

WT32 – The position of China and Europe in the global system of production and trade

Session 1

The Chinese vision

- EU is now the first trade partner of China.
- Europe enjoys a positive image among the majority of Chinese people.
- China considers itself already a market economy country, despite of the reluctance of EU to recognise the market economy status of China. China considers it important to separate trade issues from political issues.
- Some local economies such as Guangdong are models of globalisation.
- China's export-oriented economy is composed primarily of processing trade, which is on the lower end of production value chain.
- Internal consumer products market is dominated by enterprises invested by foreign (including European) multinationals, and threatened by monopoly of foreign brands.
- Chinese enterprises lack international sales network.
- Chinese products are victims of unfair international trade system, especially protectionism.
- Chinese products also face “social barrier” in European countries.
- Chinese enterprises, especially small and medium enterprises, are weak in internationalisation; most SMEs do not have any channel to “go out of China”.
- China is impeded by barriers in its attempt to invest in Europe.
- Disputes and differences are understandable, but we should focus on mutual understanding, and seek for a common value beyond cultural and ideological conflicts.

The European questions addressed to Chinese

- How will society be involved in economic policy making? Is the Chinese government willing to accept involvement from the business community?
- Can China ensure full implementation of WTO commitments?
- Chinese investments abroad made by State owned enterprises are often supported by government policies instead of market forces: can this be considered fair?
- When will China be able to float its currency?
- How is the Chinese government going to balance the need to resolve social problems such as internal migration, poverty, health and continue to prioritise economic growth?
- How can China sustain the fast-growing economy without a sound financial system?
- How can China deal with social inequalities as a result of an increasing income gap?
- How to resolve the problem of the lack of skilled labourers?
- Is the claim for new political representations a real issue for Chinese “middle class”?
- How will China address the problem of a rapidly growing trade deficit with the EU?
- How will China make concrete improvements in respect of intellectual property protection?
- How will China be able to open its market to European commodities and services, in return for a fully open European market?
- Is Chinese government ready to shift investments and savings, and invest more funds to set up a sound social security system?
- Is China ready to accept the economic costs connected with environmental protection?

WT32 – The position of China and Europe in the global system of production and trade Session 2

The European vision

- EU export volume has grown at a lower rate if compared with the import flow from China.
- EU has proved an institutional weakness in its trade policies and strategies towards China; regionalism still affects European approach to Chinese market.
- EU sourcing in China lacks of strategic analysis. A more effective harmonization between local and international supply strategies is necessary.
- The EU business community lacks knowledge about Chinese negotiation and intermediation culture.
- Usually the measurement of external trade includes imported inputs and does not allow to isolate vertical trade processes. A new method for measuring external trade based on value added flows has been built by a group of researchers of the Observatoire Français des Conjonctures Économiques (OFCE) in Paris. Taking its effects into consideration could change our vision of the unbalance of China's trade surplus, both in terms of sectoral and geographical aspects.
- Increasing credibility of Chinese brands in Europe is a new challenge.
- Europe could play a role to promote China's achievements of brands recognition and to remove actual and cultural barriers; EU could operate in increasing European consumers' awareness towards Chinese brands.
- China "Go global" initiatives could be supported by EU.

- European experience in the process of switching to new productions could be inspiring for China; its costs should be taken into account to guarantee the success of the “harmonious society” model.
- European companies should start looking at China not only as a resource for cheap labour market, but as a potential co-operator.
- The opening of the EU market should correspond to an opening in Chinese market as well, and not only for the sake of a symmetry; at the same time EU market should increase competitiveness
- EU should start promoting a deep knowledge of Chinese community in Europe, in order to perceive immigration as an opportunity to promote integration as a two-way process.
- Europe has long-term experience in the services sector, and can enter China’s services market; this also implies accepting the Chinese sharing of the opportunities offered by the tertiary market in Europe.
- Logistic platforms for distributing Chinese commodities within European countries could be an opportunity of investment for both Europe and China.
- Chinese market power is going to influence products standards.

The Chinese questions addressed to Europeans

- How to deal with the problem that some European companies also abuse laws on intellectual property, namely maliciously registering Chinese enterprises’ trademarks?
- How will EU improve efficiency in decision-making process? How to harmonize divergences among decision-making processes in

- different EU states?
- Will EU be a reliable supporter for globalization, or will EU keep on its protectionist policies?
- How could the EU maintain its competitiveness? Will EU be capable of facing a reform process in order to cope with population aging problem and welfare system costs?
- Chinese people in general prefers to deal with single member State instead of EU as a comprehensive institution: is it usually taken into account by EU decision makers?
- How to go beyond trade, in order to deepen and expand bilateral cooperation into a more comprehensive level including investments and financial issues?
- European SMEs are facing increasing difficulties entering into Chinese market: which instruments is EU implementing to support them?

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Session 3

Similarities

- European and Chinese consumers share the same concerns regarding food and products safety standard along the production chain.
- Common concern about labour standard and safety issues.
- Equal treatment for foreign and domestic companies in Europe and in China
- Common concern on market domination of the distribution networks.
- Common concern to conceive a business sector framework to facilitate and monitor business and trade.
- Common interest to promote mutual business opportunities for small as well as medium enterprises.
- Common concern to encourage and support the entry of Chinese brands into EU and the entry of European brands in China.

Differences

- Strong consumer rights tradition in Europe (organisations in individual countries, common EU standards etc); nascent consumers organisations in China.
- Lack of awareness among Chinese consumers of their rights.
- Labour unions have a long tradition in Europe; their role is still to be defined in China, also as regards CSR as an alternative/complementary way to defend workers-consumers' interests. The Chinese society recognises the importance of CSR, but is still exploring ways of implementation.



- Role of industrial or commercial associations in China is still minor.
- Different bargaining power in international production and purchasing chain.
- Different attitude towards the opening up of Chinese service market: EU urged China to a rapid open up while China needs a more gradual process.

WT32 – Place de la Chine et de l'Europe dans le système mondial de production et d'échange

Session 4

How to enhance the dialogue between China and Europe ?

- With the expansion of Chinese companies abroad, there should be a dialogue on corporate social responsibilities with regard to consumers and share holders' interest.
- There should be a dialogue between China and Europe to extend cooperation in other global regions (for instance in Africa), with a coordinating role played on the European side.
- To encourage joint research projects involving both European and Chinese scholars (use of already existing funds but new resources should also be made available).
- In view of the ongoing negotiation for a new PCA, EU and China should establish a coordinated monitoring system of the supply chains connecting EU and China, in order to enhance product safety and quality standards, as well as to develop and check the logistic platforms that support the product flow.
- More cooperation and partnership in promoting “green development”, and to set up effective instruments to expand technology transfer, especially in the environment protection field.
- To establish a new EU-China forum based on sectoral dialogue and to be held back-to-back the EU and China annual summit.
- To Promote coordination among European research institutes on Chinese economy.
- To encourage dialogue between EU and Chinese business associations to deal with common challenges in Europe and China.
- To foster wider and more constructive cooperation between EU and China in Africa, on topics such as education and environment protection.
- To agree on common accounting and statistical standards in order to enable dialogue on the basis of comparable figures.
- To work together in improving the support offered by European and Chinese governmental agencies to the business communities when entering each other's markets, for example by improving the regulations and the procedures that govern property rights and commercial law.
- EU should encourage the business community to consider investing in different regions of China.