EU-China Economic Security Cooperation: European Perspective

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1. Introduction

China and Europe are both economic heavyweights that affect each other deeply. The sheer size of their markets gives them scope to mobilise plenty of resources for policies beyond their borders and they form the second-largest economic cooperation in the world. Both sides share responsibility for ensuring that their economies remain key drivers for global economic development. Obviously, the economic crisis has confirmed the necessity to reshape their respective economies. Both Europe and China face an important challenge to combat unemployment, to improve social welfare and to be more efficient in using scarce natural resources. Increased investment in innovation, a secure climate for creative development and a dynamic services sector will be vital for developing new and sustainable sources for growth. Both sides are confronted with similar social challenges: an ageing population, a heterogeneous ethnic society, growing urban complexes and substantial internal economic differences. They have a common interest in enhancing social equality and welfare. While facing different economic limitations, both Europe and China are aiming to safeguard their economic security. In the end, this is an individual responsibility, but it can only be successfully taken up in a climate of cooperation and reciprocal openness.

This paper looks at EU-China economic security cooperation from a European perspective. First, it argues how the EU-China economic and trade relationship has become securitized. Then it takes a look at China’s major threats to the Union’s economic security and indicates how the EU may respond to those threats. The paper ends with an exploration of some prospects for EU-China economic security cooperation.

2. The Securitization of EU-China economic and trade relationship

The post Cold War period saw a growing interest in the economic dimension of European security. Indeed as Casarini (2006: 11) aptly points out: ‘In its 1993 White Paper, Growth, Competitiveness, Employment – the Challenges and Ways Forward into the 21st Century, the European Commission states that, while traditional definitions of security have been closely linked to defence against military threats, the end of the Cold War and the rise of the globalization process have led to the emergence of new, broader notions of security, among which economic security is one of the most important. According to the Commission, in this globalized world the EU’s economic security must be protected’. In this view, Europe’s economic security is understood as the long-term ability to preserve its relative economic position by maintaining macroeconomic stability, sustaining production capability, safeguarding competitiveness, securing market outlets and ensuring access to resources. In line with this definition, ‘the 1995 and subsequent Commission papers on China point
out that the Union’s economic security is directly affected by developments in China, in particular by Beijing’s steady, sustained and environmentally sustainable economic growth. In the Commission’s view, it is essential to take advantage of the opportunities provided by China’s economic development in order to protect Europe’s economic security’ (Casarini 2006).

Expectations of mutual economic benefit have always been the main driver of cooperation between the EU and China. From the very start their relationship was based on prospects of interdependence and economic complementarity. Whilst the EU provided China with capital and technology, China would become a source of cheap labour and low priced goods to the EU. This division of labour was at the basis of a solid and fast developing economic and trade relationship. Bilateral trade in goods has gone from €4 billion in 1978 to €435 billion in 2012. While three decades ago, China and the EU traded almost nothing, now they form the second-largest economic cooperation in the world. In a relatively short time, the Chinese and EU economies have become highly interdependent.

Especially from 2002 on trade relations have increased very rapidly. During the last decade trade in goods between the EU and China has increased 330 per cent from €101 billion to €435 billion in 2012. The EU and China are at present trading well over €1bn a day. China is the EU’s second trading partner behind the United States and the EU’s biggest source of imports. The EU is also China’s prime trading partner. The EU’s open market has been a large contributor to China’s export-led growth, whereas the EU has also benefited from the growth of the Chinese market. Since joining the WTO, China has become one of Europe’s fastest growing export markets. In 2012 the EU’s exports to China increased by 5.6% to reach a record €143.9 billion, and they have more than doubled in the past five years, contributing to rebalancing the relationship.

Such rebalancing becomes all the more pressing as the EU trade deficit with China has moved up from €55 billion in 2002 to €147 billion in 2012. Faced with the prospect of a slow economic recovery and the fall-out of the sovereign debt problem, political forces in Europe asking for turning the Sino-EU relationship into a level playing field are becoming stronger (Prevost et al. 2011). Through better market access, European exporters should be well placed to increasingly sell their products on the rapidly expanding Chinese consumer market. While China continues to be regarded as a promising export market and destination for investment, the image of China as a fierce and unfair competitor is definitely on the rise. A contentious issue here is the poor access to the Chinese services market. Whilst total bilateral trade in goods reached €435 billion in 2012, trade in services, is still about ten times lower at €49.8 billion and remains an area full of potential if China were to open its market more. Voices demanding China to take up greater responsibilities in redressing bilateral trade imbalances and supporting a sustainable global economy are growing louder and sounding more determined. A growing part of the European business community feels thwarted about China’s trade barriers, currency policy, and enforcement of intellectual property rights. Calls for more assertive trade policies are resounding all the more loudly throughout the lobbying corridors in Brussels and the capitals of EU member states.

When Europe started its trade relationship with China, the latter was still a poor developing country. In 1978, China’s GDP accounted for only 1 percent of the world economy while its share of global trade was less than 1 percent. Some thirty years later, China has become the world’s second largest national economy and the world’s largest exporter. It now accounts for 13.6 percent of global GDP and about 12 percent of world trade in goods. In contrast, Europe’s command is eroding. As much as European governments are struggling to rekindle their economies and to reduce their large public deficits, European companies are becoming less competitive and are losing their technological edge (European Commission 2013). Moreover, as China not only continues to grow but also is moving up
to the higher end of the value-added chain and is developing its technological resources, the economic complementarity between China and Europe is dwindling. This means that China and Europe are bound to compete more at the same level, turning their relationship into a delicate balancing act between competition and cooperation. All this is feeding European worries about how China’s growing impact will affect Europe’s economic security (Fox and Godement 2009).

3. Perceived threats from China to the Union’s economic security: unbalanced trade

While China’s integration into the global economy has been beneficial for Europe, China’s growing economic clout has also raised serious challenges to Europe’s economic security. Competitively priced imports from China have added to the pressure on the European economy to adjust to new sources of global competition, in particular in traditional low value-added manufacturing. Moreover, Chinese products compete with EU products not just at home but in emerging markets in Asia, Africa and Latin America. While such competition is inevitable and poses an important incentive to European competitiveness, it is clear that Europe needs to develop and consolidate its areas of comparative advantage in high value and high-tech design and production through constant innovation – the more so as China’s research efforts are developing rapidly and China is moving up the value chain into traditional areas of EU expertise. As China develops its technological resources, the economic complementarity between China and Europe is dwindling. Current research at the Brussels Institute of China Contemporary Studies has revealed that the complementarity index for European and Chinese exports dropped from 85 per cent in 2000 to 65 per cent in 2010. In other words, while the overlap in Sino-European exports was only 15 per cent in 2000 it has moved up to 35 per cent in 2010 (Geeraerts 2013; Holslag 2012).

Actually, already in 2006, the Commission published a Communication on China, as well as a related policy paper on trade and investment, which made explicit a number of these concerns. This sharpened the European political message towards China, and reflected a change to a more down to earth approach in the EU’s dealing with China. The communication designated the Chinese competitive challenge as one with important implications for Europe’s economic security. It indicated two areas of particular concern, which are still on the table today: (1) obstacles to market access; and (2) skewed conditions of competition (European Commission 2006a, 2006b).

a) Market access

While Chinese tariffs have been significantly reduced after China entered the WTO, EU exports still face a number of tariff and non-tariff barriers to trade and restrictions on investment in manufacturing and in services. Incomplete implementation of WTO obligations and barriers to market access are preventing a genuinely reciprocal trading relationship between Europe and China.

First, while China has reduced tariffs for non-agricultural products, it has maintained high tariffs in industries of particular importance for the EU such as textiles and clothing, leather and fur, footwear, ceramics, steel and vehicles.

Second, European exporters and investors are facing an increasing number of non-tariff barriers in the form of product certification, labelling standards, import approval requirements and customs clearance delays. While the necessary laws are mostly in place, their application is often not uniform
and regional variations in customs procedures have a negative impact on trade. Unreasonable sanitary and health requirements are creating barriers that hamper exports to China, in particular for agricultural products. Chinese national standards often are not on a par with international standards. This results in high compliance costs and extended delays for business which impact on their ability to sell on the China market, affecting in particular EU small and medium-sized enterprises, which are major carriers of economic and trade activity in Europe.

Third, while China committed itself to opening its procurement market and acceding to the multilateral Government Procurement Agreement as soon as possible after its accession to the WTO, many procurement markets remain closed to European businesses. In some sectors, technology transfers have been made a condition for foreign companies to participate in international bids.

Fourth, in key sectors such as automobiles, steel, semiconductors or shipbuilding, policies have been introduced based on a ‘China first approach’, which violates the non-discriminatory principles of the WTO. 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. This creates risks that competition policy will be used against foreign operators and that the lack of independence or transparency of many regulators results in decisions favouring Chinese operators.

Fifth, in the manufacturing and services sectors European investors still cannot set up wholly owned foreign enterprises and are required to establish joint ventures with Chinese partners. In the telecoms and financial services sector, EU firms have been unable to expand significantly because of high capital requirements and complex approval procedures. In the manufacturing sector, China continues to maintain investment restrictions on some key industries for Europe such as automobiles, petrochemicals or steel.

b) Conditions of competition

The EU policy towards China has been described as ‘unconditional engagement’. Being one of the most open economies in the world, the EU is giving China smooth access to its vast market without asking much in return (Fox and Godement 2009). This policy has allowed China to induce more obstacles for European companies when entering the Chinese market than is the case with Chinese companies entering the European market. In other words: there is no level playing field. As a result, EU businesses increasingly complain about unfair competition in China. The absence of conditions of fair market competition and inadequate legal protection pose serious problems. China’s policies on the environment, social standards, currency valuation and natural resources also generate trade-distorting effects.

First, insufficient protection of intellectual property represents a pressing challenge for EU businesses in China. This is a serious threat to Europe’s economic security as adequate protection of intellectual property rights such as patents, copyrights and trademarks is central to the exercise of Europe’s comparative advantage in innovation, design and high-value production. Whilst China has made welcome progress in setting up an intellectual property regime, loopholes remain and effective implementation and enforcement of laws remains uneven or lacking.

Second, China channels significant subsidies to favoured national industries, in particular to so-called national champions. These companies also benefit from preferential policies such as privileged access to the state-run banking sector. In some cases, such as the automotive and steel sectors,
whole sectors benefit from an integrated industrial policy intended to support domestic production and boost exports. China’s taxation system also grants tax preferences contingent on the use of local content or export performance.

Third, China’s exports to the EU have also benefited from the currency alignment of the Chinese renminbi to the dollar, which has given them an important competitive advantage. Fourth, demand for EU products in China is also curbed by low domestic demand. Although China has been growing at breakneck pace in the past decade, Chinese households have been receiving a declining share of the country’s growth. According to some experts household income currently only represents only half of China’s GDP, one of the lowest shares ever recorded (Pettis 2011). This low level of household wealth flows primarily from the combined effect of an undervalued exchange rate, the growing divergence between productivity growth and wage growth, and negative real interest rates on household deposits (Lardy 2011; Pettis 2011). While these policies made it possible for China to generate very rapid export-led growth, it came at the expense of domestic demand, including for EU goods and services.

Fifth, China's growing need for natural resources from abroad has an increased impact on the global competition for resources. Because of China’s breakneck economic growth and ever mounting appetite for natural resources, world markets have to adapt to its rising demand. China’s strong dependence on fossil fuels such as oil and inefficient use of raw materials expose European consumers and businesses to harmful and costly price shocks, threatening our economic security and contributing to climate change.

4. The EU’s response

In the wake of the Great Recession and the Eurozone sovereign debt crisis, concerns about the effects of an unbalanced EU-China economic relationship have only become stronger (Geeraerts 2013). As the EU now accounts for a lower share of world trade, investment, currency holdings, defence expenditure, and development assistance, the crisis seems to have stepped up apprehensions about the Union’s relative decline and its economic security (Youngs 2014). It becomes ever more clear that Europe is facing a period of huge challenges and transformation. In its communication Europe 2020: A European Strategy for Smart, Sustainable and inclusive growth, the European Commission states that ‘The crisis has wiped out years of economic and social progress and exposed structural weaknesses in Europe's economy. In the meantime, the world is moving fast and long-term challenges – globalisation, pressure on resources, ageing – intensify. The EU must now take charge of its future’ (European Commission 2010).

First, Europe has to overcome its structural weaknesses. Even before the crisis, there were many areas where Europe was progressing far less than the rest of the world. Europe’s average growth rate has been structurally lower than that of its main economic partners, largely due to a productivity gap that has widened over the last decade. Much of this is due to differences in business structures combined with lower levels of investment in R&D and innovation, insufficient use of information and communications technologies, reluctance in some parts of our societies to embrace innovation, barriers to market access and a less dynamic business environment (European Commission 2012). Moreover, Europe's employment rates are still significantly lower than in other parts of the world. Finally there is the problem of an ageing and shrinking population. The combination of a smaller...
working population and a higher share of retired people will place additional strains on Europe’s welfare systems (European Commission 2010). If Europe is to regain its vitality and competitiveness, it will have to redress the imbalances it has build up since the seventies and which the establishment of the Monetary Union in 1999 only appears to have aggravated (Holslag 2012).

Second, Europe has to adapt to a changed world environment. While interdependence has been a feature of economic globalization all along, the rise of the emerging economies has turned global economic interdependence into a new playing field. The outsourcing of production and services from advanced to emerging countries, together with increasing economic exchanges between emerging economies themselves, have markedly diversified and complicated trade and investment patterns in the global economy. While Europe will continue to benefit from being one of the most open economies in the world, the competition from developed and emerging economies is intensifying. Countries such as China or India are investing heavily in research and technology in order to move their industries up the value chain and enhance their strategic position in the global economy. This puts extra pressure on European industry to remain competitive. Moreover, the global financial system is still in need of repair. The accumulation of huge foreign currency reserves by emerging powers (China in particular) going a par with rising debt of developed countries (both US and Europe) has generated structural imbalances which were a major factor in bringing about the 2008 financial crisis. At the same time, this crisis made clear how much trade, fiscal and monetary policies of major economic players - especially the United States, China, and the EU - have become interconnected. All this makes the collective coordination of macroeconomic measures at the global level, that is global economic governance, imperative to sustain global recovery. Finally, ‘climate and resource challenges require drastic action. Strong dependence on fossil fuels and inefficient use of raw materials expose our consumers and businesses to harmful and costly price shocks, threatening our economic security and contributing to climate change. The expansion of the world population from 6 to 9 billion will intensify global competition for natural resources, and put pressure on the environment. The EU must continue its outreach to other parts of the world in pursuit of a worldwide solution to the problems of climate change at the same time as we implement our agreed climate and energy strategy across the territory of the Union’ (European Commission 2010).

Third, the EU because of its share of world GDP and world trade could be a first tier global actor, but to fully qualify it would have to upgrade its comprehensive power. Whilst the EU has developed into the world’s largest economy and is the most important entity in terms of external trade flows, politically and strategically it performs far below its potential and in terms of comprehensive power is no match neither for the US nor China (Geeraerts 2011). The EU’s foreign policy is confronted with a collective action problem of sorts and as a result is lacking in both strategic vision and assertiveness (Fox and Godement 2009). It urgently needs to get its act together and solve its collective action problem. The EU can only expect to influence global policy decisions if its member states act jointly. A stronger presence of the Union on the global scene will only be possible if there is stronger internal co-ordination. In the view of the European Commission safeguarding Europe’s economic security puts us before clear yet challenging choices: ‘Either we face up collectively to the immediate challenge of the recovery and to long-term challenges – globalisation, pressure on resources, ageing, – so as to make up for the recent losses, regain competitiveness, boost productivity and put the EU on an upward path of prosperity (“sustainable recovery”). Or we continue at a slow and largely uncoordinated pace of reforms, and we risk ending up with a permanent loss in wealth, a sluggish growth rate (“sluggish recovery”) possibly leading to high levels of unemployment and social distress, and a relative decline on the world scene (“lost decade”)’ (European Commission 2010).
5. Prospects of EU-China economic security cooperation

Relations with China are a crucial test of the EU’s ability to adjust to an emerging multipolar world and to secure its relative economic position in a changing global economy. Even though China and Europe are both economic heavyweights that affect each other deeply and have many interests in common, their relationship is a long way from fulfilling its true potential (Geeraerts 2013). However there are signs that the relationship is in for a reboot.

Three events may have opened new avenues towards an improved economic relationship. The first one was the Fourth meeting of the EU-China High Level Economic and Trade Dialogue (HED). At a time when reform in the EU and China testify to their resolve to restructure their economies, the fourth HED offered the two sides an opportunity to make the case for more balanced trade, increased business opportunities and further economic cooperation. The second event was the third plenum of the 18th CPC Central Committee. This plenum took a number of far-reaching decisions on economic reform, which, if implemented will move China more in the direction of a market economy, a development that would also open up new prospects for a more constructive EU-China economic relationship. The third event was the EU-China summit, which took place in Beijing in November 2013. During this summit Brussels and Beijing agreed to open negotiations on a bilateral investment treaty and also adopted the EU-China 2020 Strategic Agenda for Cooperation, a strategic plan for cooperation with a focus on sustainable growth, security and prosperity.

a) EU-China High Level Economic and Trade Dialogue (HED)

The High Level Economic and Trade Dialogue (HED), which held its first meeting in Beijing on 25 April 2008, was set up to discuss strategic issues in the EU-China economic and trade relationship and provide a forum for resolving the increasing trade frictions between the two parties. The HED complements a number of dialogues between the EU and China and is foremost a forum to discuss preparations for the yearly EU-China Summit. The HED also allows for discussions to coordinate efforts in solving global trade and economic issues for example in the G20 or WTO.

At the fourth meeting of the HED both sides discussed recent developments in the EU and Chinese economy, as well as progress in reforms necessary to secure strong, sustainable and balanced growth. While the euro area is emerging from recession, the environment remains challenging and much remains to be done. The meeting provided the opportunity for both sides to assess recent developments and plans for completion of monetary and economic union. China also faces significant challenges, needing to adapt its growth model from being investment driven, and very resource and capital intensive, to one that is more based more on consumer demand. Discussions therefore also covered reforms that China is undertaking to ensure a more balanced and sustainable pattern of growth in the future. The two sides also highlighted the importance of the G20 as a forum to develop cooperative responses to global economic challenges, particularly in a time of heightened economic uncertainty, and stressed the commitment making the G20 an even more effective forum for economic policy coordination.

Both sides also discussed future sources of growth, trade and investment, industrial policy and technology cooperation, and customs cooperation. Discussions on future sources of growth focussed on rules of the game regarding standards and public procurement and how these rules can foster innovation and boost growth in both economies if they are transparent, convergent, non-
discriminatory and open. Regarding trade and investment, both parties reaffirmed their strong commitment to open trade and investment as essentials to the EU-China bilateral relationship and especially discussed the planned EU-China Investment Agreement and arrangements for the formal launch of negotiations. The meeting also addressed how industrial policies, including subsidies policies and financing of State-Owned Enterprises, are distorting international trade and investment relations. Avenues were explored for working together to reach common understanding on contentious issues and provide a framework for increasing transparency and dealing with subsidies behaviours, which cannot be addressed constructively through WTO mechanisms. Both sides agreed that greater convergence of regulation is mutually beneficial: it facilitates trade and reduces burdens on enterprises. Effective market access requires a predictable and transparent regulatory framework and minimal red tape. Transparency of the standardisation systems and convergence towards international standards is particularly important in this regard. Finally, discussions highlighted the important contribution of customs cooperation to the development of EU-China trade. This area of cooperation has developed strongly in recent years. A new Strategic Framework for Customs Cooperation for 2014-2017 will come to fruition soon.

b) The third plenum: a boost for EU-China economic cooperation

The third plenum confirmed China’s leadership’s determination to rebalance aggregate demand, shifting the economy away from fixed asset investment and exports towards domestic consumption. Pushing through such fundamental restructuring would not only be in China’s interest, as it would create avenues for sustainable domestic growth. A growing domestic market would also offer new export and investment opportunities to European business, thus creating possibilities for alleviating the EU’s trade deficit with China and shaping the boundary conditions for a more balanced trade relationship. The transformation of the Chinese economy into one driven by domestic consumption will be beneficial to European companies and especially the services sector.

Much will depend on whether China’s leadership is able to muster the required political support for a change-over from export- and investment driven growth to a new growth model, one that is labour intensive, consumption oriented and driven by rapid expansion in the services sector (Lampton 2014). The main issue is that a sustainable growth model necessitates sharp reductions in credit expansion and investment so as to increase household wealth and income, thus enhancing domestic consumption. In other words: a sizeable slowdown in GDP growth cannot be avoided, unless Beijing would like to walk the disastrous road of ever-rising debt (Pettis 2011). A major hurdle to take are the main beneficiaries of imbalanced growth, i.e. the export sector, state-owned enterprises, coastal provinces, the real estate and construction industries, and China’s banks. These stakeholders have gathered an ever-stronger influence over economic policy and are most resistant to policy reforms aiming at reducing or reversing household wealth transfers (Lardy 2011; Naughton 2013). In their view limited administrative tweaking will suffice to improve consumption levels without any real necessity to lower investment growth. Judging by the 60-point ‘Decision on Several Major Questions about Deepening Reform’ the odds are that the new leadership is determined to side-step opposition from conservatives and vested interests and has set out an ambitious agenda to restructure the roles of the government and the market.

A major pledge of the reform plan is to give markets a decisive role in key areas of the economy such as pricing of resources and the financial system. In this vain, it repeated the party’s earlier pledges to let the market determine prices of key resources such as water, oil, natural gas, electricity and transport, and called for an ‘acceleration’ of moves to let the market determine interest rates. And
while the reform outline does not challenge state-owned enterprises directly, it envisages making them more efficient and more profit-oriented, turning them into private-like economic entities. Moreover the reform package opens avenues for the private sector, both domestic and foreign, to compete with state-owned enterprises. That is a necessary move if China wants to make its economy more efficient and ultimately also more innovative (Geeraerts 2014). China’s commitment to build a modern market economy that is open and rule-based will make possible the creation of a level playing field for European companies and boost two-way trade and investment.

The plenum also stressed that green growth is essential for sustainable development. Decades of spectacular growth have resulted in considerable environmental damage. EU-China cooperation in this area is creating new business opportunities for both Chinese and European companies (Ash, Porter and Summers 2012). The potential is enormous and both sides should ensure this to be a top priority for cooperation, especially since green growth has implications for climate change and energy resources. It is also a main feature of urbanisation, another highlight of China’s reform plan. Here the EU and China are already closely cooperating through the EU-China Urbanisation Partnership Forum. Beijing plans to boost China’s urban population. In Beijing’s judgement helping hundreds of millions of rural dwellers migrate to the cities is key to inject a more sustained development path in the world’s second-largest economy – its advance up the value chain and wealth creation. It envisages a relaxation of the controversial household registration (Hukou) system and thus commits the central government to managing most of the country’s pension systems, health care, education and social security programs. The forum is designed to share experience on urban planning and design as well as urban socio-economic issues.

The EU and China both face many common challenges in building sustainable societies including youth employment, social welfare, demographic ageing, as well ass, migration flows and cross-country mobility. The reform announced at the plenum open up further opportunities for EU-China cooperation in these areas (Cameron 2014).

c) The bilateral investment treaty

At the 2013 November Summit, it was agreed to start negotiations on a bilateral investment agreement that will provide for the progressive elimination of restrictions for investors to each other’s markets. The negotiations are expected to dominate the EU-China agenda over the coming years. Once concluded, the deal will stimulate the bilateral flow of investments, lead to improved investment protection and market access for both sides. The agreement is certainly mandatory as mutual investment flows between China and Europe are particularly low. In 2012, Chinese investments in the EU(27) amounted to €3.5 billion, accounting for 2.2 per cent of total FDI flowing into the EU. In the same year, EU firms invested €9.9 billion in China, accounting approximately 11.1 per cent of all China’s inward FDI. However, the EU’s outward FDI to China only accounted for 2.4 per cent of total ODI flowing from the EU to the rest of the world. This should not come as surprise as both Chinese and European companies often complain about alleged discrimination in each other’s markets. A good investment agreement should go a long way resolving these issues.

In any case, the negotiations will be a major test for EU-China relations, as it will require both parties not only to establish rules of the game but also to engage in a much more down to earth dialogue about the definition of a market, the rule of law, and the extent of state intervention in the economy; an exercise for which the ground has been prepared slowly but steadily through the HED. Ultimately, the challenge is to develop a level playing field for European and Chinese economic operators. EU
officials expect that the agreement will go further than the bilateral investment pacts that almost all EU countries have signed and will include provisions on market access, including access to services, and on intellectual property.

6. Conclusion

Relations with China are a crucial test of the EU’s ability to adjust to an emerging multipolar world and to secure its relative economic position in a changing global economy. As trade and investment will remain a major driver of the bilateral relationship, the development of a more balanced economic relationship is mandatory. Whether it will succeed will very much depend on domestic developments in China and the EU, especially both sides’ ability to maintain crucial growth and tackle development challenges. In an interdependent world for both China and the EU safeguarding economic security will hinge on an ability to maintain growth and productivity create jobs and increasing the livelihood of citizens. For both sides economic security also means meeting global challenges in the shape of access to resources and climate change. As they embark on the second decade of their partnership, there are indications that analyses and viewpoints are gravitating toward a common diagnosis of crucial problems in the Sino-EU economic and trade relationship and their solution. While for Europe it is key to redress its public debt and regain its economic dynamism while at the same time keeping protectionist pressures at bay, the challenge for China is to develop its domestic market and make it as open and rule-based as possible.

References


