

# What Europe's New Changes Are Putting on the Line

BY NICHOLAS FOGG

**W**E live in a world undergoing disruption. Climate change is heating up the planet, rising trade protectionism is threatening the international rule-based trading system, and artificial intelligence is changing the very nature of work itself. But amidst this turmoil, one island of stability and progress appeared to be the European Union, a coming together of the many countries of Europe into a single economic block.

China signed a comprehensive strategic partnership with the European Union in 2003 and, as recently as April 2019, the 21st China-EU Summit reaffirmed this partnership and pledged cooperation in fighting climate change and maintaining the rules of international trade.

But now this island of European stability is under siege. Boris Johnson has just become Prime Minister of the United Kingdom, running on a platform to withdraw Britain from the European Union. Populists have gained power in some European nations and wield a noticeable influence in the European Parliament. Europe is facing new challenges, and China and the rest of the world will have to carefully assess the implications of this new addition to the world's disruptions.

Europe and China's relations go back a long way. During the Han Dynasty (206 BC – AD 220), the Roman Empire once sent envoys to China, and the Han also made several attempts to send its envoys to the Romans. The famous Silk Road was a trade route between Asia and Europe from that time until the 15th century.

Modern Europe's framework, however, is a more recent development. It began to be realized after World War II. In 1950, the French political economist Jean Monnet formulated the Schuman Plan, named after the French Foreign Minister, to create the European



**On January 15, 2019, the Institute of Climate Change and Sustainable Development under Tsinghua University and the EU delegation to China co-hosted an event on the strategies being developed to set Europe and China on the path to low carbon development for 2050 and beyond.**

Coal and Steel Community. Robert Schuman himself expressed the ideal:

Through the consolidation of basic production and the institution of a new High Authority whose decisions will bind France, Germany, and the other countries that join, this proposal represents the first concrete step towards a European federation, imperative for the preservation of peace.

From the start, the project was a movement towards the distant goal of federation but also a means towards binding peace into the economic and political system. This latter goal has been a resounding success. It is unprecedented in historical memory that no conflict has occurred between the 28 nations that became members of the European Union.

Schuman's dream of a European federation appeared

to evolve into an entirely new entity. Common legal structures and a single currency have been established. Open frontiers exist between many of the member nations and people move freely throughout the bloc. There is even a two-track system, enabling different arrangements for countries less enthusiastic about integration. But recently, the project has gone awry, its liberal certainties threatened by the rise of populism, a tide with global manifestations.

A persistent theme of populism is that the old political establishments have become detached from the aspirations of ordinary people. The refugee crisis that began in 2015, as over one million migrants from Africa and the Middle East sought refuge in Europe, presented the EU with an issue beyond the normal remit of a controlled response. The populist response to this crisis has been to castigate the EU as a self-serving, over-reaching, and remote body.

The European Commission is frequently perceived as an unrepresentative body, handing down diktats to a subservient populace. This apparent lack of accountability has, perhaps inevitably, led to the growth of, to use the contemporary phrase, “fake news,” as the EU is castigated for all manner of ills for which it is not responsible. Those who feel they have been left behind in the rise to prosperity and those who feel nostalgia for a lost and often illusory past seem particularly susceptible to this process.

Analysis of “Leave” voters in the U.K.’s Brexit referendum showed that they tended to be more elderly and less educated and affluent than “Remain” voters. In a sympathetic assessment, Dr. Lisa McKenzie of the London School of Economics advocated an understanding of their motivation. Her research had taken her to the former mining towns of the East Midlands, which voted heavily for “Leave.”

These communities were heavily industrialized, and filled with skilled manual labor oriented jobs for both men and women. They were wiped clean by de-industrialization, and left void of work and investment for decades.

Such a predicament is undoubtedly sad for its victims, but it has little to do with the European Union, which has been a major force in bringing economic aid to distressed areas. It is in such situations that populism has thrived. At its core is the claim that populists alone represent the people against the self-interested social, economic, and political structures. Such attitudes led to the seizure of the Conservative Government’s agenda

by Brexiteers like Boris Johnson. Not surprisingly, in the wake of this chaos and inertia, other Euro-sceptic parties now pursue explicit exit strategies. The stability that seemed permanent as recently as five years ago now looks distinctly shaky.

A Great Britain outside of the European Union will certainly pose many problems for China. London is the offshore clearing hub for trading the renminbi currency: what happens if London is no longer a leading financial center? Will a weakened Britain, shut out from Europe, turn inevitably to the United States and fall in with Trump’s anti-China coalition? Is that why Trump has been so vocal in supporting Brexit? Within the European Union, Britain has long been a promoter of close ties with China. It was, for example, the first major Western power to join the Chinese-led Asian Infrastructure Investment Bank. Without Britain’s moderate voice in the European Union, will European populists turn against China as they have been against refugees?

The U.K.’s incoherent Brexit policy is, thus, one of the greatest threats to the European project. And the European project, in turn, is a key part of China’s engagement with the global trading system.

China has a great stake in the European Union maintaining its unity. The European Union is China’s biggest trading partner with over one billion euros in trade between the two parties done every day on average. The benefits of China-EU trade are mutual: A survey of 2,000 German businesses conducted by Commerzbank in May 2019, for example, showed that while 61 percent expect a gloomier economic outlook, 30 percent now regard China as a more reliable trading partner than the U.S.A. (17 percent) or the U.K. (8 percent). This must be in part a reaction to China’s positive response to the trade war. Tariffs have been raised to an average of 20.7 percent on U.S. exports, but they have been cut to an average 6.7 percent for the other nations with which it trades. “While Trump shows other countries nothing but his tariff stick, China has been offering carrots,” commented Chad Brown of the Peterson Institute for International Economics. “Everyone else is enjoying much improved access to China’s 1.4 billion consumers.” The EU and China have demonstrated that there is a future in a multilateral and cooperative global trading system. Hopefully others will return to that view. ■

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