

## Global Politics and the Evolving EU-US-China Triangle: An Opportunity for EU Leadership?

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### Executive Summary

- > A changing global order requires actors aiming at global leadership to develop a flexible foreign policy approach to interdependence.
- > Given their material pre-eminence, it is particularly crucial to analyse how the US, China and the EU have been responding to the fluidity of the global system.
- > The structural primacy of the United States makes it hostile to reforming global governance, and the current Administration is veering towards a more withdrawn, unilateral approach to global issues which risks creating a ‘power vacuum’.
- > China has been greatly stepping up its global engagement, displaying pragmatic flexibility and promoting reform via inclusive, ‘horizontal’ leadership on many issues.
- > The EU, despite internal constraints, has been making important steps forward towards strategic pragmatism, especially via its 2016 Global Strategy.
- > In light of US disengagement, the EU’s effectiveness and legitimacy as a global actor could greatly benefit from co-leadership with an increasingly proactive China in a number of domains, especially those pertaining to the sustainable management of the global commons.

The notion that the contemporary global order is somewhat ‘in flux’ has been popular among scholars and policymakers for well over a decade. Proponents of the idea of an ongoing power shift point at the relative decline of Western players such as the United States (US) and the European Union (EU) *vis-à-vis* emerging actors such as China, whose growing (especially economic) clout has been increasingly matched with demands for greater political sway in global governance. Not all agree with the ‘decline of the West –

rise of the rest’ rhetoric, arguing that global power goes far beyond economic indicators. Nevertheless, following the rather brief post-1989 unipolar phase, global politics have undeniably been witnessing significant shifts, with new actors emerging on the international stage and novel policy challenges (and ways to respond to them) gaining ground on key players’ agendas. In particular, so-called ‘global perspectives’ are on the rise, emphasising interdependence, the need for planetary awareness and coordinated responses on issues pertaining to global public goods. Global public goods are non-excludable and non-rival in consumption and their benefits reach across borders, generations and population groups, for example climate stability, peace and security, and to some extent also the multilateral trading system.

In this light, interdependence is no longer a merely descriptive functional feature of the global system, but its management represents a requirement that all actors aspiring to play a leading role within that system will have to meet. Given their overall economic, political and security primacy, it is crucial to have a closer look at the actors constituting the three corners of what can be referred to as a ‘global triangle’ – the US, China, and the EU. This policy brief analyses their current stances towards the aforementioned fluidity of the *status quo* in the areas of trade, foreign and security policy and climate change. While discussing the strategic environment first from the perspectives of two of the corners of the triangle, the US and China, emphasis in this policy brief is then placed on the third corner, the EU and its actual and potential (re)actions.

The policy brief argues that those actors with a flexible approach to the evolving order are likely to be more effective as global leaders than those veering towards a less reformist attitude. While the US seems to belong to the latter camp, China appears to have embraced a degree of flexibility. For the EU, pragmatic adaptability is also crucial in order to exploit the potential of co-leadership with other players, which in a variety of domains emerges as the best scenario to take advantage of the increased global flexibility. While the strategic path is clear, less so is the ability of the EU to successfully embark on it.

## Global politics and the Asia-Pacific side of the triangle: the US and China

Structurally speaking, the notion of a ‘triangle’, composed of the US, the EU, and China and acting as a sort of global ‘steering committee’ is rather misleading, given the lack of institutionalisation of the actual triangular relations between these actors. A US-EU-China summit is hardly foreseeable in the near future, and Washington, Brussels and Beijing overwhelmingly prefer to deal with each other bilaterally.

Nevertheless, the combined relative weight of the three on a global scale makes this notion analytically useful, in that it underscores the importance of the three actors’ approach to global governance and of their outlook on its dynamism. As the analysis will clarify, there are significant differences between the three in terms of their role in the existing order (the *status quo*) and, consequently, in their respective openness to reform processes. Moreover, especially as far as the US is concerned, recent domestic political developments have added an extra layer of complexity to its stance on global governance.

### *The United States: a retreating hegemon?*

The US is unquestionably the leading power within the current system. With regard to its structural power, which refers to the ability to shape the context in which relations between international actors play out, the US has been the main architect of the post-World War II order. It has heavily shaped virtually all the international regimes and institutions that – to this day – constitute the backbone of international economic and security relations. From the so-called Bretton Woods institutions (International Monetary Fund and World Bank) to the world’s most powerful military alliance (North Atlantic Treaty Organisation), to what remains the most advanced attempt at establishing global governance (the United Nations), the US remains a steering power and *de facto* veto player in all.

In this light, structural power has certainly helped the US become the – until very recently – unrivalled global hegemon, at least in security terms. The US remains the world’s largest national economy (at least in nominal terms), the top military superpower, and a leading innovator – all of which suggests that its primacy is not going to be threatened in the short term.

This structural and material pre-eminence has made the US arguably the strongest upholder of the *status quo*, unsurprisingly rather unwilling to display the kind of reformist flexibility that is typical of those who do not enjoy such a hegemonic position. As this *status quo* is changing, new actors, who have undoubtedly benefitted from the dynamic international economic environment promoted by US-led globalisation, are emerging, and have been voicing increasingly strong reformist demands to see their growing

material weight recognised also at the structural level. This challenges the US-led order and, should the US fail to adjust to those demands, might also lead it to become a ‘victim of its own success’.

Recent developments in US politics and policies do not bode particularly well for a more open approach to reform in any of the three main domains analysed here. While the actual impact of the new Administration remains to be seen, Donald Trump’s electoral success relied heavily on anti-globalisation rhetoric, shared to a certain extent even by some of his rivals, including Hillary Clinton, who criticised the North American Free Trade Agreement (NAFTA) and came out against the Trans-Pacific Partnership (TPP), her own brainchild during her previous tenure as Secretary of State. In US *trade policy*, ‘America First’-based self-reliance has arguably been flaunted more aggressively than in any other domain. During the campaign, Trump repeatedly referred to China and its soaring inbound Foreign Direct Investment (FDI) as an ‘existential threat’ for the US economy. The tone may have softened a bit, but tensions with Beijing remain high and trade wars are not implausible. What is more, the US Administration is far from united on how to deal with global governance issues, with senior officials split in various factions ranging from ‘hardcore nationalist’ to more ‘globalist’ stances, thereby further reducing the predictability and credibility of an already ‘impulsive’ government. Cleavages are also present between the Trump administration and Congressional Republicans on key issues such as sanctions against Russia, stance vis-à-vis NATO, and trade policy itself. Moreover, as far as *foreign and security policy* is concerned, Trump’s overall approach to international relations appears strongly transactional, emphasising ‘zero-sum’, unilateral views that stand in stark contrast with the multilateral cooperation advocated by most other major players, including China and the EU. With regard to *climate change*, large swathes of the current US Administration hold ‘sceptical’ views that are opposed to the global scientific consensus, upheld by both China and the EU. Dramatic confirmation of this dangerously divergent approach came on 1 June 2017, when Trump announced the American retreat from the milestone 2015 Paris Agreement. This has led to a *de facto* silencing of the issue in US-China relations, while Washington’s European partners have made it clear that their commitment to implementing the Agreement will not waver.

In light of these developments, the US seems to be heading towards an overall more ‘withdrawn’ approach to global affairs, which in turn could create what some commentators have aptly defined a ‘power vacuum’. This is likely to open up greater room for action for other international actors and (especially US) sub-national actors in an increasing number of domains, especially non-traditional (and therefore less institutionalised) ones related to culture, innovation and the sustainable management of the global commons.

Before moving on to analysing the situation of the two other sides of the global triangle, however, a caveat is in order. In

spite of Trump's vocal anti-multilateralism, most recently underscored by the withdrawal from the UN Educational, Scientific and Cultural Organisation (UNESCO), US presence in key global governance regimes and bodies is and will remain very strong in the near future, hence making major upheavals unlikely in the short to medium term. Washington might be trying to loosen the global ties it has more than anyone helped create, but interdependence has reached such depths that it will be very difficult and reckless – even for the most radical of governments – to try and abruptly sever those ties without appropriate contingency plans.

#### *China: A doctrinal shift towards pragmatic engagement*

China's astonishing economic success since the beginning of the reforms in the late 1970s has led it to become the world's second largest economy by nominal GDP. Since the 2008 global financial crisis, China has been the largest contributor to world growth, accounting for nearly 39 percent in 2016 despite an overall slower GDP growth rate (Roach 2016). Such impressive figures have made its 'rise' a true buzzword among scholars and experts, heatedly debating whether Beijing is (and will be) an upholder, a reformer, or a threatening spoiler of the current framework of global governance.

China's approach to the 'global system' has significantly changed since the Deng Xiaoping era. While earlier Chinese Communist Party (CCP) generations tended to favour Deng's 'low-lying' approach to global governance, based on the low-profile pursuit of almost exclusively economic goals, the new leadership has been promoting a very different approach, hinging on the ever-growing awareness of China's resources and confidence in its global standing. Already during the presidency of Hu Jintao, but especially since Xi Jinping took power, China's international engagement strategy has shifted towards 'striving for achievement'. It thereby emphasises its willingness to play a much more visible role as a global 'responsible stakeholder'. While Beijing remains adamant about its unique 'dual identity' as a global power *and* a (still) developing country, its soaring engagement – not only bilateral but also multilateral – marks a true doctrinal shift.

As a 'responsible stakeholder', China's declared aim in most domains is not to spoil the *status quo*, but rather to integrate into it (self-co-optation) and, once gained credibility, to moderately reform it from the inside in a sustainable way. Succeeding at this requires remarkable flexibility, and Beijing's track record so far is definitely promising in all three policy domains considered in this brief.

With regard to *trade policy*, many of China's largest partners, especially in the EU, have long been complaining about what they see as Beijing's unfair practices, notably its double standards in outgoing *versus* incoming investment and issues pertaining to dumping and intellectual property rights. China has vowed to address these concerns, and has explicitly committed to developing global free trade and investment,

supporting the World Trade Organisation and pursuing Free Trade Agreements (FTAs) and other trade-facilitating agreements within the framework of large-scale connectivity initiatives such as the Belt and Road Initiative, hailed as 'inclusive', 'transparent' and 'win-win' (Xi 2017). While the extent to which the West has actually successfully co-opted China into the existing liberal world trade order remains to be determined, Beijing's cooperative and proactive engagement towards economic globalisation attests to its determination not to be seen as a disruptor.

As for *foreign and security policy*, when looking at Beijing's peacekeeping policy, for instance, it is evident how China has shown considerable adaptability to an originally very 'alien' concept. Even as 'minimalist' peacekeeping based on the so-called Hammarskjöld principles of impartiality, neutrality and host country consent gave way, in the 1990s, to a much more 'proactive' (and intrusive) approach hinging on peacebuilding, China's commitment to UN-led operations continued to rise, in terms of both troops (China is the biggest contributor among the five permanent UN Security Council members) and financial resources. As mentioned above, this has been possible thanks to China's 'contextual strategic adaptation': case-specific normative flexibility, characterised by the gradual relaxation of sovereignism towards greater interventionism aimed at fostering its image as a 'responsible stakeholder', which in turn allows it to deploy moderately reformist initiatives to pursue its interests without being perceived as a dangerous 'spoiler'.

Moreover, such flexibility also indicates China's keen awareness of the changing global environment, which obviously extends beyond the security and economic realms. Along these lines, China is rapidly becoming a trailblazer in the field of *climate change* and sustainable development, at both the domestic and the global level. Governance-wise, Beijing's support was vital for the successful adoption of the Paris Agreement, but its commitment to tackle this issue extends far beyond it. In 2016, China invested \$87.8bn in renewable energy – the highest amount in the world (the EU invested \$70.9bn, and the US \$58.6bn) (Pyper 2017) –, and spent a record \$32bn on renewable projects abroad. In 2017, it is set to implement the world's largest emissions trading system which, if successful, will create major worldwide incentives. Moreover, Beijing has been strengthening its influence within several multilateral development banks to ensure better funding for 'greener' transitions in various developing countries (Stern 2017).

All this engagement does not stem from disinterested goodwill: the Chinese regime has become increasingly dependent on so-called performance legitimacy, and its very survival is linked to its ability to deliver sustainable development to its own people. Given China's burgeoning global profile, this performance has come to include its international policies, hence helping explain Beijing's described doctrinal shift (Zhu 2011).

However, even in areas such as green development, China has so far been in many ways reluctant to assume outright global leadership, albeit certainly more on paper than in practice. As evident in most of its high-profile endeavours, such as the Eurasian connectivity behemoth known as the Belt and Road Initiative, China prefers a more 'horizontal' style of engagement, consistent with the idea that effective governance in an era of interdependence benefits more from initiatives by 'good classmates' than instructions from 'enlightened teachers' (as the US has often portrayed itself).

### The EU corner of the 'triangle': towards co-leadership?

With the US seemingly becoming a withdrawn upholder of the *status quo*, and China gradually embracing flexible and pragmatic engagement, *what role is there for the EU to play in today's fluid global political arena?*

Based on most key indicators, the EU is unquestionably an economic giant. It accounts for almost 23 percent of global GDP, and is the world's leader in FDI (both inward and outward) and trade in goods and commercial services. Being a trade powerhouse, however, does not come hand-in-hand with comparable political and military clout. The EU clearly exhibits deficits in this regard compared to both China and the US.

Full-fledged, effective 'actorness' in the international system requires a high degree of (internal) coherence and consistency as well as significant capabilities. This has so far proven to be a major challenge for the EU, whose *sui generis*, multi-layered nature considerably hinders its ability to aggregate the foreign policy interests of all its components (member states, institutions...) to devise and implement effective policies, especially considering how many 'external' domains remain quite strictly intergovernmental. Adding to this already complex picture, EU actors have exhibited a rather worrying lack of long-term strategic vision, often compounded by normative rigidity with regard to many of the EU's values-based policies, which are patently ill-suited to the aforementioned flexible evolution of global governance. Nevertheless, EU leaders and institutions have been showing increasing awareness of the missed opportunities caused by these gaps, and the institutional reforms of the 2009 Lisbon Treaty and broader policy/strategy documents and initiatives have been trying to address them. Over the past few years, steps forward have been made in all three policy domains discussed in this policy brief.

With regard to *trade policy*, the EU has been displaying significant adaptability, reframing its trade strategy along pragmatic geo-economic lines. So as not to compromise its privileged position as the world's largest market, the EU has in the past decade been further broadening and deepening its trade agenda and diversifying its trade partners. It has started to negotiate a number of plurilateral and bilateral trade agreements (from the Transatlantic Trade and Investment Partnership to the FTA with Japan), and it has

strengthened its emphasis on enforcing reciprocity and other commitments (especially *vis-à-vis* China) as well as on using its economic clout to pursue normative goals. The defensive (even 'destructive') approach of the new US Administration, together with China's more positive globalisation discourse, might offer the EU a chance to take on an even more prominent role on the global trade stage. This is provided that Brussels and Beijing manage to reduce the many trade-related frictions that currently constitute the biggest hindrance to comprehensive bilateral cooperation, from anti-dumping to China's outbound/inbound investment bias, to granting it Market Economy Status in the WTO framework.

As far as *foreign and security policy* is concerned, the 2016 EU Global Strategy (EUGS) is – at least on paper – by far the most advanced effort, introducing a wide-ranging strategic overhaul based on the notion of 'principled pragmatism', which seeks to compound the EU's idealistic aspirations with a 'realistic assessment of the current strategic environment'. The document explicitly calls for greater flexibility in EU policymaking, and repeatedly mentions the need to scale up its engagement in Asia, hence displaying a strong discursive drive towards the much-needed adaptability. In practice, it will be hard to actually reform EU foreign policy along more coherent and consistent pragmatic lines, especially considering how EU member states' foreign policy concepts vary quite significantly (from the emphasis on values to the role attributed to the supranational level). Yet, the EUGS marks definitely a step in the right direction if the EU is to enhance its role in the global governance arena. Implementing the new strategy is all the more important when considering that, while the EU remains the obviously least internally consistent actor of the triangle, current trends in global politics and governance might provide it with unprecedented opportunities to truly step up its role as a global (co-)leader. For instance, forced by its lack of hard military power and by recent geopolitical developments in its vicinity, the EU has become one of the most experienced global players when it comes to addressing so-called non-traditional security issues: challenges to the survival and well-being of peoples and states arising mainly out of non-military sources, such as health hazards, resource depletion, and migration. As the global agenda is increasingly crowded with non-traditional threats, this bodes well for the EU's engagement and potential influence.

As for *climate change*, the EU has long been regarded as a leader in environmental policies, having launched the world's first major carbon market (the 2005 Emissions Trading System, ETS) and consistently providing substantial funding to develop sustainable technologies. On top of this, one of its core missions is to take a leading role in international negotiations on climate change, and recent developments have shown the determination of EU leaders not to yield to the US sceptical backflip.

While transatlantic ties are and will remain crucial, the EU has not been oblivious to Washington's increasingly withdrawn

and self-centred approach to global governance. As aptly put by German Chancellor Angela Merkel after the last G-7 Summit, Europe is aware that it ‘must take its fate into its own hands’, thereby signalling a willingness to look past its traditional ally and seek other partners to pursue its global agenda. In this regard, China’s new global engagement could provide a significant opportunity. Despite their political divergences, the EU and China have both shown openness to a flexible approach to global governance, and are therefore potentially well-placed to provide some form of co-leadership in a number of domains to help build and strengthen a reformed order (Chen 2016). Both Brussels and Beijing are capable of playing a leading role in addressing non-traditional issues and have been intensifying their concerted efforts, especially in fields such as climate change. In a recent planned joint communiqué leaked days before Trump’s announcement that the US was walking out of the Paris Agreement, the EU and China vowed to deepen their cooperation, confirming their commitment to the Paris Agreement and effectively presenting themselves as the only viable diplomatic alternative to deal with such a critical issue (Mathiesen 2017).

## Conclusion

The EU is well-positioned to improve its standing in a changing global system, benefitting from growing global interdependence and the rise of both non-traditional actors and issues. In addition to being a post-national player itself, the EU is already a trailblazer in a variety of new policy areas and approaches, especially with regard to the management of global public goods, and has shown increasing strategic flexibility in addressing changes in global governance in trade, foreign and security policy and climate change.

The analysis of the current dynamics within the global triangle has shown that, in light of the growing US unilateralism, co-leadership with an increasingly proactive and ‘engaged’ China on ‘soft’ issues not directly related to ‘hard’ power (and therefore not explicitly encroaching on US interests) would not only provide the EU with greater access to Beijing’s burgeoning resources. It would also help it establish itself as a more legitimate leader on the global stage, going beyond all-Western neoliberal transatlanticism towards a more pragmatic and inclusive approach, which would prove the EU’s ‘touch’ with current developments in international relations and therefore greatly boost its image as a truly global player. Internal obstacles to global ‘actorness’ remain challenging, but the external context may be rather favourable for the EU to achieve just that.

## Further Reading

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