

## **Overview of research on Sino-European economic and trade relations**

### **Summary:**

More than 30 years have passed since the establishment of Sino-European diplomatic relations in 1975, years that have seen various trials and challenges in these relations, which are now progressively pursuing a path of mature and stable development. The development and consolidation of Sino-European relations is determined by both partners' interests. Not only does it have a solid foundation, but, as it matures, it also has great future prospects – especially in economic and trade relations between China and Europe, and the regular expansion of areas of cooperation. Research on this topic has been enriched with practical experience, leading to a great amount of theoretic writing as well. In this paper, we have elaborated a synthesis of central themes in research. These deal with the current state and future development prospects of Sino-European economic and trade relations, development strategies in the face of globalisation, and the constraints and policies in the development of these relations. Lastly, we suggest some subjects requiring further research.

### **I. Introduction**

The term “Sino-European relations” used in this paper refers to relations between China and the European Union (EU). With the rapid development of the world economy, the bases for political relations between the two partners are continuously being consolidated. In particular, economic and trade cooperation is developing very quickly, with productive results. Two-way trade between China and the EU rose from US \$2.5 bn in 1975, the year that diplomatic relations were established, to US \$177.2 bn last year. The EU has become China's largest trading partner, and China has become the EU's second largest trading partner. As two important and rapidly rising political and economic forces on the international scene, China and the EU continue to reinforce and deepen their friendly and mutually beneficial cooperation, thus exercising considerable influence on the development of international affairs.

During his end-1998 visit to China, then-European Commission President Jacques Santer indicated that the way Europe and China shouldered increasing responsibilities in international affairs would profoundly change their mutual viewpoints and that this change would necessitate further dialogue, thus contributing to a new global equilibrium. This statement clearly highlighted

the important role and status of Sino-European relations in the world

In 2003 researchers categorised the 30-year period of developing Sino-European cooperation into three periods. The first, 1975-1989, was one of sustained political and economic development. China was the first developing country to officially recognize the then European Economic Community (EEC) as a political entity. China strongly supported the European Union and its enlargement, appreciating the importance that the EEC would attach to developing relations with the Third World, and also seeing it as an important force against the threat of hegemony. The EEC and China adopted a similar position against hegemony, and trade and economic exchanges developed rapidly between the two partners after China's reform and opening up to the outside world.

The second period, 1989-1992, is characterized by a short-lived reversal. China and Europe have always had differences in the areas of ideology, fundamental values, and human rights. After the events of 1989, the European Summit announced a series of sanctions against China on June 27. The two partners already had serious differences regarding human rights, and EEC member states broke off political cooperation and economic exchanges with China. Sino-European relations underwent a serious reverse, and political exchanges and economic cooperation suffered a setback.

The third period, 1992-2003, saw greater dialogue and cooperation. After the end of the Cold War, the international community entered a new era of development. During this period new opportunities also arose for developing Sino-European relations. These started to improve in 1992, with increasingly frequent political dialogue and reciprocal visits from high-ranking officials, as well as rapid development of economic and trade exchanges (Guo Xiaoqin, 2003). Following the January 2004 visit of President Hu Jintao to France and the May 2004 visit of Prime Minister Wen Jiabao to the EU and five European countries (Germany, Belgium, Italy, United Kingdom, and Ireland), Sino-European relations entered a new historic phase with the Strategic Global Partnership between China and the European Union. China and the EU's interactions and common vision for a multi-polar world will inevitably promote worldwide peace, stability, and development.

At the same time, faced with the global challenge, China and Europe mutually attached growing importance to one another. The EU successively adopted five policy documents concerning China, and China, for its part, published a Policy Paper concerning the EU. Each country thus recognized the increasingly important role played by the other in regional and international affairs, emphasising the crucial function of by Sino-European diplomatic relations . The reason why relations between China and Europe developed in such a stable manner lies in the fact that the two partners managed to view their relations from a long-term strategic standpoint, transcending political systems and

ideology, and developing their friendly cooperation based on mutual respect and reciprocal benefits.

## **II. Review of research**

There is great potential for economic cooperation between China and the EU, which China should explore without delay in order to promote its economic development. The EU is the regional organisation uniting the largest number of developed countries and also the most powerful economic group in the world, boasting abundant financial resources and advanced technologies, whereas China is the largest developing country, boasting very rich human potential and immense markets. The two partners therefore present a good fit from a technological and trade standpoint. Cooperation will give new impetus to the economic development of both partners. (Zhang Xizhen, 2000).

Having consulted a great deal of research from the 1990s, especially post-1995, we have observed that this largely focuses on the following aspects:

### **The current state and future prospects of Sino-European economic and trade relations**

Existing research contains almost no revisiting of the establishment and development of Sino-European economic and trade relations. As an important part of ties between the two partners, these mutually beneficial relations have brought real economic benefits to their peoples, while establishing a solid basis and powerful driving force for development of relations between China and Europe. Thirty years of history have seen China and the EU move from isolation to interdependence, from mutual ignorance to mutual knowledge, thus revealing an important fact: that the two partners must be forward-thinking and shun outside interference (Ruan Zongze, 2006). Additional research focusing on improving Sino-European economic and trade relations posits that these relations must imperatively be improved overall (Li Huiying and Li Gang, 2003), that these relations, which increasingly mature, broaden, and benefit from enthusiastic political support, have entered a “good historical period” (Wang Lei, 2005), that areas of cooperation broaden continuously, and that the scope of the partnership continues to increase (Zhao Jun and Ma Keqing, 2004).

Many researchers focus on future trends of economic and trade relations between China and Europe. Based on quantitative analyses of two-way trade forecasts, some believe that these exchanges will develop at a rapid pace, and that, if the current trend continues, the EU will consolidate its position as China’s most important trading partner (Li Gang and Cui Yanxin, 2004).

After many years of development, Sino-European relations reveal certain characteristics. First, the two partners have developed exchanges and cooperation at all levels in political scientific, technical, and cultural areas, thus creating a virtuous circle of exchange. Moreover, high-level political dialogue during the past few years have also provided strong support for the development of economic and trade relations. Finally, the on-going establishment of laws and guidelines constitutes a legal guarantee for the healthy development of these relations (Zhou Wengui, 2006).

## **(II) Sino-European trade development strategy in the context of globalisation**

The world economy has managed to maintain a strong surge of growth since entering a phase of rapid growth in 2003. In 2006 the world economy experienced rapid growth, but it was also a source of concern. Almost all economic entities experienced a similar pace of growth. Emerging market economies, which have benefited from several years of rapid growth, have progressively become a new driving force in the world economy, and it is becoming increasingly evident that the focus of world growth is moving to Asia. The world economy is in a period of transformation characterized by large-scale development, readjustment, opportunity, integration, and competition. However this is accompanied by greater interdependence, more trade, and ever-growing economic and trade relations, in addition to increasingly frequent conflicts of interest. This is, therefore, a time rife with contradictions and conflicts of interest of all kinds (Yang Yuanhua, 2006). Some believe that the development of the world economy is now in a phase of reorganisation and increased risk (Bao Hong, 2007).

Based on the state of development of the world economy, researchers have advanced the following opinions concerning development strategies for Sino-European trade:

1. In the course of economic development, greater attention must be paid to integration and harmonisation of different components within the economy itself, as well as between the economy on one hand and politics, culture, society, and humanism on the other hand, in addition to the economy and the ecology, natural resources and environmental protection (Yang Yuanhua 2006).
2. Coordinating trade policies within the international community is indispensable to reduce and eliminate the above-mentioned risks. It is also a task of vital economic importance to the world today (Li Xiangyang, 2006).
3. China must strive to reach four kinds of equilibrium in its relations with the EU:

between national and international trade, between its EU relations and its relations with other regions, between political and economic relations, and between its relations with the EU and with individual EU member States. The current central task of researchers is to bolster studies on Europe and on Sino-European economic and trade relations, and to define a long-term Chinese policy regulating trade relations with Europe (Yang Weiguo, 2002).

4. China must reinforce government intervention in legislating export activities in order to avoid anti-dumping measures being applied against China. China and the EU both represent important forces in peacekeeping and promoting development in the modern world. Overall development of mutually beneficial, stable, long-term cooperation between the EU and its member states is an important part of China's foreign policy. Both partners present a good fit in terms of technology and resources; the potential for cooperation and prospects for development are immense (Wang Yunxiang and Guo Youqun, 2001).
5. We must create a true partnership. Given that, overall, the international system is currently in a crucial phase of development, the political priorities of the two partners should be re-thought. China and the EU must attach the same degree of importance to world order and economic interests (Chen Yugang, 2003).
6. Regarding the various conflicts in trade, it is of course in China's best interests to react, but it is equally important to use the influence of EU lobbies. That said, in the long term, China will have to transform its position from a passive one to an active one (Li Gang, 2006).

### **(III) Research on existing problems and constraints surrounding the development of Sino-European trade**

Friction occurring in the development of Sino-European relations is ultimately tied to the unequal social development of the two partners. These include discrepancies in the degrees of economic and political development, as well as the different histories. Since the pre-modern and modern eras, European civilisation, which experienced the Renaissance and the Enlightenment, has been in a position of strength and has sought to spread European values throughout the world, especially the concept of world government issuing from its experience and based on mutual political trust sustained by economic cooperation. During the same period, China was always in a weak position, especially since the Opium Wars. This intrinsic asymmetry is the fundamental cause of contrasts and differences between the two partners (Cao Yong, 2007).

Frictions and differences of opinion continue to emerge in Sino-European relations, due to negative political factors which not only exist at an ideological level, but which also seek to impose Western values in order to maintain a position of strength in relation to non-Western civilisations (Wang Yunxiang and Guo Youqun, 2001).

The trade problems currently facing China fall into three main categories: trade barriers, intellectual property, and anti-dumping measures (Jiang Hua and Peng Lei, 2006). Looking back on the history of the development of Sino-European relations, it is obvious that certain discriminatory measures taken by the EU have in fact had an impact on the development of economic and trade relations with China, and at the same time have made the markets in Sino-European trade more complex and diverse (Zhang Jinmei, 2006). Currently, the anti-dumping movement remains an unavoidable subject for China. However, some would have it that Chinese businesses should adhere to WTO rules and laws and master the functioning of international law, to be able to improve their international market position and continue to increase their competitiveness on the international scene (Qiu Limin, 2006).

To summarize, Sino-European economic and trade relations have developed in a positive and friendly way. But after more than thirty years, there are still obstacles and problems that to some extent hinder the normal development of economic and trade relations between China and Europe. These problems revolve mainly around the EU's discriminatory trade measures concerning Chinese products: anti-dumping, quotas, and the Generalised System of Preferences. Ultimately, the reason for these problems is that the EU considers China to be a country without a market economy, and "practicing State commerce". For China, it is high time to find rational solutions to these problems (Liu Jinyuan, 2004).

### **Subjects requiring further research:**

Studies on the status and role of the development of Sino-European economic and trade relations in the world economy.

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