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# EU policy towards China: Trade versus Human Rights

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# Outline

- EU - China relations
- Economic ties
- Human rights
- Germany
- The Czech Republic
- Hungary
- Summary



# EU-China Relations

- formal diplomatic ties **since 1975**
- **today:** annual summits, regular ministerial meetings, over 60 sectoral dialogues (HR one of them)
- 2013: jointly adopted **EU-China 2020 Strategic Agenda for Cooperation**
  - EU respects Chinese sovereignty and territorial integrity; China supports EU integration
  - economic development deemed very important
  - very vague mention of human rights
- 2016: EU's new **Strategy on China**
  - emphasizes both
- reality? (1 policy or 28?)

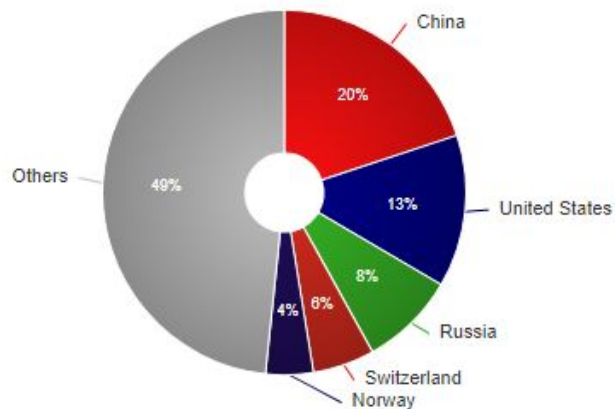


# Economic Ties

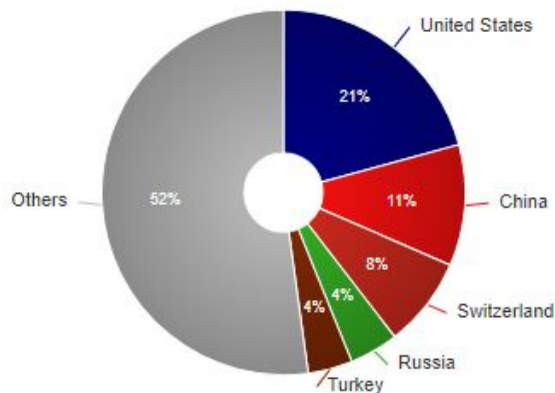


- **EU exports** (2018): USA 21 %, **China 11%** (EUR 209.9 bn), Switzerland 8 %, Russia and Turkey 4 %
- **EU imports** (2018): **China 20 %** (EUR 394.7 bn), USA 13 %, Russia 8 %, Switzerland 6 %, Norway 4 %

## Imports

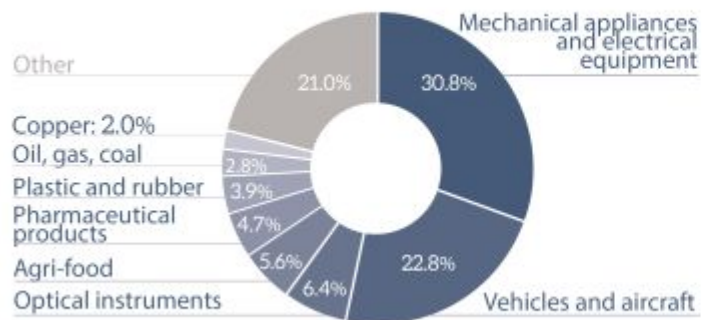


## Exports

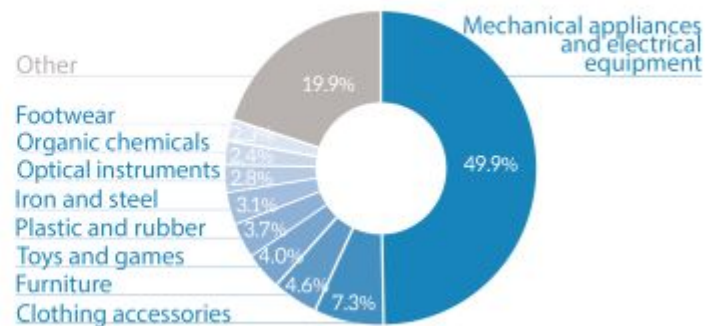


Trade in goods by top 5 partners, European Union, 2018

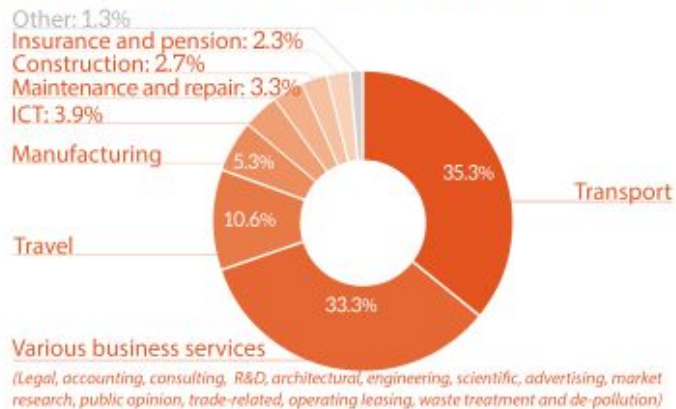
## EU exports of goods to China (2017)



## EU imports of goods from China (2017)

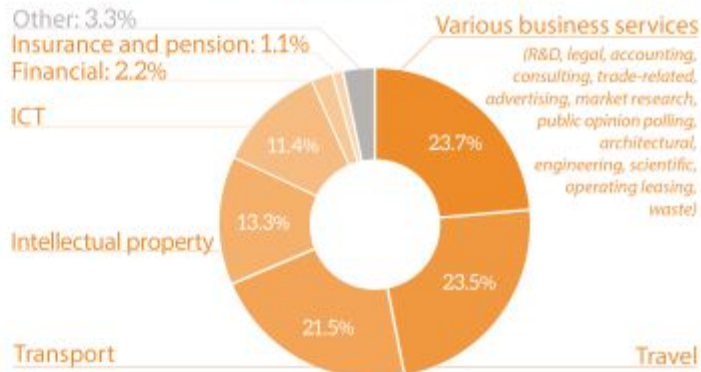


## EU exports of services to China (2017)



EPRS | European Parliamentary Research Service

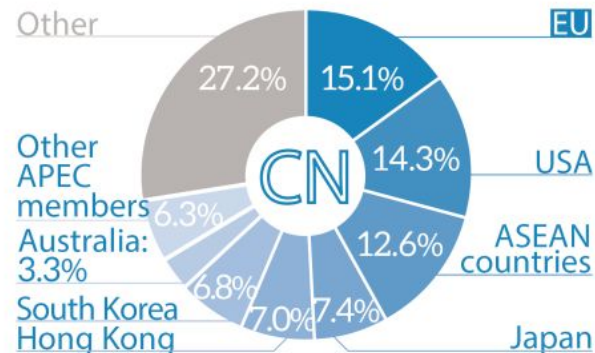
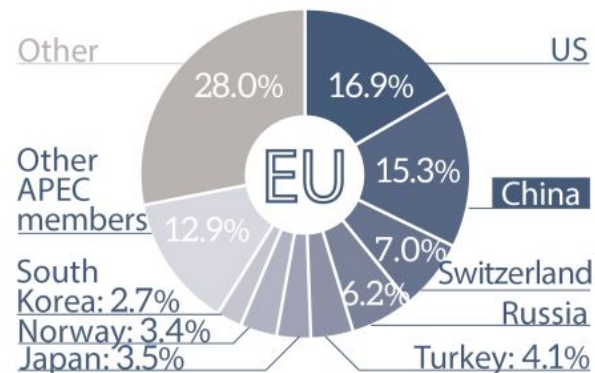
## EU imports of services from China (2017)



EUI | European University Institute

## Main trade partners (2017)

Trade in goods, exports plus imports



EPRS | European Parliamentary Research Service

EUI | European University Institute

# Economic Disputes

- **arms embargo**
  - since 1989 (suppression of Tiananmen Square protests)
  - not lifted yet
  - internal EU division, outside pressures (USA, Japan)
- **textiles conflict**
- **anti-dumping measures** (esp. on steel)
- disagreement about the **China and CEE countries** cooperation (17+1)
  - CN government's initiative to promote business and investment
  - promoting the **Belt and Road Initiative**
  - infrastructure, logistics, trade, infrastructure, energy, tourism etc.
  - criticism of dividing the EU unity x hypocrisy of powerful EU members?
- **intellectual property**
- ...

# Human Rights in the EU

- **The European Convention on Human Rights**
- **EU charter of Fundamental Rights**

Human rights in EU internal and external action are reflected in numerous institutions and instruments:

- the European Union Agency for Fundamental Rights (FRA)
- the European Ombudsman
- the Special Representative for Human Rights
- the European Instrument for Democracy and Human Rights.
- the Strategic Framework for Human Rights and Democracy
- the EU Action Plan on Human Rights and Democracy (2015-2019)



# Human rights in China

- **the National Supervisory Commission** - “ljuzhi” system
- **the United Front Work Department** - in charge of religious, ethnic and overseas Chinese affairs
- prosecution of religious communities
- new regulations in Tibet - criminalizing traditional forms of social action
- surveillance system to tighten control over society
  - collecting biometrics, voice samples etc.
- CCP - tight control over internet, mass media and academia
- repression of HR defenders, violations of freedom of speech and women's rights, no laws protecting people from discrimination on basis of sexual orientation or gender identity, forced returns of North Koreans refugees

# Human rights in the EU - China relations

- **The EU-China Human Rights Dialogue** -established in 1995
- The 37th round of the EU-China Human Rights Dialogue
  - ratification of the **International Covenant on Civil and Political Rights**
  - implementation of recommendations of UN human rights bodies
  - individual cases of unlawfully arrested or to death sentenced people
  - protection of freedom of religion and belief, the rights of persons belonging to minorities, situation in Xinjiang and Tibet, judiciary reform, China's Foreign NGO Activity Management Law, labour rights, freedom of expression, freedoms of assembly and association
  - criticism
    - no public references or call for an end to growing human rights violations in China by EU representatives
    - weak diplomatic tool

# The study case of Germany, Czech Republic and Hungary

- the European Think-tank Network report on China
  - How is Europe meeting its commitment to defend and spread democracy, human rights, and the rule of law in its relations with China?
- Three groups according to the level of defending HR
  - active and vocal approach to democracy, HR, and rule of law vis-a-vis Beijing
    - **Germany**, Sweden, the United Kingdom
  - currently do not speak out for political values in public or are not involved in significant cooperative projects
    - **Czech Republic**, Latvia, Poland, Portugal, Romania, Spain
  - mostly passive as well as occasionally counteractive
    - **Hungary**, Greece

# Germany: an example of promoting liberal values?

- largest trading partner since 2016
- great emphasis on cooperation with China on global governance issues
- combination of relatively strong public rhetoric and behind-closed-doors diplomacy
- annual intergovernmental consultations since 2011 - over 80 official dialogues
  - the release of Liu Xia
- some German political and business elites describe China's authoritarian system as “systematic challenge” to liberal democracy
  - “Cold War of two economic systems”?

## Divergence between political and business interests

- Belt and Road Initiative

Increase of cooperation with  
China



Counter the China's geostrategic  
goals

*“an attempt to establish a comprehensive system to shape the world according to China’s interests”*

Sigmar Gabriel

- AfD - announced that, Germany should learn from China's development strategy in third countries - downplaying politically correct measures and focusing instead on investment opportunities for German companies
- BüSo - already offered unconditional support for China inside Germany

# The Czech Republic: from Human Rights Defender to Pure Pragmatism

- Dramatic switch in policy towards China
- Even though, the Czech republic is parliamentary system, a president has great power to influence foreign policy
  
- Period of **Vaclav HAVEL**
- Period of **Vaclav KLAUS**
- Period of **Miloš ZEMAN**

# Václav Havel's presidency and his legacy

- staunch advocate of HRs
- Prague a centre of HRs in Central and Eastern Europe
- After 1989 Czech relations with China were **cold and distant**
- CZ supported Taiwan, Tibet and Chinese dissidents
- **HRs agenda deeply rooted in foreign policy**
- 1997 resolution criticizing China for HRs abuse
- 2006 Parliament group Friends of Tibet
- 2008 Olympic opening ceremony - no high-level Czech political representative
- 2009 official meeting with **Dalai Lama**



# Václav Klaus's presidency

- right wing pragmatic
- **closely link to pro Chinese financial group**
- repeatedly voiced his disdain for NGO-ism, human rightism, Dalai-Lamaism
- prime minister Petr Nečas and others (Tvrdík, Kohout) tried to unfreeze Czech - Chinese relations
- Emerging multilateral format 16 + 1





# Miloš Zeman's presidency



- engaging with potential Chinese investors
- CEFC is mainly financial company that has been at the core of many Czech business projects - Soccer team Slavia, Travel Service, JT Financial Group
- **Ye Jianning** - director **CEFC** - strong connections with Chinese top leaders - appointed official adviser on economic agenda with China
- Despite the effort, Chinese investment remain minimal
- CEFC investments were not economical - but political
- 2008 economic crisis and 2015 refugee let to scepticism
- Favourable environment under Zeman's presidency - **increasement of China presents**

# Emptiness of Human Rights

## - **2016 visit of Dalai - Lama**

- meeting with minister Herman
- reaction of Zeman, Sobotka, Hamáček, Štěch
- protest of Chinese diplomats - violation of One-China Policy
- Slovak president met Dalai - Lama

## - **92 Chinese Christians seek asylum in the Czech Republic**

- applicants for protection must prove that they are facing persecution in their homeland
- 2 years they had been waiting for the resolution of Ministry of Interior Affairs
  - argumentation was based on the fact Chinese people were looking for a job = economic migrants
- 8 people were successful, 70 people were not granted asylum, 12 people left
- 70 people - Lawsuits -they are trying to retract this decision

# Hungary:

## Where Have All the Big Deals Gone?

- **pragmatism** based on economic factors → **HR: passive** or counteractive
- Hungary as one of the frontrunners: **Opening to the East (2010)**
- Budapest enjoying **high political attention in Beijing x lack of major direct investment**
  - data problem: government USD 3–3.5 billion, National Bank of Hungary USD 200 million (2015), another source claims USD 2 billion (since 2000)
  - 75 % is linked to a single transaction (Borsodchem – Chinese Wanhua Group)
- **many agreements, announcements x major industrial investments still lagging**
  - bilateral agreements of 2011 and 2012
  - train connection between downtown Budapest and the airport, **railway line between Budapest and Belgrade**, EUR 1 billion credit line between the China Development Bank and the Hungarian Ministry of National Economy...

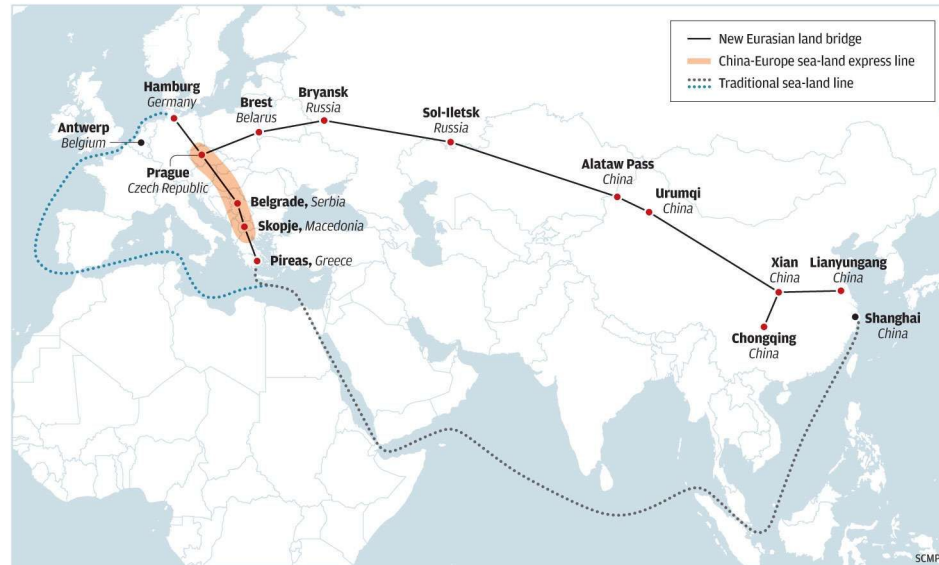
**Table 1. Major Chinese Investment Successes and Failures in Hungary**

Company	Sector (Target company)	Mode of investment	Year of first mention or investment	Total value (estimate, EUR million)	Result
Changshu Standard Parts Factory	screw factory (Ongai Csavargyártó Ltd.)	acquisition	1997	NA	success
Yanfeng Automotive Interiors	Automotive	greenfield	2004	25	success
Hisense	electronics (joint venture with Flextronics)	joint venture	2004	3	success but closed in 2010
Huawei	ITC	greenfield	2005	300	success
ZTE	ITC	greenfield	2005	15	success
Lenovo-Flextronics	ITC	greenfield	2009	NA	success
Sevenstar	solar panels (EnergSolar Ltd.)	acquisition	2009	NA	success
Wanhua Group	chemicals (Borsodchem)	acquisition	2010	1,600	success
Comlink	ITC	greenfield	2012	NA	success
BYD	Electric buses	greenfield	2016	20	success
China-CEE Fund	telecommunication (Invitel)	acquisition	2017	200	success
BBCA	Citric acid factory	greenfield	2012	80-200	still in progress

China Railway Group	railway reconstruction (Belgrade-Budapest)	infrastructure investment	2015	1,500	still in progress
Tianshan Industrial Group	aviation industry	joint venture	2016	30	still in progress
RZBC	Citric acid factory	greenfield	2014	100?	likely failed
HNA Group	airlines (Malév Hungarian Airlines)	acquisition	2004	NA	failed
Livan Biodegradable Product	Biotechnology	greenfield	2007	18	failed
Shanghai Construction Group	Cargo Airport	greenfield	2009	NA	failed
Orient Solar	solar panels	greenfield	2011	NA	failed
Canyi	Lighting technology	greenfield	2011	30	failed
China Railway Construction Corporation	railway construction (airport to downtown)	infrastructure investment	2012	150	failed
V0	Railway construction (ring around Budapest)	infrastructure investment	2013	NA	failed

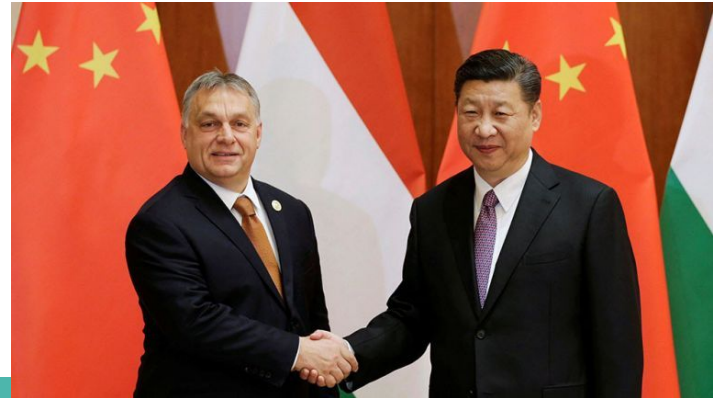
## Budapest-Belgrade rail project

- investment model **similar to One Belt, One Road** investments
- **financial backing** from Beijing (Exim Bank)
- **Chinese companies** will **modernize** the railroad (connection between Piraeus in Greece and Western Europe via Macedonia, Serbia and Hungary)
- how **will Hungary benefit?** not sure
- **Chinese** side bears **no high risks**:
  - loan and interest rate (2.5 % annually) guaranteed by HUN
  - construction carried out by a Chinese enterprise
  - railroad itself mostly used by Chinese cargo companies
- still **failing to connect major cities** within Hungary
- **lagging behind, under EC investigation**



# Where Have All the Values Gone?

- **1999:** Hungary one of the first to begin a **bilateral dialogue on HR** with China
- Viktor Orbán
  - 1st term (**1998–2002**): meeting with Dalai Lama (2000), fierce anti-communist attitudes, **liberal values**
  - 2nd–4th terms (**2010–**): **pragmatic**, establishes official **party-to-party relations**, numerous visits, calls China an example of a **successful “labor based society”** (West = economies “based on speculation”)
- **2019:** politically “sensitive” issues **not part of the domestic political agenda**
- no impact of topics like human rights, Uighurs, Tibet, Dalai Lama, autocratic tendencies, censorship or protection of intellectual property rights



# Much Ado About Nothing?

- **opinions**
  - **public: positive image** of the Chinese, very little concerns
  - politicians: **cross-party agreement** on the importance of relations with China, **no major opposition**
  - why? no major investments = less attention, **less political/strategic concerns**
  - **independent media**
  - **EU: concerns about lack of transparency**, projects not in line with **EU's rules**, political favors to China, losing **influence** in the region, Chinese support as a **political leverage** etc.
- **China seen as a significant partner, BUT political calculations may be more important than actual economic interests**



# Conclusion

- in recent years **China became much more active in Europe** - spreading its influence
- EU - China summit - Europe has begun to fundamentally rethink its China policies - convergence with U.S.
- Europe is going tougher on China
- **Abuse of HRs as red flag for EU - but can not be too critical** (Turkey)
- **EU is very divided on policy issues to CHINA**
- **Need for balance between economic and human rights issues**



# Question Time

1. Which of the introduced groups do you think will benefit the most in the future?
2. Which of the two aspects is more important for a country's FP?
3. Do you think the EU is ever going to reach a consensus on the policy?



**Thank you for your attention!**

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