

THURSDAY 14 MAY 2009

Present

Anderson of Swansea, L
Crickhowell, L
Hamilton of Epsom, L
Inge, L
Jones, L
Selkirk of Douglas, L
Teverson, L (Chairman)

Witness: Professor Xinning Song, UN University, Bruges and Jean Monnet Professor of European Integration Studies at Renmin University of China, Beijing, examined.

Q481 Chairman: Professor Song, can I welcome you to the Committee and thank you for attending this morning. Perhaps I can just go through the way this works. First of all, the session is a public one, and is webcast as well as recorded. The Clerk to the Committee will send you a copy of the transcript for you to ensure it accurately reflects what you said, and you will have an opportunity to amend it if you do not think that is the case. This is part of a major study, as I am sure you are well aware, that we are doing into European-China relations. A number of us have visited Brussels to talk with the Commission and the Council and some of the people on think-tanks there. We are hoping to visit China in the summer as well. That is where it fits in. I think you have had a copy of the sorts of questions we would like to ask, though no doubt there will be supplementaries. Is there anything you would like to say as a short opening statement first or would you like us to go straight into questions?

Professor Song: Perhaps we can go straight to the questions.

Q482 Chairman: That is fine. I really would like to start off on the broader strategic side and ask you how does China make its strategy and policy on Europe? Which individuals and

agencies decide long-term and day-to-day policy? What is the role of institutions in the public realm, like think-tanks, academia, the media, and indeed public opinion and public pressures?

Professor Song: The Foreign Ministry does the basic daily work on China's foreign policy decision-making. Under the Chinese system most of the important strategic decisions are made by the Politburo or the Standing Committee. They are the top leaders. I am not sure but I think of the top people, like Hu Jintao or Wen Jiabao, Wen Jiabao takes care more of Europe and Hu Jintao takes care more of the United States, but it is not clear. For European affairs, it should be the Foreign Ministry but, according to the 1985 Agreement, it is the Ministry of Commerce which has more responsibility, especially for EU-China programmes or agreements. The argument from many Chinese is that one Ministry should not handle everything. I know this is a big argument by the Ministry of Education, because the Ministry of Commerce people know nothing about higher education, so how can they take care of it? Since 2003 or 2004 people have been talking about upgrading the 1985 Agreement. Turning to the role of institutions in the public realm or think-tanks, they have started to have a more important role. As you know, we started an EU-China think-tank roundtable in 2004, which now meets annually. It is not very easy to define think-tanks in China. For instance, the China Institute of International Studies and the China Institutes of Contemporary International Relations, are basically governmental institutions or think-tanks. They have a certain channel to the top leaders. Probably ten years ago the universities had a very small role but they are now more active, especially in academic research. European Studies has developed very fast over the past ten to fifteen years. Before 1995 there were only six centres in China for European Studies, five in the universities and one in the Academy of Social Science. Currently, to my knowledge, there are something like 30 research centres for European Studies in China, most of them in the universities. We also have our own policy report research project. Sometimes we have a different opinion to the Government but in most cases

they will come to us to seek our opinion. I think the role of think-tanks and universities is still limited because the basic governmental decision-making structure comprises a very small group. There were arguments last year about the postponement of the China-EU summit; not many people know how it was decided. There is debate about this in China. The role of public opinion is not very strong, but it is becoming greater, especially through the internet. The Chinese Government has to take into account the access people have to the internet. There is more and more in the newspapers, especially the local newspapers. We know there is a big debate, and it is an interesting phenomenon. Some newspapers, such as those in *Guangdong*, always have interesting ideas, sometimes anti-government ideas but interesting ideas, also in the *China Youth Daily* in Beijing. The especially interesting thing is the internet.

Q483 Lord Crickhowell: Thank you very much, professor, for that introduction. You made it clear where the really crucial strategic decisions are taken, but you have confirmed an impression that we received in Brussels last week that the internet and local newspapers and so on are beginning to be a significant factor, but when we come to the carrying out of policy, China is a very large country, the provincial regimes are quite important, and we heard that individual decisions on, for example, climate change policy, or in another area which we looked at in Brussels, aid and overseas investment in Africa, there the decisions are very much being taken at a more local level or by individual businesses or by individual provinces. Do you agree that there is this difference between the key strategic decisions and the way in which policy is actually being carried out?

Professor Song: Yes, I agree with that. Basically, it depends on different kinds of areas. If you look at development aid, if the aid comes from central government, local government does not have a very strong role, but when it comes to overseas investment, local government

has more power. It depends. On the environmental issue, the basic policy comes from the centre but the problem is implementation at a local level; there is a big gap.

Q484 Lord Anderson of Swansea: Professor, there are obviously in any country the formal structures and there are those structures where the real decisions are made. In the US we know that we can talk to the members of the National Security Council, the State Department, and think-tanks are important. The difference in your country, of course, is the leading role of the Party and particularly of the Standing Committee of the Party. Given that Western policy-makers want to penetrate to the areas where the real decisions are made, in your understanding, how great is the access of European Union policy-makers to the Standing Committee as opposed to, say, the “front men” of the Ministry of Foreign Affairs?

Professor Song: That is related to how important European Union affairs are to the Chinese, especially the Chinese Government. There is a story that the top leaders directly invite certain individuals, academics, professors, to their office or to have dinner with Hu Jintao. I know of several occasions related to US policy, US-China or Taiwan. That is what they concentrate on. I have not heard of any European experts having this opportunity. It basically depends on the area.

Q485 Lord Anderson of Swansea: I am not just talking about experts. I am thinking rather more of Ministers of European countries. Do they have direct access to members of the Standing Committee or do they just meet the formal structures?

Professor Song: You mean on the European side?

Q486 Lord Anderson of Swansea: Yes.

Professor Song: No, I do not think so. The Americans have a so-called “hotline”, so there are phone calls, that kind of thing. I do not think they can go directly to certain individuals on the Standing Committee, no. That is very politically sensitive. That is my understanding.

Chairman: That is very interesting.

Q487 Lord Jones: Professor, can you say what you consider to be the main successes of the relationship in recent years? How would you characterise the strategic partnership between the European Union and China? Wen Jiabao said strategic meant “overall, long-term, stable nature that transcends differences in ideology and social system.” Is this a fair characterisation of the direction the partnership has taken since 2003?

Professor Song: Yes, the strategic partnership is still being debated in China. Not everyone agrees with it. There is official discourse, not just in China but also in the European Union. If you look at all the joint statements of the summit, they always talk about “comprehensive strategic partnership”. Personally, I do not fully agree with this. The problem about Wen Jiabao’s definition is that it is too broad. The basic issue is that, although both sides talk about a comprehensive strategic partnership, it seems to me there is no common understanding of what the strategic partnership really is, what the mutual strategic interests are. There is no clear definition. I think that is the problem. On several occasions even during the EU-China think-tank roundtable, I personally strongly suggested that we need a dialogue on the strategic partnership and what it really means and what the common or mutual strategic interests are. It is not very clear. I think that is the problem. Some people also argue that we have no common strategic interests. I have published a paper on this. It seems to me that on the Chinese side, working with the European Union strategically is very important for China but I am not sure what the strategic importance for Europe is of working with China. We have heard nothing about this. For China the most strategically important matter is China’s domestic development, not just economic but also social and political

development. It is very important for China to work with the EU in this area. In those terms, the EU should be more important for China than the United States but, as a strategic partner, we need to define our mutual strategic interests, which are not clear. Over the last ten to fifteen years EU-China relations have developed very fast. I would even define it as the best bilateral relationship in China's external relations compared with US-China and Japan-China. It is stable. Economically there are mutual benefits. Politically it is quite stable. Still, there are some problems, especially over recent years. Some would argue that post 2006 EU-China relations have been troubled, especially with the big problem there was last year. That is also related to a common understanding of our relationship, which is not very clear. The United States is always the first priority. We need to work on finding the common interests of the EU and China. That is my basic understanding of this.

Q488 Lord Jones: Which voice do you think China listens to most in trying to understand what the EU's strategic approach to China is?

Professor Song: That is also my argument about the EU-China strategic partnership over the last five or six years. You could say we started to talk about this in 2003, but it is still not very clear. That, I think, is the problem. That is also the argument because most Chinese leaders or ministers when they come to Europe say, "We have no fundamental strategic conflict", so my argument will be, where is the fundamental strategic interest?

Q489 Chairman: If you were sitting on the European side of that argument, Professor Song, what would your answer be?

Professor Song: That is a problem. I am not very clear myself. I have tried to find the most important strategic elements for EU-China relations for the EU. Some Europeans argue it is the so-called new world order or global governance, but that is too broad or too abstract. That is the basic thing. China's major strategic concern is the neighbourhood policy; its

neighbours, regional security, issues to do with Taiwan. Those are the strategic interests between China and the United States. That is very clear. The strategic interests between China and the EU are still not very clear. From the Chinese side, I mentioned that domestic issues are very important, but I do not think this importance has been recognised on the European side.

Q490 Lord Crickhowell: What you say is interesting. We heard very clearly the message in Brussels last week that at the highest level of the Commission and so on a great deal of attention is being paid to China and its importance. Clearly, the recent financial crisis, the world economic crisis, which has brought China right to the centre of the stage, is one aspect, but we also heard very strongly the significance of the whole development of climate change policy and the vast technological change and partnership that goes with it, the importance both for Europe and for China. So there are clear areas that are emerging, and even on the area of security and so on, some of us pressed very hard for the significance of China's role or potential role – important to Europe, as for the United States – in Afghanistan, in Pakistan and in the other troubled regions of the world. We very much got the picture that Europe recognises the crucial significance of China. Indeed, that is why we in this Committee are undertaking this inquiry.

Professor Song: Yes, I agree that EU-China relations are important, but what we need to ask is: is it strategic? What does “strategic” really mean? That is my argument with my Chinese colleagues. I prefer to call it a collaborative partnership. The Solana Report was the first time the European Union talked about a strategic partnership with China, but that is only in security terms. The 2006 European Commission policy paper and the Council's conclusion only mention global security. So is the security area for EU-China strategic partnership or not, or is it just collaborative? Formerly we have called it a comprehensive partnership. Even the Chinese Ambassador talks about engagement, comprehensive partnership and strategic

partnership. He sees it as a step forward but I do not see any great difference. Why are we talking about a strategic partnership? If you look at the Solana Report, it mentions the EU-China strategic partnership, but it is not at a very high level. Transatlantic relations come first, then EU and Russia, then the strategic partnership with Japan, Canada, China and India and “all others who share our common values”. We can definitely not say that China and the EU share common values, so what is the real meaning of the strategic partnership? That is the problem. We need a real definition of EU-China relations and how we work together. The idea of a strategic partnership has a negative impact on the expectations of both sides. That, I think, is the problem.

Q491 Lord Anderson of Swansea: Professor, some commentators talk of the development not of a G20 or of a G7, but of a G2 between China and the United States. Given your European formation, is that something you recognise? How significant are those in your country who talk of the first concept of the development of this G2 relationship?

Professor Song: I think most of the Chinese, especially Chinese scholars, will not accept this concept of a G2. G2 is a term used by the Americans. Some Chinese even argue that it is a conspiracy to ask China to pay more; that is the Chinese understanding. It is not good for China! We have to be careful. That is the so-called conspiracy theory. We do not follow the American notion. We need to have co-operation, a working relationship, not a special one.

Chairman: I think you will find that answer has resonated with the Committee very well.

Q492 Lord Hamilton of Epsom: If we could just continue with this concept of G2, I understand why China might not want to sign up to that concept but if there is a *de facto* G2, a very close relationship between the United States and China, the worry in Brussels last week was that deals would be tied up between China and America which would then effectively be imposed on the rest of the industrial and commercial world. Do you think that might happen?

Professor Song: Yes. It is also related to how the Chinese look at EU-China relations and US-China relations. US-China relations are very important with direct reference to China's national security, because China still regards itself as not fully accepted by the outside world, so the working relationship with the United States is very important. Economically and financially, the Chinese still believe the US dollar is more secure than other currencies. There is also an argument in China that EU-China relations, in the long term, especially on domestic issues, are more important for China. That is also related to the G2. A G2 in certain locations probably makes sense. In the financial crisis, China is the biggest holder of US Treasury bonds. That shows there is financial inter-dependence, but in the long term the most important issue for China is how to deal with its domestic issues, economically, structurally and socially. That is the discussion among the Chinese. I am writing a paper: the EU as a social power. The social power aspect is more important for China, because China has a lot of problems, and the European experience is more relevant to China than the American one. In the long run we need to work more closely with the European Union on social security issues, medical care, regional policy and all those kinds of things. What is also very interesting is that politically the Chinese for the last ten or fifteen years have looked very closely at Europe and the European models – I will not say the EU model but European models – especially on social security issues, and also the Labour party and the Social Democratic party. Before the 17th Party Congress the big argument within China was about democratic socialism. In the long run that is also the debate. There are debates among European scholars, scholars of European Studies and American Studies.

Chairman: That is very interesting.

Q493 Lord Selkirk of Douglas: May I ask the professor, do you think the Chinese leadership regard the EU as growing in significance? With regard to the relationship, may I ask you about the main areas of difference? The abandonment of the 2008 Summit was seen

as a serious indication of difference. Was this evidence of a specific problem or set of circumstances or of a relationship encountering serious difficulties? If I may echo a question you have already been asked, what do you see, if you had to summarise, as the main successes of the relationship between the EU and China?

Professor Song: I do not know about the Chinese leadership. I know more about the academics. That is also related, I think, to the Chinese understanding of the EU as a global economic power but not yet a global political or security power. China has always had a dilemma about whether to deal with the EU or with EU Member States, because the EU is still not a real global actor, politically or on security. Economically also it is not a full global actor because when China deals with the EU, it is basically on trade in Brussels. Even on investment we need to deal with the Member States, not Brussels. Lots of people hope the EU will develop fast. The Chinese understanding, rather than policy, is that a strong EU would be good for China, especially as a counterbalance to the United States. Things are gradually changing. We need a strong partner, but the EU is not yet a strong partner. If you look at EU-China relations, I think the most successful aspect is the economic co-operation, which is not just about trade. The EU is the number one trade partner of China and the EU is also the number one provider of technology to China. That is, it seems to me, more important for China's economic development and also investment than the amount of FDI. If you look at the amount, the EU only ranks about fourth, but EU FDI to China, the investment in projects, is much bigger than that of the United States or Japan. That is economically also very important for China. The economic picture is quite good, but other issues are not very clear. We have a political dialogue but we also have a political problem. The major problem is probably the human rights issue or the Tibet issue. Even if you look at last year's problems, they were basically related to this. The postponement of the Summit was because of this. It is also related to the problem of EU level and member-state level. Last year the

basic problem was between China and France. The Chinese argument is that France has hijacked the EU. That is still the argument.

Q494 Lord Inge: I would like that recorded!

Professor Song: China can deal with this in a more skilful way but it is very interesting if you look at the events of last year. Something is not clear, even now. It was the European Union which openly stated that China decided to request for the postponement ahead of China. The European Union stated it first – I do not know why.

Q495 Chairman: That is an interesting view. Can you explain that to us a little more?

Professor Song: Yes. We know about the negotiations between the Chinese and French governments around Sarkozy's meeting with the Dalai Lama. I am sure that was a big pressure. The Chinese side probably also threatened to postpone if the meeting went ahead. I know the Chinese Foreign ministry had talks with the French Embassy. Then the EC delegation also got involved. It was still in negotiation. My argument on the Chinese side is that the Chinese Government assumed that if there were strong pressure, Sarkozy might cancel the meeting. If that is correct, the Chinese would not say publicly "We will cancel or postpone" if it was still under negotiation, but the European Commission openly said, first "The Chinese authorities decided to request for the postponement."

Chairman: Thank you. I am sure we will include in our report the fact that France has hijacked the European Union! That will be brought up as one of our comments.

Q496 Lord Crickhowell: We have gone a long way towards addressing the question I was going to ask about the difference between China's approach to individual countries and China's approach to the EU, and you have laid emphasis, very interestingly, and clearly correctly, on the importance of trade, technological exchange and so on, as being the crucial

factor in the relationship. We get two different pictures from within Europe about the way in which the relationship works. Yes, of course, as you have emphasized, on particular areas the individual relationships between European countries and China are very significant but, on the other hand, we get a message – we certainly got the message when we were in Brussels – that China actually understands the EU very well. It knows exactly how the EU works. It has made a lot of effort to discover how it works, and it is devoting a great deal of time and effort to actually making the relationship with the EU as a whole effective. There is a very large Chinese representation in Brussels. The top Ministers make a point of going to Brussels when they come to Europe. There seems to be a recognition that Europe working as one – getting its act together, which Europe is not very good at – is important. Could you comment a little further on how you see China addressing Europe as a whole and the individual countries, and which do you think are the most important of the European countries from China's point of view?

Professor Song: That is related to what I was saying about the 2003-2004 so-called EU-China honeymoon. After 2005 you could say the honeymoon was over and normal life started and we had competition and co-operation. I think the problem on the Chinese side in 2003 and 2004 was that they over-estimated the role of the European Union. They assumed that the European Union was a strong, supranational entity they could deal with directly, but that is wrong. Later, as you have mentioned, we put lots of resources into understanding the European Union. It was assumed that the EU would lift the arms embargo in 2003 and 2004 but the reality is that the EU is not so strong, so we have to work at European level with both the Commission or the European Parliament. The Council is not so easy to work with, although they are still working with them. As you said, it is a big delegation but it is smaller than the Chinese Embassy in the United States. In China only two embassies have a special group working with the Parliament, and that is the Chinese Embassy in Washington and the

China Mission in Brussels. We need to work with the European Parliament. China is very skilful at playing the game, but it seems to me China has no choice. The only way to deal with the European Union is to deal with both the European level and the Member States. Member States in certain areas are more important than the European Union. That is the current understanding. There was also a debate several weeks ago when we had a seminar in the China Mission with students from the College of Europe. Some argued for a G2, some asked why not a G3? My argument is, who would be the third? Could it be the EU? That is a problem.

Q497 Lord Crickhowell: Which of the European countries does China devote most attention to? Germany, France, UK are fairly obvious candidates, but is there a particular relationship with any one of them that is stronger than the others or not?

Professor Song: It is hard to say but it seems to me, if you look at economic relations, we have more with Germany. Germany is the number one trade partner of China among the EU Member States. I think we may have more of a non-economic relationship with the UK, but actually you cannot compare it with Germany. Germany is more focused on the economic relationship, even on the Chinese side. The Chinese pay more attention to the UK, I think, than to other EU Member States. There is a debate about how to deal with France. You may remember that in 2006 we had a conference here where we had a debate. It was said that China likes to work with Germany because they always follow the rules. They do not always like to work with the British because they criticise China, but if you do a deal with the British, you can always trust them. Be careful in working with the French, because they always say one thing and do something else. I think that is the perception from the Chinese side. Sometimes there is a problem with other Member States, especially the smaller ones, because they lack expertise. In countries like the Czech Republic, there are no China experts, even in the Chinese Embassy in Prague. How can they deal with China in those circumstances? One

of my students used to work in Brussels at the China Mission. He has been to Prague to help the Chinese Embassy people to deal with the presidency.

Chairman: How interesting.

Q498 Lord Anderson of Swansea: Professor, one test of the comparative importance attached by your country to the European Union and the individual countries is the hierarchy of ambassadors sent from Beijing to Brussels, Berlin, London and Paris. Are you able to say what is the batting order – I am not sure what the Chinese expression would be – in terms of the comparative importance, the prestige, the weight, the status? Where does the Chinese Embassy to the European Union rank compared with those to the individual countries?

Professor Song: This is very interesting. We have five Deputy Minister-level ambassadors in Europe. That is probably the most: Germany, France, UK, Russia, and the China Mission to the EU. The China Mission to the EU used not to be the Vice Minister level; this started in 2002. There used to be one embassy with two titles. Now they are separate: now we have two ambassadors in Brussels, a Belgian one and one to the China Mission. One used to deal with both; now they are separate. Since 2002 the head of the China Mission has been a Vice Minister.

Q499 Lord Anderson of Swansea: Of the five, which is deemed to be the senior and the most prestigious?

Professor Song: I think among the five it is difficult to say but lots of people argue that probably currently it is the Ambassador to the EU who is the most important person. He used to be the Secretary to Wen Jiabao in charge of external relations. The argument is that Wen Jiabao put this person in charge of the China Mission to show his view on the importance of the EU, but the Chinese Ambassador to the UK was always the top one among the European ambassadors.

Q500 Lord Inge: A lot of my question has already been answered but perhaps I could just talk about one bit of it, which is the Common Foreign and Security policy. How seriously does China take Europe's Common Foreign and Security Policy?

Professor Song: The Chinese side cannot take the CFSP very seriously because we do not really know what it is. That is the problem. In terms of EU-China relations it also refers to EU-China security co-operation. The military exchange is not China-EU; it is China and EU Member States. We have no project at European level. The argument is, is there a real CFSP after ten years? Probably the European defence policy is more relevant because with the CFSP the argument is, is it possible for the EU in the near future to have a coherent foreign policy? The answer is no. That is related to this.

Q501 Lord Inge: Can we go to the security policy? Are you saying China does not take Europe's military capability seriously or are you saying also that it does not understand what the policy is?

Professor Song: Basically, it does not understand what the policy is, especially the external part. We know that Europe as a whole has no military capacity. It is the EU and NATO, and in terms of externally, that means China and EU co-operation in this area. So there is almost none. There is also the argument about Iraq and Afghanistan: is it the EU or EU Member States? It is NATO, not the EU. Where is the EU?

Q502 Lord Inge: Do you keep an eye on NATO?

Professor Song: Yes. China has informal contacts with NATO. The Ambassador in Brussels has met the NATO people on several occasions, but it is still on an informal or unofficial basis. The argument from the Chinese side, especially with the military or foreign affairs people, is that there is an arms embargo.

Q503 Lord Crickhowell: This is a minor point perhaps, but China has, quite interestingly, sent a ship to the Indian Ocean to help to deal with the piracy problem and is working quite effectively alongside the European-led initiative. Was there any particular feature or aspect of policy that led China to do that? What do you think the objective was? There is not an obvious immediate Chinese interest.

Professor Song: First, there is a clear Chinese interest there. For the last four or five years the protection of Chinese economic interests overseas as well as the security of Chinese citizens has been a big topic of debate. There is also strong debate about whether China should send ships that far away. The leadership still worries about this kind of action and how the outside world perceives it. The Chinese leadership is always worried about the so-called China threat. They prefer to keep a low profile in the international arena. Most of the time they feel they have no choice, they have to do something, and then they act; otherwise they prefer to do nothing.

Q504 Lord Inge: Can I just ask briefly, has China suffered any ships being taken by pirates?

Professor Song: Yes, and Chinese people working on ships. I think also a Taiwanese ship was captured.

Q505 Lord Anderson of Swansea: Professor, the spirit of co-operation, the wish to co-operate, is in some ways more important than the actual institutional framework. Nevertheless, it is important to ensure the smoothest institutional framework, like plumbing, to remove any obstacles to a smooth relationship. In your view, is the current institutional framework between Beijing and Europe adequate, fit for purpose? If not, how can it be improved, and what can you say about the PCA negotiations, the Partnership and Co-operation Agreement negotiations?

Professor Song: In terms of the institutional arrangements for EU-China relations, we have different levels. There is the annual summit and probably 30 different types of sectoral dialogue. It seems to me that the institutional framework is structural and stable. I am not familiar with the detail of that sectoral dialogue but the structure looks good.

Q506 Lord Anderson of Swansea: So you cannot suggest any improvements?

Professor Song: It needs deepening. I know a little about the technical dialogue but a good example is the dialogue on human rights. It is quite interesting. There is a lot of argument about whether it is useful or not. I have heard the complaint from the European side, especially from NGOs, that it is pointless, but it seems to me it is quite useful from the Chinese side. Some of my students from various ministries are involved in this. They say they have to do something every time there is a dialogue. That is the impact. They have to respond and that is good. This kind of structure has a problem on both sides. On the Chinese side it is basically governmental people; on the European side it is NGOs, so how can they have a real dialogue? I have heard from the European side that most of the people involved in the EU-China dialogue from European NGOs know nothing about China, so how can they have an effective dialogue? They always say, "You should do this, you should do that, you should do the other," according to their general knowledge, but they need specialist knowledge of the Chinese situation. That would be more effective. Also, the Chinese side should have non-governmental people involved and on the European side governmental people should play a more active role. The EU and China should do something to follow up this dialogue in the form of a specific project. It should not just be talk. We have these kinds of things going on with the Australians. An Australian NGO came to China. They have to work with the Government, otherwise it is difficult, but there is a concrete project. The Chinese Government allowed them to go into Chinese prisons to do a project. That is

something real. There is no specific project of this nature with the EU. Dialogue is not enough. That is an area where something could be done.

Q507 Lord Anderson of Swansea: What about the PCA?

Professor Song: I am not sure. The PCA is a totally internal negotiation. We do not know what they are talking about or what progress is being made. Yesterday we had a conference in Bristol and the Commission people were asked why they need a PCA. There is this argument on the Chinese side: everything is fine without a PCA, so why do we need it? There is the human rights issue, which could be put into a framework and constrain China, but if you look back at why we started this, it dates back to 2003-04. That is the basic background, the expectation. At that time the Chinese Government believed that the EU would lift the arms embargo and grant Market Economy Status to China but nothing happened. From 2006 we had discussion with the Commission in Beijing. They asked why China was not interested in the PCA initiative. Our argument was that they needed to look at the background, which they are doing now. The debate is how we reach agreement. The Chinese will argue what the EU can offer China. Otherwise, there should be less talk. We can have a negotiation and we can even reach agreement, it will probably take another five or ten years to be ratified. That is useless. That can be the situation legally. The problem is that we have no common understanding on certain specific issues. The PCA is an example of this.

Q508 Lord Anderson of Swansea: Are you in fact saying that, in your judgment, the institutional framework is currently adequate and that you have no particular suggestions for improvement of that framework?

Professor Song: On the technical side, it is okay. We have solved the technical problems with trade and the environment. They are different. The only other issue I am familiar with is human rights; the human rights dialogue needs improving but basically I think it is good.

Q509 Lord Crickhowell: On human rights, we did meet the EU people who deal with the regular dialogue with China on human rights. I was not aware until I went there that there is in fact a regular six-monthly meeting and they all sit round the table, apparently get on very well, and very, very occasionally, some significant movement is made, though not very often. I therefore saw a distinction arising. Clearly, China very much dislikes the moral lecture which you said the UK rather went in for, telling people how to behave, but China seems quite prepared to sit down in a regular meeting and have a civilised discussion about these issues, which perhaps does have a long-term impact, not least the knowledge in China that these exchanges are going on. So there is a quite well structured relationship on this taking place on a regular basis.

Professor Song: Yes, I agree. The structure is good, but it could be more effective on human rights.

Q510 Lord Hamilton of Epsom: Can we now move on to the more economic questions about the existing financial crisis and the downturn in world trade. How is that affecting the relationship between the EU and China? What are the more long-term perspectives, looking forward to the next ten years? Does China see itself as being an economic leader in terms of the global economy in the future?

Professor Song: As we discussed before, EU-China economic relations are very good. Despite the financial crisis and the sharp downturn in trade, the EU is still China's number one trade partner. In terms of economic co-operation, there is another argument: the EU as a trade bloc is number one for China but it is 27 countries, and economically it seems to me China will pay more attention to East Asia. The EU 27 makes up something like 17 per cent of China's total foreign trade. East Asia we call the ten plus two plus two, that is, the Asian ten, plus Japan and South Korea, plus Hong Kong and Taiwan. That represents more than 40

per cent of China's foreign trade, so much bigger than the EU. They are only 14 countries but represent a bigger share than the EU 27.

Q511 Lord Hamilton of Epsom: What about the US?

Professor Song: As a single country, the US is number one.

Q512 Lord Hamilton of Epsom: What percentage?

Professor Song: Fifteen or slightly less. There is also the argument that if we take the United States, Canada and Mexico together, it is almost the same as EU, but East Asia is more. China's economic relationships with East Asia, with the EU and with the United States are at different levels. In those terms, China very much pays attention to the economic relationship with the United States and the EU. The two together are about one-third of China's total foreign trade. Also, what is very important for China is technology transfer. Interestingly, we have difficulty getting technology from the United States but we get lots of technology from Canada that is really from the United States. If you look at the 16th Party Congress in 2002, and the 17th Party Congress of 2007, when they talk about China's external relations, it is always its relationship with developed countries first, which means economic and security aspects. That is very important to China. Recently we have had what is called the "new left" in China criticising the current leadership strongly, saying they are pro-Western.

Q513 Lord Hamilton of Epsom: What is the overall state of Chinese exports compared with a year ago? They have dropped, have they not?

Professor Song: For the first four months compared with the same period last year there has been an average 20 per cent drop. Interestingly, however, total trade dropped by something like 20 per cent but the trade surplus increased by 35 per cent in the last four months, some 70 billion.

Q514 Lord Hamilton of Epsom: Can I just come back to something you said earlier, which was that China looked at the EU as a social power. I do not quite know what that means but certainly what is true is that EU social costs are at one end of the spectrum when China's are at the other. Do you see a convergence of China and the EU? Do you see China's social costs going up? Is the EU economic model a thing to admire in the global market we are in today, where it seems we are still determined to load costs on to employers all the time? What is your view on all that?

Professor Song: The EU as a social power means the EU as basically a kind of social model. People consider the European Continent practises what is called social capitalism as opposed to in the United States free market capitalism. China faces a challenge domestically on social security. China has no social security and we are trying to build up social security system – pensions, health care, medical care – not on models relying on market forces like the United States but more like Europe. According to research, the Chinese prefer the European model to solve this problem, but we have still not actually adopted the European model. There are lots of research projects on the issue. A recent health care project came up with four proposals, two based on research on the European medical care system. That is very important for China in the long term. Despite the financial crisis, lots of people argue, as can be seen in the newspapers, that the Americans are losing their houses, they are living in their cars, and there is none of this kind of thing happening in Europe. The Chinese see that as being because the Europeans have social security.

Lord Hamilton of Epsom: But are the Chinese prepared to see the state spending 40 per cent of Gross National Product, which is what they do in most European countries?

Q515 Chairman: Just a quick answer to that one, please.

Professor Song: I still think the Chinese may prefer the European model. Social stability is very important for the Communist Party.

Q516 Lord Jones: Earlier on, professor, you did mention the hope of a technological partnership. I am wondering whether the aerospace industry in China might be the means for that. You might know that Airbus/EADS, with the Chinese, are producing aircraft in China now. Is there the prospect of that industry growing to the point where you would be satisfied that there was partnership between Europe and China?

Professor Song: Yes, not just that but the automobile industry is also very important. There are more European projects in China than Japanese or American. If you look at the profile of the EU or Europe, it is very high in China compared with other Asian-Pacific countries. We have had projects for the last few years, and the European profile is comprehensively the highest in China. So there are the social foundations in China for working with the EU. That is one way of managing EU-China relations.

Chairman: We have covered human rights to a large degree so I think we will move on to co-operation in other areas.

Q517 Lord Crickhowell: I am turning to question 9 but I want to break it up into two separate parts, because I think there are two quite different areas. First, international policy global governance issues. How do you see the ability of the EU and China to co-operate on things such as non-proliferation, Iran, North Korea, nuclear programmes and so on, and the situations, which were briefly mentioned earlier, in Afghanistan and indeed in Africa, the role of China, for example, in Sudan? Would you like to say a word about the effectiveness of the EU and China working together on issues of this kind?

Professor Song: Yes, I think China would like to work with the EU on different international or global issues. At the moment the debate in China is about whether the EU has the capacity, because the United States certainly has this capacity; China has worked with the United States in North Korea and even Iran and elsewhere. We worked together in Iran but not with the EU; it was with the Member States. That is the dilemma. The EU and China have a joint

declaration on non-proliferation and arms control. It is a question of whether the EU can play a real role in this area or whether we prefer to work with the two other Security Council members, the UK and France. That is the crucial problem. Again, China and the EU have a dialogue on Africa but nothing happens. This is related to how China and the EU at European level work on this. It is probably better to work with the Development Departments of the UK or Germany on these kinds of issues. That is the big debate: should we concentrate more on the Member States or the EU in different issues? With Afghanistan, as I mentioned, is it the EU or NATO? There is actually no role for the EU; it is the EU Member States, the NATO Member States. That is the dilemma on this. Last year there was a Commission policy paper on EU-China-Africa trilateral co-operation, which raised a similar problem. What is Africa? With whom do we deal? We cannot work with more than 50 countries. Does the EU have this capacity? No. There is a paper but no action. That is the problem.

Q518 Lord Crickhowell: Can I turn then to an area where perhaps the EU has a leading role and does act coherently as one, and that is on environmental policy, where Europe has actually taken a lead. While President Obama is now moving in the same direction in a very welcome way, it has been Europe that has taken the lead, and there is already a great deal of co-operation, exchange of financial assistance and so on, and huge scope for technological development; clean coal technology is crucially important for both countries. Again, we heard in Brussels that there are really quite encouraging noises coming out of China about the approach to Copenhagen and really making progress. How do you see the climate change and environmental issue?

Professor Song: This is a very good area that China and the EU can work on, and I think have worked on together. There are quite a number of EU-China co-operation programmes on environmental issues, not directly related to climate change, but if we look at the EU-China leadership, when they meet, it is probably the easiest area in which to have a common

understanding. I am not sure what they can realistically do, especially in Copenhagen, because China still has its own domestic problems. I would suggest that there is great potential for co-operation in this area but we also need to be careful, especially on climate change. The European side says, "You have done wrong. You must do something about it." The Chinese people can very easily argue that in per capita terms you have caused much more damage than us." We should concentrate more on a common responsibility, rather than saying, "It is your responsibility because you pollute more." This approach is very important, because the Chinese leadership is concentrating more on domestic problems. If they have to succumb to international pressure or domestic pressure, they will always go with the domestic. They cannot say, "We do not care." That approach is very important.

Lord Crickhowell: Can I just follow that up? You are absolutely right. I think there has been a difference of expectation between Europe and China but there does seem to be a growing recognition in China that they have to move along this road, not least because of the environmental threat to China. Can I say how much I sympathise with what you said about the lecture point? Indeed, at a meeting we had with senior Brussels officials dealing with this, they kept using the words "We expect China," and I criticised them; I said, "You should not be talking in language indicating that you 'expect' China. You should be seeking a common interest in doing something," and I think you have made a very important point.

Q519 Lord Hamilton of Epsom: I would just like to come back on the meeting we had in Brussels. One of the things that they were putting enormous resource behind was the whole idea of carbon capture. Carbon capture in power stations is something that might happen in 2020, which is a very long way off. We have absolutely no idea how much it is going to cost. At the same time Europe is spending its time trying to get China to sign up to these things when we have absolutely no idea what effect this will have on the cost of your electricity or

whether in fact the technology can be had at all. What does China feel about signing up to these things? That is what Europe is trying to force you to do

Professor Song: I am not sure about this. I know nothing about this. It is outside my knowledge.

Chairman: That is fair enough.

Q520 Lord Jones: Very briefly, professor, why not send us your publication on the EU environmental policy and its implication for China?

Professor Song: It is a project from early 2000. At that time we talked about the importance of environmental issues to economic development. It was published in 2002.

Q521 Lord Inge: Can I come back to defence policy for a minute – not the Common Foreign Security Policy. When China modernised its armed forces, a key part of that modernisation was to allow it to project military power. Why do you think that was?

Professor Song: I do not know. Project?

Q522 Lord Inge: In other words, to allow you to deploy military power overseas.

Professor Song: My understanding is every kind of military modernisation needs to do that.

Lord Inge: You might tell Europe that!

Q523 Chairman: We can obviously learn in that area perhaps. Professor, just following up a point on the military side, the arms embargo was a pivotal point in EU-China relationships. Where would China like to see that go, or is it a subject that has to be avoided completely?

Professor Song: On the arms embargo issue, from my point of view, in 2003 and 2004 they made the mistake of expecting that the arms embargo could easily be lifted. In 2004 and 2005 they even put the arms embargo as a precondition to the further development of EU-China relations. That was another mistake. Very quickly they realised that, and though lots of

people criticised that mistake and they realised it is not easy, that it is very difficult to solve this problem and they should put it aside and not allow it to be a major issue in EU-China relations. I think that was the correct decision. Currently the arms embargo is not a major issue.

Q524 Chairman: Is there anything else, Professor Song, we have not covered that you feel you would like to give evidence to our inquiry on briefly?

Professor Song: One thing I would have liked to mention, as we are in the UK House of Lords, is that I am the Vice President of the China Association of British Studies. The UK is the first place where I studied overseas. I was in London for a year at the LSE. As I mentioned, on the Chinese perception of the major EU Member States, there is also an expectation from the Chinese side as to the UK playing a more active role in EU-China relations. This also refers to the UK's – as we used to say but I think it is still relevant – special relationship with the United States. China also has a special relationship with the United States. I think China hopes the UK can play a more productive, constructive role. You have this capacity.

Chairman: Thank you very much for that. That is a very useful point.

Q525 Lord Selkirk of Douglas: Can I ask a quick question on a lesser issue. There is a rising interest in the European Union in tourism to China, seeing heritage sites, the Emperor's warriors and so on. How important do you see cultural, tourist contacts as being? Is that a small issue from your point of view or do you see it as a growing matter?

Professor Song: I think it is very important. We always say historically China and Europe are closer than China and the United States. More Chinese come to Europe. From the Chinese side that is very important. One point I also forgot to mention was the special role of the UK in Contemporary China Studies. We always say the Chinese like to work with the

United States because it is easy. One very important reason is that there is lots of personal contact academically. There is a lack of these kinds of things between China and EU, but compared with other European countries, we have more of this kind of contact with the UK through Chinese Studies, which is strongest in the UK. Some people will argue it is probably still comparatively weaker than the United States but I think that is very important.

Chairman: Professor Song, can I thank you very much for your performance and evidence over the last one and a half hours. It has been full of insight. Thank you very much indeed. We will obviously send you the transcript in due course. Thank you very much indeed.