

EU's Partnership & Co-operation Policies with China

Christa Wichterich/WIDE

April 29th 2008

EU Co-operation with China

- Diplomatic relations since 1975
- 1980s: one-dimensional relation based on trade
- Political dialogue, formalised in 1994
- EU-China Summits since 1998
- Now “3 pillar partnership”
 - 1) political dialogue (e.g. HR, migration, non proliferation, arms exports, Asian affairs, climate)
 - 2) economic, sectoral & trade relations
 - 3) development co-operation

EU Strategy: Dialogue, not Confrontation

- Mediate the polarised positions:
human rights first! > < economy first!
- Counter US dominance
- Formalisation & legalisation of relations
- Political change through economic relations/trade
- Shift of focus of perception in the 1990s: from authoritarian communist regime to exploitative manchester-capitalist regime →
giant economic dragon

Integration into International Community: Rule of Law

Objective: make national laws in China comply with international laws, rules & regulations

- Ratification of international conventions, e.g. political & civic rights convention, ILO conventions

 - moral & political governance

- Accession to WTO: commitment to multilateral trade rules

 - economic governance

EU-China-Co-operation Policies

1985	1998	2000	2001	2003	2006
Trade & Economic Co-operation Agreement	Communication “Building a Comprehensive Partnership”	Bilateral EU-China agreement on WTO	Future Steps for a more Effective EU Policy	Policy Paper “A maturing partnership ”	Communication EU-China: “ Closer partners, growing responsibilities ” + Policy paper on trade & investment: “ Competition & Partnership ”

Hopes and Fears

- Honeymoon after WTO accession:
 - boom of trade & investment
- Mix of Sino-phobia & Sino-euphoria, increasing fear of Sinosation of world economy
- Shift in outcry: from human rights violations to trade rights violations
 - prevailing images: “unfair” competitor & irresponsible global player

“Europe must get China right, as a threat, an opportunity and a prospective partner.”

Peter Mandelson, 4.05.06

EU-China Trade Boom

	EU	China
Imports/ exports	EU exports to China: 2001: 30.5 bn € 2006: 63 bn €	EU imports from C 2001: 81.6 bn € 2006: 191 bn €
Main exports	1) non-elect.machinery 2) cars, aircraft 3) chemical products	1) PC parts, mobiles, cameras 2) textiles & clothing
Export services	2003: 6.7 bn € 2006: 12.3 bn €	2006: 10.6 bn €

Partnership & Co-operation Agreement

- 9th EU-China Summit, 2006, Helsinki, decided to launch PCA
- Centre piece: update trade agreement from 1985
- Support reform towards “open” society & economy
- 2006 EU Policy Papers:
“Closer partners, growing responsibilities”
+ “Competition & Partnership” (trade & investment)
- Policy context in the EU: Global Europe strategy

Global Europe – Competing in the World

- Oct. 2006 – after stalemate of Doha Development Round: new generation of “competitiveness-driven” bilateral trade agreements
- Target emerging markets: China, India, ASEAN, Russia, Mercosur...
2 criteria: market size & high level of protection
- Target “new areas of growth” = WTO-plus agenda
- No FTA with China before compliance with WTO commitments

**Market
Access**

**Through
Elimination
of Tariffs &
Non-Tariff
Barriers**

Services

Competitiveness

**Singapore
Issues:
Investment,
Government
Procurement**

**Sustainable
Development**

IPR

Future Opportunities and Challenges in EU-China Trade & Investment Relations 2006-2010

- Higher value-adding services, e.g. R & D, marketing, management
- Government Procurement
- Retail sector
- High-end markets /superior quality of tradable goods
- Green competitiveness: energy-efficient & renewable-energy technology, environmentally-friendly chemicals
- ICT equipment & IT design
- Financial services
- Construction sector

2006 EU Policy Papers:

“Closer partners, growing responsibilities”
+ “Competition & Partnership”

New Rhetoric between respect & fear

- “Fairness” in market competition
- Concern about stability, disparities, imbalances for the sake of **sustainability**
- “protection of HR = essential for continued economic growth”
- Common interest & responsibility in **energy** security

Key interest: protection of legal rights of EU companies

What kind of country?

What kind of economy?

- Emerging superpower
- Developing country
- Newly industrialised threshold country
- Lower middle income country
- Socialist market economy
- More state regulated & planned than open market
- Part of global capital accumulation system

Two Speed China
Simultaneity of different systems
Fragmentation of space, speed & realities

Who is the Champion?

China

- Surpass the long era of dehumiliation due to own efforts
- Full member of international community:
landmark events: WTO-accession & Olympics
- “We are the champions”
- Construction of post-communist nationalism

EU

- “Big in Europe, Big in the World” (Mandelson)
- Global Europe Trade Policy: Competitiveness first!
- Fear of being outcompeted economically
- Moral/HR superiority
- Green superiority

EU Ambition: PCA Should Level the Playing Field

- Global imbalance: resource overexploitation, energy consumption, climate change
- Trade imbalances → EU trade deficit
- Political differences
- Internal imbalances: regional, social & gender disparities
- Economy – ecology imbalance = national & global threat

Double Standards of the EU

- Blame C for unsustainable growth & overheating
- Blame C for disregard of core labour standards
- Push for legalisation of labour standards & social security
- Blame C for disregard for the environment & climate change
- Blame C for disparities
- Blame C for exploitation of resources in Africa
- EU investors & business contributed to overinvestment & overproduction
- EU business benefits from China's cheap labour & low energy costs
- EU business opposed improvement of labour laws
- Large disparities within EU 27
- EU has long history of resource exploitation & double standards in Africa

New Development Agenda

- Dramatic poverty reduction
- **Achievement of global MDG targets**
- But still developing country with large income & regional disparities, vulnerable groups, massive environmental degradation
- **Low middle income country - eligible for official development assistance by EU**
- ODA = opportunity for policy dialogue,
 - aid for trade → new policy coherence
 - focus on legal aspects, regulatory systems & administrative reform

China Strategy Paper 2007-2013

- EU-ODA peanuts compared to FDI, limited resources, limited impact
 - Indicative funding: 224 mio Euro for 7 years
- Three priorities: support for
 - 1) China's reform: 22 sectoral dialogues aim at “rules for trade framework” to make China a responsible global player
 - 2) China's efforts to address global concerns over environment, energy & climate change
 - 3) China's human resources development: higher education

Civil Society Participation

- Strengthen people-to people links
- Include civil society in sectoral dialogues & business training
- Sustainability Impact Assessment: Opportunity for stakeholders in China & the EU to provide input into the negotiations

End of the Honeymoon

Change in Communication 2007/8

EU complains about deficient compliance with WTO commitments:

- restrictions against EU investors & business,
- product piracy,
- dumping,
- product safety

and undervaluation of yuan

	EU	China
Trade deficit	EU's trade deficit with China: 170 bn €	China's trade surplus with the EU: 130,5 bn €
Invest-ment	2005: 5.9 bn € 2006: 3.7 bn €	2005: 441 mio € 2006: 2.13 bn €

“China failed to respond to a policy of co-operation and dialogue...

To some extent, the Chinese juggernaut is out of control.”

Peter Mandelson

Nov.2007

10th EU-China Summit decided to set up High Level Mechanism to solve problems

China bashing on Co-operation with Africa

EU

Priority: development assistance >< EPAs

Washington consensus:
Structural adjustment,
market liberalisation
& good governance

→ double standards

China

Priority: trade, win-win-co-operation

Beijing consensus: Pure mercantilism & non-intervention into political affairs

Proposal: dialog between EU, China & Africa

PCA advances EU trade agenda

- The more EU is economically in a defensive position – the more aggressive becomes rhetoric about fairness & sustainability
- “Rule of law” framework & rhetoric on sustainability covers up the aggressive competition agenda
- Human rights discourse – instrumental in the discourse on unruly, irresponsible and unfair competition
- EU satisfied with symbolic concession on Tibet & advances its trade & investment agenda, HLM launched on April 25th 2008

There is no alternative

„There is only one thing more frightening than China’s exponential growth. It is that growth suddenly stalling or crashing...

If we really want to shape the twenty-first century, we have to shape it with, not against China.” (Mandelson, 15.4.08)