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KOÇ UNIVERSITY-TÜSİAD ECONOMIC RESEARCH FORUM
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**CHINA-EU TRADE RELATIONS: IS CHINA AN
ECONOMIC PARTNER, COMPETITOR OR RIVAL?**

Bahri Yılmaz

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China-EU Trade Relations: Is China an Economic Partner, Competitor or Rival?

Abstract

China's expansionary economic policy toward Western countries was not predicted only in Washington but also in the EU. As expected, the EU became aware of the fact that China is a tough competitor, redesigning not only the world economy but also challenging Europe under the 17+1 and the Belt and Road Initiative.

In this paper, first attempt will be made to examine the EU's trade relations with China. Then, it will be discussed the main economic issues and disputes between the EU and China. We will ask the following questions:

Why is China important for the EU, and why is the EU important for China? What about the EU Strategy on China? What are the trade priorities for the EU and China? How can the EU counter unfair competition from China? What are the EU's and China's plans to connect with each other across the continent? Is China welcome in Europe? What are the advantages of the Member States in the EU working together vis-à-vis China?

“In the absence of a European strategy, China has managed to get a foot in the door in a variety of European capitals.” — Marietje Schaake, Dutch MEP¹

1. Introduction

It is an incontrovertible fact that China is the rising economic power of the 21st. century and emerging global player. According to the World Bank, “...China is deeply integrated into the world economy, as its imports account for one tenth of global imports, its output makes up one tenth of the global total and its investment accounts for one fifth of world investment. China is an integral part of the global value chain, and much of its exports are foreign-produced components delivered for final assembly in the country...”²

In 2018, China introduced a new reform strategy guided by Xi Jinping’s “Through on Socialism with Chinese Characteristics for a New Era” based on public ownership.³ With the help of the “Made in China 2025” strategy, Beijing aims to transform its economy and modernize its manufacturing industry. Furthermore, the Chinese government plans to substitute imported goods for domestic products in the Chinese market (import-substitution policy).

Additionally, Xi has demonstrated that the Belt on Road Initiative is “a regional integration project aiming at deepening international connectivity” and improving trade and investment opportunities along the “ancient silk road ‘connecting Europe, Asia and Africa on land and sea.’”⁴

China’s expansionary economic policy toward Western countries was not predicted only in Washington but also in the EU. As expected, the EU became aware of the fact that China is a tough competitor, redesigning not only the world economy but also challenging Europe under the 17+1 and the Belt and Road Initiative.⁵

¹ Jorge Valero, Euroactiv <https://www.euractiv.com/section/economy-jobs/news/member-states-support-tougher-stance-toward-china-despite-warnings/>

² A new era in EU-China relations: more wide-ranging strategic Corporation?”, Policy Department for External Relations Author: Anna SAARELA, Directorate General for External Policies of the Union, p.36 [http://www.europarl.europa.eu/Reg-Data/etudes/STUD/2018/570493/EXPO_STU\(2018\)570493_EN.pdf](http://www.europarl.europa.eu/Reg-Data/etudes/STUD/2018/570493/EXPO_STU(2018)570493_EN.pdf) p.and World Bank, Global Economy 2017, <https://www.worldbank.org/en/news/opinion/2017/02/15/global-economy-in-2017-hope-and-uncertainty>.

³ The China Communist Party’s economic agenda for 2018 aims to deepen supply-side reform; invigorate market participants; reduce poverty; address climate change; promote balanced trade, including the implementation of a pre-established national treatment system nationwide; and develop a grand-scale vision for global connectivity, including the Belt and Road Initiative. See Anna SAARELA, *ibid*, Directorate General for External Policies of the Union, p.5 and 27. f

⁴ See Anna Saarela, “A new era in EU-Chine- relations,” *ibid*, p.10and As OECD Economic Survey China, Paris April 2019, p. 111

⁵ The Economist, October 6th 2018, pp.11 and 17-19.

As a reaction to China's economic offensive, on March 18, 2019, EU High Representative for Foreign Affairs and Security Federica Mogherini expressed her "full support" for the EU's new stance toward China, described as a "systemic rival," as the bloc seeks to rebalance its economic and trade relationship with Beijing.

The EU started to follow hardline policies against China, and member states supported a tougher stance toward it.⁶

This new hardline policy against China in Brussels started with the publication of the Federation of German Industries' (BDI), Germany's main business lobby, report describing Beijing as a "systemic competitor".⁷ Paris and Berlin then decided to build a more defensive European industrial strategy, protecting European high-tech industries from telecoms to heavy engineering.

Finally, the Franco-German initiative, again with the help of BDI, started to apply pressure on Brussels to reshape and restructure relations with China. As a result, on April 9, 2019, the EU and China agreed on a joint statement setting out the direction for EU-China relations in the coming years. Herewith, Brussels aims to improve economic relations with China on the basis of "shared understanding of reciprocal and mutual benefits."⁸

In this paper, we will firstly examine the EU's trade relations with China. Then, it will be attempted to discuss the main economic issues and disputes between the EU and China.

2. TRADE RELATIONS BETWEEN THE EU AND CHINA

Relations between the European Union and China kicked off in 1975. China and Europe are long-time trading partners, based on the strategic partnership formed in 2003. The European Union and China are two of the biggest trading economies in the world. China is now the EU's second-largest trading partner behind the United States, and the EU is China's largest trading partner.

2.1. Overview: The Key Trade Facts between China and the European Union⁹

In order to see the current level of economic development between China and the EU-28, we will begin by comparing certain economic sectors (in percent of GDP) between the two partners.

Figure 1 clearly shows that China's service sector accounted for 51.6 percent (EU 73.5 percent) of GDP in 2017. The value-added of agriculture (primary industry) and that of

⁶ J. Jorge Valero, Euroactiv, *ibid*

⁷ BDI Policy Paper/China: Partner and Systemic Competitor: How Do We deal with China's State-Controlled Economy, Berlin, January 2019.p.1.

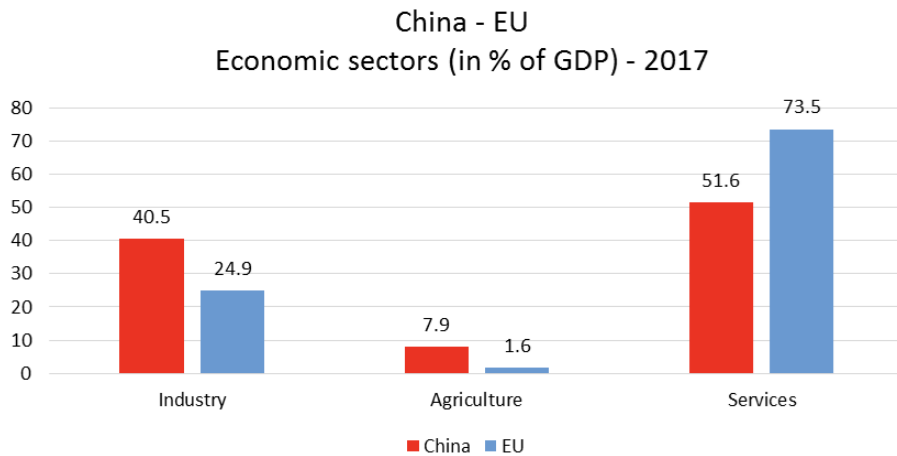
⁸ A.Sareella, *ibid*, p.12.

⁹ Main source of the trade data is: China-EU - international trade in goods statistics, Eurostat https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU__

industry accounted for 7.9 percent (€1.6 percent) and 40.5 percent (€24.9 percent) of GDP in 2017, respectively.

It is obvious that The EU's economy is based largely on the service sector and China on industry, whereas the share of the agricultural sector in GDP in China is still higher than in the EU. This indicates that China is a fast-growing new emerging market economy in comparison to the EU, but on the way to becoming one of the most advanced economies in the world in the coming decades.

Figure 1



Source: *Statistical Communiqué*, 28.2.2018; Eurostat/Statistical Communiqué of the People's Republic of China on the 2017 National Economic and Social Development. See http://www.stats.gov.cn/english/pressrelease/201802/t20180228_1585666.html

2.2. EU and China in World Trade in Goods

In this part we will focus trade relations in goods and services between China and the EU.

Figure 2: The position of China among the world's largest traders of goods

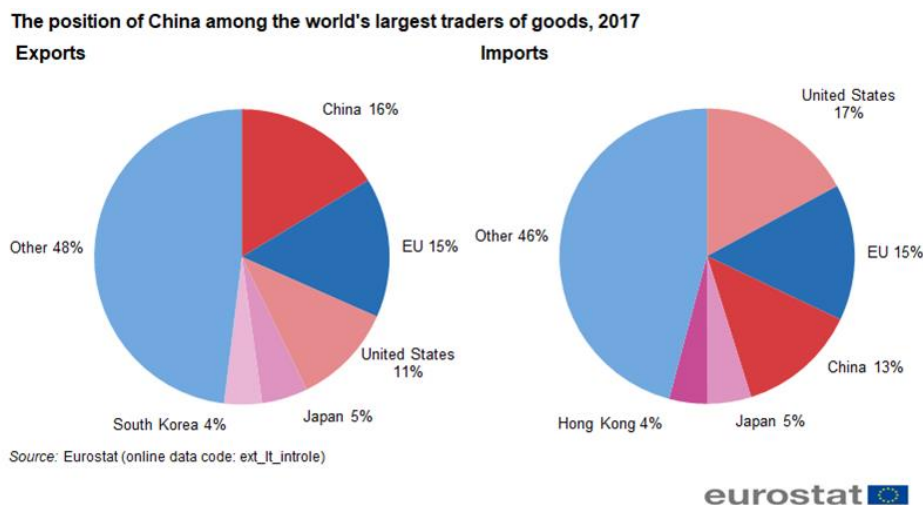


Figure 2 shows that China was the largest exporter and the third largest importer in the world in 2018. The five largest exporters of goods in the world economy are China (16 percent), followed by the EU (15 percent), the United States (11 percent), Japan (5 percent), and Hong Kong (4 percent).

The five largest exports account for half of the world's exports. More importantly, China imports 13 percent of all imported goods worldwide and is surpassed only by the United States (17 percent) and the EU (15 percent). The share of Japan and Hong Kong in total world imports accounts for five and four percent, respectively. Five countries also accounted for half of all imports of goods in 2018.

2.3. China-EU: International Trade in Goods

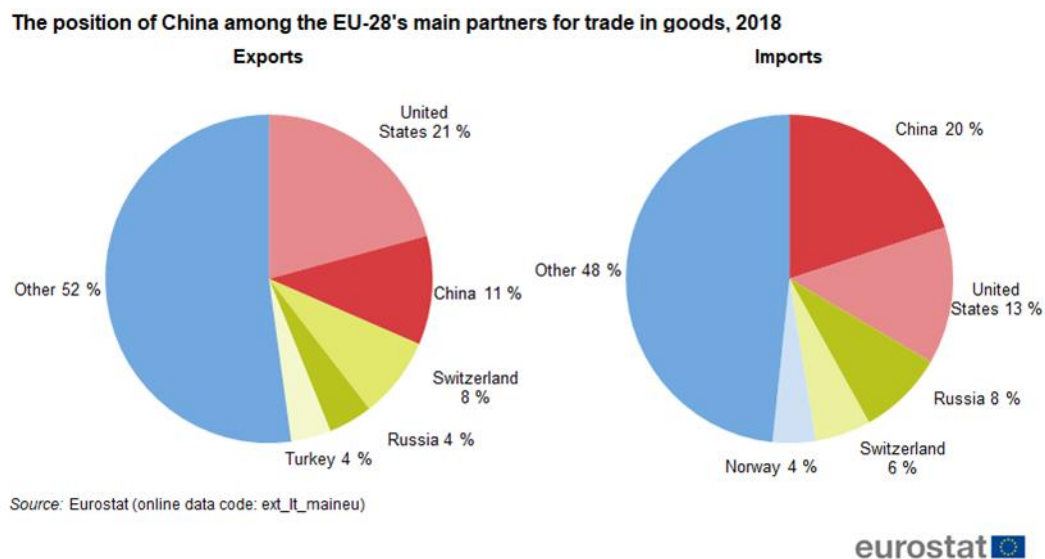


Figure 3 exhibits that, in 2018, China (11 percent) was the second largest partner for EU exports and the largest partner for EU imports of goods (20 percent) after the US.

2.4 Trade with China by EU Member States¹⁰

Eurostat trade statistics break down EU exports to China by member state. The three largest exporters to China in the EU are Germany (€93,715 million), the United Kingdom (€23,365 million), and France (€20,850 million). Germany (17 percent) hold the highest share of exports to China in its total exports outside the EU, followed by the UK (10.7 percent) and France (10.3 percent).

EU imports from China by member state is broken down as follows: The three largest importers from China in the EU are the Netherlands (€85,280 million),¹¹ Germany (€75,467 million), and the United Kingdom (€53,320 million). The Czech Republic (36

¹⁰ Eurostat, 2019, ibid.

¹¹ Imports from China into the Netherlands are over calculated simply because of the so-called 'Rotterdam effect', as many goods destined for other EU countries firstly arrive at the port of Rotterdam and other Dutch ports, rising the Dutch share.

percent) holds the highest share for China in its total extra-EU imports, followed by the Netherlands (28.7 percent), Germany (20.6 percent), and the UK (19.8 percent).

2.5. Trade Balance

As far as the trade balance between EU member states and China is concerned, three member states have a trade surplus with China in 2018. The largest is held by Germany (EUR 18,248 million), followed by Finland (EUR 1,448 million) and Ireland (EUR 1,013 million). Twenty-five member states have a trade deficit with China. The largest is held by the Netherlands (EUR 74,157 million), followed by the United Kingdom (EUR 29,955 million) and Italy (EUR 17,611 million).

2.6. EU-China Trade by Type of Goods

EU exports of manufactured goods (84 percent) hold a higher share than primary goods (12 percent). The most exported manufactured goods from the EU to China are machinery & vehicles (53 percent), followed by other manufactured products (18 percent) and chemicals (13 percent).

In 2018, EU imports of manufactured goods (97 percent) from China also had a higher share than primary goods (2 percent). The most imported manufactured goods were machinery & vehicles (53 percent), followed by other manufactured products (39 percent) and chemicals (5 percent).¹² (Manufactured goods dominate both the exports of goods from the EU to China and imports from China to the EU, accounting for 85 percent of total exports and 97 percent of total imports.

2.7. EU-China Most Traded Goods

Another interesting way to look at the data is to investigate the cover ratio (exports/imports) of traded goods, showing the direction of the trade flows between the two economies. These ratios can be found in the right-hand margin of Figure 4.

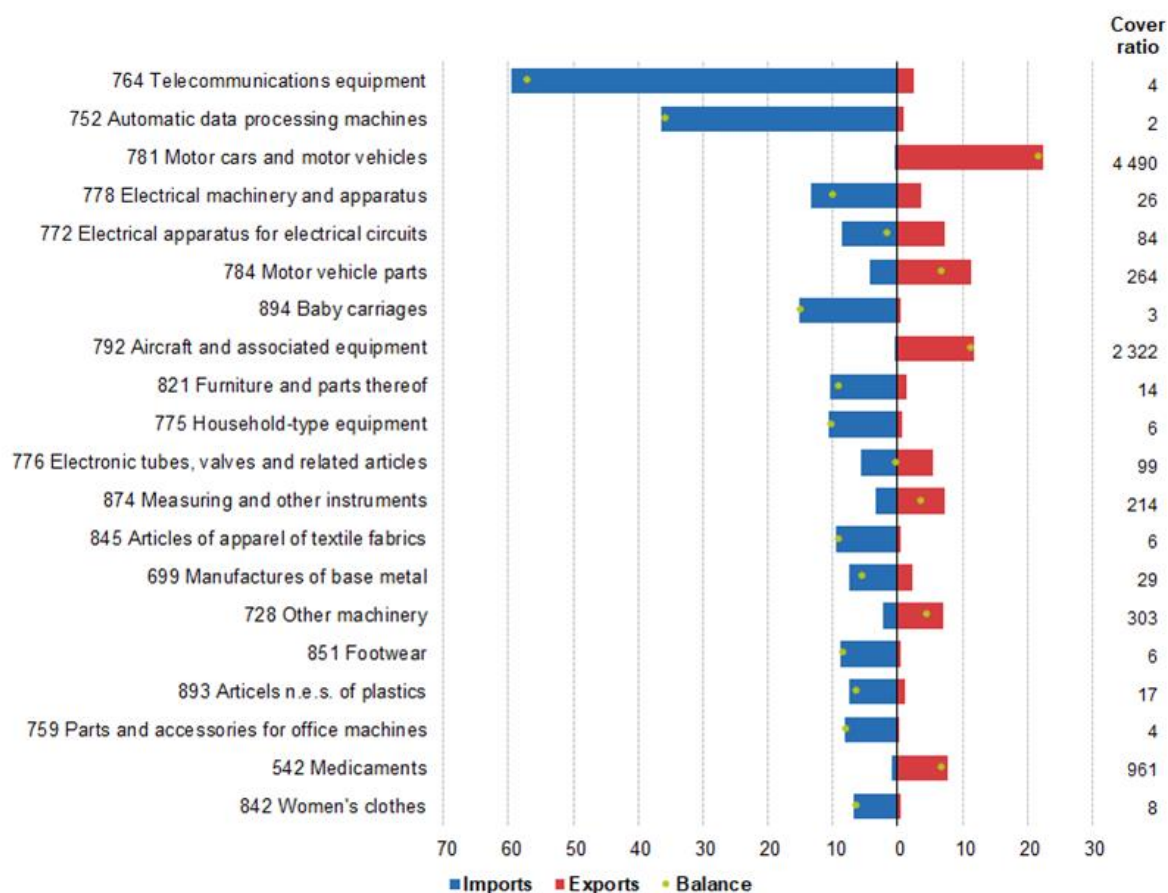
Twelve products have ratios below 50, indicating EU imports from China are at least twice as large as EU exports to China. Six products have ratios above 200, indicating EU exports to China are at least twice as large as EU imports from China. Two products have ratios between 50 and 200, showing more balanced trade.¹³

¹² Eurostat, 2019).ibid.

¹³ Ibid.

Figure 4

Most traded goods between EU-28 and China, top 20 of SITC level 3 products, 2018
(EUR billion)



Note: While the trade balance provides information on the absolute value of trading positions, the cover ratio provides a relative measure that is based on the ratio (expressed in percentage terms) between the value of exports and the value of imports; if exports are higher than imports then the cover ratio will be above 100.

Source: Eurostat (online data code: DS-018995)



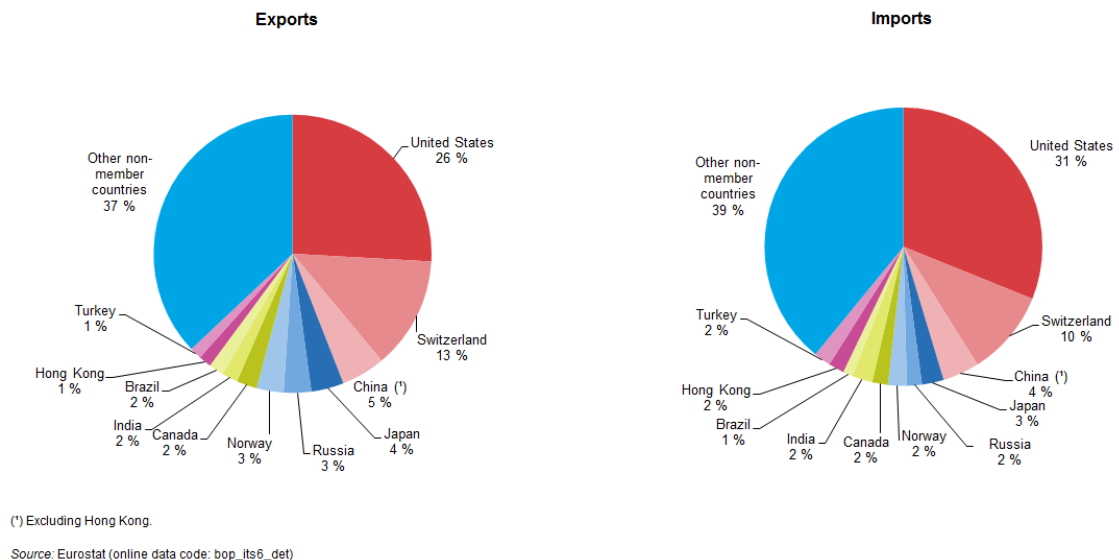
These figures indicate that both sides have developed a trade specialization in manufacturing goods and the Chinese and the EU economies have been focused on “inter-trade specialization in manufacturing goods.”

This means that both sides export and import different manufacturing goods between each other. Simply, because China has used the low-cost advantages and mostly exported labor-intensive goods. In 2017, 81 percent of China's trade was based on one-way trade.¹⁴

2.8. Trade in Services¹⁵

Figure 5

Trading partners' share of EU-28 international trade in services with non-member countries (extra-EU), 2017 (%)



eurostat

EU-China trade in services amounts to more than ten percent of total trade in goods, and the EU's exports of services makes up 19 percent of the EU's total export of goods.¹⁶ The share of China, including Hong Kong, in total exports and imports to the EU are almost six percent. This means that for the time being, the EU's trade in services with China seems to be insignificant.

Figure 5 shows the main trading partners' share of EU-28 international trade in services with non-member countries (extra-EU). The United States remained, by far, the largest destination for EU-28 export of services, representing more than one-quarter (26 percent) of all exports to non-member countries.

¹⁴CEPII (2019) CEPII Country Profiles: China, Centre d'Etudes Prospectives et d'Informations Internationales, available at <http://visualdata.cepii.fr/panorama/en/?country=China>

¹⁵ Eurostat, ibid 2018.

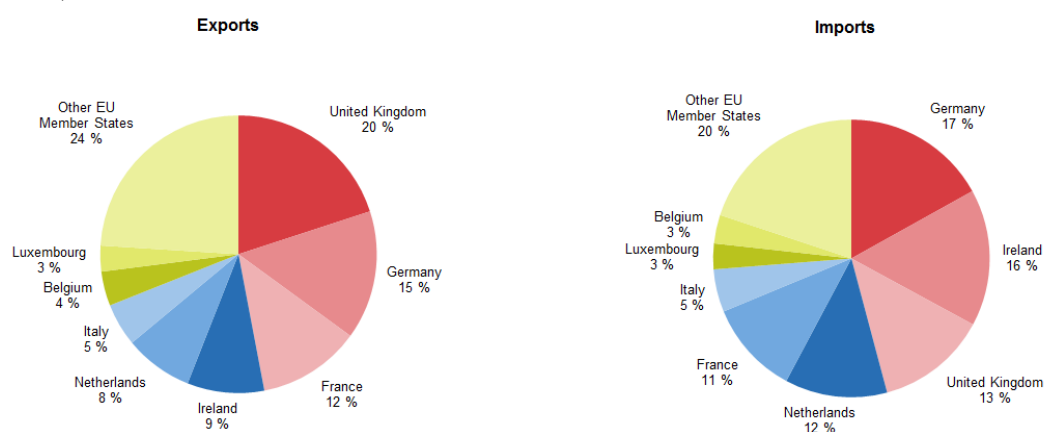
¹⁶ "China-EU - International Trade in Goods Statistics." European Commission. Eurostat, March 2019. https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU_-_international_trade_in_goods_statistics.

The next largest destinations were Switzerland (13 percent), China plus Hong Kong (6 percent), Japan (4 percent), Norway and Russia (each 3 percent), and Canada and India (both 2 percent). These seven countries collectively received 54 percent of all exports of services from the EU-28 to non-member countries in 2017.

The main countries of origin for EU-28 import of services were the same as the destinations with the highest shares of EU-28 export of services: Again, the United States accounted for the largest value of imported services, some EUR 219 billion, which was equivalent to 31 percent of the total from non-member countries. The next highest shares were from Switzerland (10 percent), followed by China plus Hong Kong (6 percent), Japan (3 percent), and Russia (3 percent).

Figure 6

Share of EU Member States in international trade in services with non-member countries (extra-EU), 2017
(% of EU-28 total)



Source: Eurostat (online data code: bop_its6_tot)

eurostat

Figure 6 shows EU export of services to non-member countries. The United Kingdom is the EU member state with the highest value in export of services to non-member countries, 20 percent of the EU-28 total. The next highest levels of exports to non-member countries were recorded in Germany (15 percent), France (12 percent), Ireland (9 percent), and the Netherlands (8 percent).

Germany had the highest level of service imports from non-member countries, these being valued as (17 percent) of the EU-28, followed by Ireland (16 percent), the United Kingdom (13 percent), the Netherlands (12 percent), and France (11 percent).

3. MAIN ECONOMIC ISSUES BETWEEN CHINA AND THE EU

3.1 Trade Issues

In the second part of the paper we will focus on the main economic issues between the two partners. When China joined the World Trade Organization (WTO) in 2001 it

agreed to reform and liberalize important parts of its economy and accepted the economic order for trade and investment in accordance with the rules of the game set up by the WTO. However, although China has made progress, some problems remain open and strongly debated in the EU, such as¹⁷ “a lack of transparency; industrial policies and non-tariff measures that discriminate against foreign companies; strong government intervention in the economy, resulting in a dominant position of state-owned firms; unequal access to subsidies and cheap financing, poor protection, and enforcement of intellectual property rights..”¹⁸

The BDI report argued, “[while] Chinese companies have enjoyed relatively free access to the EU’s internal market to date, this does not apply equally to foreign companies in China. Despite some reforms, investment bans, investment caps or the obligation to set up joint ventures still exist in several sectors...”¹⁹

In addition, China still maintains a significantly higher level of many industrial tariffs. There are numerous non-tariff barriers to trade.²⁰ Foreign firms are discriminated against in public procurement. There is still a high degree of asymmetry in market access between China and the EU.²¹ ” The EU wants to build economic relations with China based on openness, non-discrimination, and fair competition.

3.2. The Belt and Road Initiative (BRI):²²

The Belt on Road initiative is an international collaboration project based on China-sponsored infrastructure and connectivity links. BRI aims to improve economic integration along the ancient Silk Road connecting Europe, Asia, and Africa on land and

¹⁷ Country China, European Commission, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>

¹⁸ China remains relatively closed to imports from other countries, ranking 121st out of 136 countries for domestic market access. China is ranked 61st (out of 136 countries) in the index that measures domestic and foreign market access; border administration; transport and digital infrastructure; transport services; and operating environment. China is behind the best countries in its neighborhood — Singapore (first), Hong Kong (third) and Japan (16th). See A new era in China-EU relations, *ibid*, p.36

¹⁹ BDI, *ibid*.p.3

²⁰ See for a comprehensive information on tariff and non-tariff barriers between China and EU: Uri Dadush, Marta Domingues, and Tianlang Gau (2019, “The State of china-European Union Economic Relations,” Bruegel, Working Paper, 20 November 2019. pp.10-12.

²¹ BDI, Policy Paper/China, *ibid*, p.3.

²² “Road” refers to ancient maritime routes between China and Europe, while “belt” describes the Silk Road’s better-known trails overland. OECD 2019,p.111

sea.²³ One of the other aims of BRI under the “Go Global strategy” is to secure China’s energy demand by diversifying²⁴ and extending its export market around the world .²⁵

BRI also aims to close the economic and social gap between more developed and poor regions by improving connectivity and accelerating both competition and productivity in those regions.²⁶ In 2017, total non-financial investment in countries along the Belt and Road was \$14.4 billion. In the same year, 62 mergers and acquisitions in the countries amounted to \$8.8 billion. The total amount of newly signed projects was \$144.3 billion.²⁷

3.3. Polar Silk Road Through the Arctic

In June 2017, China published “A Vision for Maritime Cooperation under the Belt and Road Initiative,” which aims at seaway cooperation focusing on China, the Indian Ocean, Africa, and the Mediterranean. This is designed as the “lead up to Europe via the Arctic Ocean” and connecting China and Oceania.²⁸ Interestingly, China defines itself as a “Near-Arctic State,” which means that China is one of the continental states belonging to the Arctic Circle. It aims to promote its vision of a Polar Silk Road, which is the third most important route of the BRI, and will connect China to Europe and beyond via the Arctic region. ²⁹

²³ “Athens’s Piraeus Harbor is another major piece of infrastructure that has become representative of China’s offensive in Europe. Since 2016, the Greek harbor has been controlled by China Ocean Shipping Company (Cosco), which acquired 51 percent of the port authority and will be able to acquire a further 16 percent by 2021, following substantial investments”. See Europe’s mixed views on China’s One Belt, One Road initiative
Philippe Le Corre Tuesday, May 23, 2017.

²⁴ Thomas S. Eder and Jacob Mardell, China support its energy companies’ global expansion and prepares the ground for potential new supply chains. Merics Tracker, Berlin, 27.06.2019.
<https://www.merics.org/en/bri-tracker/powering-the-belt-and-road>.

²⁵ Since its declaration in 2013 by President Xi, the concept of BRI has extended both geographically and contently, but interestingly no official map or sectoral delineation has been published. See OECD Economic Survey China April 2019. P.111.

²⁶ China’s official media in December announced that 86 countries and international organizations had signed 100 cooperation agreements with China under the BRI. Projects include building the China-Pakistan economic corridor, the Mombasa-Nairobi railway, construction of the Belgrade-Stara Pazova of the Hungary-Serbia railway, and ports such as Khalifa in the United Arab Emirates, Hambantota in Sri Lanka, and Piraeus in Greece. See Anna Saarela , A new era in EU- China relations, DGP, European Parliament, p.42.

²⁷ Ibid,p.43-44.

²⁸ “China’s participation in Arctic affairs, such as scientific surveys of navigational routes, setting up land-based monitoring stations, research on climatic and environmental changes, as well as providing navigational forecasting services. It also ‘encourages Chinese enterprises to take part in the commercial use of the Arctic route’. See Saarelle, p.43

²⁹ The routes over the Russian coast and the Northwest Passage (throughout the Canadian archipelago) are of strategic importance. But the Northern Sea Route, which stretches roughly from Murmansk in the west to the Bering Strait in the east, has become the focal point of both Russia and China’s Arctic strategies. Russia considers the Northern Sea Route to be its internal waters, under Article 234 of the United Nations Convention on the Law of the Sea (UNCLOS). Saarelle, ibid,pp.43-44.

3.4. An Alliance Known as 17+1

The *Economist* drew Europe's attention to the topic "China's design to Europe".³⁰ It is argued that China is increasingly using its economic power and has accumulated huge amounts of official reserves (around 3 trillion USD) through large investments (e.g., infrastructure projects financed by low-interest loans from Chinese banks) to achieve its political goals.

Some Europeans believe that China is following a strategy of "divide and conquer" in order to subsume their continent.³¹ In fact, China is expanding its political influence by using its economic weight in Eastern, Southeastern, and Central Europe and in the EU. China signed memorandums with all 16 Central and Eastern European (CEECs), 12 EU members and five Balkan countries.³²

According to China's Commerce Ministry data, the trading volume between China and all 16 CEECs reached \$67.98 billion in 2017, up 15.9 percent year-on-year. China exported goods worth \$49.4 billion and imported products worth \$18.5 billion from CEECs during that period, up 13.1 percent and 24 percent, respectively, compared to 2016.³³

China's strategy aims to weaken the EU through its division between advanced and less developed regions. The 12 members of the 17+1 format cover only two percent of the EU's GDP. On the other hand, around 75 percent of the EU's GDP is produced by six big economies, namely Germany, France, United Kingdom, the Netherlands, Italy, and Spain.

The 12 EU member states of the 17+1 believe they are a part of the European Union and due to solidarity among the member states, are expecting large amounts of capital inflow in the form of FDI and/or financial capital from the surplus countries in the EU. The BDI report underlined that "...strengthening [of] not only the EU institutions but also the cohesion of all Member States with China must be strengthened. The EU position must not be watered down by contractionary actions by the member states. It is only in this way that divisions within the EU by formats such as 17+1 can be stopped."³⁴

Additionally, the BDI report pointed out that the countries of the Western Balkans that are members of the 16+1 (now 17+1) should be brought closer to the EU. All these statements indicate that Brussels has no clear-cut opinion on how the issue of 17+1

³⁰ The Economist, October 6th 2018, pp.11 and 17-19.

³¹ The Economist, *ibid*, p.18.

³² Twelve EU member states (Bulgaria, Croatia, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) and five Balkan countries (Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, and Serbia).

³³ Xiaojin, Ren. "Commercial Ties with CEEC Deepening." The State Council of the People's Republic of China. China Daily, June 8, 2018. http://english.gov.cn/news/top_news/2018/06/08/content_281476176686110.htm.

³⁴ BDI.Report, 2019, p.12

could be solved among the member states or how the EU can speak with one voice against China. The less advanced countries in the EU need more investment and expect financial solidarity from the big and rich economies rather than mere rhetorical mottos such as “A strong and united Europe”/“A united EU and the abandonment of isolated national courses of action”/“Improve branding of the EU,” meant to satisfy and encourage.

4. Conclusion

The 21st EU-China Summit took place in Brussels on April 9, 2019, chaired by European Council President Donald Tusk, European Commission President Jean-Claude Juncker, and Chinese Premier Li Keqiang.³⁵

The following conclusions on EU-China trade policy from the EU-China summit of The European Council, 2019:³⁶

1. The EU and China are committed to deepening the EU-China strategic partnership. By the next summit, they will adopt a new cooperation agenda going beyond 2020.
2. China and Europe both have a strong economic interest in maintaining significant trade flows, which are possible thanks to the rules-based trading system. However, for this system to continue to operate, it needs to be quickly updated. For the EU, this means serious reform of the WTO that would prioritize industrial subsidies (The European Council, 2019).
3. The EU and China are committed to building their economic relationship based on **openness, non-discrimination, and fair competition**. Both sides reiterated their willingness to provide each other with broader and more facilitated, non-discriminatory market access.
4. The EU and China will continue to forge synergies between China’s **Belt and Road Initiative** and the EU’s initiatives with a view to improve **Europe-Asia connectivity**.

The joint summit statement generally seems to be a “good will” declaration and well-defined commitment signed by both sides rather than the answer to the questions of when and how the Chinese government will meet its obligations. The negotiations on the “trade war” between China and the US over the last two years have shown that negotiations with the Chinese government and authorities can take a long time and are not easy. It will be difficult to find the common ground to achieve the final results.

It is obvious fact that until now The European Union has no unified policy position against the Chinese great economic offensive to Europe. Brussels repeats itself exclaiming that “The BRI needs to be an open, transparent and all-inclusive initiative,

³⁵ “EU-China Summit Joint Statement Brussels.” European Council, April 9, 2019. <https://www.consilium.europa.eu/media/39020/euchina-joint-statement-9april2019.pdf>.

³⁶ “EU-China Summit Joint Statement Brussels.” European Council, April 9, 2019. <https://www.consilium.europa.eu/media/39020/euchina-joint-statement-9april2019.pdf>.

which adheres to international and multilateral market rules, requirements and standards.” It is a common opinion in the EU that, China benefits from an open and free European market economy, while Europe is divided and uninhibited by Chinese expansionary economic policy.

It would be advisable to Europeans to be patient and keep the Chinese government closer in order to fulfill the commitments accepted by the two partners. Therefore, the joint committee ought to meet regularly to discuss commitments that have been made, to see that the agreements work smoothly, and to discuss new agreements that may be needed. On the other hand, it is also inevitable and there is no way out that China must open itself to foreign companies, abolish discrimination and unfair trade regulations, and adjust itself to international trade regulations and the rules of the game.

As other global powers will ultimately follow their own interests, China will make use of its economic power to achieve its political goals. Instead of complying with China’s deficiencies in economic relations, EU member states must strengthen their economies through replacing unproductive and inefficient labor-intensive industries with new innovative industries to compete with China.³⁷ Only an economically strong and reformed Europe can defend its interests and values against the emerging power of China.

In this respect MERICS made some useful and important recommendations to manage economic cooperation and competition with China successfully.³⁸

“The EU institutions should focus on (1) pursuing a set of targeted, issue-area specific policy priorities that respond to China’s trade profile while integrating the EU’s own approaches to the cross-cutting policy domains of standard setting, supply chain security and environmental and trade policies; (2) strengthening intra-European coordination and (3) capitalizing even more actively on the benefits of cooperating with OECD partners.”

But the question is still open whether all of the EU members are ready to agree following a common and united policies against China without any delay?

³⁷ Key words here are the deepening of the economic and monetary union, the strengthening of research, innovation and industry, the further development of the internal market, the orientation of the EU budget towards growth, cohesion and external strength, and the expansion of the digital economy. See BDI report 2019,p.11

³⁸ Mikko Huotari | Jan Weidenfeld | Rebecca Arcesati MANAGING ECONOMIC COOPERATION AND COMPETITION WITH CHINA Towards a More Integrated European Trade Policy Approach ,MERICS.March 2020, p.4.