EU Trade: The Issues at Stake with China

With the exploration of International Political Economy

Author: Peng Yang
Supervisor: Thomas Knoll
Spring 2009 /International Relation Study
Abstract

China has been the second largest trading partner of EU in goods and the forth largest in services since it joined the WTO in 2001. For its part, the European Union has been China’s largest trading partner since 2004. Despite this, there are a range of issues at stake between the EU and China who are not only involved into economical disputes, but are also at odds on political matters. In this paper the authors conduct the study based on trade hindrances instead of trade achievements with the approaches of IPE based on the assumption: the tenser of trade-ties, the deeper the political dimension involved and the more delicate the relationship between Economy and Politics projected to be. Considering the limitation of time and space, the paper focuses primarily on the trade issues regarded from three different angles: the internal issues related to trade (e.g. trade deficit, IPR infringement); the external issues related to trade (e.g. human rights); the ultimate issues related to trade (e.g. technology). Instead of putting forth feasible resolution to these issues, the main feature of this paper lies in the analysis of trade issues in combination with the approaches of International political economy. It’s interesting and far-reaching to research EU (trade) from the perspective of IPE because as Michael Smith argued “The EU’s place in the IPE is challenging not only in the empirical sense, but also in the conceptual sense, for simple reason that (on the one hand) it is not a state and that (on the other hand) it performs a number of vital state functions in the IPE” (Michael Smith 2006, p.527).

Key words: IPE, EU and China, Trade issues, Human rights, Technology
## Content

1. Introduction ........................................................................................................... 4
   1.1 Literature review and Research focus: ................................................. 4
   1.2 The departure of viewpoint: ................................................................. 5
   1.3 IPE and Theories ..................................................................................... 6
   1.4 Methods and Materials ......................................................................... 7
   1.5 Attempt and Delimitations ...................................................................... 8
   1.6 Structure of the paper .............................................................................. 8

2. Background ........................................................................................................... 9
   2.1 EU (trade) and IPE .................................................................................. 9
   2.2 EU’s Trade with China: achievement and importance ...................... 11
   2.3 EU’s trade with China: The political and economic purpose ...... 14
   2.4 EU’s trade with China: policy-making and policy-maker .......... 16

3. Analysis: IPE and ‘EU trade issue with China’ ........................................ 18
   3.1 The internal issue related to trade: trade deficit? .......................... 19
   3.2 The internal issue related to trade: Intra-EU politics ..................... 22
   3.3 The external issues related to trade : Human rights? ................. 26
   3.4 The ultimate issues related to trade: Technology and IPE .......... 30

4. Conclusions ......................................................................................................... 35

5. References ........................................................................................................... 37
The EU’s trade issues with China

Introduction

Despite the fact that foreclosures accelerated in the United States in late 2006 and triggered a global financial crisis throughout 2007 and the beginning of 2008, the EU’s and China’s presence in the world economy has expanded, and, what is more, EU and China have been escalating the level of their cooperation with respect to both economy and politics especially since 1990s. I assume that EU and China will play a more important and stronger role in the world dominated by the globalization and a clear orientation towards peace and development. Nevertheless, the relationship between EU and China is not void of challenges and conflicts. In this paper I intend to analyze the issues between EU and China that threatens continued trade relations by applying the approaches and theories of International Political Economy (IPE). The following fragment contains an introduction (divided into research focus, theory and methods) where I elaborate upon the research already done within this field in order to better see the background and the development of this relationship as well as the impediments in deepening the economical connections.

Literature review and Research focus

I have studied abundant academic documents and read various media materials about EU’s trade with China from different background such as the USA, mainland China, China Taiwan, Sweden and the other EU’s member states in which Chinese scholars or media focus on the Sino-EU’s trade achievement and propose practical schemes to promote and improve both exports and imports. While the EU scholars highlight the trade problems, especially how to protect Intellectual property rights (IPR) and maintain the EU’s comparative advantage, the media and some NGOs talk more about trade deficits and human rights than EU’s official discourse, which is mainly focused on trade; the scholars with a background from China Taiwan and the US prefer to research the EU-Chinese technological transfer instead and, in particular, trace the effects of the EU’s policy regarding the arms embargo. Even though there are a lot of different focuses from West to East, and a string of contrasts even between Mainland China and Taiwan China studies and media reports of the economic relations, I believe that the different currents converge into a more significant theoretical stream: International Political Economy. Taking these opposing views and studies in
consideration, I thought it necessary and meaningful to combine them in a constructive way so as to research the matter of the issues which hinder the deepening of the trade between EU’s and China under the guiding principles of the IPE. To be concrete, I will study the theme of trade in three of its interrelated aspects: the internal issues related to trade (e.g. trade deficit, IPR infringement), the external issues related to trade (e.g. human rights), the crucial issues and challenges related to trade (e.g. technology), which will be approached and explored through the use of IPE.

The departure of viewpoint

Instead of geopolitics and security, the ties between EU and China have been dominated by economy and trade, which, in the long run, has the effects and implications of a far-reaching strategy. Globalization has impacted on the integration of the EU and the evolution of China respectively both economically and politically and enhanced their trade and exchange relation. Because the EU and China are becoming more and more interdependent with the backdrop of globalization, which is mainly an economical phenomenon, I believe it to be conducive to use IPE for my analysis. I have chosen trade problems or disputes instead of highlighting the achievements EU and China based on the assumption that the closer and, in our case, the tenser, the trade-ties are, the deeper the political dimension involved becomes, which affects the relationship between the Economy and Politics, making it more delicate.

Structure of the paper

The paper consists of three main parts: that is, introduction, background and analysis. In the first part, the introduction, I will present my research focus, the point of departure, the main theories of IPE, the methods and material and, finally, I will outline the delimitations of my study as far as the IPE and theories which underpin the sequent analysis are concerned as well as the time-frame that I will discuss. In the second part, the background is comprised of ‘EU and IPE’ and ‘EU’s trade with China’ in an attempt to offer the audience a comprehensive context and empirical secondary data regarding the trade relation between EU and China which was dominated by cooperation and reciprocity. In the third part, the author attempts to analyse various issues using the approaches of IPE. All of these issues are related to trade e.g. trade deficit, human right, intra-EU politics and technology.
IPE and Theories

The traditional focus of International relations is on war and peace, but the probability of warfare or conflict between states, especially the great-powers, has been declining since World War II. However, there are frequent conflicts taking place inside countries especially those now labelled failed states. In this context some IR scholars have wisely divert the focus of their studies into economic development and gradually formed a new interdisciplinary approach called *International Political Economy*. In this string of researchers that have articulated the principles of this new theoretical field, one of the founders, Robert Gilpin published in 1987 his masterpiece *The Political Economy of International Relations*, in which he depicts and analyses theoretically the important elements of the post-WWII international economical systems comprised of international monetary systems, international trade, international finance and so on. Along with the introduction of globalization the discipline IPE developed rapidly and became more and more important branch of IR, and what is more, thanks to this gain in significance, the theories in IPE have been gradually developed to reach maturity.

The core of IPE is a complex interplay between politics and economics, and between states and markets\(^1\) set in the international context. Even though IPE is a burgeoning discipline, its theoretical foundation is still built upon realism and liberalism in addition to the later neo-Marxism strands. They are the most important classical theories in the very broad sense from which a set of assumptions and values are drawn and reformulated to better fit the field of IPE\(^2\). Due to the principle that says ‘no single theory can stand alone and no single theory can explain everything, it needs to be combined with insights from the others’ I believe that all of the three theories are needed in order to give a more in-depth and more elaborate answer to the problems formulated by this thesis. Bearing in mind the Sino-EU trade achievements, I will obviously put more emphasis on liberalism, which is the most hopeful about the possibility of unforced cooperation\(^3\). To this end, I draw on what I believe to be the most relevant sub-theories for directing the thesis: interdependent theory (applied to the Sino-EU trade achievement) and the theory of comparative advantage\(^4\) (applied to Sino-EU trade issues), balance of power (applied to the relationship among EU, China, the U.S. and Japan on the issue of arms embargo) and the theory of 'Two-Level

\(^1\) Robert Jackson and George Sorensen (2007 3rd ed.), ‘Introduction to international relations: Theories and approaches’,p.179
\(^2\) Ibid.p.178
\(^3\) A liberal view: in a world economy based on free trade all countries will benefit through specialization and global wealth will increase. Keynesian ideas paved the way for Chinese achievement, which was based on a market economy, but with considerable degree of state interference and direction. That Keynesian view was popular in Europe in the decades following the Second World War. ( Robert Jackson and Georg Sorensen ,2007,p.184-186)
\(^4\) Comparative advantage refers to the ability of a person or a country to produce a particular good at a lower opportunity cost than another person or country. the term is usually attributed to David Ricardo who explained it in his 1817 book *On the Principles of Political Economy and Taxation* in an example involving England and Portugal. ( Robert Gilpin ,2006,p.162)
Game”\(^5\) (applied to the divergence between the Member states of the EU’s attitudes towards China on the issues of trade, arms embargo and so on). In addition to the aforementioned constructivism also will be an analysis’s tool in order to perceive better about EU’s normative role, in which EU always makes efforts to improve intellectual property right and human right in China. Only in that way can we expect to analyse theoretically the content and draw a reasonable conclusion based on the guidance of a comprehensive and well-founded IPE.

Methods and Materials

Methods play a concrete and practical role in the case study, hence it is important to choose and apply methods, and the more appropriate the methods are, the better the result that they will lead to is. In this case, I will be employing the analysis of documents and statistical methods to some extent combined with observation and comparison of sources. As we know, statistics can set forth an explicit and readable picture of economical affairs and my main source for these data EUROSTAT from which I’ve compiled tables to refer to. In the interpretation of this raw material, made up of statistics and documents, I have employed qualitative methods as I believe that it is the combination of qualitative and quantitative methods that can solve their respective limitations. In order to guarantee the effect of persuasion and clear argumentation of the paper, I intend to cite and quote an abundant of reliable materials. Hereon, I just refer to the theoretical and main materials (the rest can be found in the Reference): *The Political Economy of International Relations* (by Robert Gilpin); *Modern International Political Economics* (by Pan Yongming), *International Relation: Theories and Approaches* (by Robert Jackson George Sorensen), *EU and IPE* (by Michael Smith), *International Political Economy: conflict and cooperation in the global system* (by Frederic S.Pearson and Simon Payaslian); *EU As a Global Actor* (by Charlotte Bretherton and John Vogler). These books provide an overview of contemporary EU and IPE and a comprehensive summary of the main theoretical approaches available to explain contemporary Sino-EU trade issues.

\(^5\) The model originally introduced in 1988 by Robert Putnam and views international negotiations between liberal democracies as consisting of simultaneous negotiations at both the intra-national level (e.g. domestic) and the international level (e.g. between governments). As for EU, it is difficult to regard it as an intrinsical or completed intra-national or international negotiation owing to its governance function; however it’s appropriate to analyze the EU’s negotiation on China trade issues with the model. (Putman, Robert, 1988, pp. 442-450)
Attempt and Delimitations

I intend to combine the reality and theory (the actual trade hindrances between EU and China and IPE, as theory): that is, through the application of IPE, I set out to analyse the issues and, in turn, attempt to improve and complete the theory with my analyses. As a ‘supra-state organization’, the EU itself is a new and challenging concept for the study of IPE, because the IPE’s normal protagonist used to be either a sovereign state, international organization or transnational corporation, but EU is none of these three variants.

Owing to limitations of space and time, I will just be focusing upon the issues of trade deficit and its relevance, the Dalai Lama’s role and the arms embargo, on the one hand as hindrances, and, on the other, on the trade politics and technological politics. Due to the long and complicated trade history between the EU and China, it is difficult to cover all of the trade issues between the two partners EU and China as well as all of the contents of IPE and therefore I will focus mostly on the 21st century, namely the period between 2001 and 2008. I chose this timeframe because since 2001 the trade has been increasing exponentially between the two and also because 2001 is the year when China joined the WTO with the support of EU as well as becoming China’s largest trading partner for the EU (in 2004), the reverse, China became the second largest trading partner with EU, besides emerging subsequently as the fastest growing export market in the world.
Background

The Background is comprised of elaboration of the links between EU and IPE and the EU’s trade with China in order to offer the reader a comprehensive context and empirical data of trade relation between EU and China which is dominated by cooperation and reciprocity. This background will underpin the subsequent analysis in terms of both theories and application.

EU (trade) and IPE

The EU’s place in the IPE is challenging not only in the empirical sense, but also in the conceptual sense, for simple reason that (on the one hand) it is not a state and that (on the other hand) it performs a number of vital state functions in the IPE.6

--Michael Smith

It can readily be seen from the quote above that the study of the EU with the perspective of the IPE raises some key issues both about the nature of the Union -its resources, roles and impacts- and about the nature of the IPE itself, especially the fluid balance between the ‘international’ and ‘global’ in the contemporary era. The EU is not a state but, to some extent; it plays a quasi-state role in the international trade and even in relation to global conflicts. However, as mentioned above, it is states that are the main actors of the most important theory of IPE. Because of the space constraints, I will just adopt a functionalist viewpoint on the EU instead of explaining how exactly the EU, a controversial and constantly evolving entity, should be considered. This theory regards the EU as a state-functional entity that performs a number of vital state functions in the IPE. Put another way, since the EU integration and evolution process transferred the member states’ functions to the supranational or intergovernmental level it makes sense to explore the trade of the EU with China by using the theories of IPE which traditionally focus on the relation between states and markets. Trade is one of the key areas of the EU’s engagement in the international political economy: the EU’s role in international trade is one of the most durable and

6 Michael Smith (2006); The European Union and international political economy. Trade, aid and monetary policy, Handbook of European Union politics,p.527
7 Ibid,p.528
well established as well it has increasingly become associated with the EU’s foreign policies.

EU is the first actor in the world trade whether with respect to goods or services. Statistics indicate that the EU accounts for 17% of goods in the world trade ahead of the US (14.5% ranked second) and China (9.5% ranked third) and, with respect to services share in the world trade, the EU’s volume take up 28.5% (ranked first) followed by that of the US (18.2% ranked second) and China (5.9% ranked fourth). Besides these trade volumes, EU as a major trade power reflects its institutional strength, its market resources, its accumulated legitimacy and its capacity to deploy specific tools of trade policy. All of these features have deep influence on its trade partners especially China because of previous Sino-EU trade friction. Despite the fact that EU’s partnership “which is also dealt with by a large literature in IPE...the largest group of studies surrounds the EU’s relationship with the USA, which is the key bilateral relationship between the EU and the IPE” the EU’s relation with China especially in recent twenty years cannot be ignored since it has undergone a rapid deepening and widening. China is the EU’s second largest trading partner in goods and fourth largest in services since it joined the WTO in 2001. As far as China is concerned in return, the EU has been its largest trading partner since 2004. Despite this growth in contact, there are still many obstacles in the trade relation between the EU and China trade which go beyond purely economical disputes and resemble much political disagreements to a higher degree. There are many such examples of political problems trickling down into economical frictions amongst which one can name the textile trade dispute in 2005, the dispute of shoes and auto components in 2006; the renewed anti-dumping investigation against parts of Chinese steel fastener in 2007.

**China and IPE**

I would like to take this occasion to develop the link between China and IPE which could improve our understanding before the following analysis and prove conducive to an elementary grasp of the developments of IPE in China. In the 1980s, Deng Xiaoping the general leader of Chinese transformation, put forwards that ‘peace and development are the main themes of the present era’ and opened the door to the other world. Since then China has gotten increasingly involved into the international political economy and begun playing a more and more important role in the world with respect to both economy and politics. The discipline of IPE, which the Chinese scholars studied and taught in the later-1980s, developed quickly: according to Pan Yongming, the first translated works, *International Political Economy* written by Bruno S.Frey (Swiss) was published by Chongqing press in October 1987. In 1994,

---

8 Ibid.p.528  
9 EUROSTAT 2007  
11 Ibid.p.531  
Renmin University initiated relevant courses for graduates and post-graduates. Following the introduction of Western works of IPE in the 1980s, Chinese scholars have set out to build up structure of IPE themselves and rushed to combine it with Chinese Marxism while putting more emphasis on the Chinese role in the IPE.

EU’s Trade with China: achievement and importance

The European Union, which is the successor body to the European Coal and Steel Community (ECSC, founded in 1951) and the European Economic Community (founded in 1957), has sought to reduce barriers to all forms of economic interchange among the member states, and thereby to promote greater overall cooperation among the members. EU created an economic fairy tale in which it is the first trade actor, a well-established regional organization, which guides and influences the world around it with regard to function and identity. China was once the largest economy in the world, feat which was maintained till the heyday of Qing dynasty (nearly two hundred years ago), however, by 1978, its share of global GDP had fallen to 0.5%. Since then, China made a so called ‘policy of flip-flop’ that is, from closed and isolated policy to open and unlocked reformation, which increased the savings of people and reduced the overall rate of poverty while enhancing the Chinese relations with the entire world. China has been gradually integrating into the world firstly with respect to economy and secondly to politics. Since 1980 China has enjoyed an annual average growth of 9% and has seen its share of world GDP expand tenfold to reach 5% of global GDP. Particularly, since it joined the WTO in 2001 China becoming the world’s third largest exporter and become a new trading power in the world it has quickly risen to the rank of European Union second largest trading partner in goods and forth largest in services. Accordingly, the European Union has been China’s largest trading partner since 2004. EU exports 51,796 million Euros worth of goods and service to China, accounting for 4.9% of EU total exports, as well as imports 158 098 million Euros worth, accounting for 13.4 of EU total imports; China ranked second amongst the EU’s major trade partners with regard to combined digits for imports and exports in 2005.

---------------------------------------------
15 Ibid.
The EU and China have a strong space for cooperation with respect to products diversity and complementarities. Products diversity consists of two dimensions, namely, horizontal type of difference and vertical quality of difference. The intra-industry trade with labour-intensive and capital-technological products is conducted on the foundation of horizontal and vertical diversity respectively. However, the complementarities of trade between the EU and China have gradually been declining as China has been consistently transforming the structure of its internal industry and innovating and increasing the technological content (on the one hand); on the other hand, the accession of the new ten Central-Eastern European member states', which have a vast network of industries similar in output and results to that of China especially with regard to low value-added products has converted that which was once imports for the EU into internal trading. Even so, strong complementarities between the EU and China still exist on the intra-enterprises based on vertical diversity: EU exports high-quality and high-tech products and imports low value-added and labour-intensive products. Recently, the products of EU trade with China mostly lie in office/telecom equipment, power/non-electrical machine and textiles and clothing, all of which accounted for 41.41 %, 17.06 and 17.26% respectively of EU trade with China in 2005 despite the fact that these products proportion has also felt a small change in volume. The EU dominates the trade in services between the two partners.
Contrary to goods trade, EU’s trade in service with China doesn’t represent a deficit but a surplus slight surplus. Taking the year 2006 for example, one can say that of the 2.7 billion euro balance, China has only a 3.8 % share of EU service trade around the world far bellow that of the US (34.8%). what’s more, EU is the first and most technology of import of China. Thus, even though the merchandise trade between EU and China has fallen slightly in the recent years, the space of trade in services and the advantage of EU’s high-tech products will construct and enhance the complementary economic and trade relation with China. According to the H-O model, which was called the standard viewpoint of liberalism of 1980s\(^\text{16}\) the importance of trade between the EU and China is justified by the EU’s need to import products from China that utilize its comparatively abundant and cheap factor(s) of production and exports products to it that utilize the EU’s scarce factor(s). As far as China goes, it will import more and more high-tech goods and services from EU. These continued and heightened economic ties will increase their dependence on each other more and more.

\[\text{Trade in services with China:}\]


EU’s trade with China (2005, 2007)

EUROSTAT 2008: Compiled by Yangzi XU and Author

EU’s trade with China: The political and economic purpose

The EU has a strong hold on China by means of trade, which we can know explicitly by means of dichotomy: political-economy, on one hand, and internal-international dimensions on the other hand. To be concrete, while the EU is in a bid to enhance the economic benefit from China on a foundation of stable political relations its internal goal is to improve China with respect to the observance of democratic principles and human rights, and internationally, to be responsible for the peace and development of the world.

The main objectives of EU policy towards China are to broaden and deepen dialogue with China, both bilaterally and on the world stage and Support China’s transition to an open society based upon the rule of law and respect for human rights, Encourage the ongoing integration of China into the world economy and trading system, and support the process of economic and social reforms, Raise the EU’s profile in China, to aid mutual understanding.

--EU commission
The EU should continue its support for China’s internal political and economical reform process in order to create a strong and stable China which fully respects fundamental rights and freedoms, protects minorities and guarantees the rule of law. The EU proposes to reinforce co-operation so as to ensure sustainable development, pursue a fair and robust trade policy and work to strengthen and add balance to bilateral relations. The EU and China should work together in support of peace and stability and increase co-ordination and improve co-operation with the European industry and civil society.\textsuperscript{17}

Democracy, human rights and the promotion of common values remain fundamental tenets of EU policy and of central importance to bilateral relations.

\textit{--EU Commission}

The twice-yearly human rights dialogue was conceived at an earlier stage in the EU-China relations.\textsuperscript{18} The EU has developed a unique approach where it values dialogue, not only human rights dialogue, but also the other twenty-three (such as those on politics, technology, development, aid, economy). Dialogue has proved to be the Union’s preferential channel to improve the relation with China: it uses persuasion rather than coercion to reach its goals, and works towards addressing the causes of the conflicts rather than shutting up conflicts. The dialogue set up in 1995, which used to take place twice a year, led to the fact China and the European Union held the 26th human rights dialogue on Friday in Beijing Nov.28 2008, despite the EU’s tendency to exhibit a marginalization of human rights policies compared to the trade policy with China. The difficulty in affecting China on issues of human rights and democracy was demonstrated after the events of Tiananmen Square in 1989. The EU’s relationship with China is very fragile and sensitive when it comes to this aspect.

The most serious recent event happened in November 2008 when the EU’s rotating president Sarkozy stated that he would meet Dalai Lama in a former-Nobelist symposium in Poland. With response to that the Chinese government procrastinated a significant annual 11th EU-China Summit. Even so, the EU did not forget its normative role in the world related to improving the developing countries’ approaching a good government which values the human right, democracy and transparency.

\textsuperscript{17}European Commission(2006b),EU Commission’s Communication on EU-China: " Closer partners, growing responsibilities ", October 2006
\textsuperscript{18} Ibid
The EU’s trade with China: policy-making and policy-maker

1. The EU’s trade policy towards China

Conventionally, IPE focuses on national-sate with respect to analysis of internal policy and its external influence. That is a challenge for applying IPE to the EU which is not obviously a national-sate, but performs this kind of function to some extent. In a functionalist sense can we analyse the policy-making and policy-makers of EU with IPE approaches, in return the analysis will improve IPE theory. And what is more, analysis of policy-making and policy-makers of EU is conducive to grasp the EU’s attitudes toward trade issues with China and how and why fewer protectionists can influence on the whole EU policy.

Since 1975 when the EU and China established a diplomatic relation, the EU has formulated a series of policy towards China. In the matter of trade, EU treats China as a developing country and non-market economy, which is embodied by two significant policy documents: the first trade agreement signed by China and the EC in 1978, which give a most-favoured nation treatment to each other and formed an EC-China economy and trade joint committee. The first long-term strategy for EU-China relations was set up in a 1995 Communication titled "A long-term policy for China-Europe relations ", followed by a 1998 Communication titled "Building a Comprehensive Partnership with China", and a Report on the implementation of that Communication published in 2000, and a 2003 policy paper on " A Maturing Partnership: shared interests and challenges in EU-China relations". The most recent and import policy was the October 2006 Commission’s Communication on EU-China:” Closer", and working paper on Competition and Partnership in which trade and investment were articulated to stand at the core of EU policy towards China, with the main purposes being to facilitate opening finances and services in China. Simultaneously the policy refers to, amongst other areas of EU-China trade, to intellectual property, market access, account regulation, governmental subsidiary, bank regime, Renminbi exchange rate, government procurement.

2. EU trade: Policy-making and policy-makers

EU’s trade policy-making is composed of two aspects: 1) constitutional System: the commission’s Proposal, the council’s decision by coordination with the government of Member State; 2) policy-making model: mostly qualified majority vote and unanimous approval for special issue. In practice, this leads to that a few protectionist countries can influence on the whole the EU’s policy or agreement towards China, especially the 2004 mega-enlargement. Put it in another way, ‘domestic’ construction will directly result in consequence of external relationship.
As we know, any policy-making consists at least of related institutions and legal procedures. In terms of the EU trade policy I will analyze the combination of the legal procedures and related institution that is, the Commission, Council of ministers, member states especially, the Article 133 Committee and Article 133 of the Treaty Rome.

Article 113 of the Treaty of Rome provides the legal framework for trade policy-making in addition to the relative amendment. In the legal framework the relevant institution’s responsibility and the procedure of policy-making were specified and better interpreted by following parts.

The Commission plays the major role in making the initiative, in drafting the mandate and in conducting the negotiations, however the final decision will lies in the hands of the Council or the government of member states as the 2003 Nice treaty states: “In addition, the agreements concerning the harmonization of cultural and audiovisual services, education services, social services and health services continue to be the subject of responsibility shared with the Member States”. In addition, the decision model Nice treaty (2003) states: “These agreements are concluded by qualified majority, except when the agreement includes provisions for which unanimity is required for the adoption of internal rules or when the agreement concerns an area on which the EU has not yet exercised its responsibilities”. Except for the Commission and Council, the Article 133 committee has been a significant body in the conduct of the union’s trade diplomacy in many ways. The Committee discusses the EU’s external trade policy including: multilateral agreements, regional free trade agreements and bilateral trade agreements. Insight into the EU policy-making institution, in which the Coreper, the Parliament and even the ECJ play a important role, specifies that Coreper acts as a referee between MS and trade and political committees, the PE assent is requested in bilateral agreements, the ECJ decides how to allocate the power among different institutions and member states.

Even though there are various institutions that influence and get involved into the EU’s trade policy towards China, member states always have a terminal mandate on special or controversial trade issues because as Peter Mandelson said in INTA Committee: “The Commission will adopt nothing that is not thoroughly discussed with Member States and we look forward to engaging closely with this Committee (INTA Committee).” Since the EU is still not a national state, but has a complicated

---

20 EU Treaty (2003), The summary of Nice Treaty, Brussels 31 January 2003
21 Ibid.
22 Charlotte Bretherton and John Vogler(2005), The European Union as a Global Actor, Published by: Routledge 15/12/2005. p 68.
23 “Coreper” is the simple term of The Permanent Representatives Committee according to the Article 207 of the Treaty establishing the European Community.
system of institutions, policy-making is a seriously cumbersome procedure. Moreover, there are functional conflicts between the Council, the Commission and member states to some various extents. Although institutional and political problems are not insurmountable, they reveal the need to establish an institutional structure that promotes a more long-term view, thus enabling negotiations to continue after the current Commission leaves. Stronger-than-usual involvement by member states will be required as well. Finally, outside the political process: establishing a strong EU-China business Council might be another way to ensure continuity.  

**Analysis: IPE and ‘EU trade issue with China’**

The fundamental case for a positive trade relationship with China remains correct. But we are at something of a crossroads.

--Peter Mandelson, Strasbourg, 10 July 2007

Even though the EU-China relation is at a crossroads, the EU and China will in the long run formulate better and more appropriate policies towards each other. There are not only strong economic complementarities between them but also they share a political consensus such issues as anti-terrorism, anti-mass destruction weapons proliferation and pursuit of a peaceful and developing world with a multi-lateralist commitment. In order to better analyze and appropriately conceptualize the trade and human rights issues without exaggeration, it’s necessary to set forth the general profile of the relationship between EU and China trade namely, the trade achievements and importance (More details can be found in the Background Chapter), before discussing trade and human right issues.

As we know, the EU and China have made great achievements within trade: China became the second trade partner of the EU. However, this is a two-way street: the trade issues between the EU and China have increased accordingly with achievement especially since 2001. The most oblivious and highlighted has been the conflict in goods such as ‘Bra war’, shoes (textile) and other anti-dumping issues. For the EU, the most serious issue is the trade deficit with China which emerged and amplified since 1997. The EU runs a deep trade deficit with China: the EU imports from China reach 231,516 Million Euro and the EU exports to China 71.757 Million Euro, resulting in a trade deficit of 159.759 Million in 2007, which is more than three times that of 2005. Besides the obvious issues, there are some covert and essential issues,


namely Chinese lack of adequate protection of intellectual property rights such as copyrights, patents and trademarks which is central to the exercise of EU’s comparative advantage in innovation design and high-value production. China is by far the largest source of counterfeit and pirated products seized at the EU’s borders. While China has made welcome progress in setting up an intellectual property regime, loopholes remain and effective implementation and enforcement of laws remain uneven or lacking.26 EU companies also confront a vague and cumbersome legal and judicial system that can’t sufficiently secure EU companies’ benefits and rights. Except for that, human rights used to and will still influence trade to some extent. In this paper, I will just focus on the Tibet issues and the arms embargo imposed since 1989 by EU against China following the Tiananmen Square events under the guidance of the United States. In order to understand these issues, I prefer to include them into a single fragment and analyse them one by one in this order: the internal issue related to trade: trade deficit; the external issue related to trade: human rights; the crucial issue related to trade: technology.

European Union, Trade with China

: Compiled by Yangzi XU

The internal issue related to trade: trade deficit?

Even though the EU has a deep trade deficit with China it doesn’t mean that this is a trade issue of the EU in general. Firstly, the EU’s trade deficit is only slightly off:
even though it has been increasing to 7% (6,379 million euro) in 2007, between 2001 and 2007, the EU27 trade deficit with the world has increased from Euro 90,723 million Euro to 186.089 million Euro, it has remained a relatively stable share of the EU’s GDP (1.6 to 1.8 percent). However, the EU-China trade deficit has increased from Euro 51.066 million euro 2001 to 159.759 million euro2007 despite that of the EU with the other countries decreasing from Euro 39.657 to 26.330 million Euros.

European Union, Trade with the World


Secondly, almost all the EU Member States having a trade deficit with the other EU Member States exhibit an intra-EU trade deficit much larger than that with China. Moreover, out of the 15 Euro-zone members, nine have a quasi-permanent trade deficit with other EU Member States since 1995, and only five a quasi-permanent trade surplus (only Italy has significantly shifted from a trade surplus to a trade deficit during the period). Among the EU27 Member States, Germany (27 bn Euro or 43% of the total) was by far the largest exporter to China in 2006, followed by France (8 bn or 13%) and Italy (6 bn or 9%). Germany (43 bn or 22%) was also the largest importer, followed by the Netherlands (31 bn or 16%) and the United Kingdom (29 bn or 15%). All Member States recorded trade deficits with China in 2006. The largest were observed in the Netherlands (-28 bn), the United Kingdom (-24 bn), Germany (-16 bn) and Italy (-12 bn). More than half of EU27’s exports to China in 2006 were machinery and vehicles and one fifth were other manufactured articles, while these two groups accounted for nearly 95% of the Chinese imports. At the detailed level,
the main EU27 exports to China were aircraft and motor cars, while the main imports were computers and parts, mobile phones and digital cameras.

### Table 1. The current account deficit of selected EU countries (2006)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DEFICIT WITH EU-27 (MIO. EUR)</th>
<th>% OF GDP</th>
<th>DEFICIT WITH CHINA (MIO. EUR)</th>
<th>% OF GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>2,302</td>
<td>17.4%</td>
<td>703</td>
<td>5.4%</td>
</tr>
<tr>
<td>Estonia</td>
<td>2,850</td>
<td>45.2%</td>
<td>120</td>
<td>1.9%</td>
</tr>
<tr>
<td>France</td>
<td>39,956</td>
<td>2.6%</td>
<td>7,788</td>
<td>0.5%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>51,151</td>
<td>4.3%</td>
<td>23,954</td>
<td>2.0%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2,517</td>
<td>25.7%</td>
<td>355</td>
<td>3.6%</td>
</tr>
<tr>
<td>Romania</td>
<td>7,617</td>
<td>21.1%</td>
<td>1,564</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Source: Eurostat.

Estonia, to take one of the extreme examples, had in 2006 a deficit in its bilateral trade within the EU representing 45 percent of its GDP; Estonia’s bilateral deficit with China represented merely 1, 9 percent of its GDP. Many European multinational firms have today dense, sophisticated production networks which facilitates a lot of input trade before the final good is assembled and shipped off to the importer.

Thirdly, the trade deficit with China is partly a permutation of the EU’s imports from other Asian countries from which the EU integrates or concentrates its trade into China as a single market because the European commission states that Asia’s share of EU imports has remained relatively stable at 20-25% over the last decade. The trade deficit with China hides to some extent the fact that its exports have partly replaced exports from other Asian countries.

Fourthly, there is a statistical dissymmetry between Eurostat and the Chinese ministry of trade: the EU always magnifies the numbers shown in the Chinese records. For instance, the trade balance between EU and China in 2005 is 70,1 billion US$ according to Chinese statistics but is up to 131.6 billion US$ in Eurostat, which is almost double than the one shown on the European register. Moreover, the difference between EU and China statistics have increased gradually from 15, 0 Billion US$ in 1992 to 62, 1 Billion in 2005.

---

28 FNS(2008),Die EU, China und die Drohungen des Protektionismus Published in FNS Magazine 3/2008  
29 Global Europe: EU-China trade and investment completion and partnership. European Commission 2006  
From above mentioned we can draw a conclusion, the EU’s trade deficit with China didn’t constitute an issue with not influence over the EU’s trade with the world as a whole. Although it’s not a real issue, it’s necessary to depict simply the reason and resolution to EU trade balance with China for which China primer Wen Jiabao gave a concise response: "According to China's statistics, China's trade surplus with the EU was 9.17 billion dollars last year, while in EU's data it was 16.21 billion." Premier Wen Jiabao said, "it is mainly caused by the distinct international division of labour and comparative advantages of the two's economy. China got a favourable balance with Europe and the US, but got an adverse balance with Japan, Korea, Australia, and the East Union. As far as the trade balance was concerned, China and the EU have set up a dialogue mechanism on expanding EU’s exports to China and redressing the trade imbalance in June 2007. Wen said that the mechanism will help the two sides discuss more active measures to promote and facilitate trade, in a bid to further improve the trade balance situation.\(^{31}\)

The internal issue related to trade: Intra-EU politics.

Along with the increasing trade deficit with China, protectionism has emerged and begun to gradually impact the trade policy of the EU, on the one hand, and, on the other, the divergences between the member states (the intra-EU dimension) when they confront the issues of trade with China. This part will consist of a discussion of internal protectionism and internal policy-making institutions.

European official attitudes towards China’s trade policy have lately become shrill and confrontational. Peter Mandelson, the EU trade commissioner, who was in Beijing in October of 2007 told reporters on Monday, in reference to China’s trade surplus, that protectionist pressures in Europe were looming, but added: "I’m not going to give in to protectionism, but what is economically unsustainable here is also politically unacceptable in Europe.\(^{32}\) Frustrated by EU’s soaring bilateral trade deficit with China, Peter Mandelson, the EU trade commissioner, warned China last autumn of this “policy time bomb” and what would happen unless China did something to stop the ballooning deficit. The time for soft talk with the “juggernaut” was over. European leaders, such as Nicolas Sarkozy, have accused China of currency manipulation and threatened China with forceful trade-defense actions.\(^{33}\)

\(^{33}\) Die EU, China und die Drohungen des Protektionismus Published in FNS Magazin 3/2008
In the discipline of IPE, protectionism is not a new term, but has experienced a long history. With respect to EU, Robert Gilpin’s argument can appropriately set forth EU’s protectionism for the twentieth century: he divides protectionism into two parts with the watershed in the 1980s, that is, old protectionism and neo-protectionism. He said: “WTO and members have abolished most instruments of ‘old protectionism’ in the wake of a series of rounds, especially the high-tariff dated from economic recession in 1930s.”34 However, new-protectionism aims at establishing some competitive enterprise with comparative advantage and using non-tariff barriers to protect local industry from external affection. To some extent, the EU was built on protectionism whether one takes into consideration the original economic aspect or the subsequent security. Bretherton and Vogler argue that “the roles suggested by understandings of the Union’s identity as exclusive can be constructed in terms of the EU as protector of its Member States and citizens from some form of external threat.” Then they bring up with three types of threat which evoke the Union’s role as protector: threats to prosperity, threats to stability and security and threats to the Union, itself, as provider of protection.35

Some member states of the EU have a long traditional protectionism especially the Southern countries, which was further strengthened by the eastern member states’ joining in 2004. EU trade protectionism contains a large range of concrete measurements, but I will just focus on the main aspects related to China namely market access problems, anti-dumping measures and patent protection.

Why did EU establish such a strong smack of protectionism? From the perspective of the EU, on which I will be focusing here, there are a lot of different reasons and answers. Internally, the basic cause lied in lack of an integrated EU policy-making institutional system and instigation of nationalism, rising unemployment in member states which resulted from the transformation of enterprises by high-tech and the efficiency of trade displacement thanks to the accession of new central-east European countries. Externally, EU trade deficit, amongst others, with China was a trigger and catalyst which enhanced internal protectionism. The media build-up and official propaganda on trade deficit with China imposed the public voice and protectionism on trade policy. According to a Pew Global Attitudes Project study published in June, the number of those with a favourable image of China declined between 2005 and 2007 by 18 percent in Spain, 16 percent in Britain, 12 percent in Germany and 11 percent in France.36

35 Charlotte Bretherton, John Vogler, The European Union as a Global Actor, Published by: Routledge
15/12/2005 . p 57.
The last but not least cause is the Europeans’ view of anti-globalization or its consequences. Many Europeans think globalization is a threat rather than an opportunity - they are being told by politicians that it is taking them for a ride as we, in Europe, obey the international rules of the game while everyone else, allegedly, mocks them. Not surprisingly, any time politics or politicians offer a brake many will be tempted to pull on it.37

In order to reduce the smack of protectionism and improve the reciprocal-trust on trade, it’s necessary to divert people’s mind from anti-globalization to objective liberalism. If we can't explain the huge benefits of economic change, then we will never convince people that it is worth confronting the costs. And if we can't acknowledge the costs of economic change, then we can't create a politics and a policy that addresses them. One that recalls that for every job lost to economic or technological change in Europe in the last decade we have created more than one new workplace. In addition, the hundreds of millions of new jobs created in the developing world haven't cost jobs in Europe and they have lifted hundreds of millions of people out of poverty in those countries.38 Secondly, the EU and China should agree that the tests showing unsafe products from the partner should be immediately extended to the competing products coming from domestic or other origins. This rule is the only way to eliminate the risk of using EU norms and standards as a protectionist device.39

Obviously, protectionism exists also outside of EU. China has maintained a number of tariff peaks in some industries of particular importance for the EU such as textiles and clothing, leather and fur footwear, ceramics, steel and vehicles. European exporters and investors are facing an increasing number of unjustifyable non-tariff barriers in the form of product certification; labelling standards, import approval requirements and customs clearance delays, all of which constitute hidden non-tariff barriers against trade liberalization. As far as government procurement was concerned, many procurement markets remain closed to European businesses. Moreover, China new policies discriminate foreign operators, in a number of industries. China has been imposing local content requirements, either through direct legislation or investment authorization, limiting EU exports and unfairly aiding local industry.40 Nevertheless we should admit that Chinese government was in a bid to open the door more broadly and commit itself to the liberal and peaceful environment of IPE, just as Premier Wen Jiabao confirmed in a speech in Singapore November of 2007 that ‘China favoured free trade and opposed protectionism’.41

38 Ibid.
40 Global Europe: EU-China trade and investment completion and partnership. European Commission, 2006
As it is mentioned above, the EU has a cumbersome and complicated process of policy-making and implementing procedure. I will just take the textile and footwear for example in order to explore how these police-makings balance each other and the result from anti-dumping instrument. The fist EU anti-dumping instrument adopted toward China in 1979 on the issue of import of Chinese saccharin sodium.

![Graph](image_url)

**Source 1: EUROSTAT: Compiled by Yangzi XU**

There are tremendous divergences between member states towards China in trade issue. For instance, taking the 2005 textile issue, France seized large domestic textile industries and insisted on strict compliance with the import quotas decided in June while Germany backed their retailers’ cry to let the textiles pass the borders and referred to the costumers’ benefit when buying cheap clothes instead.

This divergence also exist on the 2006 footwear issues: on the one hand, the importing countries represented by Sweden, Denmark, Holland which tried to object levying a prohibitive duty of anti-dumping on China, on the other hand, Italy, Portugal and Spain which actively promoted the protectionism measures, for those countries have a lot of footwear industries. After a long and tense battle and after denying three times the final anti-dumping duty recommendation proposed by Trade Committee, the representatives of member states finally made a compromise and decided to impose 16.5% anti-dumping duty on China till October, 4th 2006. What is the result of this anti-dumping policy against China? Horst Widmann, the president of the European sporting goods industry federation, gave us a simple but appropriate depiction when he said that "[a]n extension would make a mockery of the EU's anti-dumping policy and reopen a divisive debate." He cited a study by the Swedish Board of Trade which showed that up to 80 percent of the value

---

42 Horst Widmann, the president of the European sporting goods industry federation.
added in production of shoes took place in Europe, where they are designed and marketed.\textsuperscript{43}

The internal politics of individual governments and these mutual reactions are the fatal determinants of international trade and its direction. As the interdependence of international economy is enhanced, internal politics play a more and more meaningful role in the external trade relation.\textsuperscript{44} Notwithstanding, the EU is not national state, but an organization dependent on its members, so if any issues will be rejected or approved by them will weaken the EU’s function and possibly lose some significant opportunity because of the lack of a swift and appropriate policy and enforcement. Although these institutional and political problems are not insurmountable, they reveal the need to establish an institutional structure that promotes a more long-term view, thus enabling negotiations to continue intact after the current Commission leaves. Stronger-than-usual involvement by member states will be required as well. Finally, outside the political process: establishing a strong EU-China business council might be another way to ensure continuity\textsuperscript{45}.

The external issues related to trade: human rights

Human rights have long been a direct or indirect substantive topic in modern political science\textsuperscript{46} and in particular, the study of human rights represents an important nexus between economy (trade) and politics. With respect to Sino-EU, the trade always was connected with the human rights, especially the arms embargo whereby the following three reports can make us explicit conception about the relation between trade and human rights.

China and the European Union on Friday vowed to seek balanced trade and foster cooperation in development policy and climate change in high-level meetings dogged by tension over Tibet protests and the Olympics\textsuperscript{47}.

--Reuters, Chris Buckley

Chinese officials who have ditched several bilateral exchanges with Germany over the Dalai Lama talks – highlights the challenges now facing Sino-European Union relations. The ferocity of Beijing’s reaction to the Dalai Lama meeting may reflect in part a feeling that it can afford to “punish” Berlin

\textsuperscript{43} Alan Beattie (2008)EU pressed to end China shoe duty, By Alan Beattie in London Published: September 18 2008 03:00 The Financial Times http://www.ft.com/cms/s/0/0bcd2a2e-851a-11dd-b148-0000779fd18c.html?nclick_check=1
\textsuperscript{44} Robert Gilpin (2006 Chinese version), “The Political Economy of International Relations,” p. 194
\textsuperscript{45} Policy Briefs: An EU-China trade dialogue: a new policy framework to contain deteriorating trade relation, Iana Dreyer and Fredrik Erixon, No.03/2008 ISSN 1653-8994.
\textsuperscript{47} Chris Buckley (2008) China, Europe address trade in talks dogged by Tibet, By Chris Buckley BEIJING, April 25 (Reuters) http://www.reuters.com/article/ latestCrisis/idUSPEK342150
without provoking a general reaction from an EU, for which true unity in foreign policy remains a rarity.48

--Financial Times, Mure Dickie

A senior Chinese official has welcomed the UK's decision to recognize Beijing's direct rule over Tibet. BBC World Affairs editor John Simpson says Mr. Zhu diplomatically sidestepped the question whether the British decision might be linked with Mr. Brown's efforts to bring China into a new world economic order; though that is certainly what many observers think. They also think the Dalai Lama's position has been weakened by the UK's decision, our correspondent says.49

--Online News, BBC

The history of the EU's concern about the condition of Tibetan human rights can be dated back to October 1987 when the Chinese army cracked down on the Tibetan demonstration. According the statistics there were 35 items of resolution initiated by the EU parliament since 1987 till 2005, of which most focused on the persecution of Tibetans and the lack of compliance to human rights.50 The Council reaffirms the commitment of the European Union to the principles of liberty, democracy, respect for universal and indivisible human rights, fundamental freedoms and the rule of law as contained in Articles 6 and 11 of the Treaty on the European Union and in Article 177(2) of the Treaty establishing the European Community. The proclamation of the Charter on Fundamental Rights of December 10th, 2000 reflects the overriding importance of human rights for all policies and activities of the European Union.51

The briefing paper to EU proposed by Amnesty International can display some preliminary and comprehensive issues with regard to human rights in China 52 and the words of an EU official who states that "in no way whatsoever have our ambitions on human rights been reduced."53

EU’s normative role on the stage of human right has down played in important issues of China since the strong condemnation and arms embargo in 1989 to the proposition

49 China welcomes UK Tibet decision http://news.bbc.co.uk/2/hi/asia-pacific/7730774.stm
50 Ezhou Wenmao ,EU’s attention on Tibetan issues ,Mongolia Tibetan Status Quo Bimonthly ,the fifth issue of fifteenth volume .
51 EU Council (2001), General affairs, the 2362nd EU Council meeting, Luxembourg 25 June 2001.
52 The issues of China human right from the briefing paper to EU proposed by Amnesty International : 1)Serious and widespread human rights violations , Crackdown on Internet users 2) Death penalty, Torture, unfair trials and administrative detention 3) Repression in Tibet: Despite the release of several high-profile Tibetan prisoners of conscience before the end of their sentence, suppression of political dissent and restrictions on religious freedom continue throughout Tibetan areas of the PRC. 4) Repression of the ethnic Uighur community: The authorities continue to use the international “war against terrorism” to justify harsh repression in Xinjiang, north-west China, home to China’s mainly Muslim Uighur community. 5) Repression of spiritual and religious groups including Falun Gong , AMNESTY INTERNATIONAL BRIEFING PAPER: EU- CHINA AND HUMAN RIGHTS SINCE TIANANMEN- 14 April 2004 - AI Index: ASA 17/015/2004
53 Andrew Rettman (2006), EU-China Relations Stumble over Trade , 2006 10 26 http://www.businessweek.com/globalbiz/content/oct2006/gb20061026_020308.htm?chan=search
of lifting the embargo in 2004, even to Britain recognizing Tibet as part of the P.R.C in 2008 after almost a century of seeing it as an autonomous entity. In concordance with its normative role, it is not likely that the EU will withdraw their support to Tibetans striving for the observance of human rights in the prospective future, but the attitude will continue mitigating based on the requirement of self-interest from China.\(^5^4\)

After the Tiananmen Square event,

"the European Council strongly condemns the brutal repression taking place in China. It expresses its dismay at the pursuit of executions in spite of all the appeals of the international community. It solemnly requests the Chinese authorities to stop the executions and to put an end to the repressive actions against those who legitimately claim their democratic rights. The European Council requests the Chinese authorities to respect human rights and to take into account the hopes for freedom and democracy deeply felt by the population. It underlines that this is an essential element for the pursuit of the policy of reforms and openness that has been supported by the European Community and its member states."\(^5^5\)

In January 2004, the minister of both France and Germany proposed to lift the arms embargo although this was opposed by Sweden and Finland. The EU’s External Relations Commissioner Chris Patten reported “it would be a great deal easier to negotiate lifting the embargo if the Chinese government took some concrete steps to improve the human rights record.”\(^5^6\) But some scholars argue that the lifting of arms embargo was more constrained by the balance of power among China, EU, Japan and the U.S. than the observance of human right, as Shao Cheng Tang argued. Given its large bilateral trade deficit, the EU’s potential arms exports to China remain significant to the European countries, although this prospect arouses great concern from the US, Russia and Japan.\(^5^7\)

On Oct. 29 2008, the exiles’ decision followed an announcement by David Miliband, the British foreign secretary who showed that Great Britain, after almost a century of recognizing Tibet as an autonomous entity, had changed its mind. Mr. Miliband said

\(^5^4\) The Council reaffirms its determination to promote stable, democratic environments, founded on implementation of the European Programme for the Prevention of Violent Conflicts and the full enjoyment of human rights. The Council considers this objective essential for the cornerstone of its work to contribute to poverty reduction, sustainable social and economic development, peace and security. The Council underlines that issues taken up in the dialogues with third countries must be consistent with the EU’s overall policy towards the country in question, including the EU’s positions in international and regional fora. --- The European Union’s Role in Promoting Human Rights and Democratisation in Third Countries - Council conclusions , 2362nd Council meeting,2001

\(^5^5\) European Council (1989)Declaration on China: Madrid, 26-27 June 1989

\(^5^6\) Chris Patten (2004),EU External Relations Commissioner Chris Patten: reported on AFP, "China presses EU to lift arms embargo", 8 March, 2004

\(^5^7\) Shao Cheng Tang (2005), The EU’s policy towards China and the arms embargo, Chengehi University, Taiwan.AEJ 3:313-321.
that Britain had decided to recognize Tibet as part of the People’s Republic of China. He even apologized that Britain had not done so earlier.  

Despite the fact that there is no denying that China has been improving the condition of human rights, which is the most important cause of reduction of the EU’s concern, the EU-China human right dialogue remains nevertheless to some extent a toothless exercise as it did not enhance the EU’s normative role in the human rights issues since it was not backed by relevant diplomatic and political pressure, at all levels, including in the UN bodies. “If the EU does not take that element into account, the human rights dialogue faces the risk of being a toothless and vain exercise”, concluded Sidiki Kaba, from the FIDH. 

We also can find that the Chinese government is prone to regard the human rights issue as part of sovereignty especially with respect to Tibet. When he served a rotating president for the EU, Sarkozy met with the former laureate Nobel Dalai-lama in Poland on December, 6th 2008, which resulted in delaying the Sino-EU summit based on Chinas unilateral decision. The next meeting between Chinese and EU leaders is now likely to be postponed at least until the Swedish EU Presidency, scheduled for the second half of 2009.

In order to develop the argument that human rights is not issue when compared to trade by adding an the interesting example of Sarkozy’s double-dealing. Despite Nicolas Sarkozy having said several times in recent months that he intend to raise the human rights situation and the fate of China’s political prisoners when he met with Chinese officials before his three-day visit to China starting November, 25th 2007 and after Reporters Without Borders secretary-general Robert Ménard wrote urging him to intercede on behalf of China’s 83 imprisoned journalists and cyber-dissidents, Mr. Sarkozy's visit focused on economic ties with China while playing down human-rights concerns. He started that “this visit is an excellent opportunity to make France’s voice heard and to remind President Hu Jintao and Premier Wen Jiabao of the undertakings China has given.” During the less than 70 hours in China, Sarkozy procured and eye-witnessed the signing of a cooperation programme worth 20 Billion Euro which practically means the visit created 300 million Euro per hour. On the contrary, Sarkozy did not bring Rama Yade, the French official responsible for human rights issues, with the accompanied 7 high-lever officials. Aside from this absence,

Sarkozy claims that France supports the lifting of arm embargo shows a marginalization of human rights policies by comparison to the trade policy with China.

Despite the fact that the EU can’t influence the Chinese view and observance of human rights, it maintains an image of a normative actor. Although the EU is concerned less and less by human rights compared to trade ties, it still uses the leverage (human rights) to impact Chinese trade issues, e.g. EU did not give China a Market Economy Status (MES) but Russia, which entitles the EU to use anti-dumping and anti-subsidy measures as well as other non-tariff policy towards China; as for the EU lifting the arms embargo, I believe that the EU uses the rhetoric of human rights to cover up the conflict among member states and that with U.S.

The crucial issues related to trade: Technology and IPE

It is essential to promote China-EU scientific and technological cooperation on the basis of the principles of mutual benefit and reciprocity, sharing of results and protection of intellectual property rights.


A number of EU companies suffer from the vast counterfeiting and piracy activity in China that affects their markets on a large scale. Many European companies identified intellectual property rights theft as the single biggest problem for EU operations in China. Seven in ten European companies doing business in China told the European Chambers of Commerce in China Annual Business Survey in 2007 that they have been victims of IPR theft. Therefore there is no doubt that Mandelson’s claim said IPR theft is undermining EU business confidence in China holds water.62

As mentioned above, it is not difficult to discover the truth: the crucial and real issues of Sino-EU trade are in fact not trade deficit and human right but technology that is, the technologic innovation, technologic transformation, technologic creation of value, intellectual property rights’ protection and technologic competition. In fact all of the trade issues can be boiled down to the technology and that is why whenever Mandelson visits China he never forgets to remind the Chinese government and officials to protect intellectual property and condemn counterfeiting. He states that “in

some sectors, technology transfers have been made a condition for foreign companies to participate in international bids in China, which is unfair to EU’s company and even undermine their competitive force”. Mandelson is drawing up plans to restore European trade defence instruments and he faces tough decisions on whether to start anti-dumping or anti-subsidy cases against China, or action based on laws protecting intellectual property rights, but continues to believe that "Europe also needs to see tougher action on counterfeiting in China, which is a ball and chain on EU competitiveness.”

The EU officials recognize that the European products’ comparative advantage lies in high-tech instead of lower value-added product. The primary interest of European exporters is to expand the market share for their products in China while protecting their position by avoiding transfers of technology to the extent possible. The Commission warns that "many procurement markets remain closed to European businesses" and points out that "in some sectors, technology transfers have been made a condition for foreign companies to participate in international bids". China has shown an active interest in this technology and a cooperation agreement was signed with the EU in October 2003. A joint EU-China Galileo Training and Cooperation Centre has been set up in Beijing to foster Galileo awareness raising, training and industrial partnerships between Europe and China. In other articles and statements published in the US it has been argued that lifting the embargo would enable China to accelerate defence modernization by filling critical technology gaps.

Science and technology dominate the economic development and impact on the politics. Unfortunately, this is always ignored by politicians and political science. Björn von Sydow, MP and former Speaker of the Swedish Parliament, saw a need for more competition and debate between politicians on scientific issues. “You cannot deliberately organize conflict, but should not always try to avoid it.” International research indicates that there are few meetings and too little communication between politicians and scientists, politics and science, and in order to bridge this gap between Science and politics, Vetenskap & Allmänhet, VA (Public and Science), arranged for a round table seminar.

---

66 Ian Anthony (2005), Militarily relevant EU-China trade and technology transfers: Issues and problems. SIPRI.
67 Science and politics: how can web bridge the gap, interactive seminar during ESOF2008. That was the theme of a round table seminar, arranged by the Swedish association Vetenskap & Allmehet (VA) in cooperation with the UK Parliamentary Office of Science and Technology (POST) as part of the large, cross-disciplinary event Euro Science Open Forum, ESOF 2008 (www.esof2008.org) in Barcelona, Spain.
In this part, I would like to retrospect and prospect the indispensable section of IPE combined with the study of Frederic S. Pearson and Simon Payaslian. The development of technology break new ground international relation and the promotion of globalization. The globalization of international political economy would never have taken on such a form and this variety of dimensions if the first phase of technological evolution wasn’t taken place since at least the 16th or 17th century when the modern national state set up initially. Baskin and Lau undertook an investigation on the corporation’s experience of economic growth from 1957 till 1985 in five countries. The result indicates that “relative to the capital and labour force, technological innovation is the most important factor.”

Technology is a critical component of the economic field and it’s complicated with political relationship (sometimes it’s complemented, but sometimes they undermine each other). In Portugal and Spain of the late 15th and early 17th centuries, the monarchs encouraged and provided financial support to the maritime science and technology, that provides a foundation for creating a new era of exploration of hegemony between the two countries by the subjugation of the Asia, Africa and America, although certainly sometimes science has the conflict with political. Put it in another way, the conflict is between the scientist and political authority: as it is widely known, Italian astronomer Bruno was burned to death in religious court due to advocating solarism.

The government had a great interest in scientific and technological innovation and determined to improve the competitiveness of the international economics and national security capability after the industrial revolution. During 1860s-1870s, Otto Von Bismarck had made some aspects very successful to promote Prussia/Germany’s economic industrialization rapidly and to modernize the second German empire’s military capabilities. The industrial base of Germany including the infrastructure development – of which the most important is the railway network thanks to which Germany defeated France in 1870 – was at that time another guarantee of Germany’s status as a national power.

Since the industrial revolution that has gone through five major stages of technology, every time new technologies emerge, they impact the social, economic, and political tremendously. The new technologies are changing factories, families, customs and tastes and technological innovations promote the region’s economic growth and development. At the international level, the countries which can control the new

---

technologies become the major economic and military power in the world, two of which – Britain and the United States – have even become a hegemonies during certain periods.

Dicken, Global Shift.71

Technology innovation is very important to a country or a region. It’s regarded as an indicator of geographical economy and political status. Technological innovation brings in economic growth for countries or regions and is at the core of global interdependence. However, its development can’t be restrained within a country on a long-term basis because such efforts would lead to cross-continent technology drain. Through technology transfer, giving charters of overseas manufacture, the increase of free trade zones, etc, the scientific invention and manufacture technology will diffuse from its origin to other countries which will make countries lose the relative advantage once our acquired technology is processed by other countries. If the European Union exported advanced/high-tech products to China, and built up more of this kind of companies in China, the increased revenues would offset the trade deficits. Meanwhile, it will also lead to technology drain as this will be acquired by China later leading to further losses for the EU in relative advantages, market and competitiveness.

While science and technology have promoted international cooperation, they have also prompted some international conflicts. As a source of cooperation, technology offers worldwide connection in the field of transportation and telecommunication, bringing together people with different backgrounds and languages.72 Meanwhile, without doubt, some sorts of technology such as information and communication technology will potentially pose a threat to government as it is likely to lose control over information and may even endanger or deteriorate the society mentally. Moreover, the technology sometimes develops in a rather destructive direction such as the Cold War arms race which threatened the continued existence of human life. After the Cold War, international trade and investment have become more and more important in world economy and civilian technology has gradually been centred on international competition. A country’s scientific research and technology is a core problem of world politics and economy. As telecommunications begin to be broadly used, how to protect intellectual property rights and patent have also become one of the main issues in the global trade. The issue of “to what extent, should government

72 Ibid.p.395
interfere with this situation to protect technology used on national economy and military advantage” is still controversial in 21st century no less than the tense relations between mercantilism and laissez faire in the earlier age.\footnote{ibid,p.378}

With respect to Sino-EU relation, even though there are many issues or conflict resulted from infringement of patent, product of counterfeit, a science and technology cooperation agreement was signed on December, 22nd 1998. Since then China and the EU have zigzagged their way through technological cooperation, especially since the GALILEO programme agreement of was initiated in Beijing on September 18th 2003 by Mr F. Lamoureuex, Director-General of Energy and Transport at the European Commission, and Mr Shi Dinghuan, Secretary General of China's Ministry of Science and Technology. The agreement stipulated that China will help GALILEO become the major world infrastructure for the growing market for location services. By 2006 the European Union had become China's biggest source of technology imports, making up 41.5 percent of the total contracts. Japan and the US have a 24.4 percent and 16.6 percent market share and are ranked to be second and third.\footnote{People’s Daily(2006),EU is China's biggest source of imported technology, By People's Daily Online UPDATED: 17:15, November 29, 2006.http://english.peopledaily.com.cn/20061129/eng20061129_326449.html} Despite the fact that joint development and cooperation on generic technologies and major technical equipment have been stepped up and Chinese institutions are encouraged to participate in the EU Framework Program for Research and Technological Development there are still issues between the two partners and sometimes even conflicts.
Conclusion

It can readily be seen that as a result, the study of the EU in the IPE raise some key issues both about the nature of the Union-its resources, roles and impacts-and about the nature of the IPE itself, especially the fluid balance between the ‘international’ and ‘global’ in the contemporary era.75 (It can’t allege simply the ties between EU and China belongs to international or global relation). In the case of Sino-EU, IPE is still and will be the theme of international relation, furthermore economics dominate the politics and determined by technology. Even though it exists, various issues ranged from trade deficit to Tibetan human rights to the Arms embargo, the trade theme is still composed by cooperation and reciprocity between EU and China.

Through the analysis of internal-external issues related to trade, I have shown that none of the others (in this paper it refers to trade deficit, human rights issues) were the most crucial and definitive issues for the Sino-EU relation, but technology. Which determines how fast the economy can develop; how much comparative advantage it has; which form of in/export it conducts. The deficits are just superficial figures instead of the crucial trade issues between EU and China. Firstly, EU have a slight curve of balance with the world even it is rebound 7% (6,379 million euro) in 2007, Between 2001 and 2007, the EU27 trade deficit with the world has increased from Euro 90,723 million Euro to 186.089 million Euro, but it has remained a relatively stable share of the EU GDP (1.6 to 1.8 percent). Secondly, the trade deficit with China partly permute the EU import from the other Asian countries, that is, from which EU integrate or converge its trade into China the single market.

The history of EU’s concern about Tibetan human right conditions can be dated back to October 1987 when the Chinese army cracked down on Tibetan demonstrations. According to statistics, there were 35 resolutions initialled by EU parliament since 1987 till 2005, most resolutions focused on the persecution to Tibetan human right.76 However the EU’s normative role has been less and less important on the stage of human right issues in China, from strong condemnation and arm embargos in 1989, to the proposition of lifting the embargo in 2004, to Britain changing their minds and recognizing Tibet as part of the P.R.C in 2008. Furthermore the analysis indicates that even though there is a strong trade-human rights relation, human right is not issue when it confronts trade.

As above mentioned, it is not difficult to discover the truth: the crucial and real issues of Sino-EU trade is not trade deficit and human right but technology, that is, the

---

75 Michael Smith (2006): The European Union and international political economy. Trade, aid and monetary policy, Handbook of European Union politics, p.528

76 Ezhou Wennao, EU’s attention on Tibetan issues, Mongolia Tibetan Status Quo Bimonthly, the fifth issue of fifteenth volume.
technologic innovation, technologic transformation, technologic creation of value, intellectual property right’s protection and technologic competition. In fact all trade issues can boil down to technology, that is why whenever Mandelson visits China he never forgets remind the Chinese government and officials to protect intellectual property and condemn Chinese counterfeit. The EU officially recognizes that European product’s comparative advantage lies in high-tech instead of lower value-added produce. Hence the technology, to be concrete, the technologic transfer becomes the core issues between China and EU’s trade.

I believe that it is worth restudying the technologic role in IPE which seems to be always forgotten or ignored by politician and politics. Technology especially the high-tech determine the EU’s comparative advantage vis-à-vis China in the international market, and determine if the EU can balance the deficit with China trade or not. Apart from these main respects, there is a lot of international financial issues related to EU-China trade, particularly the exchange rate of Renminbi. A number of scholars alleged that China’s currency is misaligned with Euro, or worse, manipulated so as to boost export.

By analyzing the comparative advantage and complementarities between China and EU, we make out that comparative advantage has transferred from inter-industry to intra-industry; complementarities have been declining, to some extent, owing to that there are not only ‘Three Chinas’ but ‘Three EUs’77 at the wake of a cluster of high-tech industry merges in China and Central-East European countries access to the EU. Along with insight into the policy-makers and policy making among the EU’s member states, we can perceive that there are tremendous divergences between member states towards China trade issues. EU is not a state and cannot directly deal with the trade issues through normal governmental agency even though EU’s commission and Council play an import role, and what’s more, the EU’s role (especially in the international trade) is a challenge to IPE, as we know the main actors/units of analysis in the theories are the states (realism), individuals (liberalism), classes (Marxism), neither of which can be equivalent to any of the features of the EU.

Although I have elaborated on the causes and consequence of the various issues with the approaches of IPE, the obvious deficiency is that I have not made any suggestions on how to improve these issues. As a physician I have set a diagnosis and discovered the pathogenesis, but unfortunately I have been unable to prescribe a treatment due to the lake of space and time. Further studies into this area might complement this deficiency.

77 Three Chinas: East, Inland, West; Three EUs: West and Nordic, South, Central-East. Between Three Chinas and Three EUs the three counter parts exist a close similarity respectively in term of structure of economy.
References

Anthony, Ian (2005), militarily relevant EU–China trade and technology transfers: Issues and problems, SIPRI.


37

EUROSTAT 2001-2008


European Commission (2006c), Global Europe: EU-China trade and investment completion and partnership.

European Council (1989), Declaration on China: Madrid, 26-27 June 1989
EU Council (2001), General affairs, the 2362nd EU Council meeting, Luxembourg 25 June 2001.

EUROSTAT (Comext, Statistical regime 4) DG TRADE 15-sept-06


EU Treaty (2003), the summary of Nice Treaty, Brussels 31 January 2003


FNS (2008), Die EU, China und die Drohungen des Protektionismus Published in FNS Magazine 3/2008


(Viewed on 24 Dec.2008)

Messerlin, Patrick and Wang, Jinghui (2008), The EU Trade Policy towards China, Groupe d’Economie Mondiale at Sciences Po (GEM), February 20, 2008.

Patten, Chris (2004), EU External Relations Commissioner Chris Patten: reported on AFP, "China presses EU to lift arms embargo", 8 March, 2004


People’s Daily (2006), EU is China's biggest source of imported technology, By People's Daily Online UPDATED: 17:15, November 29, 2006
(Viewed on 15 Nov.2008)

Peter Mandelson (2006), China piracy a "ball and chain" for EU: Tue Nov 7, 2006

(Viewed on 4 Dec.2008)

Peter Mandelson, (2007b) Speech by Peter Mandelson at SER Symposium on Globalization organized by Ministry of Economic Affairs Den Haag, The Netherlands, 3 September 2007
(Viewed on 4 Dec.2008)
Peter Mandelson (2007c) China provides an opportunity, By Peter Mandelson, in the China Daily 27 November 2007


Shao Cheng Tang (2005), The EU’s policy towards China and the arms embargo, Chengchi University, Taiwan. AEJ 3:313-321.


WTO (2008), EU (27) rank in the world 2007, WTO statistics database October 2008