26</sup>.

But globalisation has created – at least for the time being – a conviction among Chinese and Asian leaders that there is an agenda beyond the US policy. They have concluded that accommodating competition within cooperative international frameworks through rules promoting the common interest might be a better – and cheaper – option for promoting one's own interests and ensuring global influence and status. For a decade East and South East Asia have seen no major inter-state conflicts, unlike South Asia, and there are tendencies to solve conflicts peacefully and increase cooperation there too. The Asian agenda includes economic, environmental and social challenges in the region and has translated into more or less binding arrangements. Recently, even calls from ASEAN for domestic reforms in Myanmar have broken the taboo of

<sup>26</sup> China has for about a decade, under the impression of the technological level of the US military capabilities in the Gulf War, been modernising its military, as it fears a US military threat and to build up an offensive capability to respond locally to a Taiwanese independence move. That capacity is aimed to allow China military action at a speed which does not allow the US to intervene pre-emptively. In such a way the offensive capabilities are also meant to prevent any unilateral move by Taiwan, as it cannot rely on impunity for such a move under US military protection. China is also trying to expand its fleet so that it can keep its vital supply lines, notably the Malacca Strait, open for oil transport. Incidentally, Japan's supply also transits through there, but Japan relies on the US to secure the line, something China is of course reluctant to do given that this would lead to increased dependence on a potentially hostile US. Figures on China's military build-up are difficult to establish, but growth rates seem to be around 14%. US Defence secretary Rumsfeld has been the leading critic of this build-up, challenging China to give reasons as no one is threatening it. US figures might prompt the world to ask the same question of the US: in 2004 US military spending was 455 billion USD equalling 47% of global military expenditure, 5.5% of US GDP and 1533 USD per capita. China's was 47 billion USD. According to SIPRI Yearbook 2006 the military expenditure situation in the world is as follows: The process of concentration of military expenditure continued in 2005 with a decreasing number of countries responsible for a growing proportion of spending: the 15 countries with the highest spending now account for 84 per cent of the total. The USA is responsible for 48 per cent of the world total, distantly followed by the UK, France, Japan and China with 4–5 per cent each. China and India, the world's two emerging economic powers, are demonstrating a sustained increase in their military expenditure and contribute to the growth in world military spending. In absolute terms their current spending is only a fraction of the USA's. Their increases are largely commensurate with their economic growth. For an analysis of the modernisation and the capabilities of the PLA from 1985 to 2000 cf. Umbach (2000). China's national security doctrine is presented in Xiong (2006).

non-interference<sup>27</sup>. These developments – quite appropriately summarised as selective multilateralism by some experts<sup>28</sup> – open a strategic space for EU engagement. This window of opportunity needs to be used as long as it remains open.

China's policy in Asia may be described as "keep China in, the US out and Japan down". In reality it is more complex, mainly oriented to preserving a currently favourable status quo. But China's foreign policy cannot be seen from a balance-of-power perspective alone. Its complex role needs to be assessed in the context of globalisation and China's domestic priorities and development challenges which nourish a debate on changes in its foreign policy.

China's foreign policy doctrine goes back to the 1950s, notably in the context of the 1955 Bandoeng Conference where China succeeded in setting the developing world's foreign policy agenda for the Cold War around its Five Principles of Peaceful Coexistence<sup>29</sup>. China's foreign policy after Mao<sup>30</sup> was defined by Deng Xiaoping in the early 1980s as subordinated to the primary objective of economic development in order to become a modern, powerful socialist economy. This hierarchy is still valid today and translates into a strong focus on economic, trade and investment policies for which diplomacy is supposed to create favourable environments. However, Chinese foreign policy is by no means internally cohesive and strong, and while not as disparate as that of the EU with its 25 Member States, it does have problems of coordination to address.

Besides the enduring leitmotif of the Five Principles of Peaceful Coexistence, the government's global priorities are geared to four major<sup>31</sup>, but not always compatible, objectives:

1. a stable international environment for its economic and more recently its social development ("harmonious society")
2. political influence, notably partnership as an equal among the developing world, alliances in international organisations and fora such as the UN and the DDA
3. access to, diversification of and sustained supply of key resources, notably oil and gas and essential minerals and more control of major shipping lanes (Malacca Strait)
4. access to markets for its products and investments.

In pursuit of these objectives, China is entering into, but also transforming the international system. A doctrine has been developed as a reaction to US suspicion: China's peaceful rise<sup>32</sup>. Beijing is convinced that a "peaceful rise" should be welcomed by the West, as it sets out a profoundly status-quo approach in contrast to the violently revisionist approach of Germany or Japan in the early twentieth century. While the peaceful rise concept is an important development, it falls short of Western expectations that China subscribe to a Western agenda<sup>33</sup>. Neither does it reflect the policy changes required to address the transnational challenges brought about by globalisation<sup>34</sup>. The Peaceful Rise strategy is thus an intermediate concept in a longer process of reviewing China's foreign policy doctrine still focused on classical inter-state relations. It mainly serves to counter Chinese threat paradigms.

### What have been the main features of China's peaceful rise?

Besides joining the WTO and a multitude of non-proliferation regimes and international agreements related to the environment, shipping or aviation, China has started on its own initiative (and in most cases concluded) negotiations to settle border and territorial disputes with all its neighbours on its land borders<sup>35</sup>. It

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27 Cf. the opinion piece of a Malaysian MP who chairs the ASEAN inter-parliamentary caucus in: *European Voice* 7–13 September 2006.

28 Hilpert e.a. (2005)

29 These are: mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; peaceful coexistence. These principles – at the time innovative, anti-power politics by a heterogeneous group of countries – are still upheld by China's foreign policy makers, even though some of the context is rather antiquated.

30 For a basic analysis cf. Opitz (2000). Opitz focuses on national interest and China's skill at theatrical foreign policy. He presents the oscillations of China between the US and USSR and China's ability to take advantage of the situation well.

31 Taiwan is part of the domestic agenda not foreign policy, but de facto China's foreign policy is also geared to promoting the One China policy and fencing off Taiwan's diplomacy.

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32 Interestingly the concept was first announced at a non-governmental gathering, the BoAu Forum which is a sort of Asian Davos; Cf also Zheng (2005), Zoellick (op.cit.). "Peaceful rise" actually later officially was toned down to "China's peaceful development road" through a government White Paper, but the earlier term has stuck as more accurate.

33 For a detailed analysis of China's evolving foreign policy cf. BEPA (2006) pp. 53–74.

34 Pang (2006).

35 The settlement with India is still in its inception, as agreement is sought at present on the actual line of control and the question of Sikkim, the annexation of which by India in 1975 was not recognised by China. For Himalayan politics cf.

has initiated the creation of a regional security organisation for Central Asia, the Shanghai Co-operation Organisation<sup>36</sup>. It has engaged in multilateral economic and political structures in Asia (ASEAN + 3, East Asia summit, ASEM, and so on) and proposed free trade agreements in the region.<sup>37</sup> The system consists of a web with China at the centre of formal or informal mechanisms tackling issues such as governance, security, economic relations, environment, communicable diseases, transnational crime and drug trafficking, the priorities depending on the regions concerned. China is hosting the 6-party talks to find a diplomatic solution to the North Korean nuclear problem<sup>38</sup>. It is supporting the African Union, has set up a Forum for China-Africa Cooperation and its trade with Africa has increased exponentially (albeit still at relatively low levels, though enough to make it Africa's third biggest trading partner)<sup>39</sup>. Similar cooperation fora have been launched for the Arab and Pacific regions. Chinese soldiers and armed policemen help the UN keep peace in Haiti, Liberia and many other countries.

This is not the behaviour of a revisionist power. However, in pursuit of its objectives, China has not come across as the responsible stakeholder of the international system and therefore its peaceful rise concept has suffered in terms of credibility. This is due to a

lack of transparency on policy objectives, military capabilities and exports, aid flows and, to a lesser extent, trade relations. But there are two more fundamental issues: cross-straits relations and China's unholy alliances.

### Sore spots of China's foreign policy:

#### The Taiwan question and China's unholy alliances

The Taiwan issue is a potential flashpoint in Asia. It is as much a heritage of the 1945–49 civil war as of Cold War geopolitics and a moral problem: the democratic legitimacy of the Taiwan government versus the internationally recognised exclusive right of the authoritarian rulers of the PRC to represent China. Yet, the problems of Taiwan (and Tibet), compounded by the historic experience of unequal treaties and occupation, explain China's insistence on sovereignty, territorial integrity and non-interference. That is complicated by the US policy on Taiwan which is not very consistent, as it gives a security guarantee to a territory which it does not officially recognise.

China's outreach to developing countries is viewed with suspicion in the US<sup>40</sup> and the EU because China seems to undermine policies aimed at fostering good governance and privileged trade relations. China is often seen as supporting precisely those regimes which the US has singled out as rogue states. Yet, in all those countries, for various reasons – strategic, resources, historic ties or a mixture of all – China has interests to defend. For instance, as the world's second largest importer of oil<sup>41</sup> China is dependent on Middle East oil and gas<sup>42</sup>, but until very recently it did not have any influence in the global market, which had essentially been carved up by US and European majors. Thus Chinese companies have taken considerable risks (mitigated by government subsidies) in unstable countries and resorted to dubious practices to secure influence (they are by no means the only ones) or to paying very high prices for rights on often unexplored oil or gas fields. Its perceived need to rely only on itself has been reinforced by the US Congress's decision to block a Chinese investment in Unocoal on the grounds of national security.

There are positive signs too: China's cooperation with the EU on the Iran nuclear issue has been rated as excellent by European officials. The decision to dispatch a strong peacekeeping contingent to Lebanon is

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Mohan (2003 pp. 167–172) and 2003 *Declaration on Principles for Relations and Comprehensive Cooperation Between the Republic of India and the People's Republic of China* at [www.mea.gov.in](http://www.mea.gov.in). With Vietnam China agreed to settle the land border by 2008 while an agreement on the Northern seaborder was reached in 2000. In 2001 China and ASEM agreed to settle border disputes peacefully.

36 The SCO includes Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and China itself. India, Iran, Pakistan and Mongolia are observers, Afghanistan is on the way to becoming one. The SCO has taken steps to lend substance to the grouping, which got its informal start a decade ago but was formally launched in 2001. A permanent SCO secretariat has been set up in Beijing, and in April 2006, members announced plans for their largest-ever joint military exercises on Russian territory next year, although China refuses to term the grouping a military alliance. Along with its overarching aim of combating Islamic extremism, the SCO has sought to branch out into new cultural, political, and economic territory, including fighting smuggling and drug trafficking. China and Russia dominate the organization and have used it to further their economic and political priorities in Central Asia, especially in countering Western influence and the presence of American bases in what they consider their traditional sphere of influence. There are annual summits of SCO heads of state.

37 Cf Su (2006), BEPA (2006) pp. 58–64.

38 Cf. International Crisis Group: China and North Korea: Comrades Forever? Asia Report No 112 1 February 2006. <http://www.crisisgroup.org/home/index.cfm?id=3920&1=1> download 2.2.2006 and Milbrodt (2005).

39 Cf. Kaplinsky e.a (2006), DfID (2005), Alden (2006), Sidiropoulos e.a. (2006).

40 Eisenman e.a. (2006).

41 In terms of per capita consumption it is of course far behind.

42 Steinhilber (2006).

another signal that China wants to be politically visible and active in a region which is of crucial strategic importance. China is moving into a vacuum that the rapid erosion of the US as dominant actor in the region is opening up.

The precarious situation in the Middle East is increasing the need for diversification of sources of supply, and explains the outreach into Africa, from where China now imports a large proportion of its oil and gas. China's oil interests materialised in Sudan after the US had imposed sanctions on Khartoum for its support to Iraq in the 1991 Gulf War and Chevron was obliged to sell its oil concessions to Canadian companies from where they passed to an Asian consortium. Later the protective role China played for the government in Khartoum during the Darfur crisis led to strong criticism of China. On Zimbabwe, the situation is similar. China does not support Western sanctions against Mugabe's regime whose fight for independence China supported decades ago. Moreover, Zimbabwe has huge platinum reserves; platinum is a component of hydrogen powered car engines which China has identified as one of the ways of solving its air pollution problem.

North Korea is a special case because China is hosting the talks which are supposed to bring a solution to the conflict about North Korea's nuclear policy. China is also pushing for and financing attempts at economic reforms and opening up. The DPRK is a neighbour of China, a historical ally and part of a divided country over which the US and China were at war in 1950. This "special relationship" has changed dramatically, as shown by China's increasing diplomatic pressure on North Korea (for example, in supporting the UN resolution criticising missile and nuclear tests) and its advocacy of Chinese-style opening up and economic reform, accompanied by economic aid. Indeed, China's main interest is stability on the Korean peninsula.

In many other African, Latin American or Asian countries, China is not behaving in a particularly reprehensible way, although its dealings with Angola, Nigeria, and Myanmar cast doubt on how China shoulders its international responsibilities. There is a vacuum of good governance in these countries, whereas in others, such as South Africa, China needs to act much more within the bounds of rules and legal frameworks<sup>43</sup>.

The paradox of the peaceful rise concept and the more ruthless pursuit of national interests in Africa and elsewhere is striking. In its neighbourhood China is a stabilising factor; in Africa it is polarising opinion: wel-

come as a buyer of resources and a "no strings attached" partner, China is also feared as a ruthless competitor and destroyer of local industries. As a result, anti-dumping measures against China from developing countries rose dramatically in 2005, prompting the Chinese to ask how they should react to the challenges of allies and friends<sup>44</sup>. As long as China is perceived as a negative force, any attempt to forge a strategic partnership based on mutual respect and trust is unlikely. This problem has already been noted by leading Chinese scholars<sup>45</sup>.

The above arguments could be summarised in the following five points:

1. China's policy is driven by national interests and not by any anti-Western international agenda (indeed one could also draw up a list of Western unholy alliances, too)<sup>46</sup>.
2. China's stance is not transparent and encourages belief in a China threat paradigm.
3. EU/US policies and sanctions do not work if China seizes the resulting opportunities to asymmetrically strengthen its positions and interests. In some countries good governance in turn constrains Chinese room to manoeuvre.
4. China has become an indispensable partner for any attempt at global or regional governance, notably on energy and resources and has key common interests in sustainable development. It is ultimately in China's own interest to promote stability and the predictability of its political and economic investments.
5. China has ambiguous positions indicating that its stance is still evolving (China skilfully masks its weaknesses and uses overreactions to its advantage).

In fact, while China's foreign policy is not quite abandoning its traditional principles of sovereignty, equality of states, peaceful coexistence and non-interference, it is in the middle of an incremental and substantial transformation. That process is not dissimilar to its domestic transformation, trying to preserve the old

44 Lai zi mengyou de maoyi tiaozhan [The trade challenges from our friends and allies]. In: *Caijing* No 159 (10/2006) pp. 88–91.

45 Zheng (2006) mentions the "development threat" as a new issue the government has to confront, alluding to China's perceived undermining of Western donors' efforts.

46 In this context the NATO intervention in Kosovo circumventing the UN was perceived as a very dangerous precedent by China and many other Asian and African countries. This was made worse by the bombing of the Chinese Embassy in Belgrade during the air strikes against Serbia.

43 Alden (2006) p. 14.

with incremental change, but adding new features on an experimental basis, with a potential to transform the traditional principles. This process creates inconsistencies and tensions between different ministries and interest groups in China.

### China's domestic agenda: anchors for functional multilateralism

In historic terms China is simultaneously tackling three centennial transformations. The first is the transformation from an agrarian into an industrial society that Europe made in the nineteenth century accompanied by convulsions, revolutions and war which ultimately led to universal suffrage and liberal democracy, the rule of law and the creation of welfare states. The second is the adaptation to globalisation that the EU is also going through at present. The painful repercussions for social cohesion are being felt at both ends of the Eurasian continent. In addition, China's challenge to rein in consumerism so as to make its development sustainable is daunting. Finally, China has to come to grips with its own cultural and social identity vis-à-vis Western or global influences, a process which has been shaking China's foundations ever since the fall of the Qing dynasty in 1911 was followed by an intellectual rejection of China's own traditions. This process has become acute through the consequences of the opening-up policy<sup>47</sup>.

To a large extent, WTO entry, although key to win market access globally, was an attempt to make domestic economic reform, from a socialist planned economy to a more liberal, albeit still called socialist, market economy irreversible through the introduction of the rule of law<sup>48</sup>. These economic reforms have made the country stronger, more open and richer. Yet, more recently income disparities, problems of social welfare, inefficient resource allocation and environmental degradation, waste of resources, corruption and abuse of rights have erupted dramatically onto the nation's agenda through often violent protests linked to environment or health problems, accidents, corruption and unfair dismissals or land seizures. After 30 years of opening up and gradual progress of market principles and the rule of law, China has entered a phase in which the role of government in the redistri-

bution of wealth and notably its degree of control over factors such as labour, land and other strategic resources, but also over lower levels of government, is at stake. China is domestically at a decisive juncture about the future course of reform<sup>49</sup>.

China therefore has every reason to engage in security arrangements and to stabilise its neighbourhood and even the wider global order: its internal development, projected to take at least another 20 years to build a moderately well-off society, is its key priority. A stable and conducive environment, trade and supplies of energy and raw materials are thus a key diplomatic priority. Internal challenges leave little room for manoeuvre to modernise foreign policy more thoroughly, as the Chinese leadership does not want to be accused of throwing all its heritage overboard. Nevertheless, the domestic reform agenda provides many starting points for functionalist multilateral cooperation with the EU as many issues are contributing to the exacerbation of global problems (for example, climate change, energy inefficiency). Functional multilateralism would allow China to solve problems with partners such as the EU or ASEAN or others without upsetting its more traditional foreign policy principles.

### The Chinese dilemma of the EU

Yet such cooperation is difficult for the EU: China's and the EU's views of the world differ at critical junctures: sovereignty, democracy and human rights. China is a dilemma for the EU, apparently calling for a decision in terms of a value-based or an interest-based foreign policy. Will China divide the Atlantic? The transatlantic relationship *per se* does not compel Europe to subscribe to all elements of US foreign policy and it is not exclusive. The US entertains other partnerships and does not necessarily rank the transatlantic partnership as a top priority. While it is still important, it no longer provides the only platform to define the EU's security, foreign policy and economic interests. The EU needs to build complementary partnerships. Europe need not choose between the US and China, it should expand the strategic space it can use to promote its interests.

The following scenario serves to throw the human rights dilemma into a sharp light. China's army invades Taiwan after it declared independence during the Beijing Olympics. Beijing is holding democratic Mongolia hostage and cutting off its vital supplies in the hope of bullying it back into the mainland from which it broke

47 Cf. Gernet (1988), Cheng (1997).

48 The question of rule of law and rule by law is being intensely discussed in China, notably in the context of the current drive to transform government. The two terms in Chinese differ in writing, but not in pronunciation.

49 Huang (2006).

after the Second World War. It is backing Myanmar's electoral fraud and North Korea's provocations and its arms exports have increased. But China is not facing sanctions from the EU or the US. Instead it has become a member of the G-8 and has been given market economy status by Western leaders who flock to Beijing to discuss world politics and economic relations in the framework of strategic partnerships. This scenario is too unlikely to be true. But replace "China" by "Russia", "Taiwan" by "Chechnya", "Mongolia" by "Ukraine" and "Myanmar and North Korea" by "Belarus", you get an only slightly exaggerated picture of what China perceives as double standards in Western foreign policy.

China can point to successes in poverty reduction (more than 400 million Chinese have been lifted out of poverty since the 1980s, accounting for more than 75% of global poverty reduction).<sup>50</sup> Its domestic agenda emulates policies the Europeans have pursued over recent decades: social security systems, social cohesion and more balanced regional development. But despite these achievements, for Europeans, the way a country is governed inspires (or fails to inspire) confidence, therefore Beijing needs to recognise that human rights are not simply a domestic matter, but also a strategic issue limiting China's soft power.

Given China's active role in regional diplomacy in Asia, Africa, the Arab world and the Pacific, China may be on the way to engaging in functional multilateralism in order to be better able to address the challenges of the twenty-first century. China is integrated in a liberal trade order and is surrounded mostly by democracies, and even in Africa meets only limited support for its stance on non-interference<sup>51</sup>. These dynamics make it more likely that China will integrate in the international community as long as it provides the strategic space to realise China's national interests. Status can only be gained in the club, not as an outsider. And the club's rules increasingly focus on cooperative modes and good governance to solve global problems.

For EU-China cooperation to be successful it is not useful to paper over differences, but neither is it wise to see China through a narrow lens which focuses on human rights violations. Progress of reform and a re-definition of the role of government go little noticed by Western policy makers. More reform in China and

more research on it in Europe will certainly influence the discussion on the EU's dilemma in its relations with China<sup>52</sup>.

### Conclusions: the way forward

From the above analysis and assumptions, it is clear that the thrust of EU policy towards China should be to energetically reject any notion of containment and participation in construing a China threat and to work with China on the strategic issues of the twenty-first century on the basis of functional multilateralism and mutual respect. The EU and China should focus strategically on improved global governance. Europe can no longer afford to be in reactive mode on the rise of China. A new picture for the future of EU-China relations needs to be painted. And instead of a pointillist picture where the whole vision emerges from unconnected dots, the EU needs a few bold strokes which make its long-term vision of China instantaneously visible. This vision needs to address the big issues:

- 1) common interests in the new global challenges and drivers of change
- 2) differences in values and fundamental views on the international system

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<sup>52</sup> Actually, governance and government reform have been discussed openly for several years both in party and government circles and publicly in think tanks, the media and with foreign parties and governments. There has been significant progress in government reform: the administrative licensing law (2004) and the law on officials (2006) have reined in arbitrary abuses of power, the death penalty is (again) subject to review by the Supreme Court and openly discussed as no longer in line with the legal norms of the world. Migrant workers have been given a better legal status together with changes in the household registration systems, the agriculture tax was abolished and school fees are being abolished over the next 3 years, alleviating the financial burden and abuse at the hands of greedy local officials. Limited progress in codification and development of law is not enough, though. China needs a truly independent and well trained judiciary and fair process of law to be able to enforce laws fairly and evenly across the country and to effectively fight corruption and abuse of power. This process will take some time, and be gradual and as always, implementation will be difficult. It is not unlikely that at the end of that part of the road, China will embark in an incremental way on a phase of its transformation towards a democratic society with Chinese-socialist characteristics, but it is clear that the dismantling of the Leninist model of governing a country and organising the party has begun in earnest against internal resistance by conservative forces. While there is certainly no blueprint for democratic reform, there is one for government and civil and economic law reform and the current party leadership is at least studying other countries' policies and parties to find clues for its own further reforms.

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<sup>50</sup> According to a statement by World Bank President Wolfowitz in October 2005. Statistics vary as China uses a different poverty line which is lower than the internationally accepted 1 USD a day line.

<sup>51</sup> The AU and NEPAD have provisions and mechanisms that allow interference in case of violations of constitutional arrangements and the African Peer Review cf. Alden (2006) pp 20/1.

- 3) functional multilateralism as a pragmatic way to address these challenges and overcome the value dilemma.

China is set to continue its transformation both domestically and in its foreign policy. It has recognised in principle that globalisation cannot be dealt with by sovereign countries alone, but only through cooperation, and that globalisation also influences economies and societies across borders. The traditional stance on non-interference in domestic affairs will need to adapt to the new realities. The new focus by Africa on good governance and interference in domestic affairs to counter unconstitutional events are in stark contrast to China's non-interference mantra, which might well fall out of fashion even with China's traditional allies. Hence, China is under pressure to take the necessary steps to adapt its foreign policy to globalisation. In the meantime pragmatic, but lasting solutions are needed. Functional multilateralism provides a way forward which is compatible with China's more traditional foreign policy principles and its more recent selective multilateralism, while pragmatically adapting non-interference to the new reality similar to how WTO rules allow interference within a defined and agreed set of rules.

Addressing the global drivers of change requires that the political recovers the strategic space lost to market-ideology and global corporations. There is a need for global governance which reassures people everywhere (be it European unemployed or Chinese redundant workers or landless farmers) that markets unfold in a framework which takes account of social and environmental costs. After all, the cheap manufactures that Europeans consume are made from African ores, with African and Arab energy, South East Asian components and Chinese labour. The environmental costs are often externalised through the destruction of African jungles, pollution of Chinese rivers and air and the social costs through lack of social security and precarious health and safety for Asian workers. The EU will have to pay a price for China's rise and the cheap consumer goods which come along with it, as we have benefited from it. Globalisation cannot be managed through autarkic approaches or piecemeal bilateral agreements. It requires global leadership – from the EU and China. Together they have enough economic and trading power and credibility with the developing world to steer a different course of development. Since economic affairs, resources, the environment, drug trafficking and diseases are no longer domestic affairs only, the governance of these issues is a matter for

non-domestic constituents, too, without questioning the principle of sovereignty as such. After all, it is beyond doubt that even EU Member States, while pooling parts of their sovereignty voluntarily to achieve European added value, remain sovereign entities. Thus there is a large space for other countries to pool (smaller) parts of sovereignty (more loosely) to solve global issues while keeping their nationhood intact. Arguably, pooling sovereignty voluntarily is an act which enhances rather than constrains a country's sovereignty. Functional multilateralism can translate the EU's and China's sovereign political will to contribute to global governance into binding transregional policy regimes or even institutions to address key challenges brought about by globalisation in a loosely institutionalised partnership.

### Strategic objectives and expected results

EU-China or EU-Asia Charters on issues such as energy efficiency, industrial pollution, climate change, environmental norms or energy security could be the core of non-exclusive, multilateral, binding rules to address key challenges, without requiring institutional integration, but going beyond traditional agreements by creating common management structures and supervisory boards for monitoring and arbitration in case of conflicts. Arbitration panels should include eminent persons appointed by consensus, for example, from ASEM member countries and the European Commission. These Charters could be open to other regions, such as the AU, or states willing to join the mechanisms.

Since the mid-1990s the EU has started to outline the content of a comprehensive partnership with China, but without embedding it in a larger strategic perspective<sup>53</sup>. Recently, prompted by US policy, the objective has become to push China to become a responsible stakeholder in the international community<sup>54</sup>. Attempting to pressure China into simply accepting the Western agenda is likely to fail. China has to become a responsible member of the international community

53 The EU's policy papers on China are a valuable attempt to make the relations comprehensive, but do not really provide for a long-term strategy. Their frequency (1998, 2001, 2003, 2006) and the fact that it is difficult to reflect the upgrading of the relationship in the successive titles from one strategy document to the next unwillingly reveal that deficit.

In 2006 negotiations for a new more comprehensive agreement than the 1985 Trade and Cooperation Agreement began.

54 Zoellick (2005). The EU entertains a strategic dialogue on China with the US. This is reflected in European Commission (2006).

allowing it to shape the different international agendas from the outset. A functional partnership built on multilateral Charters could provide such an avenue for membership without requiring too high an institutional price and without limiting it to a bilateral agreement. It could deliver:

1. a comprehensive, shared strategy and a mechanism with normative and financial commitments on climate change and other environmental challenges which lead to or support Chinese domestic reforms and better international governance to reduce the global environmental burden
2. more transparent fiscal measures and market-based strategies in international sustainable energy and resource exploration, cushioned by strategic reserves that could possibly be jointly managed by an institution affiliated to the IEA or transparently coordinated
3. re-launch of a development centred international trade strategy and relevant agreements; transparency and consultation on currency policies, institutionalised cooperation between the EU (in a reformed G-8 perhaps) and the big developing countries or creation of a new institution to contribute to global economic and political governance
4. integration of China in a new international development policy agenda built on North-South dialogue and South-South cooperation experience, and the EU's and China's multilateral partnerships with developing countries into a global multilateralism built on regional building blocks and cross-regional cooperation
5. cooperation on traditional and non-traditional security issues, fragile states, terrorism, WMD and promotion of related international treaties and regimes, and so on.

These Charters would complement existing trade and partnership agreements and dialogues (for example, political and human rights dialogues) and may in time absorb more technical dialogues. China is a new type of global player, one that requires a new response beyond traditional power politics (including new varieties such as soft balancing and hedging) and as a complement to the present multilateral system. The EU has the potential to innovate global governance by promoting such a response based on functional multilateralism.

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Uwe Wissenbach

## **The EU's effective multilateralism – but with whom?**

Functional multilateralism and the rise of China

**T**he paper addresses how China has become a key strategic issue for the EU in ways that are not reflected in the European Security Strategy (ESS).

The analysis argues that given the unilateral orientation of the EU's closest partner, the USA, which started long before the current administration and is likely to continue, the EU should occupy strategic space in relations between the US, China and other Asian countries and notably promote functional multilateralism as a pragmatic approach and common security as an alternative to the US balance-of-power concept carried over from the Cold War. Cooperative policies as a response to key global challenges such as the environment, energy and social issues are important priorities for both the EU and China. The EU should reject policies of containment and present alternatives based on functional multilateralism and try to secure the support of China to achieve desired policy outcomes and make multilateralism effective. This alternative will reduce the weight of territorial and sovereignty-related conflicts or concerns and allow Asian countries to develop win-win situations and common progress. China's domestic priorities determine its foreign policy and recent changes point to a number of areas where the EU could successfully engage with China while maintaining and improving policies relating to human rights and the rule of law. China's new policy of sustainable development, resource saving and environmental protection is a basis for an EU-China partnership based on functional multilateralism.