

EU-China Investment Agreement Casts Europe As A Great Power - OpEd

As in many other respects, 2020 was a very turbulent year in the context of great power rivalry and transatlantic relations. The most striking examples in this context were the COVID-19 pandemic, US-China great power rivalry, and the end of the turbulent Trump era with the elections in the U.S. Troubled relations between the United States and the EU continued during this period as well, which culminated in a new development that could further strain the relationship: the signing of the EU-China Comprehensive Agreement on Investment (CAI) in the last days of 2020.

Negotiations for the agreement took nearly seven years, and there were intense discussions between the EU Commission and top Chinese officials throughout 2020. In the last days of the year, a decision was made to go ahead with the agreement. Germany's Chancellor Angela Merkel, acting as EU term president, and Chinese President Xi reportedly pressed to close the agreement. But there is an important nuance here: the agreement has not been actually signed yet, as the negotiations took place via video conferencing. And for the agreement to come into force, ratification by all EU member states as well as the consent of the EU Parliament is necessary.

It is clear that this process will be quite painful and there is a good chance that it could fail. In fact, it is even possible to go further and claim that Germany is betting on this possibility.

So why has Germany followed such a path? There are three reasons: First of all, Germany is heavily dependent on its trade with China. It was its trade with China that saved Germany from the global financial crisis in 2008. Moreover, trade with China is still highly significant to Germany today, with trade volumes of around 250 billion dollars. Secondly, Germany and to a large extent France, have been particularly uncomfortable with the European Union being treated as a second-tier power by the United States under the Trump administration. Brexit has been the last straw in this context. The message given to the United States

with the agreement was that Europe is far more important than the United States thought and that the EU cannot be ignored. Finally, with the CAI agreement, China has also been warned about the importance of Europe within the scope of great power competition.

At this point, it is necessary to draw attention to the race between France and Germany in order to become the dominant power in the EU after Brexit. With Brexit, France has become the EU's sole nuclear power and its most powerful one in terms of conventional forces as well. France's historical approach to European autonomy is a well-known phenomenon. Trump's unilateral policies and his refusal to take Europe into account enabled France to draw Germany to its side within the scope of European autonomy. However, with the election of Biden, Germany is expected to return to its traditional approach in the context of transatlantic relations. This has been made clear in speeches by the German Defense Minister, Annegret Kramp-Karrenbauer. Kramp-Karrenbauer emphasized that an autonomous capacity in military and political matters can strengthen Europe's hand within the context of existing transatlantic ties with the United States. She also added that Europe could not provide nuclear deterrence without the US nuclear umbrella. The main reason for this approach is to prevent France from taking the helm of the European Union in the absence of the balance provided by the United Kingdom. The struggle of these two powers to gain the leadership of Europe lies at the root of many problems in European history. It was the presence of the United States in the continent after the Second World War that kept these two powers from any conflict. The US presence has been also the most essential factor in Europe's welfare today. For this reason, the US presence in the continent and the continuation of the transatlantic relationship have been of vital importance for Germany.

Against France's clear military superiority, Germany has undoubted economic superiority. The economic locomotive of the European Union, so to speak, is Germany. Germany needs China and Asian economies to maintain this superiority. In this context, it does not hesitate to oppose any attempt that will jeopardize its commercial relations with China. In this respect, the attempts of the United States to cut off trade relations with China altogether cannot find any support from Germany. However, Germany also looks for ways to balance the assertive and aggressive attitude of Xi Jinping's China. For this reason, it wants to use its relationship with the United States as leverage against China as well.

When all these elements come together, it is an indisputable fact that Germany is in a very delicate position. In fact, the CAI agreement itself is a consequence created by such a balance. Germany forced the conclusion of such an agreement for the sake of not spoiling its relations with China, and it has restored confidence in China. On the other hand, the message was given to the United States, especially to the incoming Biden administration, that Europe is an important power that cannot be ignored. Nobody will be able to blame Germany if the agreement is not implemented due to an EU member state refusing to ratify it. This means that Europe, and Germany, hold some serious leverage against the United States as well as China.

Looking ahead, both great powers will have to play the game by taking Europe into account. In fact, the European Union, and especially Germany, could gain a crucial position in playing a balancing role that will keep the great power rivalry between the US and China from getting out of hand. Hopefully, the result will be a more balanced and stable global order. Such will be one of the most important tasks of the new administrations in the United States and Germany in the coming period.

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