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## **Abstract**

This thesis in question delves into the relationship between the EU and China. Specifically, it delves into the relationship in relation to the economic endeavors between the nations in question. China's economic endeavors encompass a multitude of factors, mainly leaning towards foreign direct investments as well as the Belt and Road initiative. China's actions have led some nations to become more apprehensive to China and their advances in this regard due to china's growth. The thesis specifically looks at the Chinese endeavors in relation to different EU nations, namely, Italy, Germany and France. The inclusion of these three nations specifically has to do with the Italy's inclusion into the BRI and Germany's and France's positions as the more influential members of the EU. Therefore, their reactions to this inclusion as well as the fallout of this inclusion coupled with China's proceedings with the two nations specifically could give an indicator of the EU's stance on the matter moving forward. The thesis postulates that China's lack of compromise, adherence to personal vows with regards to their contemporaries invites doubt in the perception of China, a doubt that China very well cannot afford, and arguably should be wary of due to the deterioration in its relationship with the US.

## Introduction

China's development in relation to their economics was a result of their opening their economy to the rest of the world by means of an economic reform which was initiated in 1978. Since then, China has developed at an unprecedented rate within the next 40 years, becoming the second largest economy in the world in 2018. This meant that, in this period, they were the fastest growing economy in the world, being able to boast a yearly growth rate of 9.72% (Lawrence 2015:4). However, their growth rate has declined since 2015 where the relatively low growth of 7% was the new reality they faced, prompting the transition into a new mindset and new relationship with their growth and economic development (Ibid.). Furthermore, their trade war with the US further complicates their standing and their growth as a large market suddenly becomes closed off for the communist nation. As such, new endeavors must be sought in order to either maintain their growth, improve it or at the bare minimum, prevent it from decaying further.

The EU exists as an alternative to their trouble with the US. China already has their relationship with BRICS and all things equal they only stand to lose should they not find a replacement for their relationship both the US. The evidence for this lies in the relative drop off in their growth as a result of this. Therefore, new avenues must be explored in order to avert a sense of complacency within the Chinese mentality. However, China already has a substantial trade relationship with the EU (MERICS 2019). One would therefore think that the necessity of focusing on the EU is nonsensical. However, China's trade relationship with the US was similarly in a good position and deteriorated nonetheless as a result. Therefore, it is imperative for China to ensure that the likelihood of this happening with the EU is diminished by as much as possible.

The EU's relationship with the US has also suffered due to various political actions taken by the US that have aided in alienating the EU. These include, but are not limited to the US's withdrawal from the Iran nuclear deal and their withdrawal from the Paris Climate accord. These actions could be said to send a message that international human rights initiatives are deemed unimportant to the US which alienates them from allies who value such issues highly (Melchior 2018: 5).

China could see this as an opportune moment to establish a relationship with the EU as a means of compensating for the losses acquired from the Trade War as well as a means of gaining influence in the west. The EU's and China's common disillusionment with the US as it is right now could potentially act as the catalyst for a new strategic relationship. According to Hong Zhou, certain opinions observed pertaining to China that the strategic relationship in question is strategic in name only (Zhou 2017:10). While the two parties involved state to be in a strategic relationship, the lack of trust for one another and the fear of competition is ever present in certain aspects remain. These are mainly political, however, as the trade between China and the EU leaves very little to be desired (Zhou 2017:13). Incidents include China's actions in the Dalai issues as well as various issues pertaining to intellectual property from outside of China entering China as well as different human rights issues (Zhou 2017:13). Therefore, this tactic doubles not only as China's means of filling a void left by the US due to their inclination towards alienating allies, it also ensures that China does not lose another valuable ally in terms of trade. In essence, this tactic serves the purpose of solidifying their current relationships as the past has shown that their perception could be detrimental to their overall progress as a growing nation. While trade is an important aspect and should not be ignored, an improved perception in Western countries could behoove China in a long-term capacity.

However, how would this come to be? What actions would China have to take in order to facilitate an improved perception in the EU?

## 1.0 Problem Formulation

The problem formulation is as follows:

**How have China's economic endeavors affected its relationship with prominent EU members?**

### 3.0 Delimitation

While most developments between the two parties that took place before this time have largely been mitigated due to China's entrance into the World Trade Organization (WTO) in 2003 which has acted as the catalyst for much of the thesis and will be mentioned to a degree on the thesis, the main focal point will be from 2016 onwards as these are the most immediate developments and therefore the most relevant to the subject matter. Additionally, the developments within this timeframe will stand as the most focused upon due to the most changes having taken place within this timeframe, which will be elaborated upon later in the thesis. While references to Italy's inclusion into the BRI will become a recurring factor within the thesis, the main focus of this inclusion will be the ramifications of said actions on the current relationship between the EU and China. Specifically, the thesis will primarily be focused on Germany, Italy and France.

This is due to the EU encompassing a multitude of nations and a prioritization is deemed necessary for the thesis. The focus is therefore put on these three nations as they exist as Germany and France most influential nations in the EU and Italy has recently entered the BRI. The dynamic in this regard will be a look into the dynamics behind Italy's entrance into the BRI despite being a part of the skeptical EU. France and Germany, however, will be analyzed together as their general conduct in relation to China do not differ enough to warrant a separation. Furthermore, as stated, they stand as the two most influential members of the EU and as such, their actions often align. By focusing on China's relationship to Italy due to its entrance into the BRI and separate look at two nations that will act as representatives of the EU, a more nuanced analysis can be achieved as a result. The EU encompassing multiple nations warrants this, as while the organization is supranational, Italy's acceptance into the BRI proves that not all members will think or act alike, regardless of what stance the EU has taken on the matter. Furthermore, due to the vast and comprehensive nature of their relationship, the analysis will primarily focus on economic relationships and the theoretical implications of the conduct within the confines of these relationships. The possibility of delving into energy, peacekeeping, or other strategic cooperation was certainly available, however, due to the trade war and Italy's inclusion into the BRI, the look into trade relations felt more relevant. China can

not only sway influential states in the EU, they also stand to gain favor in three of the more respected Western nations thereby solidifying their relationships with two of the most prominent EU nations.

Additionally, the three nations all share a substantial trade relationship with China, with Italy beginning to form an even stronger one. The relationships differ however which will become the point of comparison as the different actions could give insight into the different actions taken and the consequences of these actions.

The analysis will focus on the perception actions of both entities, that is to say that the two-pronged analysis will focus on the conduct of both sides (China across from Italy and China across from France/Germany/EU). The analysis of this will primarily focus on China's conduct pertaining to Foreign Direct investments (FDI) and state owned enterprises (SOE) on the matter and EU's perception of said conduct. The possible ramifications of the conduct analyzed in the thesis will be analyzed by means of defensive realism and multilateralism and the implications of these theories will be looked at by use of the soft power theory as China's could stand to improve.

### 3.0 Literary review

This section of the thesis will attempt to look into existing literature and attempt to show how the thesis differs from said literature and subsequently contributes to the field.

The first text in this review is called "The EU's China problem: A battle over norms" by Ayse Kaya and pertains to the gulf in norms that exist between the EU and China. The paper essentially looks at the differences between the EU and China on an ideological and normative level and thereby attempts

the reactions to these differences such as differences pertaining to their different outlooks on sovereignty. There are differences in the field, however. Firstly, the paper does not look into the relationship into each other directly. The thesis will attempt to look into their actions and reactions to each other as a means of looking into the different aspects of their trade relationship in order to truly see how they affect each other as opposed to how they simply perceive each other. Secondly, the thesis focuses primarily on three different states in an attempt to gain a nuanced look. With Italy entering the BRI as opposed to the Germany and France who remain opposed to it, the thesis provides a more nuanced look into the subject matter. Additionally, the theories used each serve a purpose in order to facilitate a more nuanced and decreasingly biased look into how the dynamics could potentially be.

The second existing part of literature is pertaining the Romanian-Chinese relations and their political and economic challenges within the BRI. The text's headline is the "Romania-China Relations. Political and Economic Challenges in the BRI Era and is written by Liliana Popescu and Andreea Brînză in December 2018 for the Romanian Journal of European Affairs. The paper delves into bilateral Romanian and Chinese relations since the Cold War from 1949. However, with the two countries development; Romania's enrolment into EU together with the common EU-rules of trade policy together with the EU-Sino relations further developing in 2003, 2009 and 2013, which removed political and economic focus between the two countries. However, the focal point of the paper is the challenging aspects of the EU-China relations together with the opportunities which are created by the BRI for the EU and the value of 16+1 being the format of dialogue and cooperation between China and the Eastern and Central Europe. But new elements within the BRI and the constant development are challenging the bilateral relations between China and Romania. The new discoveries in the paper are how economic and political benefits made from the BRI together with the challenges from a Romanian perspective having both EU and China being vital regarding "Foreign Direct Investments". This thesis however differs from this insofar as a sheer scope of focus. Firstly, the paper in question only factors in Romania as a part of the EU as opposed to Romania in relation to the EU. The thesis in

question delves into more prominent members of the EU and how their concurrent actions are affecting China's relation with the EU. Secondly, while the focus on FDI's are both present in both papers, this thesis will put a greater emphasis on the different theoretical implications of the FDI's and their meaning and effect on the relationship between the two entities in question, namely China and the EU. Thirdly, the sheer scope of the thesis is greater insofar as the thesis delves in to more members of the EU as an attempt to acquire a clear nuanced look into the relationship between China and the prominent members of the EU.

The next text in question is titled "China–Europe Relations in the Mitigation of Climate Change: A Conceptual Framework" by Axel Berger, Doris Fischer, Rasmus Lema, Hubert Schmitz and Frauke Urban. The text delves into the relationship between the EU and China. The paper delves into the multifaceted aspects present within the relationships between states and actors in the international system, where the focus in this instance is the EU and China. Furthermore, they offer an apparatus for the purpose of analyzing the relationship present between the nations, as a means of delving into the relationship and analyzing the dynamics present between the nations beyond a superficial level. They arrive at certain points that differentiate itself from the thesis in question. Firstly, the paper takes a comprehensive look into the policy making process of the EU and thereby extrapolates potential points of tension that arise between the two parties due to the environmental policies also encapsulating the industrial policies of the two nations, thereby incorporating trade secrets that go beyond the simple notion of mitigating climate change.

The similarities between the paper and the thesis in question lie mainly within the focus on China EU relations as well as on the focus of potential conflict. The paper focuses on climate change as a means of assessing the relationship and cooperation between the EU and China moving forward. These similarities can, however, be seen as tangential as the differences present in the two papers on tackling the subject of EU China relations outweigh the similarities.



The differences between this paper and the thesis in question lies in the focal point of the paper among other things. Firstly, is the focus on climate change. The paper looks at a primed issue in international politics and primes certain aspects of this relationship that could lead to points of contention and as such become roadblocks on the path to solving the problem at hand. This is the first major difference from the thesis due to the thesis in question looking at the fallout of China's actions in relations to their FDI's and general economic relationship with specific EU countries. The thesis contributes to the field by looking at the contemporary changes in their relationship to prominent EU members, namely Italy, Germany and France, and attempts to assess the affect these actions have on the relationship as a whole. This leads into the second salient difference between the two nations. This has to do with the overall scope of the relationship. In this paper, the relationship focused upon is the relationship between the EU in its entirety with China. The thesis' emphasis on specific prominent actors in the EU as the focal point acts as another difference between the two works as the focus on EU differs as well.

The final paper in question is called "Climate policy diffusion: interregional dialogue in China–EU relations" by Astrid Carrapatoso. The paper similarly to the previous paper has to do with climate change. However, the look as the relationship between the EU and China has less to do with the different aspects of the relationship that could potentially act as points of contention, the paper in question looks at the EU's influence on China in relation to delegation with regards to climate change. The paper delves into the relationship in such a manner that the power balance between the two nations can be said to be the main focal point, with regards to whether or not the EU is capable of influencing China in a positive manner and invoke a need to participate in the EU agenda for mitigating climate change. The paper concludes that while the EU's influence as a transformative power in this regard can be regarded as limited, China's gradual shift from previous stances on the matter inspire a sense of optimism with regards to a productive cooperation within this issue.

The similarities between this paper and the thesis lie, again in the emphasis on the China EU relations. However, the similarities in this regard come to a surprising halt due to the salience attributed to the

EU's role as a transformative power in relation to China. The paper takes an interesting viewpoint on the matter by not only looking at the relationship in relation to climate change and where it could improve, but also looks at the EU's ability to influence a nation that can be seen as one of the biggest contributors to greenhouse gases, as stated by the paper. The EU's role in the matter stands as one of the more interesting deviations from the thesis as the thesis omits an emphasis on the power balance between the two parties. The thesis emphasizes the effect of China's actions in the matter of FDI's and other economic endeavors on China's part and their effect on the relationship between the more influential members of the EU. This stands as the main difference between the paper and this thesis; the actor and the receiver are opposite each other and the focus of the papers differs.

## 4.0 Methodological Procedure

In this section, I will describe the methodological approach of the project, including the use of theory and delimitation.

### 4.1 Methodology

The research design of the thesis can be described as a comprehensive comparative case study with concurrent elements being present as well (Bryman 2014:66). This is due to the thesis encompassing and highlighting different current relationships as a means of discerning the correct course of action going forward for China.

Different variations of a case study exist, such as a longitudinal case study. Longitudinal case studies are case studies where time is introduced as a factor that can impact the case in question. The three types of longitudinal case studies are concurrent, retrospective and historical case studies (Mills et. al. 2010: 824). They differ from each other within the confines of the two following dimensions. Firstly, whether the events being analysed have already occurred and secondly, whether or not the researcher has access to involved informants for first person accounts (Mills et. al. 2010: 825).

Whereas concurrent and retrospective designs typically include informants, historical designs omit them. This is due to the events within historical designs being seen as far enough in the past that no relevant informants exist anymore and are therefore required to rely on secondary documents (Mills et. al. 2010: 825). Furthermore, retrospective and historical designs have the benefit of knowing the outcome of the case in question whereas concurrent designs are hamstrung by events still unfolding and not yet having the full story (Mills et. al. 2010: 825).

The design chosen for the thesis will be a comparative research design, which entails studying two or more different cases with the same method as a means of greater understanding the differences at play in the cases and finding a causality in what is being studied (Bryman 2014:72) In relation to qualitative research, a comparative design becomes a multiple case study it further strengthens the applicability of the theories chosen and strengthen the ability to find a causality. It does not, however, ensure a causality as factors or aspects that are not analysed could also contribute to the observed phenomenon (Ibid 74).

This thesis lends itself primarily to the comparative case study due to the nature of the nature of the subject matter at hand. The main interest is to analyse the different actions taken by China in their relations with the different EU member states and thereby understanding how they have affected their relationship and seeing if these actions hold the key to preventing another incident similar to the US Trade War. The differing actions may or may not have bettered the relations between the different states and therefore could act as a guideline for how China is to conduct themselves with Western states in the future. The prospect of another trade war with another trade partner due to differences in political and ideological stances is a possibility that must be taken seriously.

Furthermore, the nature of the project all but prevents the use of first-person interviews, making texts and peer reviewed journals the thesis' main source of data.

Due to the comprehensive nature of the thesis, the main method of analysis will be qualitative. This will entail a detailed and thorough look into the specifics of this specific case rather than a look at

multiple cases like this followed by an attempt to generalize based on an analyzed trend. As such, this will affect certain aspects of the thesis such as the quality criteria.

Due to the specific nature of the case and the comprehensive aspect of the thesis, the quality criteria would ordinarily suffer, mainly due to the generalizability (Bryman 2014:69). Generalizing a case as specific as China attempting to improve their relationship with France and Germany by focusing on the aspects of the relationship that are less than satisfactory leaves little room for a generalization. Furthermore, the overarching catalyst for a strategy such as this, such as the deteriorating relationship with the US would only complicate this further ordinarily. However, if one were to look at transferability, then the matter takes a different shape. While the specifics of the case are specific to this case, the general aspects of it could be transferable, such as the notion of a state wanting to solidify its relations with its stronger partners due to previous instances where weaker aspects of the relations with former partners facilitated a deterioration. Furthermore, reliability remains relatively unaffected.

Reliability pertains to researchers in the future and their ability to replicate the model of research used in the thesis, be it structurally or in an attempt to apply the overarching concept of the thesis on a different case (Bryman 2014:392). In order to ensure the reliability of the thesis, a heavy amount of focus should be placed on transparency within the thesis. Transparency would entail clear reflections of the actions taken so as to ensure that the reader is made clear as to why a certain path was taken. Furthermore, reflections, in addition to metatext, aid the readers' understanding of the thesis matter and ensures that there are minimum gaps between each step within the thesis, from introduction and problem formulation until the conclusion. Gaps in the work process impedes the credibility of the thesis due to a lack of documentation of the process and it creates a gulf between the readers' understanding and the intent of the thesis.

Another aspect of reliability that should be taken into account pertains to the sources used. Within the study of international relations, oftentimes sources will be dyed the color of whatever ideology or

social paradigm is prevalent in the area where the source was released. For instance, the ideological gulf between the EU and China could lead to certain sources from one area painting the opposing party in an unflattering manner due to the value gap that exists between the two states in question. Therefore, extra care must be taken to ensure that biases remain at a minimum within the sources. If not, then the biases must, at the bare minimum, be addressed so as to assure the reader that the thesis is well aware of the bias and ensures that the thesis as a whole remains unaffected by cultural, ideological and value-based biases that could come forward here.

## 5.0 Theory

The following chapter will include an elaboration on the chosen theories that will be utilized in the analysis of the thesis.

### 5.1 Structural realism

Structural realism posits that the sovereign states in the international society are the main actors within the theory. No governing entity possesses the ability to dictate the actions of said actors, thereby indicating an anarchic political system (Baylis et. al. 2014:101).

States are implied to be inherently selfish, thereby letting personal interests fuel and dictate their course of actions and the rationale given to these actions. The aforementioned state of anarchy that permeates the political system also indicates that propriety and a sense of decorum between states lacks urgency for the states' actions. Should any given action behoove the actor in question more than alternative actions, then the specific course of action will be taken. However, behoove implies that any and all benefit would be adequate justification for any action; the most important aspect of said benefits are self help and one's own survival. Should any given action go against these two fundamental principles, the action is not deemed necessary or wise.

According to scholars and the like who support realism, naivete permeates the assumption of decorum or morale from other actors in the political system. The fundamental assumption of anarchy within structural realism means that no state will assume that intergovernmental organizations will police any given situations, or rather, are unable to. Therefore, actors will only conduct in actions that ensure their own immediate agendas as well as more long-term goals; all of which are fundamentally influenced by the need to ensure one's own survival and one's own ability to help oneself (Ibid.:131).

While the anarchic system and uncertainty regarding foreign actors is prevalent and the main motivator for each individual actor, cooperation between states is not inconceivable. As stated before, the actions that most behoove the individual state is the action that is chosen. If cooperation with another actor ensures this, then cooperation will not be ruled out. That said, however, it should be noted that the distrust between actors is ever-present and cooperation could possibly ensure the increased capabilities of another state at the cost of one's own. Therefore, rationalism saturates the relationship where costs are weighed against benefits in order to ensure that the relationship remains beneficial for all parties involved (Ibid.:130).

Within the realm of structural realism, two branches of the theory exist. These are defensive and offensive realism. This thesis will, however only include defensive realism and therefore the following account will only include this branch of structural realism.

### *Defensive realism*

Defensive realism entails the prioritizing of the security of the state above all else, including the power to self-help. The theory does not dismiss the notion of self-help, it simply stipulates that an

actor's stance towards power is that it is secondary to ensuring the basic and fundamental survival of the state in its entirety. In short, before a state attempts to attain more power, they will first attempt to reach a point where their own survival and security has been secured. Treaties may be entered if it is to further their own survival or in order to maintain the power balance in the anarchic system in which all states reside. The rise of another state could potentially threaten the security of an actor, thereby necessitating treaties and other agreements as a means of assuring that one's own survival is guaranteed as well as maintaining the status quo within the two states in question or within the system at large. This is due to the rise in relative power between other states being a potential source of tension between the states. Increased power in an anarchic state could make improving one's own standing in the system not only possible but also very likely as it would be in the best interest of a strong state to solidify said strength, thereby leading towards a hegemonic world order.

Furthermore, the military capacity of a state acts as the clearest and most defining indicator of power in the world order. A rise in military capabilities could therefore indicate an inclination to using said capabilities should it benefit the actor in question. Additionally, the rise in military might could also indicate the rise of fear in onlooking states because of said inclination. Within realism, a state will act in their own best interest, first and foremost. Therefore, the fortification of these capabilities would further facilitate actions that could otherwise alienate other nations, due to the fear that any action in this regard could threaten their own security and overall standing in the power balance in the world order (Ibid:128).

This could make onlooking states more inclined to fortify their own defenses as a means of counteracting a perceived threat to their own security, thereby feeding the perceived hostility in the international system (Ibid.:109). Due to this fragile trust between the states in the international system, war will, according to defensive realism, always exist as a possibility. As such, the concerning sight of states fortifying their own defenses exist as something to avoid. Within defensive realism, war is rarely seen as the profitable outcome and therefore maintaining the power balance is the preferred

alternative to this, which stands as one of the main differences between defensive and offensive realism. Within defensive realism, power exists as a means of assuring the security of the state and the maintenance of the power balance within the international system.

## 5.2 Multilateralism

Multilateralism is one part of three different concepts within international cooperation and relations, where unilateralism and bilateralism exist as the remaining two (Keohane 1990 in Tago 2017).

The difference, as the names imply, lie in the names of the three different forms of cooperation, where unilateralism refers to a single state, bilateralism refers to two states and multilateralism refers to three or more states cooperating. However, scholars posit that further distinctions exist between the three concepts that lie beyond a numerical difference, that are essential in truly understanding multilateralism (Tago 2017).

John Ruggie is a good example of such a scholar as he posits three additional characteristics to the definition of multilateralism, these being indivisibility, generalized organizing principles and diffuse reciprocity. The first two factors pertain to the opposition of discrimination and unfounded selectiveness. (Tago 2017).

As such, these two characteristics stand as an opponent to preferential bilateralism, where the Cold War stands as the most prominent example, and require a normative standard set the guidelines for cooperation on public goods within a multilateral organization or cooperation (Tago 2017).

The third characteristic of indivisibility relates to a normative standard within a multilateral cooperative effort and can be said to be the most important of the three characteristics as the two aforementioned characteristics base their relevance on the normative guidelines stipulated. As such,



the normative standard must be deemed legitimate by all the relevant parties involved in order to be ratified (Newman et. Al 2006:97).

However, while John Ruggie stipulates the importance of the existence of a normative standard, he says relatively little about what these would actually entail. Newman et Al. on the other hand, delve deeper into the inner workings of these guidelines and what they could entail for the coalition such as a look into the prospect of contemporary relevance. When certain guidelines are approved of by the affected states, it is important to note that the norms or regulations could become unrepresentative of the times wherein they exist or the current members ideological stances and could therefore require amending (Newman et. Al 2006:96).

This can become more problematic, however, due to the aforementioned ideological stances. Differing perceptions of the most applicable path towards a functioning and prosperous state can lead to differing stances on regulations within the coalition, prompting the need for alterations within the guidelines as means to appease member states. This becomes increasingly difficult if there is an influx of member states who have differing stances on different issues and on the definition of normative, especially in the current international system where the system and the members become increasingly complex in nature and agendas (Newman et. Al 2006:96).

The trepidation associated with unappeased member states could appear to be ill founded, given the perception of the term norm, which implies a clear good and bad. However, given different ideological allegiances, for instance, the concept of good and bad can become very subjective, as implied earlier. For instance, if China were to enter a multilateral coalition of some sort, the normative guidelines set forth by them could potentially conflict with Western states due to the ideological gulf between the East and the West. The norms stated would be perceived as both just or erroneous to the concept of normative dependent entirely on the perspective of the onlooker. Thusly,

a consensus would be hard to reach without compromise acting as an essential part of cultivating a functional multilateral cooperation (Newman et. Al 2006:98).

### 5.3 Soft Power

International power can be divided into three different subsections, according to Edward Hallet Carr, an acclaimed realist from the UK. These three powers are economic power, military power and power over opinion, where soft power mainly delves into the latter (Nye 2012:152).

Soft power can be seen as a resource with which a state can use non aggressive means to gain desired outcomes or fulfill their agenda in some capacity due to persuading other states to act in a certain manner. This differs from the first two forms of international power mentioned, economics and military, which pertain more to aggression and are primarily considered facets of hard power (Blanchard & LU 2012:567).

As stated, soft power pertains to the ability of persuading other states to conduct themselves in a certain manner that is beneficial to the state attempting to use soft power. However, the actions in question primarily come from the state itself. The notion is that foreign states will emulate the actions of a given state due to the favorable perception of the state or at the very least act as the state desires. In order to prompt this behavior, however, improving one's own standing in the system is paramount as very few actors would desire to emulate an unfavored state's actions or adhere to their agenda (Ibid.:567).

The key difference between hard power and soft power is the focal point of the power in question. Within hard power, the focal point is the actor itself and its ability use said power to acquire a favorable outcome. Soft power, however, focuses mainly on the target audience in question. Their

perception of the actor in question is the defining indicator of whether or not an actor has any soft power to utilize. Furthermore, the success or failure of a state's soft power endeavor mainly relies on three factors. These factors are the congruency between international along with domestic political values, the ability to attract through a country's culture as well as conduction of a foreign policy which has legitimacy and a moral decorum internationally (Nye 2012:153).

If any given state were to partake in different actions as a means of improving their social perception, that fails to resonate with the target audience, then the endeavor in question is regarded as a failure. Naturally, if the endeavor in question diminishes the perception of the state, then it is a considerable failure to connect with the target audience, but even a lack of change in perception can be regarded as a failure if the goal was to improve their social perception. As such, credibility and legitimacy maintain the utmost importance in any and all soft power endeavors of favorable changes in the perception of the state in question are to be achieved (Ibid.:152).

It should be noted, however, that while hard power primarily remains exactly that, hard, it can be used as a means of improving one's soft power. This is due to the notion of soft power pertaining to the perception of a nation. If economic means, for instance, were to be used in diplomatic and compassionate ways, such as aiding financially within areas of extreme poverty or areas struck with tragedy or natural disasters. Actions such as these could greatly improve the perception of the given state in, not only, the recipient's eyes, but in the eyes of the onlooker as well. As stated, one of the three factors for improving one's soft power is congruency between domestic and international agendas. If a given state were to claim that humanitarian causes have importance to the state, then financial aid to a humanitarian cause, would improve their social perception, despite it being economics that was used to do so. Investments in other nations could also act as this where the

investing in other nations could improve the social perception of the actor in the receiving nation, but also in allies of the recipient as well (Ibid.:153).

Furthermore, military resources can also act as a means of improving soft power under the correct circumstances as military cooperation, such as military training exercises and alliances would improve the other party's social perception of the state in question (Ibid.: 153).

It should be noted however that these examples include cooperation or aid by way of military power as opposed to an imposition on a state's sovereignty. As such, military aid in foreign nations, while non-hostile in nature to the citizens in question on paper, could create disdain due to a lack of transparency that can exist when military intervention is involved in foreign states.

The relationship between military power and soft power is also a rather interesting one not unlike the relation between goods and currency, where hard power acts as the former and soft power acts as the latter. The use of hard power is often seen as hostile, however the amassing of allies in the use of hard power is usually devoid of hostility as this could damage the incentive of an ally to use hard power along with a given state. Soft power is used as a means of legitimizing the need to utilize hard power where hard power often diminishes soft power, as seen with the US pertaining to the Afghan and Iraq Wars. Regardless, while hard power remains the more effective and certain guarantee in acquiring the desired outcome, soft power makes it difficult to utilize consistently as the cost of using hard power could prove too expensive for a state (Ibid.:257).

#### 5.4 Use of Theory

The theories chosen for this project are structural realism, namely defensive realism, soft power theory and multilateralism.

Defensive realism will be one of the three of the ways China's and the EU's, specifically Germany, France and Italy's actions are analyzed. Realism's assumption of the world being anarchic in nature helps give a skeptical view of the international system and adds elements including self-help, survival and power maximization as factors. Defensive realism will aid the thesis in analyzing gaining insight into China's conduct towards the EU and Italy, France and Germany. These factors could have a strong explanatory power within China's endeavors pertaining to the EU, all of which, granted, is international organization, but the theory does not dismiss their validity, the focus is rather placed on the importance of the state's own survival, while dismissing the importance of international organizations and coalitions that do not directly benefit the state in question.

Multilateralism pertains to international relations between three or more states and will serve the collaborative aspect of the analyses. The important aspect of these will be to act as an alternative to the more pessimistic and skeptical defensive realism in order to aid in more nuance for the thesis in question. Due to multilateralism's and realism's emphasis and dismissal of international organizations, respectively, they can both introduce an intriguing duality in the analysis where the emphasis on aspects of which the other's neglect. Furthermore, due to multilateralism pertaining to the relations between three or more states, the analysis in question will view the four primary states, China, France, Italy and Germany. This does lead to a potential weakness within the theory; the EU includes a multitude of states that could factor in; however, these will not be a focal point.

Soft power will be used as a means of analyzing the potential ramifications as a result of China's actions. Given the fact that the analysis will include analyses of current strategies based on the theories, China's actions could potentially paint a new picture of the nation, of which soft power could give a clearer idea. China's soft power being affected could positively or negatively affect their legitimacy in the international system. This is due to their endeavors being representative of China themselves and their soft power being representative of their ability to have other states comply with these endeavors. As such the inclusion of realism and multilateralism with soft power acting as the

tool for analyzing potential ramifications of the strategies attributed to the two theories can give a very nuanced description of China's opportunities as well as consequences that could follow.

Additionally, the use of these theories aids in answering the problem formulation which is as follows:

**How have China's economic endeavors affected its relationship with prominent EU members?**

These theories come to aid the thesis in answering its problem formulation due to the nature of the theories. The problem formulation invites a look and an assessment of stances by cause of a stimulus inserted into the relationship and defensive realism acts as more apprehensive lens by which to look at the states in question, thereby providing the thesis with a means of interpreting the actions of the states in question within the thesis. Multilateralism stands as a more positive look into the issue matter as it assumes cooperation as the paramount factor within a relationship. Therefore, the inclusion of this theory stands as a means of providing perspective on the issue, which can be needed in a thesis such as this. With the inclusion of only one of these two theories, the paper can appear biased to that outcome due to the omission of one of the theories could imply an assumption of positive or negative consequences by China's actions, depending on the theory chosen. Soft power's inclusion takes root in the findings of the analyses of the theories chosen and serve to assess the actions of the states in question and thereby look at the stance of China's soft power in relation to the onlooking states in the thesis, thereby giving the issue a clearer idea of the assessment of the affect of the economic endeavors.

## 6.0 remember meta text here.

### 6.1 Italy's entrance into the BRI

#### **Defensive realism**

From a defensive realistic stance, Italy's and China's actions can be seen as sensible for both parties. This is due to the notion that the relative power balance is maintained and the security of both Italy and China are maintained and even strengthened. On paper China has made statements about stating their stance on EU states investing in the Chinese market in relation to the BRI as well as the vow to open their market after entering the WTO in 2003 (WTO 2018a) Their actions can be said to have contradicted this

The world's power balance can be said to have shifted due to the developments over the past years due to the US tariffs as well as Brexit. By entering this relationship, both states can help circumvent certain losses and capitalize on new opportunities that have come in the wake of these two events.

Firstly, Italy's economic standing and general standing in the EU is not one characterized by influence or clout within the organization. Italy's economy has suffered recently and has been projected to experience even more stagnant growth as can be seen in the following quote

*GDP growth is projected to slow to 0.9% in 2019 and 2020. Rising uncertainty and higher interest rates will lower the propensity of households and firms to consume and invest, offsetting the effects of the fiscal expansion on activity. Slowing growth in Italy's main trading partners will hinder export growth. The investment recovery, though moderating, will continue to support import growth. While consumer price inflation will rise, modest productivity growth will curb wage growth, resulting in real wage losses. This, along with slowing employment growth, will slow household consumption growth. (Italy OECD 2018)*

As the quote denotes, the necessity for a new partner remains rather paramount. Furthermore, in the wake of Brexit, a vacuum has appeared within the EU; a vacuum that Italy potentially could fill. The power balance is therefore subject to change and by entering into the BRI and potentially benefiting from this new agreement, Italy could thereby improve their means of increasing their clout and standing in the EU. Within defensive realism, relative power balances must be maintained as actions that could be seen as power maximizing alienate other states, prompting them to take measures into their own hands and power maximize as a means of ensuring their own security. Should other member states within the EU see the power vacuum caused by Brexit as an opportunity to improve

their relative standing in the EU, Italy could fall even further behind in the relative power balance. Naturally, the prospect of attaining more power is appealing to other states and actions in the spirit of this are to be expected. Therefore, it stands to reason that Italy would act in a similar fashion, thereby doing whatever is possible in order to maintain the current power balance or potentially improve their relative standing. This could, however create apprehension and tension between other member states and Italy as a result.

Within defensive realism, the notion of power is, however secondary to the assurance of their own security. Within recent years, China's growth has been unprecedented and as such, any change in this, will be seen as a threat to their own security and as something to be mitigated at all costs. In this sense, their actions align rather well with defensive realism, especially in the wake of the trade war. It only stands to reason that initiative such as this would be given heightened attention as a means of assuring their continued growth in an international system where the US's actions, in regards to the tariffs, now appear to be adamant about hindering said growth. Their actions within the BRI however, could be interpreted as counteracting the notion of power only being secondary. Within the BRI, China's insistence on being the primary decision maker within the investments and the sectors in which the investments are made are more akin to power maximizing, which is a staple of offensive realism.

Within defensive realism, however, Italy's inclusion in the BRI only strengthens their initial plan to create an infrastructural belt and road connecting Asia, Europe and Africa as, on paper, they are creating more opportunities for both parties involved. Furthermore, Italy is a more important figure in the EU than the eastern European countries, being a member of the G7, and as a result stands as a relatively high-profile inclusion into the BRI. Within defensive realism, this inclusion further counteracts their losses acquired in the US trade war. According to defensive realism, the trade war stands as detrimental to their relative standing in the world for a few reasons depending on the theoretical perspective. Within defensive realism, it hinders their own ability to ensure their own development as well as inhibits their own ability to acquire their own means of assuring their own security. Therein lies the benefits of the BRI. By adhering to and expanding their initiative, China



maintains their ability to improve their development and thereby assuring their own relative standing in the international system and security.

In actuality however, their actions seem to denote a contradiction of sorts. Within defensive realism, compromise would have been more prevalent within the arrangement between China and Italy. As it stands, China maintains the right to invest in the Italy by way of the BRI but still remains a non-market economy where foreign producers have little means of competing with Chinese competitors. In essence, China's actions ensure their growth, while simultaneously inhibiting the growth of other states, effectively adopting the roles of both partner and competitor to their own benefit. Within defensive realism, actions such as this create friction and apprehension from onlooking states as their own relative standing in the international system becomes challenged. The prospect gaining a heightened amount of influence within the EU is an unappealing one in the realm of defensive realism. Italy's new allegiance with China in this regard could cultivate distrust and tension between Italy and the rest of the G7 members, as has been stated to already be the case according to some sources (Italy OECD 2018). The heightened influence in different aspects of a G7 nation's soft and hard infrastructure would give China a foot in the door into the EU via a state that has increased their own power. Italy rising could conceivably mean that China rises as well and if Italy gains more influence, China could potentially gain more influence as well. As such, different EU member states would become more apprehensive at the prospect of Italy gaining from this relationship due to their apprehensive perception of China.

Another factor worth noting is the nationalist paradigm that permeated the EU and the US leading such events. Nationalism is in essence, the single nation's own interests, culture and prosperity become paramount, actively counteracting the act of globalism in an attempt to ensure that the growth of a foreign state never comes at the expense of one's own growth and development (Melchior 2018: 3).

An effect of this is Donald Trump becoming president and subsequently counteracting many multilateral agreements as a means of ensuring the America first policy that defined Washington's

new agenda (Ibid). Furthermore, there is Brexit where the UK actively exited a multilateral organization in the EU as a means of ensuring one's own security first and foremost, while furthermore creating a more critical outlook to advances and investments from other nations. While these two instances stand as the two most prominent ones as a result of this shift in paradigm and diplomatic action, other nations were affected as well, such as France nearly electing Marine Le Pen, someone cited as being a nationalist first and foremost. While not every nation in the EU was affected in the same manner, the EU stands as a supranational institution, where the domestic activity of member states has the ability to dictate their actions within the EU, leading to more critical outlooks on other nations by the EU; this remains especially true when two of the more prominent members of the EU, France and the UK were prominently affected. This is worth noting as Germany remains an example of a nation that remained relatively unaffected by this. It is highly likely that Germany's actions in relation to the two World Wars act as the primary reason for this disdain for nationalistic ideologies. Nevertheless, the nature of the EU is one of compromise between the states, and if the majority of states remain vigilant that skepticism is to be employed pertaining to new potential partners, Germany's chances of circumventing this remain limited. In essence, the EU is thereby employing a much more defensive realistic stance as a means of ensuring their own value-based integrity and putting their own security above all else. However, while this would close off other nations according to the theory, Italy's economy remains unsatisfactory for them. For Italy, a choice needed to be made: whether to take a chance on the BRI to facilitate their growth knowing the stance of the EU on the matter or show solidarity to the EU's stance and remain skeptical at the expense of their own economy. The nation chose the former in a decision very much aligned with defensive realism as this choice is a step to facilitate the assurance of their own security. Within defensive realism, international organizations are not obsolete, but the world is seen as one of anarchy. As such, in an anarchic world where trust as a whole is limited, a choice to facilitate growth stands as the wise one.

## **Multilateralism**

From the prospect of multilateralism China's inclusion of Italy into the BRI feeds certain aspects of multilateralism, but primarily goes against the notion. Italy entering the BRI could appear to live up to the standards set forth by multilateralism, buy entering trade deals with willing member states, disregarding any biased selectiveness, ensuring that any nation willing to enter the BRI is welcome, provided that they abide by the guidelines set forth by China. The multitude of states also creates the appearance of multilateralism as multiple states are working with China. However, this does not necessarily apply when looked at more closely. The actions taken in relation to the BRI may appear to be normative to China as it remains their initiative and would naturally want to maintain a certain level of control over the initiative as a whole in order to ensure their own benefits. However, as stated in the multilateralism section of this thesis, the concept of normative remains subjective as long as differing ideals are held by the parties involved. Italy has decided to forgo these apprehensions in an attempt to ensure their own growth, as stated in the defensive realism section of the Italy analysis. However, Italy is a member of the EU and as such is influenced by the Union.

Firstly, the ideological gulf creates difficulty in reaching a satisfactory consensus. The EU is predicated on a more liberal approach to cooperation where the different states maintain their agency within the Union. China's socialist ideology conflicts with this as seen in their domestic affairs where agency is limited for state owned enterprises, for instance. Italy is a part of the EU and therefore adheres to the values set forth by the EU. As such, certain conflicts may arise where the EU and the BRI would have conflicting agendas, inhibiting China from fully benefiting from their new addition to their initiative.

Secondly, there is the lack of compromise. Italy has agreed to the terms presented by China and has decided to cooperate, and as such must adhere to two differing sets of contradictory norms. The normative parameter of multilateralism creates a necessity of compromise in order to assure satisfactory code of conduct for any and all affiliated member states. China's lack of compromise assures that this area of tension will persist where Italy will suffer the brunt of the strain due to the country's allegiance to both the EU and the BRI. Within multilateralism, the notion of outdated practices exists as one of the factors that must be taken into account in order to ensure the sustainability of the cooperation. The regulations and code of conduct should ideally be changed to match the times in which they exist. The times in which China exists is a time where a lack of compromise and a fear or apprehension to other states led to the US trade war. From a multilateral stance, China's inclination would lend itself more to a change in conduct with Western states and potential partners in the West in order to ensure the preservation of the relationship. However, interestingly enough, China has remained unphased in this aspect of their approach, their newly shifted focus to Italy notwithstanding. From a multilateral stance, it could also be seen as an attempt to potentially influence the EU even more without having to compromise on their values. If Italy were to improve their standing in the EU as a result of the BRI, they would have increased influence in the EU. As a result, from complying with the Chinese regulations laid forth in the BRI cooperation, China would similarly gain foot in the door for further expansion on the BRI. While this would be shrewd political gamble from China's perspective, the move itself would go against the notion of an overarching normative code of conduct reached through negotiation.

Another example of China's lack of compromise is the lack agency awarded to member states of the BRI. Within the BRI the investments and the dividends from the collaboration lie largely with China. The other states stand without the ability to invest in the other states within the initiative and remain unable to enter the Chinese market, making the initiative rather biased in China's favor. While this makes sense for China from a defensive realistic stance, within multilateralism, this lack of flow and ebb in the investments removes the concept of multilateralism from the BRI, making it largely bilateral, albeit with a multitude of member states. Had China adhered to the concepts of multilateralism, the initiative would have included regulations facilitating a more even power balance

within the initiative for all states involved, including states being able to invest and gain dividends from the Chinese market. China had initially vowed to make this a reality by entering the WTO in 2003, where they had assured that their market would become open to foreign states as well as ensuring the ability of other states to compete in the Chinese market WTO 2003.

### **Soft power**

As has been hinted at in the previous analyses pertaining to Italy. China's soft power has taken a hit pertaining to the EU as a result of their conduct. However, not for Italy on paper.

According to the Belt and Road portal, China's Policy paper pertaining to the EU states the following.

*“Maintain two-way openness and facilitate mutual investment. China will significantly ease market access, fully implement the management system of pre-establishment national treatment and a negative list in a bid to foster a stable, fair, transparent, law-based and predictable business environment that protects the legitimate rights and interests of foreign investment and treats Chinese and foreign firms registered in China as equals. China hopes that the EU will keep its investment market open, reduce and eliminate investment hurdles and discriminatory barriers, and provide Chinese companies investing in Europe a fair, transparent and predictable policy environment and protect their legitimate rights and interests.”*

(Full text of China's Policy Paper on the European Union 2018)

This quote indicates China's willingness and desire to let other EU nations invest in their own nation, while simultaneously imploring the EU to remain open to their investments and actions as well. Furthermore, the quote indicates a desire to open up the Chinese market for the EU in an attempt to better the relationship between the two entities, a desire long held by the EU. In accordance with soft power, this quote strengthens China's in relation to the EU. The EU has, as stated, wanted a more open Chinese market, in order to enable true access to the Chinese market. Furthermore, this is in alignment with the ideologies of the EU, where liberal trade agreements remain prevalent within the Union. While economic means oftentimes pertains to hard power, the perception of how it is used

pertains to soft power, as stated in the previous section of the thesis pertaining to theory. Within soft power, the target audience's stance and values are paramount in creating a rapport with them. A value gap will attempt to make any and all attempts at fostering a more positive relationship fall on deaf ears. As such, this policy paper stands as a rather effective way of improving their soft power in the EU, thereby indicating a preemptive action to ensure that the conduct leading to the US trade war remain a singular instance. By extension, Italy would, in accordance with the paper, feel little need to abide by the skepticism of the EU as the paper ensures a fair chance for improving one's own standing as long as the different aspects of the paper, laid out by China are abided by.

However, this necessitates action in alignment with said quote and others within the paper. Contradictions in relation with this would have the opposite effect on their soft power in Italy, and by extension, the EU. As the case can be presented, China's actions have been interpreted as contradictory to these words in relation to the BRI as well as the WTO. China's promise in relation to the WTO was, as stated before, to open up their economy to foreign enterprises and to cease and desist with their support to SOEs (WTO 2018a). However, in the eyes of the EU as a whole, these promises remain unfulfilled, where China remains one of the main sources of tension in relation to the EU's complaints within the WTO (WTO 2018b). The quote explicitly states the possibility of China opening their market for EU member states and China's actions in relation to the WTO denote the same promise; a promise that the EU does not feel is being honored. In accordance with soft power, this is detrimental to China's standing. This contradiction creates distrust in China's and lessens the desire to believe promises made by China. Diplomatic relations are established based on trust and therefore the notion of mutual benefits within cooperation, but a lack of action or slow reaction to said promises damages the legitimacy of Chinese agendas pertaining to outside nations. For Italy, this could also be a problem as this could indicate a situation where China would be using economic means in order to benefit from a new relationship while inhibiting said relationship to become a positive sum relationship. This discrepancy between the vow and the action, or current lack thereof could prompt Italy to regret entering the initiative and dissuade other nations from entering. Actions such as this would be unwise for China as conduct similar to this; appealing to growth as opposed to ideological values and an emphasis on compromise is what led to the US trade war.

It should be noted that however, that despite this, the possibility of other nations entering the BRI remains ever present. The cause of this is the clash of core values pertaining to politics and an overall sense of security within a nation. Interestingly enough, it is a clash between soft power and defensive realism. As stated before, soft power may not entirely dissuade a nation from entering an agreement should it be in their best interest in relation to their own security. It is known that the EU has had its reservations pertaining to China, Italy included. A possible reason for this is the wave of nationalism that emerged in the Western nations, as seen with the US and the election of Trump and the EU, as stated earlier. This heightened skeptical outlooks to other nations, where personal growth remained paramount and a paradigm of self-benefit outweighing the prosperity of others permeated many nations, including Italy, Germany and France. As such, personal benefits being assured would become paramount.

## 6.2 Germany and France's stance on China's economic endeavors

### **Defensive realism**

From a defensive realistic stance, China's relation to the EU and specifically Germany and France, as the two more influential actors in the EU is an interesting one.

The investments made by China in Germany and France are ever present, having invested \$37 billion in the EU in 2016 (MERICS 2019: 9).

For China, these investments could initially appear to be detrimental to their own security, due to the lack of notable investments made in China by the EU. However, when delved into, this action stands as rather clever. This way, they could need to acquire said knowledge in a way that can contest with their economic growth as their development would eventually falter due to a lack of technological capabilities. Due to this, an investment in a technological sector of a developed country stands as a viable means of gleaning the ways in which more developed countries operate. By doing this and bringing back their technological competencies, China circumvents years of production and trial and

error in acquiring a similar level of technology. The aspect of defensive realism that aligns with relative growth aligns well with this, as they maintain its own relative growth in the acquisition of these new capabilities. As such, these actions could facilitate China's ability to invest in SOEs, thereby prompting new advancements in their products for the Chinese market while simultaneously assuring the limited competitive prowess of the states in which these investments were made. This would then ensure that technological ignorance, incompetence or absence is prevented, thereby eliminating a potential threat to their growth in the future. Furthermore, the relative growth of China in comparison to other nations with said technological competencies would be in China's favor.

This has however changed, as Chinese FDIs in the EU as a whole fell 50% from 2016 to 2018 (MERICS 2019: 9). From EU's perspective, the former status quo stood as a problem, which can be gleaned from the decline that stands as the lowest in five years. A possible cause to this could be due to the lack of opportunities to compete in the Chinese market. As has been stated, China entered the WTO in 2003 and vowed to undertake actions that would open up the Chinese market for foreign competitors thus truly entering the international market and allowing the international market to enter China (WTO 2003). However, these actions have not yet taken place, and the actions taken in relation to this can be interpreted in different ways. The EU increased the scrutiny in relation to screening for FDIs from China, which from a defensive realistic stance is sound and reasonable (MERICS 2019: 9). China's dividends from the FDIs coupled with the lack of openness with regards to their own economy stands in stark contrast to the notion of a relative power balance being maintained. Disproportionate benefits such as this would, within a defensive realistic lens, prompt other nations to ensure their own growth, or at the bare minimum, ensure that the relative power balance remained undisturbed. By doing this, China maintained their own ability to act as both a strategic partner, while simultaneously being able to maintain their competitiveness due to the dividends gained from the cooperation. Defensive realism posits that actions such as this would create tension between the nations, as the altered balance in the system in the power balance would prompt distrust. In an anarchic system, China's desire to cooperate in a manner such as this while simultaneously disturbing a fundamental building block of defensive realism, would most likely prompt a reaction such as this. The increase in China's capabilities without similar benefits for the EU



would, according to defensive realism, create a reaction dedicated to assuring one's own security. The chose to do this by means of a decrease in FDIs along with the inclusion of the aforementioned screening processes with heightened scrutiny and skepticism.

While the EU decided to screen FDIs as a whole, France and Germany put their emphasis on different aspects. France emphasized screening pertaining to FDIs in areas of cybersecurity, artificial intelligence, robotics and semiconductors as well as space operations, whereas Germany decided to focus on investments exceeding 10% from foreign companies in areas of defense, critical infrastructures and the media (MERICS 2019: 16). This could be due to the aforementioned power balance. China's investments in areas pertaining to technology create the possibility of China to attain new trade secrets in production, infrastructure et cetera, which would disturb the power balance. Should this happen, a point in time will arise where China becomes self-sufficient without having ever truly opened their market as they were supposed to do after entering the WTO. From China's perspective, this would be ideal in assuring their own security, insofar as self-sufficiency indicating a high level of security and a high assurance of their own survival and prosperity. However, for Germany, France and the EU in general, the notion of this happening would mean that they would lose their appeal. A big reason so many of China's FDIs transpire in the EU and not in developing countries is due to the areas in which the EU is superior. They still hold value and remain attractive as a viable partner. A quid pro quo would be ideal in this scenario where all parties involved would prosper from the cooperation.

While defensive realism is not opposed to the notion maintaining the previous status quo, the benefits in said arrangement would have to be substantial. France and Germany are not nations that would crumble without their investments. While it should be noted that their growth cannot compare to China's, even if the latter's growth has decreased, they are still nations in growth (France OECD 2018 & Germany OECD 2018).

Italy's developments prompted them to enter the BRI as a means of facilitating growth, however, Germany and France, being the two most prominent members in the EU after Brexit, can adhere to

their values in a higher regard than Italy. A possible reason for the desire to adhere to values and one's own growth could pertain to the aforementioned wave of nationalism, prompting the EU states to be more security oriented and less interested on creating effective interdependent relations based on mutual trust. As such, the inclination to act in accordance to defensive realism seems more logical and possibly even predictable. As has been stated, Germany was not affected in the same manner as other nations, but nevertheless resides in a supranational union that has been affected and cannot avoid influence from this a result. Therefore, agendas affected with hints of nationalism prompt reactions that go against the notion of one's own benefit at the cost of one's own values and national integrity. Coupled with the strength of France and Germany as economies in the EU, which, despite the aforementioned nationalistic tendencies, still holds generally liberal regulations for member states, and defensive realism stands as having a rather strong explanatory power. They stand in the privileged position of not having to compromise on core values or give up clear advantages to China in the name of sustaining growth. Defensive realism would posit that the minimum requirement for cooperation is having the ability to mutually benefit from the cooperation in a way that does not disturb the existing power dynamic present between the parties involved.

### **Multilateralism**

The conduct of China in regards to the EU within the confines of multilateralism remains disconnected with the suggestions of the theory. China's entrance into WTO stands as a prime example of this. While on paper, China has insisted that the inclusion into the WTO would open up their market, the EU's aforementioned stance on this demand from the WTO with regards to China is clear. As has been stated, multilateralism emphasizes the importance for normative code of conduct that are relevant to the times in which they apply so as to maintain relevance and in order to ensure compliance of all parties in question as the regulations in the coalition will be agreed upon by all the relevant parties. China's conduct appears to contradict this notion. In accordance with multilateralism, China should have amended their values on the matter and done whatever was necessary in order to reach a satisfactory consensus that is to the benefit of all parties involved. Conducting themselves in this

manner would have created good will, and would have aligned with the notion of compromise. Compromising one's values on this regard could have ensured a less antagonistic view of China, however, China's stances on their core values are absolute, such as their stance on the One China Policy and on the interference of domestic issues by foreign states, where they oppose the notion and support the idea of traditional sovereignty. China could, however, have opened up their market to competitors and transitioned into a market economy that was satisfactory for the dissatisfied EU, which would have created a quid pro quo relationship between China and the EU.

Another example is China's conduct pertaining to the FDIs. By not facilitating the same potential benefits for the EU, they counteracted the principle of normative guidelines to the times within which they apply. It should be noted, however, that had the stark drop in Chinese FDIs in the EU been more sudden or had it happened over a shorter amount of time, this point might not have applied. However, the drop started in 2016 where the investments in the EU amounted to \$37 billion and the drop afterwards led to 2018 where the new amount by comparison amounted to \$17 billion, as has been stated. This period of time could be seen as having been enough time for China to adapt to the new status quo in an attempt to counter act the decline in investments. For China, the trade war could be seen as a catalyst to see new trade relations as a vital tool for maintaining their growth. However, very little has happened in this span of time from China's side to remedy the situation or to circumvent the negative development. If China had acted in accordance, China would, as stated before, have possibly been more inclined to open its market to the EU. The act of acting in accordance with the WTO to a degree that the France, Germany and the EU find satisfactory would likely have been seen as an act of good faith and while the act of doing this damages Chinese products in the Chinese market, due to the heightened competition, the alternative is to lose more opportunities of investments. China's relative power standing would not have changed drastically compared to their growth in previous years, but their development in key areas would have been secured. This is due to the EU's liberal trading policies within the organization. While the notion of nationalism has become more prevalent in the West, the Union still stands as an example of multilateral cooperation where dividends satisfactory regulations still remain paramount. As such, the possibility of the EU becoming increasingly scrutinizing towards Chinese FDIs as a response to China's growth becomes unlikely due

to the benefits the EU would be gaining from the cooperation. While the nationalism that now has a tendency to affect EU policies does not definitively exclude the possibility of this happening, the EU's gain from a cooperation such as this would make such an action ill advised and contradictory to the core values of the EU as a whole; nationalism has become a factor in EU policies, but do not definitively decide the course of action of the EU.

An indicator of the EU wanting more influence in the normative guidelines lie with France entering new trade deals with China on equal footing but remaining vigilant in the opposition against the Belt and road initiative (France OECD 2018). As stated earlier in the analysis, the BRI retains little opportunity for negotiation for prospective member states to ensure agreement considered satisfactory. No influence in the guidelines or the code of conduct for the stand as directly oppositional to the two main, albeit contradictory values, of France; liberal trade and national values to ensure one's own growth on one's own terms. This is due to France being a strong enough economy to be able to prioritize their own values without having to worry about their own value based integrity being compromised (France OECD 2018). As a result, of these two facts, France's ideals and their economic strength, the necessity to enter the BRI under less than satisfactory terms do not apply to them. By entering agreements, France and China effectively abide by the notion of compromise and normative standards being achieved that are approved by both parties. However, the lack of inclusion of other states in these deals does circumvent a core aspect of multilateralism, that being the inclusion of more than two states in any kind of cooperation. At best this can be described as a normative bilateral agreement between the two nations, although it does stand as an example of France being willing to cooperate with China, should agency be awarded to them.

The theoretical implication of multilateralism is therefore that multilateralism stands as an underutilized theoretical guideline of approach for China towards the EU, possible damaging the relationship and the perception of China as a whole, due to the EU effectively being a manifestation of the theory in practice.

## **Soft power**

Looking at the issue from a soft power perspective, China's actions do little to vindicate themselves in this regard. As stated, the desire to enter the WTO and codify new practices pertaining to their market was met with positive feedback but the negative aspect comes into being due to discrepancies arising between statements made and actions taken. Within soft power, as has been stated, assessing the proper way to appeal to one's target audience is paramount, as soft power stands as the only form of influential power that is entirely dependent on the target's interpretation of the actions, as opposed to tangible results from forcibly utilizing hard power. Appealing to values, necessities etc. stand as viable points of appeal. However, China's soft power suffers in this regard.

The lack of conformity creates the previously mentioned discrepancy, very similar to Italy's soft power dynamic with China. However, one difference remains between France and Germany within the EU and Italy. Italy's growth was negligible with projections indicating an undesirable stagnation in their economic development. This, however, is not the case. China's lack of compromise shows a clear idea of what ideals they value and which they do not. Their actions have had little need for soft power in this regard, as China's astronomical growth during the time facilitated many new cooperative relationships on China's terms due to most nations dealing with China needing them more than they them. Italy itself stands as an example of this; France and Germany however do not. Germany and China have strong ideals as well and need more than that in order to agree to cooperate. The value gap remains too large for there to be any substantial progress made in this regard, possibly due to the new emergence of populism in the EU. This rise in nationalism can be seen as contradictory however. Due to the two differing ideologies dictating the actions of the EU, China's chances of truly appealing to them would appear to be rather difficult, due to not knowing which aspect to appeal to. While it would stand to reason for China to fail in an attempt to appeal to the EU due to this contradiction, the problem lies in their method of appeal in this regard. Mainly being that their conduct in regards to the WTO and their FDIs would likely have failed to appeal to either doctrine. China's conduct pertaining to the WTO has largely been characterized by a lack action all together, thereby creating a congruency gap between the two entities making it harder to trust them from a liberal stance, due to the lack of good will established by not abiding by your word. Additionally, from an already skeptical nationalistic stance, the lack of congruency between statements and conduct would only create more reason to be

skeptical. In relation to the FDIs, the lack of tangible dividends in comparison to those China acquired could likely alienate both of the contradictory dogmas. Liberally speaking, the notion of an uneven balance between two partners goes against the notion of mutually beneficial cooperation, thereby creating dissatisfaction within one party. By keeping one's market closed, while simultaneously securing benefits from the other parties' market, the relationship becomes characterized by exploitation. A very notion that fuels the skepticism within nationalism, where this lack of dividends would likely lead to both the termination or downshift of the current agreement in favor for one more beneficial to all parties involved, especially oneself. The EU as it stands is simply to secure in its own position to necessitate actions that do yield dividends at the cost of values. The only way EU or China would adhere to one another without compromise is if their security itself were to become threatened to a point where it would supersede the necessity of maintaining certain obstructing values and would require an assessment of which of said values are superfluous or paramount.

## 7.0 Conclusion

The thesis in question delved into the matter at hand by use of qualitative method as a means of getting a comprehensive look in to the subject matter. Furthermore, due to the developments in relation to trade between the EU and China, trade relations remained the focal point of the analysis. Additionally analysis was divided into two: one for Italy, who had just entered into the BRI and the EU headed by France and Germany due to the two nations acting as the most prominent actors in the EU and due to the skepticism present from the two nations in regards to China and their conduct. The theories chosen for the analysis were defensive realism, multilateralism and soft power. Defensive realism was chosen to give a deeper look to more apprehensive behavior and to clarify potential actions that could seem counterintuitive to cooperation in the service of ensuring security. Defensive realism proved useful in assessing skeptical or exploitative behavior in analyzed dynamic and proved satisfactory in assessing the potential motivations behind acting in a way that could create potential tension in spite of China's current status quo with the US. Multilateralism, on the other hand was chosen for nuance. The choice of similar theories denotes a bias as to what the potential outcome of the thesis could be, whereas differing theories could create a completer and more nuanced look into

the subject matter. Furthermore, The EU being a multilateral organization, the inclusion of Italy into the BRI along with the large volumes of FDIs into the EU warranted the inclusion of a theory mainly focused on cooperation. However, it has become evident by the analysis that the inclusion of multilateralism did not yield the desired results. While the nuanced look into the dynamics on display were present, multilateralism remains to specific a liberal theory for its inclusion into matters and relations that largely remained bilateral in nature. Soft power was included as means of looking into the potential ramification of said conduct on the perception of China's conduct in relation the EU. The theory was intended to act as a means of assessing the findings from the analyses from the previous two theories and acted as the tool used to glance into the affects of the conduct of China and on the potential alternatives that existed for China in their conduct. The problem formulation for the thesis was as follows:

***How have China's economic endeavors affected its relationship with prominent EU members?***

Based on the thesis, the conduct from China's perspective towards the EU was one very similar to its relationship with the US, where China's conduct was largely characterized by one sided dividends, discrepancies between statements and actions as well as prioritizing personal growth over more harmonious conduct. Furthermore, a lack of compromise became apparent throughout the analysis, which would prompt the EU to adhere to more realistic behavior in an attempt to ensure that deals that are entered into ensure dividends for oneself. Additionally, the EU's increased scrutiny bears certain similarities to the US's regarding the trade war, making China's conduct rather interesting as a lack of compromise on values did not yield too many rewards with regards to nations that had solid economies.

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