

Chinese President Hu visits France

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President Hu Jintao of China paid a major state visit to France November 4 to 6. French president Nicolas Sarkozy provided Hu with a red-carpet welcome and full military honors, while the two countries took the opportunity of the trip to sign business and other deals worth an estimated €20 billion.

On the first day of the Chinese leader's visit, Sarkozy received Hu at a state dinner at the Elysée Palace (the French president's official residence) where he pompously declared: "We must face together the challenges of a rapidly changing world, reaffirm the strength of our partnership, give it a new impulse, and above all give it new perspectives, those of the twenty-first century."

The French and Chinese governments issued a joint statement, pledging to strengthen their strategic and economic partnership, as well as their cooperation in international affairs. According to the statement, "France and China, both being permanent members of the UN Security Council and being among the world's major economies, have a particular responsibility. Their relations must continue to be exemplary ... The two countries must also deepen their coordination and cooperation in international affairs, fight together against the great global threats, in particular on questions of proliferation of weapons of mass destruction."

The statement also proposed that France and China work together to address such issues as the war in Afghanistan, Iran's nuclear program, and the denuclearization of the Korean Peninsula.

Hu's visit to Paris occurred only days before the opening of the G20 summit in Seoul, South Korea, where global trade imbalances and monetary issues were to be main items on the agenda. France, in fact, is scheduled to take over the rotating G20 presidency. The French-Chinese statement declared, "The two countries consider that the G20 must put world growth and the international financial system on healthier and firmer foundations, and that it must be the main forum for international economic cooperation."

The declaration called for regulation of the world financial system and opposition to "all forms of protectionism." This empty diplomatic verbiage is for public consumption. Behind the scenes, no doubt, French and Chinese officials held nervous

discussions, especially about the challenge represented by aggressive US policy.

The French government faces a dilemma: it is a strategic ally of the United States, having rejoined NATO in April 2009, yet it is trying to develop serious economic ties with China. The latter power is involved in a tense standoff with the United States over a range of financial and strategic issues.

Since the outbreak of the world financial crisis in 2008, the US has criticized China for suppressing the value of its currency, the yuan. The Americans, with the backing of European powers, are pressuring China to change its monetary policy. In general, Washington is seeking support from Europe and Asia to counter a rising China.

Indeed, Hu's visit was complicated by the legacy of France's previous policy towards China. The French have criticized Chinese violations of human rights, aligning themselves with American criticisms of Beijing's policy in Tibet, for example.

In 2008, as a matter of fact, Sarkozy made a big show of boycotting the opening ceremony of the Beijing Olympics to protest the Chinese crackdown against Tibetan protests in March 2008. Although the president attended the Olympics, the French government incensed its Chinese counterpart later that year when Sarkozy met the Tibetan spiritual leader, the Dalai Lama, in Gdansk, Poland. China subsequently canceled a summit with the European Union and a number of high-level contacts with France in protest.

The decision was taken this past week not to hold a joint press conference, a normal part of such visits, between Hu and Sarkozy. This was presumably done to avoid any embarrassing questions being posed to the two leaders by journalists about human rights issues, press freedom, or the imprisonment of dissidents, such as Liu Xiaobo, who was awarded the Nobel Peace prize last month.

By unceremoniously burying its previous criticisms of the Chinese crackdown in Tibet in 2008 and other human rights violations, the French government made clear the cynicism and hypocrisy of its previous denunciations of Beijing's record on these issues. They were not dictated by a concern for human rights, but by economic and strategic calculations.

Human Rights Watch and the International Federation of Human Rights (FIDH) commented: "France's policy lacks coherence," since "after having made public criticisms in 2008, the President has since then avoided any declaration that might

anger Beijing.”

The bulk of the French media praised Hu’s visit, however, as an important event that would boost that country’s economic relations with the new Asian giant. On November 5, for example, the conservative *Le Figaro* wrote bluntly: “Since the crisis between Paris and Beijing over Tibet, before the Beijing Olympic Games in 2008, confidence has returned on both sides. ... France cannot stay outside the world’s greatest market, where the future of major international enterprises is being drawn up in the automobile, aeronautics, energy, construction, and consumer goods industries.”

Another French daily, *La Croix*, observed, “In a very difficult international economic context, France must re-establish serene relations with the world’s second economic power, with which it signed over €20 billion in contracts in 2007.”

The Sarkozy government has generally aligned itself closely with US foreign policy, pressuring Iran over its nuclear program and sending troops to fight in Afghanistan, two countries in which China is developing significant economic interests. Sarkozy may very well hope to prove indispensable as a go-between, brokering negotiations between Washington and Beijing over these highly sensitive strategic issues.

On economic issues, however, there is growing concern in Paris at the direction of US policy. Last week’s unilateral decision by the US Federal Reserve to inject \$600 billion into the American economy aimed at boosting US exports with a cheap dollar policy prompted sharp criticism from European officials, as well as Chinese, Brazilian and South African.

The Federal Reserve’s decision to pursue a cheap-dollar policy through “quantitative easing”—that is, the printing of dollars, which drives down the value of the US currency—is seen as a major threat to the European economy by the ruling elites on that continent. This is notably the case for France, which finds it difficult to compete in many export markets as the value of the dollar continues to drop in relation to the euro (making French exports more expensive).

On November 9, Jean-Claude Juncker, the prime minister of Luxembourg and head of the Euro Group (comprised of eurozone finance ministers), observed that the US dollar was undervalued and the Fed stimulus posed “risks” for the world at large. He asserted that “currency rates should first and foremost reflect economic fundamentals, not give rise to national stances that are more inspired by selfish reflexes than by the notion that the international community should confront global concerns.”

Addressing US authorities, Juncker added: “You stand up to criticize severely China’s monetary policy, while in a certain way, and in fact, certainly, you wage exactly the same policy in a roundabout fashion.”

With China one of the fastest-growing economies in the world, French corporations are eager to do business there. France is the second largest European exporter to China, after Germany. France now supplies China with 3 percent of its

imports, while Germany provides 5 percent.

Unsurprisingly, the quantity of China’s exports to France in the past decade rose more rapidly than the total of goods shipped the other way. France’s trade deficit with China had widened to \$20 billion by 2009, nearly four times its 2000 level (\$5.7 billion).

During Hu’s visit, the French and Chinese governments signed numerous business contracts, with an estimated value of some €20 billion. French companies such as the nuclear firm Areva, oil giant Total, Airbus, insurance firm AXA, and the Franco-American telecom Alcatel-Lucent all signed deals with Chinese officials.

Under its deal, for example, the French state energy firm Areva will supply 20,000 tonnes of uranium over ten years to the China Guangdong Nuclear Power Group for about €2.5 billion. Areva also signed an agreement with CGNPG to construct a reprocessing plant for nuclear fuel in China.

Oil giant Total signed an agreement with the China Power Investment Group Corporation to jointly build a petrochemical facility processing coal in China with an investment of €3 billion. According to press accounts, Total will provide technology that produces plastic from coal gasification. Three-quarters of China’s energy production comes from coal.

In the aftermath of the signing of the various business and industrial agreements between the two countries, French Economy Minister Christine Lagarde praised Hu’s visit as “a great success in terms of results.” She said: “The contracts signed with China during their president’s visit are completely satisfactory, both in terms of size and diversity.”

That’s as it may be—nonetheless, the most problematic global political and economic issues still loom menacingly on the horizon.



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