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A COMMON POSITION – A COMMON PREFERENCE?

A study of different preferences among
EU member states in the common trade policy with China

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ABSTRACT

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The study focuses on national preferences in the supranational EU-Sino trade policy. It examines how EU member states might differ from the common EU position and from each other. By exploring the approaches of the EU and of member states, it aims to provide some valuable insights on the complexity of decision-making in trade policy with China and at the same time contribute to the theoretical debate on supranational vs. national policy-making within the EU.

Through analysing official documents and policy statements of the EU and of four member states, namely France, Germany, Sweden and Poland, differences in views and approaches on the trade policy with China have been identified. A theoretical framework that incorporates both traditional and modern trade theory, IPE and rational choice contributes to explaining why preferences in EU-Sino trade policy are divergent.

The empirical findings show a difference between the common preference and national preferences. Member states prioritise different issues and have diverging positions on the level of openness in EU-Sino trade. National preferences are driven by national interests. Trade intensity and comparative advantages or disadvantages with the trading partner as well as domestic forces are influential factors in forming national preferences.

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LIST OF ABBREVIATIONS

CCP	Common Commercial Policy
CDU/CSU	Coalition between Christian Democratic Union and Christian Social Union in Germany
CSR	Corporate social responsibility
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
GPA	The WTO agreement on government procurement
GPN	Global production networks
GVC	Global value chains
IPE	International Political Economy
IPR	Intellectual property rights
MES	Market economy status
PalilZ	Polish Information and Foreign Investment Agency
QMV	Quality majority voting
R&D	Research & development
TFEU	Treaty on the Functioning of the European Union
TPC	Trade policy committee
WTO	World Trade Organisation

1. A COMMON PREFERENCE IN TRADE?

1.1 Introduction

In the wake of globalisation and a shift in global economic powers, China has become one of the largest actors in international trade. In 2010, it was the European Union's (EU) main source of imports and the second destination country after the United States in exports (Eurostat 2011a). EU-Sino trade has considerable effects on the European economy, so China should be top priority on EU's external agenda. Naturally, keeping a healthy bilateral economic relationship with China is important for individual member states as well. China's role in international trade is growing while the EU's importance as a trading partner for China is declining (Lindberg et al. 2012). A shift towards Asia in global economy means that the EU needs to conduct a more efficient and proactive external trade policy to meet this challenge (Ahnliid et al. 2011 p.413f). However, divergent approaches of member states have made it difficult for the EU as a common trade bloc to develop a coherent and effective trade policy towards the rest of the world (Fox et al. 2009 p.28). With the Union's diminishing role as a trade partner for China and its difficulties in conducting an effective trade policy in mind, this study focuses on the preferences of the EU and of member states in trade policy with China.

National preferences in EU policy-making differ and EU-Sino trade policy is not an exception. Policy-making in external trade is an exclusive competence of the Union at supranational level, meaning that member states delegate authority to the EU to legislate in trade policy. The *Common Commercial Policy* (CCP) means that individual member states can not legislate on trade matters or conclude international trade agreements. Decisions are taken at EU level and cover trade in goods, services, foreign direct investment (FDI), commercial aspects of intellectual property and measures to protect trade, assuring a uniform level of liberalisation (Art. 207 TFEU). However, member states are also part of the World Trade Organisation (WTO), being represented by a common EU delegation and being members in their own right (WTO 2011a). Therefore, member states can in the WTO, albeit the CCP, be addressed and speak for themselves, which contributes to difficulties for the EU when keeping a common stance.

The Council of Ministers (the Council henceforth) adopt decisions by quality majority voting (QMV) but delegates power to the European Commission (the Commission henceforth) to represent them in trade negotiations (Art. 207 TFEU). As a tool, the Council has at its disposal the *Trade policy committee*¹ (TPC). The TPC formally has a consultative role and constitutes a platform where

¹ Formerly known as the 133 Committee.

member states voice their concerns (Štěřbová 2010 p.10). The TPC monitors the Commission and transmits information on the preferences of member states to it since the Commission is dependent on their proposal being adopted by the Council (Van Gestel et al. 2011 p.3). Due to the TPC's influence on the Commission, trade policy-making implies a highly political coordination process where the Commission must consider diverse preferences of member states.

Trade is an essential part of the EU's competitiveness and growth strategy. As part of the strategy, *Global Europe* that was adopted in 2006 makes clear that EU's external priority is to continue the liberalisation of international trade and to further open up foreign markets (European Commission 2006b p.2). The WTO remains the most effective way to manage trade in a rules-based system, so EU maintains its commitment to multilateralism and further establishment of free trade agreements (ibid p.8). Economic openness and non-protectionism is emphasised, where openness and fair rules in other markets must be ensured, especially among EU's major trade partners (ibid p.3f). China is one of those with *Global Europe* stating that EU must see the country as “*an opportunity, a challenge and prospective partner*” (ibid p.10) The *Trade, Growth & World Affairs* communication from 2010 builds on earlier policies and points out that some of the EU priorities shall be to assure access to markets, raw materials and energy, enforce protection of intellectual property rights² (IPR), open public procurement³ and promote international standards (European Commission 2010 p.4).

Despite a common trade and competitiveness strategy, the lack of comprehensive agreements between the EU and China demonstrates the difficulties between member states in reaching a common position and interest in CCP. There is accordingly a lack of coherence in national approaches towards China (Fox et al. 2009 p.2), making it difficult to develop an effective policy in the supranational EU-Sino trade. These national approaches can also be convergent yet competitive (Brooks 2010 p.59). In the TPC, member states are traditionally divided between two blocs, with the liberal camp promoting freer trade while the more protectionist countries prefer a less open trade policy (Ahnliid 2007 p.23).

Hence, in spite of the EU's 'single voice' in trade, not every member state seems to conform to the common preference in EU-Sino trade policy. Through analysing the preferences and approaches of member states and of the EU, this study aims to examine how national preferences differ from the

² IPR can be patents, trade marks, designs, copyrights or geographical indications.

European Commission: <http://ec.europa.eu/trade/creating-opportunities/trade-topics/intellectual-property/> [08-01-2012]

³ Public procurement is the procurement of goods and services on behalf of public authorities.

European Commission: <http://ec.europa.eu/trade/creating-opportunities/trade-topics/public-procurement/> [08-01-2012]

common position and from each other. Trade policy for China is a particularly interesting case to study since China is such a crucial partner for Europe where many member states want to have a say, representing both a great challenge and opportunity. How do national preferences diverge on EU-Sino trade policy? There is a common position, but is there a common preference?

1.2 Objective and research questions

The objective of this study is to provide a deeper understanding of national preferences in EU trade policy. The focus lies on the CCP vis-à-vis national preferences on trade policy for China. The CCP stands for EU's joint policy in EU-Sino trade. National preferences are defined by the specific preference of individual member states on how trade policy on China should be outlined. The study attempts to look at if and how national preferences of member states on trade policy for China differ from the common policy and from each other. By exploring member states approaches and opinions on commercial relations with China, it aims to offer a closer understanding to the complexity of EU-Sino trade policy-making and to contribute to the theoretical debate on supranational vs. national policy-making within the EU. The following questions that are linked to the objective and research focus can be identified:

1. *What preferences and opinions on trade policy with China exist?*
2. *Is there a difference between the EU's common policy preference compared to national preferences on China trade policy?*
3. *How do national preferences vary among member states?*

1.3 Scope and limitations

- *National preferences.* An analysis covering the preferences of all member states would be desirable since such a study would be more complete. Due to necessary restrictions, the study will however be limited to the cases of France, Germany, Poland and Sweden. These four member states are selected because of their diversity in several factors that might affect trade policy preferences. The choice is elaborated further in the methodology chapter.
- *Policy preferences.* Only the explicit policy output of the EU and the explicit views of member states will be analysed. Because of limitations in time and resources, an analysis of the policy-making process is out of scope. This is also discussed more in the methodology chapter.
- *The trade focus.* In trade policy, trade and investment are closely linked. Nevertheless, CCP's coverage of foreign investment regulation is more limited. This thesis touches upon investment issues but mainly focuses on trade.

2. THEORETICAL FRAMEWORK

What shapes the EU's economic relations with China? Why might national preferences in trade-policy making differ? Theory and earlier research contribute to an answer of these questions.

2.1 The traditional paradigm

Ricardo's theory of *comparative advantage* has provided a solid foundation for trade theories ever since 1817. Ricardo argued that countries will always produce what they have a comparative advantage in producing, countries therefore specialise and export the goods in which they have this advantage (Feenstra et al. 2008 p.31). The *Specific-factors model* builds on this theory and is linked to factors of production⁴(ibid p.64). States trade because the available production resources differ across countries. The model assumes that free trade leads to overall gains but when several factors of production are involved, some factors will lose (ibid p.91). This is why there are winners and losers in trade and explains why some countries are more protectionist than others, seeing as they might lose more than they gain from external trade.

An influential model in more recent trade theory has been Paul Krugman's work on *New trade theory* which assumes that consumers prefer a diverse choice of brands and that production favours economies of scale (Krugman 1980 p.950ff). Because consumers want diversity and because economies of scale are more profitable than spreading the production, countries may concentrate in producing several brands of one product instead of specialising in different types of products. *New economic geography* theory further argues that if trade is shaped by economies of scale, regions with strong production become more profitable and attract even more production (Krugman et al. 2009 p.148f). Production therefore tends to concentrate geographically (ibid p.148f). Certain areas become more populated and have higher income levels, leading to the creation of economic hubs.

2.2 Global network theory

Today, the role of economic hubs has changed. Instead of geographic areas producing a good from start to finish, they will contribute to one of the many production stages. Globalisation has led to an international fragmentation of the production process which has given rise to global production networks (GPN). These networks mean that production processes are fragmented into several stages and countries specialise in each production stage according to their comparative advantages (IDE-JETRO, WTO 2011 p.76). Emerging economies, not least China, have benefited from GPNs which

⁴ Factors of production are resources required to generate goods and services such as land, labour and capital (Feenstra et al. 2008 p. 62ff).

have enabled them to join production stages efficiently (ibid p.76). This modern paradigm in trade theory can be labelled as *Global network theory*.

In today's post-industrial revolution, 'trade in goods' has been replaced by 'trade in tasks' (ibid p.12). It is common that countries specialise in specific stages of production and no longer export finished products. This is what global value chains (GVC) represent: a process of steps to obtain finished products where multiple geographic locations and companies are involved (ibid p.12). Some countries are responsible for the parts of the process that add more value than manufacturing such as design or marketing, while others are more concerned with tasks linked to the production itself (Swedish National Board of Trade 2010 p.6). Supply chains have a high degree of fragmentation and incorporate substantial amounts of value added from the countries involved, therefore, products marked 'Made in China' are dependent on other intermediate goods (IDE-JETRO, WTO 2011 p.74ff). Trade in intermediate goods – parts used in the production process of a good – has increased significantly. The structural shift in how international trade functions has led to a clustering of regional supply chains where 'Factory Asia' makes a fine example (ibid p.7). China often assumes the role as assembler, provided with intermediate goods by East Asian suppliers (ibid p.87). Products are no longer made in a single country but 'Made in the world' (ibid p.96).

2.3 International Political Economy

International Political Economy (IPE) is a discipline where international economy and international relations are linked. It assumes a dynamic interaction between the political choices of countries and international trade and economy. Balaam and Veseth explain IPE in a simple way by picking apart its name, where 'international' means a focus on cross-border issues between and among nation-states, 'political' stands for the complex involvement of nation-states, regional and international organisations, bilateral and global agreements, and 'economy' deals with questions such as resources, markets, income and wealth (Balaam et al. 2005 p.4f).

IPE analyses the tension between states and markets and between the economic and political results of trade. Motives of states and markets often differ, where “*the outcome of markets reflects whatever compromise is reached between the often-opposing individual interests*” while nation-states engage in collective action and “*reflect the general will and the public interest*” (ibid p.15). There are three perspectives that scholars of IPE normally obtain. In brief, the *liberal* perspective is most closely associated with economics, the *structuralist* view with sociology and the *mercantilist* approach with political science and realism (ibid p.22).

International trade is highly political and something that all three perspectives of IPE are embedded in: the global free trade system (liberalism), protectionism to protect domestic markets (mercantilism) and the environment around production facilities (structuralism) (ibid p.117ff). Trade symbolises both wealth and power and can therefore be used as a tool in foreign policy (ibid p.136). Imports might threaten domestic employment, cause external dependency and reduce domestic monetary reserves, but they might also be crucial for national security since a country might need to import specific technology or military equipment (Veseth 2009 p.4f). However, exporting certain goods and technology can also weaken national wealth and security (ibid p.5). Thus, trade management can be an important foreign policy tool (ibid p.5), sometimes leading to trade defence measures such as anti-dumping, anti-subsidy and safeguards⁵. The WTO claims that “*countries which have experienced strong export growth have lower levels of import protection than countries with stagnant or declining exports*” (Balaam et al. 2005 p.134).

2.4 Rational choice

Rational choice is a fundamental theory of rationalism and is developed to explain the choice behaviour of one or several decision-making units (Green 2002 p.4). The decision-makers can be consumers and enterprises as well as states and organisations. The theory assumes that choice is based on preference and self-interest maximisation where more is preferred to less and that decision-makers do their best to maximise their gains (ibid p.6). Nevertheless, the agent can not choose freely among options but is normally restricted by constraints which has made selection necessary in the first place (ibid p.7). The agent is predicted to make a choice that is not prohibited by constraints but still gives the highest possible value in order to optimise the gains (ibid p.7).

To conclude, rational choice might explain why countries obtain a certain preference – they act rationally in order to maximise their gains. However, member states must adapt to various prerequisites and situations as well. Economic and political actors at domestic and international level, discussed in IPE, and the conditions of international trade, explained by global network theory, matter. Even though the theoretical approaches presented are all of importance, the study will mostly rely on global network theory and IPE arguments.

⁵ *Anti-dumping duties* are extra taxes imposed on imported products that are considered as being dumped. *Anti-subsidies* are countervailing measures, normally in the form of extra taxes imposed on subsidised imports. *Safeguards* are quantitative restrictions in the form of import or tariff quotas.

European Commission: <http://ec.europa.eu/trade/tackling-unfair-trade/trade-defence/> [08-01-2012]

2.5 Earlier research

What shapes the external and commercial policy preference of states? Moravcsik has found that an interaction of demand and supply, of preference and strategic opportunities, shapes the foreign policy behaviour of states (Moravcsik 1993 p.9). National commercial policy is affected by different interest groups seeing that individual producers can be winners or losers of commercial liberalisation depending on their competitive position in domestic and international markets (ibid p.17, Lavergne 1983). Protectionism reduces consumer wealth in order to protect domestic producers but excludes exporters from potential markets. Thus, exporters tend to support liberalisation since their profits increase from freer trade while import-competing producers tend to oppose it since this undermines their profitability (ibid p.17). Hence, in commercial policy, the level of constraint on governments vary according to the intensity and calculability of private interests such as trade lobbies (ibid p.8f). Policy preferences of governments are shaped by interest groups and domestic forces and decided by cost-benefit calculations.

Zimmer, Schneider and Dobbins have identified a North-South conflict line in economic policy-making when examining coalition formation in EU decision-making (Zimmer et al. 2005 p.413). This divide splits member states over matters on subsidies, market regulation and protectionism (ibid p.413). Usually, the South bloc more often supports market regulation and protectionist measures while the North bloc values free trade and market liberalisation (ibid p.411). A similar division between two blocs in the TPC can be confirmed. 'Northern Liberals', geographically centred towards North and West, are more liberal, while 'Club Med', centred in the East and South, are more protectionist (Ahnliid 2007 p.23). Sweden is part of 'Northern Liberals' and Germany also belongs to the liberal camp with the exception of questions concerning agricultural policy, whereas France is a leader of 'Club Med' in which Poland also represents one of the more protectionist member states (ibid p.23ffff). Fox and Godement see Sweden as liberal in trade with China while Poland, France and to some extent Germany are viewed as more protectionist (Fox et al. 2009 p.4). Germany mostly has a liberal attitude but can support protectionist measures if the sectors are specifically important for the its economic and consumer interests (Zimmer et al. 2005 p. 412).

Koenig-Archibugi argues that power capabilities are important for how much governments conform to the EU preference when choosing institutional rules (Koenig-Archibugi 2004 p.143). On power capabilities, Tallberg has also found that bargaining power in the Council increases with a member state's structural powers such as economic strength and population size (Tallberg 2008 p.687). Power capacities can therefore also play a role in shaping policy preferences.

3. METHODOLOGY

This comparative study will be conducted through qualitative text analysis. Step one will be to collect empirical findings from documents, identifying the preferences and opinions on China trade policy that exist. Step two will be to analyse the preferences through carrying out comparisons at multiple levels, answering to whether there is a difference in policy preferences and if so, how preferences vary. The analysis scheme, presented later in this chapter, will look at the opinions on China as an economic partner on a more general and specific level. On a more specific level, the study analyses the national priorities on the trade agenda. How open trade with China should be and how liberal or protectionist the taken stance in trade policy with China is will also be looked at.

3.1 Choice of member states

The study will focus on four countries: France, Germany, Poland and Sweden. The choice is made in order to gain variation in factors that studies have shown matter in policy-making. It varies with regard to the North-South dimension, the liberal-protectionist view, the structural power factor linked to economic strength and in trade intensity.

According to the North-South division, 'North' represents a liberal stance in trade policy and 'South' a more restrictive one (Zimmer et al. 2005 p.413). Germany and Sweden are in this context defined as 'North' and France and Poland as 'South'. Anders Ahnlid, former Director of trade at the Swedish Ministry of Foreign Affairs and chief Swedish representative of the TPC, confirms this (Ahnlid 2007 p.23ffff)⁶. Germany and Sweden belong to the liberals in commercial policy while France and Poland are seen as more protectionist (ibid). France and Poland will thus be classified as protectionist and Sweden as liberal in trade. On Germany, research has shown that it can take a more protectionist stance in some specific sectors (Zimmer et al. 2005 p. 412). Still, since Germany in most cases is part of the liberal camp in trade it will be classified as a liberal.

Power capabilities can also be an important factor in policy preference (Koenig-Archibugi 2004 p.143, Tallberg 2008 p.687). Since this study focuses on trade policy, it seems justified to interpret power capability as economic strength. Economic strength will be determined through the size of the economy, decided by annual GDP in market prices of the countries. Each member state's GDP has been put in relation to the GDP of the EU27 average. If a member state's GDP is higher than the average, the country is classified as a larger economy and if it turns out lower, then as a smaller economy. From the data, France and Germany turn out to be larger and Sweden and Poland smaller

⁶ Personal interview, 29-11-2011

than the EU average⁷.

Table 3.1 Classification of member states.

	France	Germany	Poland	Sweden
<i>North-South</i>	South	North	South	North
<i>Liberal-protectionist</i>	Protectionist	Liberal	Protectionist	Liberal
<i>Size of economy</i>	Larger than EU average	Larger than EU average	Smaller than EU average	Smaller than EU average

Source: Author's own elaboration.

According to IPE, trade management is linked to a country's foreign policy. How vital exports and imports are – trade intensity of a country – might shape economic priorities on the domestic and external agenda. Trade intensity is here defined by share of trade in goods and services in relation to GDP. Adding the trade to GDP ratio constitutes an extra relevant diversity factor. Table 3.2 below shows trade intensity in both exports and imports for the concerned countries, including the lowest and highest ratios of the EU. The range points out how trade intensity varies in the EU and makes it easier to see where the four member states are positioned on a 'trade intensity scale'. The selected countries vary in share of trade to GDP. Germany is the biggest exporter in goods but trade in goods are likewise important for the Polish and Swedish economy. Sweden is clearly the biggest exporter and importer of services in relative terms. France has the lowest trade intensity of the four. They do not represent any extreme cases which is positive in order to assure a representativeness of EU as a whole, however, trade intensity differs much enough to obtain diversity in the choice.

Table 3.2 Trade intensity for Intra-EU trade in 2009. Share of GDP in percent.

	France	Germany	Poland	Sweden	Lowest of EU27	Highest of EU27
<i>Exports goods</i>	17,8	34,2	32,3	32,7	6,6 (Greece)	63,2 (Hungary)
<i>Exports services</i>	5,4	6,9	6,7	15	4,8 (Italy)	116,5 (Luxembourg)
<i>Imports goods</i>	20,2	28,6	33,3	29,5	19,1 (Italy)	60,8 (Slovakia)
<i>Imports services</i>	4,8	7,6	5,6	11,4	4,8 (France)	68,6 (Luxembourg)

Source: Eurostat 2011c p.418

With China specifically, Germany, France and Sweden are among the larger traders while Poland is

⁷ GDP at market prices, in millions of euro, 2010: EU27 total = 11,981,916. EU average = 443,775. France = 1,917,190. Germany = 2,462,100. Poland = 322,661. Sweden = 307,691. (Eurostat 2011d)

smaller but still among the top EU importers of Chinese goods⁸. Except the fact that the countries demonstrate diversity in several factors, the choice can be further motivated by the fact that they are all more or less relevant players in EU-Sino trade, striking a balance between factor variation and being relevant players. France and Germany are leaders in EU-Sino relations (Fox et al. 2009 p.9). The fact that they contrast each other in attitude on trade policy-making makes them even more interesting to study. Sweden and Poland, two smaller nations and also antagonists in the 'trade blocs', are included to balance the 'big powers'. Former Swedish TPC representative Anders Ahnlid also confirms that these four countries represent relevant differences in trade policy preference⁹.

A choice always means limitations. The selection strives for variation in several factors so that the countries can be somewhat representative for the EU as a whole. A limited number of member states is analysed so it is questionable how general the conclusions drawn will be. However, the aim of the study is to obtain a deeper understanding on how national preferences differ, demonstrating the diversity that exist in attitude, rather than calculate to what degree one country is more liberal than another, something that would require a study with a more quantitative approach.

3.2 Material

On the choice of material, it is relevant to note that this study focuses on the policy *output* and not the policy *process* of actors. Internal debates of the TPC, the Commission or national governments are not the focal point. The focus in EU's case lies on the common position that legislative actors have agreed upon, in the case of member states how they approach trade policy with China from their national perspective. Political pre-debates in policy-making itself will not be analysed, instead it is the outcome of such a discussion, the explicit and official view that will be covered.

A study focusing on the process would certainly be interesting, yet hard to execute since much of the policy-making process is non-transparent. For example, meeting minutes from the TPC, where most of the political coordination is being done are not public material. One interview with Anders Ahnlid has been made with regard to the position and preferences of different member states in the TPC. The interview was aimed at discussing the selection of member states only and is not part of the analysis material itself. Interviews with officials from the concerned member states could provide necessary material for the analysis but such a study would require more time and resources. A study that includes the policy process is thus out of scope.

⁸ Largest EU exporters to China 2010: 1. Germany 2. France 7. Sweden 13. Poland

Largest EU importers from China 2010: 1. Germany 5. France 8. Poland 11. Sweden (Eurostat 2011a)

⁹ Personal interview, 29-11-2011

The material for the analysis will be official policies and statements of member states. This means a formal tone in the texts, providing the official side of the story. It is the explicitly expressed views and preferences that will be compared with each other. Documents are mainly provided by the concerned governments and institutions. Country strategies, policy papers, relevant government newsletters and official reports are types of texts that will be considered.

With regard to the EU's exclusive competence, member states do not need to outline precise policy strategies on trade with China, since this is being done by the Commission. Comparable documents might thus be hard to find. Therefore, speeches and statements by relevant officials will also be consulted to avoid a lack in material. A weakness with analysing speeches is that preferences might be less consistent and shift, depending on the specific government constellation. Therefore, the study is limited to including texts and statements from the two latest government/commission formations only (including the one in office), assuring enough text material, yet opinions and views that are up to date. The oldest documents are dated in 2006.

Information on external cooperation with China is not always accessible. The amount of documents published and available in English vary. The case of the EU and Sweden is unproblematic. For France, material is accessible but often published in French. Relevant quotations have been translated to English by the author without excluding the original French version. German material are in terms of language and publications available more limited, however, the government website has a 'China portal' with much relevant information. Poland is less accessible in these terms as well. Here, official newsletters and policy reports have been incorporated.

3.3 Trade data

Data on EU-Sino trade patterns are collected from *Eurostat*, the EU's statistical office. It is important to remember that trade data can give a simplified picture of a complex reality. Statistics show a huge economic imbalance in EU-Sino trade. Nevertheless, this can be a misleading picture of today's interconnected production networks. A study on shoes has found that the EU has 60-80% of value added in shoes manufactured and 'Made in China' (Swedish National Board of Trade 2010 p.10). In many cases, Chinese imports have meant European exports in the first place. A large part of the value added of products made in China accrues to European companies (European Commission 2006a p.6). Trade statistics only show the transaction value of goods. They do not take into account the value added from other steps of the GPN such as design, marketing, research, logistics, global management etc.

Furthermore, differences in data collection and national methodology lead to asymmetry in trade statistics (HMRC 2009 p.3). Differences in what the EU records as arrivals from China and what China records as dispatches to the EU causes asymmetry in data (ibid p.4). Goods may be allocated to the wrong partner country because they are in transit from one country to another (ibid p.8). China's reported imports from the EU can be asymmetrical to EU's reported exports to China. Re-exports through Hong Kong, an essential import hub for European exports, are one of the explanations for data discrepancy (Ferrantino et al 2007 p.2). When the goods were exported they did not represent exports to mainland China. After having received them from Hong Kong, in Chinese data, they might still represent European imports. This leads to an underestimation of European exports to China causing a trade imbalance that seems bigger for the EU than for China. The deficit is also significantly bigger for European import hubs such as the UK or the Netherlands. As transit countries of goods for Intra-EU trade, their data show a large amount of Chinese imports. When Chinese goods are re-dispatched to other countries they may now be allocated to the UK or the Netherlands instead (HMRC 2009 p.8). Different systems will affect data and lead to asymmetry in statistics. Data might look different depending on from whose perspective you look.

3.4 Analytical instrument

The analysis scheme presented in table 3.3 below will be used when comparing opinions and preferences, providing an overview of how they differ in trade policy with China.

Table 3.3 Analysis scheme.

Questions	EU	France	Germany	Poland	Sweden
<i>Is China a prioritised economic partner?</i>					
<i>What is the opinion on China's role in international trade and economy?</i>					
<i>What are the economic goals in trade with China?</i>					
<i>What issues are on the agenda in trade with China?</i>					
<i>What is the preference on openness in trade with China?</i>					
<i>What should be the main tool used in foreign trade policy with China?</i>					

The first three questions give a more general picture of the bilateral economic relationship. Through them we might identify if general opinions on China as a partner and global player are divergent

and what the economic goals are. The following three questions touch more specific themes. They focus on which issues the analysed units prioritise and the preference of openness in trade. It is unproblematic to compare the issues raised by looking at which questions are brought forward. On the preference of openness, this is more complicated since some sort of estimation and interpretation must be made. The analytical instrument will not be able to point out precisely how much more liberal a country is compared to another since it is based on qualitative method. Nevertheless, it is still possible to estimate the preference through comparing how much openness and free trade is emphasised. For example, if the Commission and country A regularly declare that “open trade is crucial” and country B does not, preferences of country A and the EU will be interpreted as more liberal in trade than for country B. The last question regarding what tools that should be used in trade policy can also give important indications. If the Commission states that “we oppose the use of protectionist measures” and country A does not, this points towards a more protectionist stance in the case of country A than for the common EU position.

3.5 Validity

The aim is to look at what attitudes and approaches in EU-Sino trade policy that exist and how they might differ. Bearing in mind the limitations in time and resources, a qualitative analysis of policy texts and statements is a reasonable method to use. Analysing the official preference is a suitable operationalisation of the research question since it is the policy output and not the policy process that is in focus. If the actual process was the focus, the study would be less valid since other methods and material would be more suitable to answer the questions presented.

The study proceeds from the same starting point for all the analysed units, with material provided by institutions and governments, representing the official preferences. A few different, yet comparable, types of texts will be applied on each unit. Multiple types of texts give a more accurate picture of the preferences and diminish the risk of one document misleading the conclusions. Consistency and limitation regarding the time-aspect also assures that the findings are comparable and up to date. Moreover, the same analytical instrument is applied on all the analysed units. The risk of misinterpreting the contents of the texts due to language barriers is deemed as low since the author is fluent in all the concerned languages (English, Swedish and French). Consistency in methodology, sources, material, time and execution of the analysis will thus assure the thesis reliability and give the empirical results validity.

4. TRADE PATTERNS AND PREFERENCES

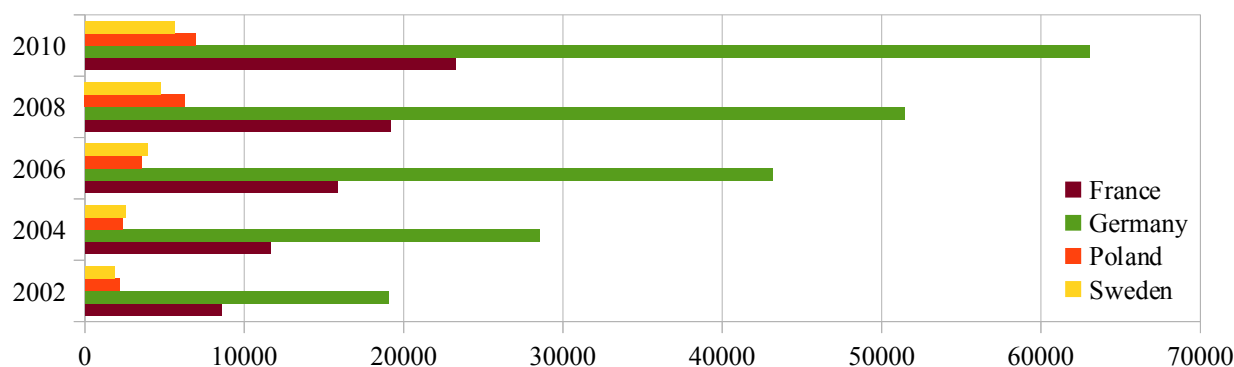
This chapter gives an empirical background. It explores the EU-Sino trade pattern and highlights the known issues and preferences in trade policy with China. It also presents the empirical findings from the analysis.

4.1 Empirical Background

4.1.1 EU-Sino trade patterns

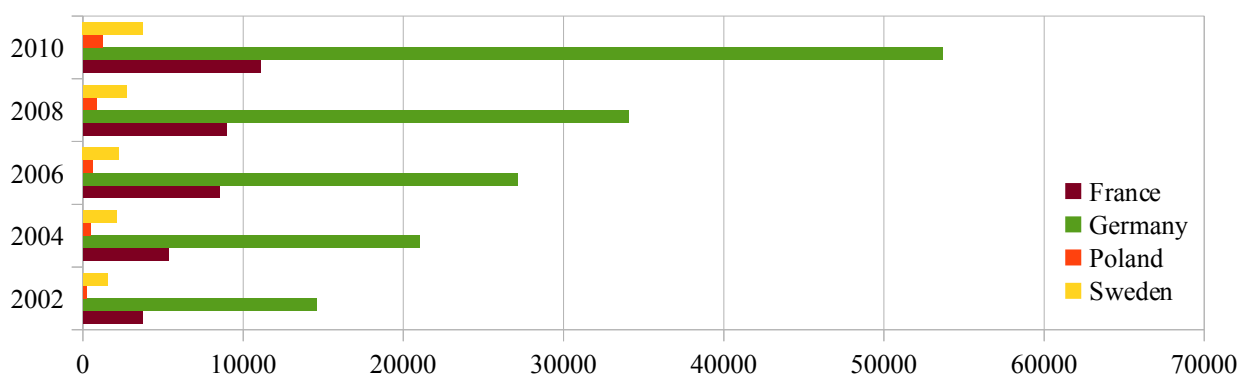
China was EU's largest importer in 2010 covering 19% of the total extra-EU imports and the second biggest destination country representing 8% of the total EU exports (Eurostat 2011b). EU is China's main trading partner covering 17 % of its trade (ibid). In 2010, EU's imports from China were worth 282,531 million euro while exports to China only reached a value of 113,272 million euro, as the tables 4.1 and 4.2 show (Eurostat 2011a). Germany, France, Italy, UK and the Netherlands are top five in both exports and imports in trade with China (Eurostat 2011a). EU mostly exports high-value and high-tech products (European Commission 2006b p.4). Imports from China are often more low value-added and low labour-intensive although they are moving up the value chain.

Table 4.1 Imports from China in 2010. Millions of euro.



Source: Eurostat 2011a

Table 4.2 Exports to China in 2010. Millions of euro.



Source: Eurostat 2011a

The tables 4.1 and 4.2 show that Germany is clearly the biggest exporter, representing about half of EU's total exports. All countries have a negative trade balance importing more than they export. One must bear in mind that data can be misleading and give a one-sided picture. As discussed in the methodology chapter, data do not take into account European value added in Chinese goods. Different ways of counting can also lead to discrepancies. The trade imbalance therefore seems bigger than what it is for certain countries. Still, this gives some countries stronger motivations to prioritise trade relations with China due to higher trade intensity or bigger deficits.

EU-Sino trade is imbalanced with China obtaining a large trade surplus. The Chinese has set up many more obstacles for European businesses to enter the Chinese market than the EU has for China which has led to a big trade deficit for Europe (Fox et al. 2009 p.2). Economic imbalance is one of the major causes for divisions among member states, explaining EU's demand for a more open Chinese market which for European firms today can mean special standards, unfavourable regulations and opaque processes (ibid p.45f). In several areas where European enterprises are competitive, market access problems exist (Dreyer et al. 2008 p.3). Increased access to market and public procurement, to the service and financial sector and enforcement of IPR have long been issues for member states in China trade policy (Fox et al. 2009 p.53).

China, on the other hand, demands Market Economy Status (MES)¹⁰ from the EU and wants stricter discipline on the union's use of trade defence, being its main target in antidumping measures (Dreyer et al. 2008 p.3). Without MES, it is easier for Chinese firms to be found guilty of dumping goods on European markets which can lead to anti-dumping or anti-subsidies, hurting Chinese exports (Green 2004 p.1). In China's WTO accession agreement, the EU has agreed to grant them MES in 2015 but will not grant China this status earlier since the union believes that several criteria are not fulfilled (ibid p.2f). However, this is a good example of an issue where member states differ.

In crisis-hit Europe, China's presence has expanded and this makes it even harder to develop a united and effective China strategy (Godement et al. 2011 p.1). China is becoming an essential financial, investment and public provider, which “*leaves the Europeans with little leverage to improve their own access to these very same sectors in China, which are mostly closed or controlled*” (ibid p.2). The cleavage between member states who are frustrated over market access and those who put Chinese deals and investment in front is deepening (ibid p.7). Market access is

¹⁰ MES matters, for example, in the context of trade defence investigations, affecting the method for calculating anti-dumping duties (Green 2004 p.3).

becoming even more pressing for free-traders since they want business opportunities for their companies. Germany, France and the UK are moving closer towards this group (ibid p.8). Others are in need of Chinese investment and business deals and have become less assertive in their political stance (ibid p.7). Fragmentation of the EU-China policy has intensified.

4.1.2 Known issues and preferences

Earlier studies have indicated a variety of preferences concerning openness in trade and trade protectionism. The EU has opposed protectionism. The Commission takes a liberal stance and has been supported by other free-traders of the union. However, the traditionally free-trade spirited rhetoric that previous trade commissioner Peter Mandelson was known for, shifted and became more restrictive in 2008 (Dreyer et al. 2009 p.7f). Trade imbalance and the exchange rate of the yuan were among the issues that caused frustration and lead to an increased support in using antidumping tariffs (ibid p.1). Market access and the protection of intellectual property have also long been pressing issues (ibid p.14). The Commission has always safeguarded EU policy against protectionism but has lately made a move away from the liberal-minded group in rhetorics, affecting the internal balance between the two blocs in commercial policy making (ibid p.8).

Germany is the only member state with a more balanced trade with China and has the strongest bilateral trade relationship. The Germans support openness since trade is fundamental to their economy but can lean towards protectionism in some specific sectors. Former chancellor Gerhard Schröder was supportive in politics and liberal in trade policy with China (Fox et al. 2009 p.23f). Under Angela Merkel's previous and current cabinet though, Germany has more often been positioned in between the protectionist and liberal camp and has become more critical in political attitude (Fox et al. 2009 p.4f). Media and public opinion is quite critical on political and economic issues with China (ibid p.68). Germany has not been afraid to stand up to China on unfair trade matters and to support protective trade measures when it sees them as justified (ibid p.24). Germany is competitive in advanced industrial sectors (ibid p.69).

Polish trade and investment have mainly been centred in Europe with the EU representing two-thirds of Polish trade (Sikorski 2011 p.4). Bilateral economic relations with China are limited. Poland's strategy towards China has been pragmatic and underlined the necessity of acting together with European countries in order to obtain more influence in trade policy matters (Palonka 2010 p.375). Poland is seen as on the critical side when it comes to politics and more protectionist in trade, and has like Germany been ready to stand up to China on unfair trade issues and to support

protective measures (Fox et al. 2009 p.24). Poland has few markets and sectors that can compete with Chinese enterprises so they are less dependent on Chinese 'good-will' and on keeping China satisfied (ibid p.24). They are not as concerned about market access or IPR as more high-tech based economies albeit there is a fear to lose investment from old member states to China (ibid p.70). The global recession has affected the national approach somewhat with Poland becoming less assertive on political issues to attract Chinese deals and investment (Godement et al. 2011 p.7). The bilateral relation was recently extended to a level of strategic partnership (Chinese Embassy in Poland 2011).

China has high priority on France's foreign policy agenda. France is China's 4th biggest importer but the trade relationship is unbalanced where France's deficit with China has widened during the last few years (Fox et al. 2009 p.81f). The French are well-known for their brands and luxury goods. Unsurprisingly, the protection of intellectual property has been a focus in commercial policy with China (ibid p.82). France has been on the protectionist side under the lead of both Jacques Chirac and Nicolas Sarkozy but the political attitude has shifted to become more critical with Sarkozy (ibid p.4). Under Sarkozy's presidency, the Chinese have been provoked by France on issues such as Tibet and human rights which have destabilised bilateral relations. However, it is still one of the most powerful countries in Europe so France as a partner can not be ignored. Together with Germany and the UK, France is competing to be China's preferred partner in Europe (ibid p.28).

China is Sweden's 10th largest trading partner (ibid p.75). Swedish companies have a strong commercial presence and have invested considerable amounts of FDI in China (Swedish National Board of Trade 2008 p.15). Being one of the strongest opposers to trade defence, Sweden is a liberalist in trade and more on the critical side in political attitude (Fox et al. 2009 p.25). Its high technology and service based economy benefit rather than is threatened by Chinese imports (ibid p.6). Swedish value-added in services, design, knowledge and R&D makes IPR a frequent issue in economic discussions. For Sweden, there is clear link between trade, development and the environment (Björling 2011 p.1). Priorities in the economic relationship have thus been climate change and Corporate Social Responsibility (CSR)¹¹, with the government promoting environmentally friendly and sustainable policies, making use of Sweden's competitive advantage in green technology.

¹¹ CSR stands for sustainable and responsible business practices. European Commission: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm [08-01-2012]

4.2 Empirical Findings

4.2.1 EU

Is China a prioritised economic partner?

China is top priority on EU's agenda. This is clearly demonstrated in *Global Europe*, where China is one of the main points in external priorities (European Commission 2006b p.10). Karel de Gucht, Commissioner in trade, said that China in many ways define “*the economic age we live in, and it is extremely important that our understanding of the business relationship with China is well-founded and nuanced.*” (De Gucht 2011b p.2) “*Out trade policy needs to pay particular attention to the US, China, Russia, Japan, India and Brazil*” declares the Commission's trade strategy (European Commission 2010 p.10) China is one of the most prioritised trading partners due to its economic size and influence in global economy (ibid p.11).

What is the opinion on China's role in international trade and economy?

EU welcomes China's growth and seeks to benefit from it through open trade. “*China is the single greatest test of Europe's capacity to make globalisation an opportunity for jobs and growth. /.../ Europe must get China right, as an opportunity, a challenge and a prospective partner.*” (European Commission 2006b p.10) China is a great opportunity for Europe but also a challenging competitor internationally. On the international arena, “*China is having to increasingly recognise and respect not only the legal responsibilities it now faces as a member of a global rules-based body, but also the WTO 'spirit' of promoting open markets and non-discriminatory principles in its domestic legislation, and the enforcement of it*” (European Commission 2011) de Gucht said on the 10th anniversary of China's WTO accession. EU wants China to take the lead in promoting open trade and in ensuring fair competition on the global market. EU's China Strategy paper similarly points out that “*China's significance in international trade is now such that the country must demonstrate its ability to ensure competition on a fair and equitable basis, commensurate with its weight as a trading nation*” (European External Action Service 2007 p.5).

What are the economic goals in trade with China?

EU's trade policy is “*building on commitment to an open, fair and rules-based trading system*” (European Commission 2010 p.2), constituting the basis for the economic relationship with China. “*The EU-China trade relationship generates significant benefits for both partners*” and this relationship should be maintained (De Gucht 2011a p.2). EU wants to increase European exports to the Chinese market and the competitiveness of European goods and services. “*Given its tremendous growth potential, China is a major attraction for exports and investment*” (European Commission

2010 p.5). EU-Sino trade remains below potential and the EU wants to intensify trade, market access barriers in China must therefore be dealt with (ibid p.11).

What issues are on the agenda in trade with China?

Market access: One of the most pressing issues is to create a level playing field in EU-Sino trade (De Gucht 2011b p.2f). Important sectors currently remain closed for foreign investment and it is hard for foreign companies to win contracts due to the Chinese public procurement and investment regulation (ibid p.2f). To create fairer competition, market access for European companies must be improved. Accessing the Chinese market is a question of openness in trade. China should meet the WTO obligations and continue “*to liberalise access to goods, services, investment and public procurement markets*” (European Commission 2006a p.3).

Market Economy Status (MES): Chinese has since long been lobbying for the EU to grant them MES in anti-dumping investigations so this is not a new debate. “*The EU is actively working with China with a view to creating the conditions permitting an early granting of MES*” (ibid p.13). China is currently not fulfilling the conditions and opinions among member states remain divided on how soon the EU should grant MES.

Trade balance: EU's trade deficit is an important issue and is linked to the accessibility of the Chinese market. Nevertheless, trade data can be misleading. European exports in general has not decreased. “*The trade deficit with China hides to some extent the fact that its exports have partly replaced exports from other Asian countries*” (ibid p.8). Still, dealing with the deficit to get a more balanced trade is essential. To achieve this “*a range of obstacles to market access and skewed conditions of competition need urgent attention*” (ibid p.8).

IPR: China is now EU's first priority for intellectual property enforcement worldwide (ibid p.12). China's IPR implementation and compliance with the WTO commitments is crucial. Since it is in innovation, design and high-value production the EU has comparative advantage, protection of IPR is a pressing issue (ibid p.10). Counterfeiting, forced technology transfers and weak enforcement of IPR equal a loss in money and in competitiveness for EU exporters.

Public Procurement: Public procurement is a sector in which EU industry is very competitive, but also the area where foreign markets are particularly closed for EU companies (European Commission 2010 p.6). EU is continuing its demand to open up public procurement abroad and is

“*pushing for early Chinese accession to the GPA*” (ibid, p.6). Recent progress in this field has been made when a new accord on the WTO's Agreement on Government Procurement (GPA) was reached in December 2011 (WTO 2011b). However, mainland China has not accessed to the GPA (ibid).

What is the preference of openness in trade with China?

A cornerstone in EU's trade policy is promoting open trade since it stimulates economic growth, jobs and benefits consumers (European Commission 2010 p.5) Openness is the key in trade and the EU should continue to offer China open and fair market access (European Commission 2006a p.3). It is the opening-up of markets that will lead to mutual gains. “*Europe seeks reciprocity from China in a trade partnership of equals*” (ibid p.15). Openness should thus be reciprocal. China must also make an effort and open up its market to European exporters. However, Europe must lead the way since “*it cannot call for openness from China from behind walls of its own*” (ibid p.11).

What should be the main tool in foreign trade policy with China?

When defending Europe's interests in trade disputes, the Commission places dialogue and negotiation first (ibid p.13). Sectoral dialogues in different policy areas provide a solid foundation for policy coordination on trade and other economic issues in EU-Sino relations (European External Action Service 2011). EU's High Level Economic and Trade Dialogue with China is also an essential tool for addressing imbalances in the trade relationship (European Commission 2010 p.11). If negotiation and dialogue fail, the EU will consult the multilateral WTO regulations and consider trade defence. Trade defence instruments should only be used when justified and always as the second solution. “*Trade defence measures will remain an instrument to ensure fair conditions of trade between China and the EU, as with other countries. The EU will use these instruments carefully but rigorously where they are justified.*” (European Commission 2006a p.13).

4.2.2 France

Is China a prioritised economic partner?

France and China has since 2004 shared a strategic global partnership dialogue on global and bilateral issues, focusing on the structural partnership in industry and economy and on political and security questions (French Ministry for Foreign and European Affairs 2010 p.3). China is a prioritised partner both in political and economic relations. Former French trade minister Christine Lagarde declared that “*China is for us a commercial partner of first level priority*”¹² (Lagarde 2007

¹² Original quote: “*la Chine est pour nous un partenaire commercial de premier plan*”

p.2). Sarkozy said that the reason why he visits China so often is because France must be where the heart of the 21th century is, which is China (Sarkozy 2011 p.3).

What is the opinion on China's role in international trade and economy?

Sarkozy has said that China plays an essential role in global economy and that France is not afraid of its development (Sarkozy 2007 p.1). *“France understands that China has a major role to play for global stability”*¹³(ibid p.5). As a powerful actor and an economic giant, China has rights as well as responsibilities and obligations (ibid p.1). The prime minister, Francois Fillon, has likewise emphasised the responsibilities that China must now take (Fillon 2009 p.2). China shall play a central role in global economy and Sarkozy emphasises that the French are “not afraid” and welcome China's development. Still, Lagarde points out that *“If China is a partner, it is also a competitor. This means respecting China as well as considering it as a serious economic competitor”*¹⁴ (Lagarde 2007 p.3). China is thus seen as a serious competitor to the French economy.

What are the economic goals in trade with China?

There is economic cooperation in many fields with China and France wants to strengthen the relation and expand cooperation further. An important premise of the economic relationship is that China respects the rules of global trade, increases its efforts in protecting IPR, in product safety and in economic governance (Sarkozy 2007 p.3). *“A word that is especially important to me, is the word reciprocity. I wish for a relationship that is mutually beneficial”*¹⁵ Sarkozy has said on the topic of trade and market access (ibid p.3). For France, an important foundation in the economic relation is reciprocity. Furthermore, balance in trade and in economic cooperation must be reached (Juppé 2011 p.2). An important step to rectify the balance and achieve reciprocity is decreasing France's deficit with China (French Ministry for Foreign and European Affairs 2010 p.20)

What issues are on the agenda in trade with China?

Trade balance: China has one France's biggest bilateral deficits in trade and is therefore a recurring issue. Foreign affairs minister Alain Juppé has said that *“we want more reciprocity, since there is no sustainable economic and trade relationship if it's not based on mutual benefits and balance”*¹⁶

¹³ Original quote: *“La France comprend qu'elle (la Chine) a un rôle majeur dans la stabilité du monde”*

¹⁴ Original quote: *“Si la Chine est un partenaire, c'est aussi un concurrent. C'est respecter la Chine que de la considérer comme un sérieux concurrent économique”*

¹⁵ Original quote: *“un mot qui me tient particulièrement à coeur, qui est le mot réciprocité. Je souhaite des relations mutuellement bénéfiques”*

¹⁶ Original quote: *“Nous voulons plus de réciprocité, car il n'y a pas de relation économique et commerciale durable si elle n'est pas construite sur des bénéfices mutuels et sur une relation équilibrée.”*

(Juppé 2011 p.2). Balance is indeed emphasised. The premier Fillon said that a better balance must be created in the trade relationship and investment developed in both directions (Fillon 2009 p.2). Improved market access for foreign investments is part of the solution. France also wants increased operation by French companies in China to diminish the deficit (Lagarde 2007 p.2).

IPR: The IPR question is often raised. “*I know that China, where IPR of our companies are not always respected, deploys important measures to fight this. We are waiting for results.*” said Lagarde and claims that protection of intellectual property is in the interest of both economies¹⁷ (Lagarde 2007 p.3).

Currency exchange rate: The yuan exchange rate contributes to the economic imbalance, where the yuan continues to depreciate against the euro, creating an artificial advantage for Chinese exports (ibid p.3). Sarkozy declared that “*France is not afraid of China's development. France understands that she (China) plays a major role for global stability, but France wants China to take full responsibility in the regulation of the big international questions: the yuan, the rules for a level playing field, the reciprocity*”¹⁸(Sarkozy 2007 p.5). Hence the issue must be dealt with in order to create a level playing field for both parts.

What is the preference of openness in trade with China?

As mentioned already, reciprocity is a fundamental for France in trade with China. France wants openness in trade but demands the same from China in order to create a level playing field. France and Europe can not choose to be closed because if they do, they will only be met by closure back (Sarkozy 2007 p.4). Hence, France supports openness but this is not without conditions. They expect China to be open in return and are not afraid to demand this from the Chinese. The trade relationship must be based on mutual give-and-take. Gains also means costs, Europe must be open but so must China. Their preference in openness is more implicitly shown through the straight-forward demands on reciprocity in trade policy, pointing to the fact that they hold a more protectionist view in trade.

What should be the main tool in foreign trade policy with China?

Dialogue is an important tool which the strategic partnership dialogue illustrates. Mutual benefits

¹⁷ Original quote: “*Je sais que la Chine, où les droits de propriété intellectuelle de nos entreprises ne sont pas toujours bien respectés, déploie des moyens importants pour lutter contre ce fléau. Nous attendons des résultats.*”

¹⁸ Original quote: “*La France n'a pas peur du développement de la Chine. La France comprend qu'elle a un rôle majeur dans la stabilité du monde, mais la France veut que la Chine prenne toute sa part du règlement des grandes questions du monde : le yuan, les règles équitables, la réciprocité*”

will be gained through cooperation and dialogue (ibid p.3). The EU also plays an important role in trade policy questions (ibid p.3). “*The EU-Sino relationship is in this respect an essential complement to the Paris-Beijing relationship and an important element in France's China policy*”¹⁹ (French Ministry for Foreign and European Affairs 2010 p.22). Although France is a big economic power in Europe, EU is still emphasised as a vital tool in external trade with China. It is difficult to find an explicit French statement on the use of trade defence. However, France is known to belong to the protectionist bloc in the EU and to be one of the member states with a more demanding rhetoric towards China (Dreyer et al. 2008 p.7). The demands on reciprocity also confirm this stance.

4.2.3 Germany

Is China a prioritised economic partner?

China is “*the rising star of the past two decades*” so it is necessary to further strengthen the partnership with China according to foreign minister Guido Westerwelle (Foreign Federal Office 2011a). Germany and China are conducting annual intergovernmental consultations, the first of its kind that China has with an EU member state. Cooperation on political issues is strong and a prerequisite for dialogue on sensitive issues is that China and Germany have closely integrated economies (Glos 2006 p.2). “*Germany is China's most important trading partner in the EU. And China is Germany's most important trading partner in Asia.*” (Westerwelle 2010 p.2).

What is the opinion on China's role in international trade and economy?

As an economic heavyweight, China shares responsibility to the global economy as a whole (Westerwelle 2010 p.3). Germany welcomes China's increasingly important role on the international arena and believes that China must become more integrated in global structures to become a “*responsible stakeholder*” (CDU/CSU 2007 p.15). “*The up-and-coming Asian economies must be urged to adhere right away to the rules of the international system to which they owe their rise./.../If they are ready to do so, we will do our part to help them move closer to international organisations*” (ibid p.15). As a global power, China must adapt to the international rules-based system. Furthermore, a strong Chinese position is not a zero-sum game: “*if we position ourselves well and play a sensible political role, China's ascending will not come at our expense, but rather will clearly benefit us*” (Foreign Federal Office 2011c).

¹⁹Original quote: “*La relation UE-Chine est à cet égard un complément indispensable de la relation entre Paris et Pékin et un élément important de la politique chinoise de la France.*”

What are the economic goals in trade with China?

Economic cooperation with China is already flourishing but Germany wants further expansion. Reciprocal investment should be encouraged and the government will try to facilitate for German companies to enter the Chinese market (CDU/CSU 2007 p.13). Securing fair competition and abolishing the trade imbalance are key issues (ibid p.13). German companies must become and stay competitive to tackle the Chinese challenge, strengthening their quality and innovativeness (ibid p.12). Furthermore, promoting trade is a foreign policy objective seeing as trade plays a significant role in globalising German values (Westerwelle 2010 p.5). Economic goals are intertwined with political ones and Germany uses its economic position to influence China on political issues (Foreign Federal Office 2010). This concept is by the government called 'change through trade' (Foreign Federal Office 2011c).

What issues are on the agenda in trade with China?

Market access: Since “*German commerce relies on a fair policy environment for international competition on the Chinese market*” and is heavily relying on exports, opening-up of the Chinese market is a prioritised issue (Glos 2006 p.3). Entering the Chinese market must mean equal treatment for both foreign and domestic companies, “*it is important that EU enterprises making products and paying taxes in China receive the same legal treatment as Chinese companies. Chinese companies enjoy equal treatment in the EU*” (Westerwelle 2010 p.3).

IPR: IPR enforcement is of central importance (CDU/CSU 2007 p.13). One of the major challenges from Asia's rise is “*inadequate protection of intellectual property rights and the pressure on foreign companies to share technology, particularly in relation to China*” (ibid p.9). As a result of the huge investments made by German and European companies in China, the unprecedented transfer of technology and knowledge to the benefit of China is worrying (ibid p.10).

Trade balance: Germany's “*trade account has become imbalanced: Imports from China are continuing to expand much faster than German exports to China*” (Glos 2006 p.3). Trade balance is linked to the question of market access and fair rules. German firms have played a vital part in technology transfer to China and are willing to remain so on an open market with fair conditions and equal treatment (ibid p.3). The Chinese market must become safer and more transparent for foreign companies.

Currency exchange rates: Germany wants China to regulate its exchange rate so that it properly reflects the strength of China's economy, leading to a fairer competition for German business (ibid p.3). *“It is in the interests of both the country itself and its partners in trade that the exchange rate properly reflects the strength of a country’s economy.”* (Westerwelle 2010 p.3). Revaluing the yuan would help to rectify the economic balance (CDU/CSU 2007 p.13).

What is the preference of openness in trade with China?

“No country is as dependent on international trade as Germany”, thus open trade is crucial (Foreign Federal Office 2011c). Westerwelle claims that China and Germany both are export nations depending on open markets and free trade so *“China would act in its own economic interests if China reconsidered its decisions on export restrictions.”* (Westerwelle 2010 p.2). Accordingly, Germany promotes free trade and urges China to reconsider its export restrictions to achieve a more open trading climate. *“The world economy benefits from open markets, in Europe, in Asia, and elsewhere. That is why I strongly support all efforts to conclude free trade agreements between the EU and partners in Asia./.../Competitiveness must not be penalized, but encouraged”* continues Westerwelle (ibid p.2). Foreign investment and trade are drivers of Germany's economy so their preference in trade with China is liberal.

What should be the main tool in foreign trade policy with China?

Since 2004, the strategic dialogue is the main tool in foreign policy with China (Foreign Federal Office 2011b). Intergovernmental consultations introduced in 2010 has further intensified bilateral relations (ibid). Germany must also work in coordination with the EU, US and partners in Asia to achieve a successful strategy for China (CDU/CSU 2007 p.11). *“For this the EU needs to speak “with one voice” to China and Asia and must not allow itself to become divided”* (Ibid p.16). The importance of unity in the EU approach is emphasised. Protectionist tools should be used restrictively since using these *“would be to decouple ourselves from Asia’s growing dynamism and usher in our own economic and political decline”* (ibid p.11). Dialogue and cooperation should be the major tools and trade defence used only when justified. WTO regulation shall ensure fair competition in trade (ibid p.13).

4.2.4 Poland

Is China a prioritised economic partner?

Poland has lately been focusing more on economic partnerships with emerging countries, with China being one of the priorities in Asia. *“Polish authorities make all the possible efforts to attract*

the country's attention to business opportunities offered by the country and to foster economic relations with the new world powerhouse”, according to the Polish Information and Foreign Investment Agency (PalilZ) (PalilZ 2011b). Poland has made several efforts to increase Chinese investment in Poland and China is perceived as a key investment source (PalilZ 2011a). Hence, the Polish are increasingly turning their attention to China. In addition, Prime Minister Donald Tusk has stated that well-founded economic and political relations with China is a key to success of every state (Polish Chancellery of the Prime Minister 2008).

What is the opinion on China's role in international trade and economy?

Foreign affairs minister Radosław Sikorski has in a speech on a conference about EU-US-China relations said that *“The United States, European Union and China are not equal partners. In many areas their interests are convergent, but in many others – they are diverse or even conflicting.”* (Sikorski 2008 p.1). China is becoming a leading global power and constitutes a challenge to both the US and the EU (ibid p.1). As *“primarily an economic and trading partner”*, China plays an essential role in global trade and economy (ibid p.1). China is seen as both a chance and a challenge (ibid p.3). With a stronger global influence, China must carry greater moral responsibility on the international arena (ibid p.6).

What are the economic goals in trade with China?

Poland believes that the economic relationship with China has large potential and must be strengthened and developed further. *“We want to develop trade and business contacts with Asian countries in many sectors: infrastructure, finance, tourism and high-technologies”* (Sikorski 2011 p.12). A clear goal is increasing Chinese investments in Poland. Rafał Baniak, Under Secretary of State of the Ministry of Economy, declared that *“Attracting foreign investment is a top priority of the Polish government's economic policy”* (KPMG 2011 p.5). Chinese investment equals about 0,1% of the FDI and has only a symbolic meaning, however, *“since 2007 Chinese companies have been showing increased interest in launching investment projects in Poland. We hope that in the not-too-distant future this tendency will bring substantial results”* (ibid p.5). In the Strategy for Promotion of the Polish Economy 2007-2015, a large part of the budget is aimed at promoting Poland on Asian markets (PalilZ 2007).

What issues are on the agenda in trade with China?

Trade balance: “The import of Chinese goods to Poland is ten times as great as the export of Polish goods to China./.../We will attempt to establish this trading exchange on a more equal footing and

to encourage the development of Polish exporters” stated the former minister of economy (ibid). *“The biggest challenge for Polish policies vis-à-vis China is to achieve a trade balance”* vice Prime Minister Waldemar Pawlak similarly claimed (Polish Market 2008 p.1). Reducing the Polish deficit and creating trade balance is vital.

Increase Chinese investment in Poland: Boosting Chinese investment in the country is one of the main economic goals. Attracting FDI is priority and Poland has in recent years made efforts to attract Chinese investments (KPMG 2011 p.5). *“Faced by fierce competition from the highly developed countries, Polish exporters are having problems reaching Chinese partners”* remarks Pawlak (Polish Market 2008 p.1). Consequently, part of the economic strategy is promoting Poland for foreign investors. Poland promotes itself as a bridge to the European market, believing it can play an essential role in creating cooperation networks between China and the EU (PalilZ 2010).

What is the preference of openness in trade with China?

One of the Polish presidency's priorities on the 2nd half of 2011 was to emphasise openness (Polish Ministry for Foreign Affairs 2011 p.5). However, Poland is known to be on the protectionist side in trade policy-making. Nevertheless, a joint strategic partnership declaration was signed in December 2011, stating that Poland wants to increase economic cooperation, facilitate for Chinese to do business in Poland and hopes that the EU soon will grant China MES (Chinese Embassy in Poland 2011). It promotes extended bilateral trade and investment and opposes trade protectionism (ibid). The declaration implies a more proactive approach on trade policy, where Poland seems to have shifted towards a more liberal stance in trade openness. A change in governing party in 2007 has indeed meant a move towards more liberal politics (The Economist 2011). However, the fact that Poland recently held the EU presidency might have an impact, making them conform more to the liberal EU position in trade.

What should be the main tool in foreign trade policy with China?

Poland affirms that the US-EU partnership is needed to tackle the economic might of China (Sikorski 2008 p.6), confirming its strategy of acting in concert with European countries (Palonka 2010 p.375). Bearing in mind the disproportion in capacity and size between China and Poland, acting together with more powerful players is a way for Poland to obtain influence in trade policy matters (ibid, p.375). Still, the strategic partnership with China shows that Poland is also aiming for a more independent approach. The partnership declaration calls for enhanced cooperation in many field and the establishment of a strategic dialogue mechanism (Chinese Embassy in Poland 2011). It

is hard to find clear views on the use of protectionist measures. However, the declaration opposes trade defence, and given that Poland seems to have become more open in trade, it is fair to assume that trade defence is not a prioritised policy tool.

4.2.5 Sweden

Is China a prioritised economic partner?

China is Sweden's largest trading partner in Asia. There is a strong political and economic bilateral relation, with a considerable amount of Swedish FDI and business presence in China. In 2010, one third of the total exports to Asia had China as destination and China was the second biggest market after Germany for environmental technology exports (Swedish Ministry for Foreign Affairs 2011). Deepening the economic relationship and increasing bilateral trade is important with the minister for trade, Ewa Björling, saying that *“it is important that Swedish companies do not lag behind when it comes to setting up business in this dynamic part of the world”* (Björling 2008a p.2). A deeper dialogue with China on a number of issues of the global agenda is needed, not least on economic ones (Bildt 2009 p.2).

What is the opinion on China's role in international trade economy?

China's exports are moving up the global supply chain and its role in international trade is and will become even more essential. Accordingly, *“China needs to take a more active role in the WTO negotiations and be a responsible stakeholder”* which will lead to long-term economic benefits for both Chinese citizens and companies (Björling 2008a p.2). *“As a growing supplier of the world's exports, with a massive consumer market and as an important global investor, China has a major role to play in shaping globalisation./.../For governments, as well as for business, there are many new challenges involved, such as environmental impact, corruption or core labour standards”* (ibid p.2). China and the EU must cooperate in making *“our common commitment to an open global economy and our common effort to create a more sustainable globalisation for the years ahead”* states foreign minister Carl Bildt (Bildt 2009 p.2). Sweden wants China to do its part in being a responsible and open player.

What are the economic goals in trade with China?

Sweden wants to expand bilateral trade and investment and welcomes increased Chinese exports as well as more Swedish exports to China (Björling 2008a p.1). Sweden has a competitive advantage in environmentally friendly and sustainable technology and China has a need for sustainable solutions so Sweden is hoping for trade in this sector to expand (Swedish Government 2009 p.2).

Sustainable development and CSR in the economic relationship shall be enhanced. *“For Sweden, promotion of corporate social responsibility is an important link between two cornerstones of Swedish policy: an open trade policy and a foreign and development policy that strongly emphasise the importance of human rights and sustainable global development”* (Björling 2008b p.1). Openness and sustainable development should be the foundations.

What issues are on the agenda in trade with China?

CSR: Responsible business practices are seen as *“a complementary tool for open and free trade, international investments, economic growth and sustainable development”* (ibid p.1). The Swedish government has worked actively with promoting CSR in business and trade with China (Swedish Embassy 2011). Enhancing and strengthening co-operation with China in CSR is important to the government (Björling 2008a p.2). Consequently, Sweden gives CSR much attention.

Sustainable development and environmental issues: Sweden has a leading position in green technology so they want to offer sustainable solutions to China, contributing with technology as well as institutional experience (ibid p.2). Swedish exports of green technology are promoted on the Chinese market (Swedish Government 2009 p.2f). *“There are clear linkages between trade, development, and the climate”* (Björling 2011 p.1). These aspects are often brought forward in the economic dialogue.

IPR: Strengthening the protection of IPR is central. *“We have a particular interest in fostering a better protection and enforcement of intellectual property rights”* (Björling 2008a p.1). Both foreign and Chinese companies are hurt by IPR violations, therefore Sweden concurs with the common position and believes that China must take further steps to protect IPR (Tolgfors 2007 p.1).

Openness: *“Sweden is strongly committed to the principles of free and fair trade and values. Fair access to markets is a crucial dimension of the international system”* declares Prime Minister Fredrik Reinfeldt (Reinfeldt 2008 p.2). Open trade and open markets are prioritised issues. *“We are concerned about burdensome export and import procedures and the failure to open up government procurement and address non-tariff barriers”* (Björling 2008a p.1). Access to a more transparent market must be improved, allowing Swedish and European companies to compete with Chinese enterprises on equal conditions (Björling 2010 p.8).

What is the preference of openness in trade with China?

The Swedish economy is export-driven, therefore, Sweden strongly promotes open trade. “*Free trade is a cornerstone of Swedish foreign and business policy./.../Swedish prosperity is built on international trade and the ability of our companies to compete in markets all over the world. One of Sweden's most important tasks in the EU is to be a strong defender of free trade*” (ibid p.1). “*We (China and the EU) should – in all international fora in the weeks and months to come – form a front against the protectionist temptations that we are now starting to see influencing policy*” says Bildt and claims that open trade will be beneficial for both China and the EU (Bildt 2009 p.2). In addition, greater openness and the elimination of trade barriers are solutions to the existing imbalance in EU-Sino trade (Tolgfors 2007 p.1).

What should be the main tool in foreign trade policy with China?

The WTO is a cornerstone in international trade, and is perceived as “*a guardian against protectionism*” (Björling 2011 p.1). To achieve open trade, the WTO regulations are essential. On the recent success of the GPA, Björling has said that “*I hope China and others will shortly accede to the GPA in a truly ambitious manner*” (ibid p.1). Furthermore, the CCP is a strength and Sweden will promote the elimination of trade barriers in EU trade policy with China (Björling 2008a p.1). Both Swedish and Chinese companies lose from trade defence and will benefit mutually from a removal of trade hindrances. Sweden therefore opposes the use of protectionist instruments in trade with China. Moreover, dialogue and joint co-operation with Chinese partners is and should be a key driver in the bilateral relationship (Swedish Ministry For Foreign Affairs 2009 p.5). The strategic dialogue between the EU and China must be deepened and developed further (Bildt 2009 p.2).

5. ANALYSIS

Table 5.1 gives an overview of the empirical findings, showing a variety in opinions and preferences of member states in EU trade policy-making.

Table 5.1 Summary of empirical findings.

	EU	France	Germany	Poland	Sweden
<i>Is China a prioritised economic partner?</i>	Yes	Yes	Yes	Yes (more prioritised recently)	Yes
<i>What is the opinion on China's role in international trade and economy?</i>	China is a chance and a challenge. China must promote economic openness.	China is a partner and a competitor. China must carry responsibilities	China must carry responsibilities. China is a chance.	China is a chance and a challenge. China must carry responsibilities.	China must carry responsibilities. China must promote economic openness.
<i>What are the economic goals in trade with China?</i>	Strengthen economic relations. Mutual benefits.	Strengthen economic relations. Reciprocity. Mutual benefits.	Strengthen economic relations. 'Change through trade'.	Develop and strengthen economic relations.	Strengthen economic relations. Sustainable development, CSR.
<i>What issues are on the agenda in trade with China?</i>	Market access. MES. Trade balance. IPR. Public Procurement.	Trade balance. IPR. Currency exchange rate.	Market access. IPR. Trade balance. Currency exchange rate.	Trade balance. Increase Chinese investment in Poland.	CSR. Sustainable development, environmental issues. IPR. Openness.
<i>What is the preference on openness in trade with China?</i>	Openness is crucial. Openness should be reciprocal.	Openness is supported but must be reciprocal.	Openness is crucial. China should reconsider trade restrictions.	Openness is supported (shifting towards a more liberal stance).	Openness is crucial. Eliminate trade barriers.
<i>What should be the main tool used in foreign trade policy with China?</i>	Dialogue and negotiation. Trade defence is a secondary solution.	Strategic dialogue. The EU.	Strategic dialogue. EU's 'one voice'. Restrictive use of trade defence.	The EU. Strategic partnership. Restrictive use of trade defence.	The EU and the WTO. Opposes trade defence. Dialogue, joint cooperation.

The member states all see China as an important economic partner and want to strengthen the bilateral economic relationship. In the Polish case it is also about developing the bilateral relations which are currently the least developed among the analysed countries. There is consensus on the fact that, due to China's increased power and influence on the global arena, China must carry greater responsibilities and be a responsible stakeholder. They all mention the EU as an important tool in trade policy. Dialogue is also essential where all member states except for Sweden has strategic partnerships with China. They all support openness in trade. On protectionism, Sweden, Germany and Poland explicitly state that they oppose trade defence. No explicit statement was found for France on the matter.

5.1 Prioritised issues

Empiricism show that the fundamental issues in trade policy with China are the same. Rectifying the trade imbalance is vital to all. The trade deficit worries the EU as well as member states. However, the Commission often raises more underlying and systemic questions such as rebalancing trade, creating a level-playing field through better market access and the question of MES. While some member states similarly emphasise these questions, they also tend to raise certain issues that concern national interests more specifically.

Germany, France and Sweden highlight IPR. Germany and Sweden are competitive in advanced industrial sectors while France is an essential exporter of luxury brands. Naturally, IPR are relevant to these economies that have high-tech and high-value added exports. They lose competitiveness when intellectual property is not protected in China. For Poland, IPR is not equally important since its economy has less competitive advantage in this field. Instead, the Polish promotes increased Chinese investment in Poland. For other member states it is rather the other way around. France, Germany and Sweden want their companies to expand in China, increasing foreign investment in China and cooperation with Chinese partners. Increasing their presence in China would be a way to deal with the bilateral economic imbalance. Poland also has a big deficit. They hope that increased Chinese investment in Poland will lead to greater economic exchange which can rebalance economic relations.

Germany and France raise the issue of the yuan's exchange rate that creates artificial competitiveness for Chinese exports. Since Poland and Sweden do not have the euro they are less concerned by this since currency adjustment is more flexible. Germany and France also mention environmental and sustainable aspects in trade policy but do not give as much priority to these

questions as Sweden does. Sweden is known to promote sustainable development and is also a leader in green technology. Thus, it is not surprising that the Swedish frequently raise CSR, climate change and other sustainable aspects in trade with China.

5.2 Openness and trade defence

The common position is that openness is a key in trade with China. The EU opposes protectionism although the openness should be reciprocal. The member states all claim to support the liberal stance but put different weight on open trade which indicate that some are more liberal than others. It is hard to find an explicit French statement on the use of trade defence albeit extensive research. For Germany, Sweden and Poland, official statements on the matter exist. Nevertheless, it must be remembered that the texts and addresses analysed have been the official, explicit opinion of governments. This means that the actual preference might not always shine through so it is hard to draw conclusions with absolute certainty. With more time, preferences in openness could be examined further through studying WTO cases, looking at what stances individual member states take in trade disputes with China. However, looking at the issues raised and bearing in mind earlier research in similar fields, the official trade policy preference gives important indications of the 'true' opinion. The conclusions drawn therefore have validity but the fact that rhetorics not always to 100% depict the actual preference is important to keep in mind.

With the Commission's preference in trade as a reference point, previous studies claim France and Poland to be more protectionist while Sweden and Germany have a preference more similar to the common position, being on the liberal side. Openness is key in EU's competitiveness strategy and the Commission believes that the use of trade defence should always be the second solution. In Sweden's case, the liberal view can clearly be confirmed in national policy and for Germany this is also affirmed. Both countries regularly declare that openness in trade is crucial. Germany is claimed to have become more restrictive in trade policy with China when shifting to Merkel's rule (Fox et al. 2009 p.4f). Although this study only incorporated documents from Merkel's time in office so such a change might be hard to identify, tendencies for a more protectionist preference that still might have been expected can not be confirmed. However, there is much at stake in trade with China so officially taking a more restrictive stance could do serious harm to Germany's economic relations.

A more protectionist attitude can be interpreted for France when it specifically underlines 'reciprocity' and demands openness from China in return, thus obtaining a tougher stance. The EU also talk about reciprocity yet France's emphasis is stronger and more consistent. The Polish

preference is less protectionist than might be expected with regard to earlier studies. The Polish-Sino strategic partnership declares opposition to trade defence. The recently held EU presidency, a change to a more liberal governing party and the recession raising a need for business deals and investment (Godement et al. 2011 p.7) might have affected their stance.

Conclusions from what has not been stated can be drawn through reading between the lines. Even if a member state has a less liberal preference than the common one, it is nothing that would be emphasised in the official approach since this might hurt relations with China as well as EU's 'single voice'. Therefore, the fact that trade defence in France's cases is *not* explicitly opposed can motivate that the French are more protectionist than Germany or Sweden. France's tone is more restrictive. Furthermore, France, Poland and the EU all mention that China is an opportunity yet also a competitor, pointing towards a more protectionist attitude in trade than Germany's or Sweden's.

5.3 Linking back to the theoretical framework

The priorities of member states demonstrate that trade policy preferences are driven by national interests. In line with rational choice theory, countries make rational choices and highlight issues that will benefit them. In this case it has mostly concerned maximising economic gains and profits from the commercial relationship. This can be illustrated by Germany who emphasises increased market access for European companies while Poland wants to see increased Chinese business presence in Poland. Germany's economic relationship with China is very export-driven, better market access will clearly benefit their economy. Since Poland's exports to China are of a much smaller scale the economic gains from increased access to the market are smaller for them.

Furthermore, the issues prioritised and the questions discussed seem to be a result of the tension between collective and individual interests that IPE argues for. Here, the state represents collectivity. Consumers, exporters, enterprises and lobby groups make up for private interests. Sweden has an extensive green lobby plus a government with an awareness of sustainable development which can explain why Sweden underlines sustainable business practices. In Germany, media coverage and public opinion on trade relations with China are quite critical (Fox et al. 2009 p.68). Unsurprisingly, the German government also talk about 'change through trade', a way of affecting political issues through the economic relationship. This can be a way for the government to legitimate the intensive trade relationship with China. Trade as a tool in foreign policy that IPE incorporates can be applied on the German approach.

When choosing member states, the countries were selected to obtain variation in several factors. Assuring a variation in these does not equal a theory testing approach with the aim of testing the factors specifically. Still, it is interesting to discuss if certain factors might have affected the preferences. The North-South divide, with 'North' (Sweden, Germany) being more open and 'South' (France, Poland) more closed in trade can be somewhat confirmed. For the liberal camp, the result concurs with findings from previous studies. In the French and Polish case the preferences are less clear but from the discussion a more protectionist preference in France's case can be identified whereas Poland is not as liberal as Germany or Sweden but still more liberal than expected. With regards to the demand for reciprocity and China perceived as a competitor, the common EU position was found to be more protectionist than anticipated. However, it has been pointed out that EU's tone towards China indeed has become more restrictive in trade during the last few years (Dreyer et al. 2009 p.8), corroborating with the empirical findings.

The countries also differ in economic strength, interpreted as size of the economy. Sweden and Poland are small economies while Germany and France are large. From the results, there seem to be no obvious correspondence between the economic strength of a country and national opinions on trade policy neither in priorities nor liberalisation level. However, if economic strength was interpreted differently, empiricism might have led to a different conclusion.

Instead of *size* of the national economy, what matters more seem to be the *specialisation* of the economy. Sweden and Germany specialise more in value added production and services while China is a big manufacturer and assembler in the production process (IDE-JETRO, WTO 2011 p.87). Hence, open trade for Sweden or Germany with China is beneficial since they in many cases complement each other in global product networks (GPN). However, China is moving up the value chain, leading to increasing competition from Chinese exporters too in these countries. A possible explanation for a more protectionist preference of the Polish and French can be linked to the type of role they have in GPN's, having businesses with comparative disadvantages to China which leads to a less open trade preference.

For IPE scholars, the WTO statement that countries with strong export growth use less import protection than countries with declining exports, is relevant (Balaam et al p.134). France's exports to GDP ratio is the lowest among the four member states. The other three nations have strong ratios with both Sweden and Germany obtaining trade surpluses. As stated earlier, this thesis does not aim to test how the varying factors might affect national preferences. However, that trade intensity

matter as a factor in trade policy preference seems to be strengthened by the empirical findings and is therefore a result worth highlighting. More export-driven countries, in this study Sweden and Germany, are less prone to use trade defence since they are more dependent on trade. Poland also has a high export to GDP ratio but are still less liberal in EU-Sino trade than these two. In the Polish case one must remember that they have little economic exchange with China. The conclusion? Trade intensity on a general level might matter for trade policy preferences. Trade intensity with the trading partner in question *does* matter for trade policy preferences, where a higher level of bilateral trade intensity seems to lead to a more open preference in trade.

5.4 Conclusion

There is common position in trade, but is there a common preference? The empirical findings show a difference between the common preference and national preferences, confirming a division among member states in trade policy with China. Even though the most important issues such as trade balance and market access are consistent, member states prioritise a variety of issues that differ from the common position. Moreover, they do not have the same preference in openness as the EU. However, the fact that there is a common external policy is not ignored and member states are aware of the existing framework to act within. Member states do not always agree with the common preference on trade defence but they do not openly act against it.

If earlier research on internal divisions in trade policy-making are taken into account, there was less variety in national preferences than anticipated. Official language plays its part here. Formal documents and statements keep a diplomatic tone. What preferences member states actually transmit to the TPC or discuss during bilateral meetings with China might not show. The fact that policy making is divided but not very evident in the official preference is also an interesting result, indicating that much of the division will be seen clearer when studying the TPC or closed negotiations. Explicit statements on trade defence for France were missing, probably due to the formal nature of the documents analysed. Interpretative work had to be conducted leading to some uncertainty in the concerned conclusion, although the interpretation is motivated so the conclusion is still estimated as justified.

However, this thesis is limited to examine not the policy-making process but the policy output. This means analysing official opinions and priorities, giving the study validity. Also, it was limited to include the common position and four member states only. However, the countries were selected to maximise variation in order to be more representative for EU27 as a whole. Limitations are

necessary yet might affect the empirical results. Further studies that include a greater variety of member states would give a more complete picture of the problem at hand. Other types of analysis material such as personal interviews with officials would be complementary, securing more easily comparable material with less need to worry about the actual preference not being demonstrated. Foreign investment turned out to be an important factor in EU-Sino trade policy. Thus, studies that also put investment in focus would be beneficial to get a more thorough understanding of the preferences. Taking it to the next level would be to focus on the process in trade policy-making such as what is happening behind closed doors in the TPC.

In conclusion, this thesis shows *how* national approaches in trade relations differ. Although explaining *why* they differ was not the main objective, empiricism points to trade dependency, comparative advantages or disadvantages with the trading partner and domestic forces as influential factors. On a more theoretical note, global network theory sets the broader framework, explaining the background and conditions of international trade to which the countries and the EU must adapt. Rational choice theory and IPE are also strengthened since they help to explain individual approaches and preferences of member states and of the EU.

This study has demonstrated that member states prioritise different issues in trade with China and that they have diverging opinions on the level of openness in trade. Differing national preferences contribute to explaining why developing a coherent and supranational trade policy is difficult for the EU. The disunity in official approaches and rhetorics complicates the Commission's mandate as a representative of the common voice. Hence, it becomes difficult for the EU to convert its economic strength into influence, to negotiate more favourable trade conditions and better market access in order to improve economic balance with China. The result resembles a vicious circle. As long as the trade deficit is not reduced and national trade data still look gloomy, member states will continue to act rationally and individually, raising issues that are in their national interests in order to maximise economic gains. If the common position is not followed by a common preference, difficulties in developing a coherent EU trade policy with China will persist, making tangible results harder to obtain.

6. SUMMARY

China is one of the EU's most important trading partners, constituting a considerable opportunity and challenge for Europe. The EU-Sino trade relationship is essential. However, it has been hard for member states to reach a common position and interest in the common trade policy for China and thus for the EU to develop a coherent and effective trade policy. This study examines how national preferences in EU trade policy with China differ from each other and from the common EU preference. The aim is to contribute to a deeper comprehension of the issues and difficulties that exist in EU-Sino trade policy-making and to make a contribution to the theoretical debate on supranational vs. national decision-making within the EU.

The theoretical framework contributes to an understanding of the bilateral economic relations with China and of the individual national preferences. The emphasis lies on modern trade theory such as global network theory and IPE. However, rational choice and more traditional trade theory is also incorporated and their relevance should not be ignored.

The study has been limited to look at the preferences of EU and of four member states specifically: France, Germany, Poland and Sweden. A qualitative analysis of texts has been conducted through a comparison of relevant documents. By analysing the policy texts and official statements of these four countries and of the EU, it explores how official preferences in EU-Sino trade policy differ.

The study confirms a division among member states in trade policy preference with China. National preferences diverge from the common preference. It demonstrates diversity in what issues member states prioritise and what level of openness in trade member states prefer. The Swedish, the German and the EU position are on the liberal side in trade policy for China. France and Poland are more protectionist than they are. However, the preference of Poland, and to some extent Germany, was more liberal than expected.

How national approaches in common trade policy differ is shown in explicit terms for four member states. Although the main objective is not to explain why they do, the empirical findings point to trade intensity, comparative advantages or disadvantages with the trading partner and domestic forces as important factors. National interests are driving forces. The incorporated theories are strengthened, with global network theory explaining the conditions for international trade and IPE and rational choice arguments being relevant for why preferences in trade policy diverge.

6. SAMMANFATTNING (Summary in Swedish)

Kina är en av EU's viktigaste handelspartners och utgör en avsevärd möjlighet och utmaning för Europa. Handelsrelationen mellan EU och Kina är essentiell. Dock har medlemsstaterna haft svårt att verka för en gemensam position och ett gemensamt intresse i handelspolitiken med Kina och därmed även för EU att utveckla en sammanhängande och effektiv handelspolitik. Denna studie undersöker hur nationella preferenser för EU's handelspolitik med Kina skiljer sig från varandra och från den gemensamma positionen. Studiens syfte är att ge en djupare förståelse för de ämnen och svårigheter som existerar inom handelspolitik mellan EU och Kina och att bidra till den teoretiska debatten om överstatligt kontra nationellt beslutsfattande inom EU.

Det teoretiska ramverket bidrar till en förståelse för de bilaterala ekonomiska relationerna med Kina och till att förklara individuella nationella preferenser. Tyngdpunkten ligger på modern handelsteori såsom global nätverksteori och IPE. Emellertid är även rational choice och mer traditionell handelsteori också med och deras betydelse bör inte förbises.

Studien är begränsad till att titta på preferenserna för EU och för fyra specifika medlemsländer: Frankrike, Tyskland, Polen och Sverige. En kvalitativ textanalys har genomförts genom en jämförelse mellan relevanta dokument. Genom att analysera EU:s och dessa fyra länders policy-texter och officiella uttalanden undersöker uppsatsen hur officiella preferenser skiljer sig åt för handelspolitik mellan Kina och EU.

En division mellan medlemsstater i handelspolitik med Kina bekräftas av studien. Nationella preferenser skiljer sig från den gemensamma. Resultaten visar på olikhet i de frågor medlemsländerna prioriterar och den nivå av öppenhet i handeln som föredras. Sverige, Tyskland och EU är liberalt lagda i sin handelspolitiska hållning med Kina. Frankrike och Polen är mer protektionistiska. Dock visade sig Polen och i viss mån Tyskland sig vara liberalare än väntat.

Denna studie demonstrerar explicit hur nationella förhållningssätt i den gemensamma handelspolitiken skiljer sig åt för fyra medlemsstater. Även om studien inte huvudsakligen ämnar till att förklara varför de gör det, så pekar de empiriska resultaten på handelsintensitet, komparativa fördelar och nackdelar med handelspartnern och inhemska faktorer som viktiga element. Nationella intressen är drivande krafter. De teorier som tas upp är stärkta, där global nätverksteori förklarar grundförutsättningarna för internationell handel och där IPE och rational choice är relevanta för varför preferenser i handelspolitik ser olika ut.

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