

## The European Union and the Emerging Asian Powers of China and India

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**Theme<sup>1</sup>:** The rise of China and the emergence of India pose intellectual, technological, organisational and political challenges for the European Union and for the West in general, but also provide opportunities.

**Summary:** The rise of China and the emergence of India have profound implications for the world's economy and politics. Both consistently registered high growth rates before the global financial crisis and the Euro-zone sovereign debt crisis led to a contraction. China has already trebled its share of world GDP and India has doubled it.

European perceptions of the opportunities of a Chinese market with a population of a billion-plus have now been replaced by perceptions of a more assertive China, as an economic challenge and threat. Recent opinion polls indicate that majorities in many Western European countries have increasingly negative views of China's growing military power.

### **Analysis:**

#### *Economic Challenges*

China –the workshop of the world– is perceived by most Europeans as a direct and immediate threat to European jobs since it is with China that the Union has the largest bilateral trade deficit. Europeans continue to be acutely concerned about the artificial undervaluation of the yuan, government subsidies and the scant respect for intellectual property rights. The rapid inroads made by China in Europe's backyard (Africa) and Latin America has shocked and surprised Europeans.

The Union's trade with India was nearly six times less than with China. India is seen as a latent and potential threat taking away service-sector jobs, though pressures should increase as both China and India move up the value chain.

In the wake of the Euro-zone sovereign debt crisis, European scepticism of China was replaced by hopes that a cash-rich China would use its foreign exchange reserves to help crisis-ridden states. A succession of European leaders visited Beijing to solicit help in coping with the crisis despite concerns in some quarters about investments by Chinese sovereign wealth funds. Many Indian companies have felt that the fundamental reasons to invest in the EU had not changed and they continued to be on the lookout to enhance their investments in Europe.

#### *Normative Disconnect*

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There is a growing normative disconnect between Europe and the emerging Asian powers. Postmodernist Europe has increasingly become a norms entrepreneur which seeks to propagate and reflexively impose social, economic and ideological norms as global public goods that have been so successful in Europe at the global level irrespective of other countries' stage of development, historical background and social and cultural peculiarities.

Neither China nor India were present at the inception of this international architecture. Both are beneficiaries of it, although for a long time they had been its victims. Both are concerned about a creeping Western 'regulatory imperialism'. Both seek to transform themselves from being rule-takers to proactive rule-makers. As a result, there is a basic contestation about the content, value and scope of norms.

Both China and India remain acutely sensitive about their sovereignty and internal autonomy against intrusive human-rights issues and remain wary about regime change and humanitarian intervention and the circumstances in which force might be used. Both regard the EU as a somewhat lonely postmodernist power in what is essentially a modern and pre-modern world.

#### *Global Governance*

Emerging powers like India argue that the structures of global governance must be more democratic, representative and legitimate to reflect today's economic and geopolitical realities. Whereas there has been limited democratisation of the global economic architecture, the political and security architecture remains frozen. While Europe does acknowledge the need to restructure international institutions and give more voice and seats to emerging powers in the World Bank and IMF, the assumption is that the rising powers will be co-opted and accommodated within the existing system, which is largely dominated by the West.

#### *Climate Change*

Both China and India argue that measures to address environmental concerns should follow the principle of 'common but differentiated responsibilities', which holds that the developed countries, as historical beneficiaries of environmental exploitation, must shoulder a disproportionate burden of the costs associated with reducing environmental degradation, thereby providing the developing world with the requisite space to develop.

A distinction, they say, must also be maintained between 'lifestyle emissions' of the West and 'survival emissions' of developing countries. Both recognise the importance of sustainable development. For both Asian giants, the key word in 'sustainable development' is 'development' because that is the only way to get millions out of poverty. Both Asian countries argue that it is imperative for low-emission technologies to be made available to poorer countries at a price they can afford.

#### *Making Strategic Partnerships more meaningful*

A growing realisation that the EU's strategic partnerships were neither strategic nor real partnerships led Herman van Rompuy, President of the European Council, to call for an extraordinary meeting of the Council in September 2011 to discuss the Union's strategic partnerships for the first time. Rompuy acknowledged that 'new players do not always share our interests and worldviews' and added that 'we have strategic partners, now we need a strategy'. The consensus that emerged at the meeting was that Europe is still punching below its weight and that the discussions focused mainly on European

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coordination mechanisms to become more strategic in its approach to its strategic partners.

Both China and India have a preference for bilateralism in their dealings with EU Member States. The proliferation of EU-China dialogues has not necessarily led to greater cooperation between the two sides. Greater dialogue is not the same as finding and implementing solutions. Even where there is agreement, this is not sufficient because very often there is a large gap between the EU and China on how to implement those agreements.

### *Emerging Donors*

Emerging donors like China and India (to a much lesser extent) pose a serious challenge to the existing multilateral development assistance regime. China's increasing economic and political weight in Africa and Latin America is challenging Western development paradigms and eroding the dominance of the Western countries that frame the terms and content of development debates and strategies. China's unconditional lending to African countries without raising uncomfortable questions or riders is introducing competitive pressures into the existing system. Beijing's unconditional lending to countries like Sudan and Zimbabwe undermines Western sanctions. Some have even argued that a 'Beijing Consensus' is replacing the 'Washington Consensus'. While African politicians rarely talk about following a 'Beijing Consensus', they welcome the flow of Chinese aid that comes without Western lectures about good governance, democracy and human rights.

**Conclusions:** It is difficult to say if most Europeans tend to perceive China as an economic threat and India's rise as a benign and stabilising development around the world. Europeans do not seem to be unduly perturbed by the rise of China except as regards their increasing worries about the mounting trade deficit, which has not so far become an emotive political issue in Europe.

Predictions about the continued economic rise of China and India are not inevitable since both Asian powers have incredibly large and complex economies and trends are difficult to predict. Both of them confront formidable challenges: to constantly balance the manifold demands of their changing and diverse societies. To varying degrees, both China and India will be relatively rich states with very large poor populations: they will have a high national wealth with a poor per capita income.

The rise of India and China offers two developmental models to the world, especially to developing countries: one spearheaded by a non-democracy/one-party state and the other by an open and democratic regime in a free market economy.

The rise of China and India poses intellectual, technological, organisational and political challenges for the West, but also provides opportunities since the two countries contribute to greater growth worldwide as their increasingly consumerist middle classes demand European goods, technologies and services. For both China and India, Europe remains a vital source of trade, advanced technology and foreign direct investment. Both realise that Europe will also be an indispensable partner in the future because it still has enormous capacity to influence the world's economy and politics.

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