

*Student: Luigi Barella*

Student number: 1123653 – 375802

*Supervisor: Shawn Donnelly*

Co-supervisor: Doris Fuchs

***China and the EU through an IR framework: the High Level Economic and Trade Dialogue***

Introduction

Theoretical framework

- The overall state of the relationship
- IPE theories
  - Realism
  - Economic liberalism
  - Constructivism
  - Explicative table

Research methodology

- Institutional design
- HED's evolution

Data analysis

- Trade Balance
- FDI
- Intellectual Property Rights
- Customs and product safety collaboration
- Data evaluation in accordance to the theory

Conclusions

Bibliography

Table list

## Introduction

So far, the relationship between the EU and China has been a troubled one- mainly due to cultural and systemic differences related to the economic, legal and governmental fields. These two actors tend to have strong assumptions on the nature of the world, which are in turn translated into different behaviors and expectations regarding almost every scenario (Chabod 2005). On the other hand, it seems that several authors and journalists have been recognizing the failures without re-conducting them to the root cause which allowed this situation to take place.

Hence, what has been driving me towards the choice of this topic is the assumption that when it comes to the grand game between the two actors they seem to be playing on two different levels and for two different prizes. Europe has some sets of goals, but tends to reduce the scope of several negotiation tables due to the fact that it is composed of multiple actors with different preferences and different scopes; China, even though it enjoys a privileged position related to its unitary nature as well as a clear and defined international approach, seems not to be able to fully take advantages from its relationship with the EU (Holslag 2008)- meaning, not getting the full benefits that a cooperative approach would ensure.

My underlying thesis is that China sees the World through Realist lenses, while the EU interprets the same reality through Liberal ones. From this, a clash of paradigms should follow: in such a situation, China should be able to take advantage of the situation being its own conceptual tools more suitable to the situation at hand. Always according to this thesis, the EU might at best mitigate some Chinese behaviors without being able to radically change Beijing's attitude leading to a situation that can be deemed as underperforming.

What I would like to understand through a case study is the impact that high-level cooperation tables have in changing the relationship between the two actors, by taking a look at what the main IR theories expect in similar situations:

- Does this relationship pattern fit within the analytical frameworks provided by the mainstream IR theories? Being the fact that both actors claim to pursue a cooperative logic, how is it possible that cooperation-level suggests an underdevelopment?
- What are then the main factors shaping the EU's and China's behavior *vis-à-vis* each other? Taking into account the case study that I will present, can we see premises for socialization as well as positive outcomes?

We can say that the two actors come from different evolving paths<sup>1</sup> and tend to move towards different directions: the EU comes from a multifaceted history and is moving towards a process of supra-nationalization while China, after abandoning the Maoist creed, is now moving towards being a model for developing countries (Pastor, Gosset 2005). Even though it is understandable that some friction will take place and there is the eventual need for some adjustments, the different evolutionary path is not sufficient to explain why we are facing the current situation.

My analysis will be concentrated on foreign trade: I will confine myself to such an area due to the fact that the EU has a dual system where, even though foreign politics has to be treated separately (being this policy area divided between the Council, the EU's High Representative and the States), trade still pertains to the Commission (Treaty of Lisbon, 2007). In this case, since security concerns for the EU are limited when China comes into play, the economical field seems to be more

---

<sup>1</sup> China was a unitary developing country, relegated to a secondary role for the best part of the 20<sup>th</sup> Century, while the EU is a pre-federalist association born after the WWII catastrophe as a mean to prevent new wars of such magnitude (Di Nolfo, 2003; Roberts 2002).

**Commented [L1]:** Inserted small paragraph clarifying the nature of the questions.

appealing in order to perform a case analysis. In order to prove (or disprove) my point, I will analyze one recently established institution, namely the High Level Economic and Trade Dialogue (HED), which should now be one of the primary engines in the EU-China trade-based relationship<sup>2</sup>: by evaluating such institution I will determine if a cooperative logic has been pursued, to which extent and what impaired/influenced the outcomes of such institution.

Such high-level dialogue has one particularity that sets that apart from other initiatives: the HED has the peculiarity of focusing only on trade-related interactions while at the same time clearly confining the number of actors as well as on the number of topics discussed. Even though other attempts of discussing trade policies were done in the past, the context was quite different. Assuming that we had no cooperation at all during Mao's era (being the fact that formal diplomatic relations were established only in 1975), we have the first meaningful agreement on trade and economic cooperation only in 1985 (Brødsgaard, Hong 2009). All of the other initiatives taking place after this date were either part of a wider forum (e.g., the WTO) or discussed during a less economically focused consultation (e.g., the EU-China Summit that has been held periodically since the end of the '90s) (Brødsgaard, Hong 2009).

It is true that some institutional dialogue took place over the past few years when it comes to trade relations. Without going back to China's recognition or to the events before 1989 (year that is sometimes used as a dividing point in describing the relationship between Beijing and Brussels), we can see that from 2001<sup>3</sup> we have had a significant growth in absolute terms when it comes to trade exchanges between China and the EU (Brødsgaard, Hong 2009).

The problem is that, due to the multiple nature of the EU, no precise strategy seemed to have been enforced so far: apart from general remarks exposed during WTO meetings, such as the always present concerns on IPRs and discriminating measures (e.g., tariff and non-tariff barriers or industrial policies), we still have 27 bilateral agreements instead of a single one. And, we still have an ongoing discussion on the application of the Partnership and Cooperation Agreement (PCA), which started in January 2007 (Commission 2006): so far, though, both parties remain far apart in their positions (more on this in the following chapters). And, apart from the PCA negotiation table, the only other trade related one is the HED.

On a lower level (meaning that the actors involved are not part of the highest political/bureaucratic ranks) we have an institution called the EU-China Trade Project (EUCTP), which is the direct emanation of the PCA/HED talks: its main aim is to translate into reality the provisions set by the two tables mentioned above (EUCTP 2011). The aim of this project has been to harmonize the current legislations and procedures among the two actors in order to foster economic cooperation and enhance its performance. Though, their main activity has been related to organization of specialized seminars which effects can be hardly assessed in their causality (EUCTP 2011).

While the interaction between the two actors seems to be highly institutionalized, it is also true that it lacked an overarching architecture: the few lines before only gave an overview of what happened concerning trade relationships over the past few years without involving the HED (more about that in to coming chapter- and I am not taking into account dialogues on other subjects. The point is that even with such a strong institutional apparatus (meaning, forums where both parties are brought together in order to share their vision and refine their level of cooperation), there seems to have been a lack of concertation on fundamental issue; more, whenever these were discussed, they seemed to be taken into account without any visible linkage to the rest.

---

<sup>2</sup> At least, according to official information available on the EU Commission's Trade DG's website (<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>)

<sup>3</sup> Year during which China entered the WTO.

What I will now do is to outline a theoretical framework which will allow me to establish, later on, a guideline to evaluate what comes out of a data analysis operation. In broader terms, I will define which are the main theories in the IR field with a particular relevance to IPE (International Political Economy) ones and point out the analytical tools that each one provides in order to analyze a similar situations. I will then outline both what should be expected in comparable cases (which will also provide us with an idea of how consistent and precise our evaluation methods are) as well as what is the situation at hand- in broader words, I will use theories as a litmus paper which should allow me to give a better idea of what is the evolutionary pattern that we are facing.

After this operation is completed I will provide a set of parameters that I will use in order to analyze sheer data: this should allow me to integrate theories and reality and to extrapolate a pattern from the latter. In order to present these parameters, I will have to describe who seats in the HED and what their powers are: this should provide a better understanding of what are the limits and the actual capabilities of the HED. Following this step, I will outline what was discussed within the HED framework as well as its outcomes, focusing on the presence of a common pattern and the decision taken by HED to conform to its own aims.

After this, I will combine these three features in order to build an explicative table which will take into account the degree of cooperation reached- and the extent of such cooperation. This will allow me to come back to my original questions and thesis and assess its validity vis-à-vis the data at hand. Finally I will provide my personal remarks and conclusions concerning the whole study: are there some relevant hints about the future of the relationship between the two countries and, if yes, did the theories that I presented before help in understanding such situation? This will allow me to extrapolate some hints on the development of a (so far) quite troubled relationship.

**Commented [L2]:** Note on how to get back to the original theories.

### ***Theoretical framework***

In this chapter I will define the state of the affairs between China and the EU and what are the expectations that most analysts share for the future. The first thing that I will take into account is the state of the EU-China relationship according to recent studies.

#### ***The state of the relationship***

During the past few years there have been several developments for what concerns China, the EU and their relationship.

First of all, the two actors tried to influence (or discourage) the other's behavior via their engagement strategy. The European's main concern lately has been to engage China without posing conditions: the ratio behind such an assumption is that, due to a close contact with the EU, China will liberalize its economy, improve its rule of law and democratize its politics. On the other hand, China has been adamant in resisting to such influence, relying on its strengths (economic power and a strong political control) when trying to resist foreign influences (Fox, Godement 2009).

China seemed to have been gaining benefits from this approach, as the EU lacks unity and has limited (or no) leverage on its counterpart, mainly because the positions that the EU has had so far were extremely fragmented and nation-based. Each single EU member can challenge China on the economic and/or political field- or they can decide to not to do that. This leads to the regrouping of EU states in categories according to what are their standpoints towards Beijing<sup>4</sup>. It is now understandable why the policy that has so far been adopted is called "unconditional engagement" (Fox, Godement 2009; Holslag 2011; Brødsgaard, Hong 2009). Such a pattern shows especially in China's trade deficit *vis-à-vis* the EU (just to mention a number, we had € 169 billion imbalance in 2009) and it is, in general, of paramount importance whenever it comes to economic matters (Duncan 2010).

In addition, Beijing tends not to live up to its responsibilities when being a reliable global player is needed, at least not when it comes to issues that are not perceived as directly related to China's well-being. European firms in China tend to face a myriad of non-tariff based barriers and local level decisions that impair their business effectiveness, while in the EU we tended to use anti-dumping measures in order to prevent underpriced Chinese goods to gain access to the market (Brødsgaard, Hong 2009; Men 2008).

Since 2003 the two actors have been engaging in what was described by both European and Chinese officials as a strategic partnership in order to promote a multipolar world: statements from both European and Chinese representatives tended to be very enthusiastic, but in reality the situation is far more complicated. What can be seen so far in several instances is that China tends to be very selective when it comes to its involvement. For what concerns its policy towards Africa (meaning the situation in Darfur) or Iran (and the suspension of WMD's development), Beijing tended to follow the EU only when the situation seemed favorable in terms of national gains. On issues such as North Korea (the 6-party talks), Myanmar (against the Burmese junta), Afghanistan (the role of NATO) and the UN (for what concerns the reform) the EU was barely consulted (Men 2008). The only situation where we can see a small degree of convergence is China's access to the WTO and its

---

<sup>4</sup> We have, in order: Assertive Industrialists (willing to press China on economic/political issues- Germany, Poland and Czech Republic); Ideological free traders (opposing trade restrictions but in favor of political pressure- UK, Denmark, Sweden and the Netherlands); Accommodating Mercantilists (reluctant to confront China politically but afraid of China's entry in the market- most Southern/Eastern EU members); European Followers (reluctant to manage this issue, they leave that to the Commission- Austria, remaining parts of the Benelux as well as the Baltic states) (Brødsgaard, Hong 2009).

implementation of WTO's rules, but it ends there: several fights have been fought in such an arena over the most disparate issues (Hoslag 2011). More, the economic crisis that we have faced since 2007 (at first the financial crisis and now the sovereign bonds one) are providing Beijing with another ace up its sleeve, since it allows the Chinese to exploit in even another way the differences and incongruences between the EU's different countries (Fox, Godement 2009). What described above means that the partnership is not as strategic as what written on paper: more, it seems that the EU is not understanding that, while at the same time it believes that in a multipolar world China will become less assertive and more responsible (while in reality Beijing will only become more realist) (Hoslag 2011).

So far, I have outlined a situation that, at best, appears to be complicated. What is missing (as well as the reason why I will need a chapter concerning theories) is the will demonstrated, at least at a certain level, to overcome this trend. Why would we have such internal (at the Chinese and European level) pressures if this would be the optimal situation? How can we interpret them? Not only: why would China and the EU seek for a closer cooperation if they have tried to undermine this very endeavor (up to a certain extent)?

This is where IR theories should help in analyze reality: each one of the following will have something to say concerning cooperation- how to reach that, its feasibility, its benefits and so on. It is from these premises that I will try to build a narrative for this small study.

### ***IPE theories***

In this second subchapter, I will provide a brief explanation of the theories that I will use as a framework of analysis. They are all pertaining to the IR (and specifically IPE) world, and they will constitute the backbone of this study, which means that in the end I will use them in order to compare the results found through an operation of data analysis. A final table will sum up what elaborated in the remaining of this chapter and it will be used later on to provide an evaluation reference.

All of these theories have something to say and to predict when it comes to cooperation, the conditions under which this is possible and its possible outcomes:

- Realism focuses on a state-centric perspective, where anarchy is a constant and cooperation can be achieved when it maximizes relative gains against the remaining actors (Grieco 1988; Simon-Belli 2002; Gilpin 2001);
- Economic Liberalism relies on the notion that actors can collaborate in order to collect positive externalities, mostly through regimes (Keohane 1982; Krasner, 1982, in Bustelo, 2003);
- Constructivism relies on the importance of ideas and perceptions in order to shape actors' behaviors- cooperation tends to be possible when two actors share the same set of positive expectations regarding the nature of the game as well as the actions that the other player will perform (Wendt 1994; Checkel 1999).

### ***Realism***

Realists start with the assumption that the state is the basic actor that we have to take into account in order to analyze a given situation: of course there are other players that need to be taken into consideration (the IMF, the UN or the Commission), but the nation-state is the one that holds extensive control on the political elite and the most influential pressure groups, most importantly on the economic level (Bustelo 2003). Also, being the fact that the states are holding almost absolute control over the domain of Power, they tend to have a comparable high influence over the domain

of Re-distribution- i.e., over the economic field (Bustelo 2003).

Whenever we have to deal with states, we have to consider them as being in a relationship that is dominated by anarchy: no state is formally superior to another and each one of them will try to determine its own national policy according to the constraints that others impose on them. In the end, states are concerned with survival (which entails political and territorial integrity) and this is why they take into account both absolute and relative gains: sometimes gaining is not enough, it must be also ensured that the opponents remain in a situation of subordination<sup>5</sup> (Krasner 2002). States tend to position themselves and act in the international arena not in according to a logic of sheer gains, but in terms of their position vis-à-vis others (Grieco 1988).

This is also why, on the economic level, it is way easier (or at least possible) to act in accordance with a state that does not represent a threat in any way: a big and a small actor have higher chances of cooperating, while whenever two giants are fighting there is always the need of not falling prey of the other. It can be also said that influence over world economic affairs is maintained through a strong security concern: this means that, in order to become a great economic power, a state must either be able to protect itself or to live under the protection of a third state (Gilpin 2001).

In such a situation, the term state-centric is of high relevance: it also means that each state will try to pursue a policy that fosters the well-being of its citizens according to the possibility that the international arena and the markets provide to it (Gilpin 2001): this can be seen as a neo-mercantilist way of dealing with the economic field which leads to the assumption that the only economic progress that matters is the one achieved at the national level (or with ramification on the national level) and that politics will necessarily shape every relevant aspect of the economic field (Telò 2007; Simon-Belli 2002). It is safe to say that from a realist point of view trade can be seen as an option among others in order to gain power *vis-à-vis* the remaining players: a state might either limit the availability of products or technology available for third parties or it can threaten the same ones by menacing to change the rules of the trading game. Both threats are credible only if they are asymmetrical, meaning that the state pursuing such policies will lose way less in comparison to the one that we consider the target- and strong contrasts (of various nature) will rise between powers of the same magnitude (Krasner 2002). In the end, states will try to maximize their relative gains by putting the accent on getting the upper hand in strategic sectors that can be easily converted into real power while at the same time being able to portray that in the domestic field as an advantage for society at large (Cafruny, Magnus Ryner 2009).

This theoretical cooperation framework relies heavily on the notion of relative gains in order to function: as much as a state can maximize its absolute returns, it will do that, while at the same time it will try to prevent others from gaining advantage (Grieco 1988). This standpoint translates into a variety of possible behaviors: according to the situation and the resulting power distribution, an actor might chose to join, leave or limit its commitment when involved in any given kind of cooperation (Grieco 1988). The only way to tamper this assumption is that some states might derive a different level of utility from a given cooperation, meaning that even though their gains might be lower (even in relative terms) to other actors, they still prefer certain power distributions due to the fact that they find such situation more profitable- the reasons for that might be that an actor seeks more power within a relationship, or plans on achieving future leverage on another actor, or gaining benefits against third parties due to such cooperative behavior (Grieco 1988). The same kind of theories can as well apply to socialization as a phenomenon: states will have to socialize with the other as long as this proves to be in line with their national interest. An actor will be punished for its lack of socialization by other players if this creates a clash of interests (Morgenthau 2006).

---

<sup>5</sup> This affirmation also entails that the distribution of power among the states can be used in order to explain their actions, motives and reasons- almost without referring to any other variable (Krasner 2002).

The fallacy that we generally encounter in a completely realist point of view derives from this anti-cooperative concept: several times states have changed their behaviors in order to achieve cooperation (we can think of the EU and, to a lesser extent, of the UN)- which in turn means that Realism sometimes fails in explaining the reason why an actor decides to switch its set of preferences (Nye 1988). Also, such a stand point fails to grasp the gains (on the long run) that can derive from integration as well as cooperation: on a single issue, there might be a loss for an actor, which will be compensated in the long run by mutual gains.

*Testable outcomes:*

- A Realist perspective prescribes that any cooperative endeavor will result in a mutual success if and only if both actors manage to gain from such relationship in the same proportion without jeopardizing their relative power.
- If no actor is able to dominate the other, there will be a minimal level of integration useful only to keep every alternative available, but nothing more.

### ***Economic liberalism***

Liberalism is the IPE theory that most of all relies on the presence of a wide number of relevant actors while defining and analyzing scenarios that we have in front of us. In fact, Liberalism accepts the fact that a multitude of players (states, international organizations, multi-national corporations, NGOs, private foundations, interest groups, etc.) are to be considered central ones: they tend to be rational and they do calculate their moves, but their aims are different (and their resources/capabilities as well). All of them are trying to gain something from the system (and it would be possible to achieve a mutual gain) but each actor is more concerned with their absolute well-being rather than their position in comparison to the others (Krasner 2002).

Liberalism brings us to the assumption that actors and institutions can reach the best possible situational outcome if and only if they can find a situation where all of their contemporary needs are satisfied at the same moment. Institutions, other states and behaviors do create a constraint on each actor, but due to the fundamental benign nature of Liberalism the answer would be that there is always the chance of redefining an institution and/or a behavior in order to create an optimal situation (Krasner 2002). Such collaboration can derive from what we call a regime, meant as a corpus of norms, principles, rules, decisional procedures (does not matter if explicit or implicit) that two or more states tend to put into place in order to cooperate and gain mutual benefits from a given situation: two actors might also gain on the economic side in doing so, since a better cooperation tends to foster a better resource allocation (Graz 2001). In broader terms, referring to or creating a regime can be a counterintuitive act for a state (due to its egoistic and autonomous nature) but can be explained by asserting that an agreed corpus of norms and institutions reduces uncertainty and, therefore, the sheer level of risk for the actors involved in the regime (Noël 2000). There is also another point in favor of cooperative behaviors and institutions: usually actors will tend to avoid situations that are blatantly against their interests. This means that states will tend to join an international regime when they are in the position of foreseeing positive gains that they can, in the long and/or in the short run, capitalize (Keohane 1982). Moreover, due to the possibility of sharing positive externalities, states tend to create associations whenever they perceive that a non-existent or bilateral negotiation would lead to a sub-par result (Keohane 1982). It can also be inferred that it is also true that if a state can be considered as an autonomous and rational unit, this is not true on the economic level: we need trade due to the fact that we are not able to produce everything by ourselves and this is why we need a close cooperation with other partners (Nye 1988); also, on the domestic level, we have strong groups that might press for more economic integration which in turn puts policy-makers in the position of actively seeking some sort of integration with other system in order to gain consensus and foster wealth production (Frieden, Martin 2003).



All of these reasons are of great relevance for one of the most important Liberal theories which goes under the name of “Theory of International Regimes”: in this case regimes are defined as “*principles, norms, directives and political decisional processes where the expectancies of a defined area of the IR are converging*” (Krasner, 1982, in Bustelo, 2003), even though it is sometimes hard to identify precisely what is a regime in real life<sup>6</sup> (Noël 2000). They tend to respond to the economic need of preventing market failures<sup>7</sup>, or to provide states with a mechanism that corrects inefficiencies and provides with common frameworks of analysis as well as to common discussion tables (Keohane 1982). Such regimes are born in order to provide a common good to the system as a whole by institutionalizing what in definition mentioned before, but can be created in several ways (i.e., with a negotiation, via imposition or by self-generation) and for several reasons (utmost international relevance of a topic; internal pressures, goodwill of the leaders, etc.) (Simon-Belli 2002): in this case, we can consider the HED as being a mutually negotiated regime born due to the high relevance of trade between the two actors, as well as in order to regulate such field. Socialization within similar frameworks will be common in order to seek the interest of the state as well as modifying other actors’ behavior: the more a state socializes with the other, the more leverage it will have in the future. Socialization will lead towards the creation of common interests and frameworks.

On the other hand, some authors still maintain that in order for a regime to be born there is a need for a benevolent hegemony, at least in the beginning: a powerful and magnanimous state need to impose its will on the others (at least temporarily) in order to provide a framework agreement. Later on, when the regime has been instituted and running for a decent time span, the hegemonic presence becomes less important, if not dangerous (Noël 2000). This is a controversial point of view due to the fact that it implies that the hegemonic theory has some serious justifications, even from a Liberal perspective (it might prove that states do not follow a rational choice paradigm, they are only forced into a situation by a major power) (Scherrer 2005): however, in this case this point of view is not entirely relevant due to the HED being a mutual establishment.

In addition to what stated above, Liberal theories are to be regarded both as a heuristic tool (in the ways described above) and as a “mental framework” to better understand the reasons behind the EU’s actions: Brussels believes in the spillover effect, meaning that contacts with an actor and the creation of an institution will generate a mutual understanding that will have ramifications on other fields (following the notion of spillover). The game is not a zero-sum one and the actors have everything to gain from cooperation (as described in the previous paragraphs) (Niemann, Schmitter 2009).

The flaw in this thread of thought is that there are no boundaries to evolution: by saying this I mean that even though Liberalism explains easily some events (the benefits and the expansion of an open world economy, functional interactions between different actors or cooperation among the same) it provides less conceptual tools when explaining the drawbacks or the lacks of integration that are still present at a given moment (Krasner 2002).

#### *Testable outcomes:*

- Actors will tend to cooperate if they expect to reach the Pareto optimal from a given institution/collaboration.

---

<sup>6</sup> What I mean with the last sentence is that, according to the definition provided, a regime can be both understood as taking into account the economic institutions created with the EU treaties as well as, e.g., a “colonial regime”- meaning the set of rules and institutions governing a colony’s life (Noël 2000).

<sup>7</sup> In this case the term is used in a generic sense: it includes both market related issues as well as applying to other domains (i.e., the security field).

- Players will also rely on the fact that, being cooperation voluntary, both will try to maximize their utility without hampering each other in order to protect an institution that generates a surplus.

### *Constructivism*

This theory stresses the importance of socially constructed realities, which means that actors give meaning to the world that they see in front of them. What follows from this assumption is that structures are mainly functions of shared ideas (rather than material forces); identities and interests derive from such ideas and are therefore a product of the human mind, rather than deriving from nature (Gilpin 2001, Dalcourt 2007).

In broader terms, we have a system where structural and subjective factors do have a similar importance: ideas and concepts, norms and rules, structures and actors as well as social processes are on the same level and do contribute (although in a different way) to shape reality in the economic and political arenas (Simon-Belli 2002). Actors tend to behave according to their prior attitudes and/or to behaviors learned at a certain stage: states (and peoples) form their national identity at the domestic level, and then they transfer some sets of preferences at the international level (Wendt 1994). They then define other players also by perceptions: if two actors share similar expectations on a given situation, the outcome will be reinforced (both in a positive and in a negative way), while if they have opposite ones the effects of their interactions will be lessened (Wendt 1994). On the other hand, a continued interaction between two actors will change their mutual beliefs about each other, possibly leading to better cooperation due to the construction of a common identity: even if a common identity is not constructed, there is still a high chance of typifying the “other” and enclose it in a relational structure which will, in return, help in reshaping both players (Wendt 1992). Moreover, if there is the intention of creating a fair socializing institution (on every side), these can provide agents with a mean of understanding each other in terms of identities as well as interests, thus creating common behaviors (Checkel 1999).

From what stated above, scholars got to different conclusions: cooperation can achieve the desired results, while for others it is bound to fail. In the latter case, we can see reality as a conglomerate of different realities associated to different actors: each one of them cannot share its “perception of reality” with the other, which in return has an interpretation of its own. This leads to mutual misunderstandings, hardly fixable by individuals who are to be considered as mere carriers of identities (Teubner 1989). On the other hand, we can also reach the opposite conclusion: socialization can take place via the institutional framework. More specifically being part of an institution will create a certain level of shared behaviors and goals due to a “lock in” process (Checkel 1999). On the other hand, integration through socialization (also intended as a higher degree of cooperation) will be more and more likely if some conditions are satisfied, namely: similar social background amongst individuals; perception of an external menace; frequent interaction; insulation of the group from outside pressures (Graz 2001; Checkel 1989). This means that the more the persons being part of an institution are similar and goal-oriented (both for endogenous and exogenous reasons), the more is likely to witness a higher degree of cooperation and success in undertaking that.

The bottom line of this theory is that it is how a state/institution defines itself that in the end determines which will be its behavior in the end (Gilpin 2001), while at the same time enormous achievement could be gained through a redefinition of an actor- both as a party in a relationship and as a player *per se* (Simon-Belli 2002). Not only, a constant interaction has the chance of creating a positive process of socialization which in the end can create commonly shared norms, ideas and reaction; of course, being the fact that such process can lead to frictions, there is also the chance of deteriorating a relationship (Checkel 1999). To sum this whole argument up: the interaction

between two actors will depend on how the elites (or the persons in command) see each other in general. A mutual feeling of reciprocation will generate cooperation, while mutual distrust will prevent at least most coordinate endeavors; on the other side, when these two players have a non-mutual vision of reality, this will favor the one with a more pragmatic approach.

*Testable outcomes:*

- Actors will try to engage each other in according to their perceptions.
- If expectations and perceptions are shared, they will tend to generate and magnify some outcomes: mutual friendship/trust will lead to cooperation, mutual distrust will drive towards friction (or war, on the extreme) while mixed attitudes will lead to a situation of general inefficiency.

### *Explicative table*

In this small section I will use the knowledge gathered in the 3 subchapters above in order to build a table showing how will I classify each party's action- meaning, if a development has to be considered as stemming from a Realist or from a Liberal matrix.

	<b><i>Realism</i></b>	<b><i>Economic Liberalism</i></b>	<b><i>Constructivism</i></b>
<i>Central actor (s)</i>	States	States and other International Organizations	States, other actors as well as ideas and structures
<i>Principal aims</i>	The states need to survive	The actors need to reach a Pareto optimal situation	Depends on how actor define the aim
<i>Economic ramifications</i>	<ul style="list-style-type: none"> <li>- A state needs to gain benefits only of its citizens</li> <li>- Trade is an option to gain power versus other players</li> </ul>	<ul style="list-style-type: none"> <li>- Institutions can help in creating optimal situations and reducing uncertainty</li> <li>- A zero sum game might become a positive sum one through cooperation</li> </ul>	Economic relations, as political ones, are also the byproduct of what the actors see in them
<i>Cooperation</i>	Can be achieved under an hegemonic power but it is hard to be generated on an equal basis	Can be achieved willingly via the constitution of regimes or of Supranational/International Actors and/or forums	As long as there are no major contrasts between actors, cooperation is a valid choice
<i>Socialization</i>	Possible if it does not clash with national interest of all of the actors	Very likely as this is the way used by states to influence other international players	Always possible, though it will tend to have stronger positive effects the more a group shares similar points of view/external menaces
<i>Consequences of interdependence</i>	Conflicts (on different levels)	Stability, peace and trade	Variable according to the expectations

Table 1. Differences between different theoretical frameworks

## ***Research Methodology***

This chapter will explain how I will use the HED as a case study, later on providing answers to the questions posed in the introduction. I will outline the composition, outcomes and achievements of an institutionalized forum: this will show the level of cooperation deriving from such institutional process, as well as the changes brought to the overall relationship. I will try to outline the major secured gains (or the major losses) on both sides in order to provide with an evaluation at a later stage.

My first assumption is that the relationship between China and the EU has been underperforming due to a lack of cooperation. Cooperation might have several meanings, but in this case I will restrict my definition of cooperation to an “*interaction producing gains/losses proportionally shared*”: this means that in case of a development, this will not be an advantage/disadvantage only for one side.

In order to support any further conclusion, I will then have to take into consideration three points (that will also constitute three separate chapters):

- a. Institutional design: in this section I will describe the composition of the HED. This is needed to have a clear picture of who is a member of the institution. If the group is not homogeneous enough, this could create a barrier against socialization- the same if the composition changes too often. Also, it is important to know what kind of powers does the HED have: can the members approve legislative measures? If not, what kind of power/influence can it exert over third parties?
- b. HED's Outcomes: this second section will describe from a more chronological perspective what has been discussed within the HEDs as well as what were the related outcomes. This section should also help in identifying common patterns and consistencies: if the themes discussed have been constant and systematically tackled, this will play in favor of a higher degree of influence over the economic side.
- c. Data analysis: this chapter will use a set of variables (described in the following sub-chapter) to identify the degree of influence that the HED talks have been having on the economic relationship between China and the EU. The data will be used to show how much of what discussed over the HEDs actually transformed into reality.

As mentioned before, the data analysis will be limited to the economic field: even though I deem trade to be the single most important factor in the relationship between the EU and China, we cannot reduce the whole relationship to a single, topic-focused dialogue. Military, environmental as well as cultural relations have their own place in this huge puzzle, but they will be here sacrificed to prevent the number of variables from growing exponentially while at the same time causing unwanted duplications (Johnson, Reynolds 2008).

While the first two points are easily describable, the third needs a higher degree of explanation since it will depend almost entirely on the parameter that I will use to investigate my claims:

- The first parameter that I will take into account is the sheer trade balance between the EU and China. Apart from being one of the hot topics between the two actors (Commission 2008, 2009, 2010) is an easily retrievable factor that does offer a general overview of the situation.

- The second parameter that will be taken into consideration will be flux of FDI that were exchanged between the two actors. I use this variable in order to reflect what the progresses in the field of Trade Investment and Cooperation (Commission 2008, 2009, 2010).
- Thirdly, I will take into account the progresses that have been made concerning Intellectual Property Rights: being one of the most controversial topics, as well as the one where China has been deemed by the EU as most likely to perform infringements, it seems to be a clear indicator of how the EU managed to involve China, as well as to (possibly) modify its behavior (Commission 2008, 2009, 2010).
- Fourth term of comparison will be the development in the bilateral cooperation concerning product safety and standards. Although this might be similar to the point involving IPRs, the difference lies in the fact that this variable takes into account the more administrative steps that have been taken by the two actors in order to tackle the issue (such as cooperation in order to enforce custom police). Also, another difference that needs to be taken into account is that this specific point deals with the issue from the consumer's side rather than from the producer/firm's one (Commission 2008, 2009, 2010).

Both the first and the second parameter are to be deemed as external ones, and that is their limit: they can be influenced by any number of factors, and at this stage I cannot control if the influence of the HED over them is direct or an indirect one. On the other hand, they provide a general trend and they can be used to "generalize" the status of the dialogue at the economic level. This is why they are followed by two variables with a higher internal validity as a mean of compensation (Beverly, Sherraden 2001). The aim is to illustrate the trend behind each single variable: should every result be consistent with each other, one way or another, this will prove that the EU-China relationship is not a casual one, nor are its results. At the same time, the results will determine if a joint cooperation between both actors' highest representatives has proved to be effective in the short-medium run.

What described so far will then be integrated within a theoretical framework: on one side we will put a perfect and mutually beneficial integration (total cooperation) while on the other there will be a situation where only one partner takes unilateral advantages from the other (absolute lack of cooperation). Therefore, on one side we will have a point of view that is mostly associated with a Liberal perspective, and on the other we will have Realist one. Constructivism does provide us with a framework of analysis which allows both players' realities to be taken into account at the same time. Basing myself on these premises, I will then reach my conclusions.

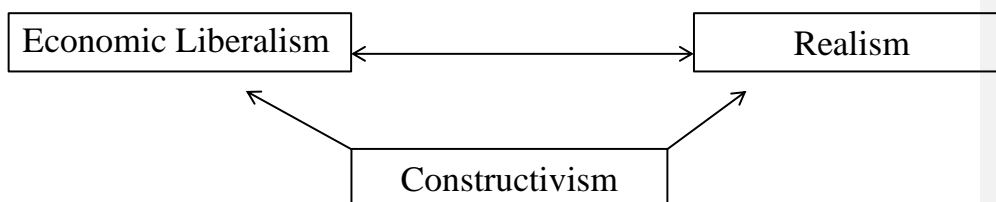


Table 3. Use of theories as explicative means

### *Institutional design*

In this section I will take care of underlying who sits in the HED in order to ascertain who were the most important representatives involved over the years in this consultation in order to understand if the dialogue had a serious chance of translating its discussion into serious propositions/legislative acts- taking into account both sides.

From the moment of its creation, the HED has been involving top level members from both the Commission and the Chinese government.

The first HED saw the participation of seven Commissioners<sup>8</sup> under the guidance of Mandelson (Trade Commissioner), while the Chinese sent as a counterpart a contingent composed by several Ministers<sup>9</sup> and chaired by the Vice-President Wang (Commission 2008). What I can infer from such composition is that, even if the powers granted to the HED were (and still are) not of a substantial nature, it was nevertheless meant as a gathering of members from both institutions that held substantial power. The specific composition of the dialogue has been, from this moment on, varying quite often (in accordance to the specific topics discussed in each HED) without depriving each party from key players.

The second HED saw a change in the EU's speaker (Lady Ashton took Mandelson's place) and the important presence of the Competition Commissioner, while at the same time several other Commissioner and Director Generals joined the talk<sup>10</sup>; on the Chinese side, Wang remained Chairman of the event, while the list of Ministers attending the event became slimmer- even though the most relevant ones (Commerce and Trade) remained solidly in place. On the other hand, members from other Chinese State Agencies, such as the State Council, joined the talks (Commission 2009).

The last HED saw a reduction in the amount of EU Commissioners present for the event, even though the key ones attended the event: on the other side, three Commissioners (for Trade, Competition Policy and Economic and Monetary Affairs) shared the EU chairmanship for the event. On the Chinese side, Wang kept on being the Chairman: several ministers (for Commerce as well as for General Administration of Customs) and vice-ministers attended the talk, while several State Agents<sup>11</sup> (meaning, high-level bureaucrats) joined the different tables (Commission 2010).

As we can see from what exposed so far, even though the single members participating in the HED have been changing throughout the years, I can infer that the most relevant actors have at least been constant in their presence. Such actors should be the ones holding real power, having at the same time the correct means and channels to push forward for internal reforms (at least in their fields)- and this is valid both for the Chinese and the Europeans. Also, it is worth noting that the participation of actors belonging to the bureaucratic world has been so far promoted: this means that there has been an underlying will to put into effect long term propositions, or at least to have the

---

<sup>8</sup>Respectively we had the Commissioner for Trade; Energy; Customs; Consumer Protection; Social Affairs; Research; Development and Environment (Commission 2008).

<sup>9</sup>In this case the delegation was composed by the Ministers for Commerce; General Administration of Quality, Supervision, Inspection and Quarantine; State Administration of Industry and Commerce; Human Resources and Social Security; General Custom Office; Environmental Protection. Also, the Vice Chairman of the National Development and Reform Commission as well as several Assistant Ministers were present (Commission 2008).

<sup>10</sup>Present at the event were the Commissioners for Enterprise and Industry; Information, Society and Media, Environment; Taxation and Customs; Agriculture and Rural Development; Internal Market and Services and Consumer Protection. The Director Generals attending the meeting matched the corresponding Commissioner (with sporadic and minor deficiencies) (Commission 2009).

<sup>11</sup>Joining the talks were the Commissioner for State Intellectual Property; the Vice President of the Chinese Banking Regulatory Authority; the Administrator for the State Administration of Foreign Exchange (Commission 2010).

dialogue repeating itself over the years<sup>12</sup>.

### *Inferences from the Institutional Design*

There are few things that we can infer from this subchapter that are useful in order to explain the linkage between the different benchmarks that I have proposed.

First of all, we can see that all of the relevant players that should have powers over the implementation of trade policies are involved in the same process- both political representatives and top-level bureaucrats from both the Chinese and the European side. Which also means that the consultations held should have had direct ramifications on the general level of interactions. Being the fact that several table have been dealing with measures aimed at reducing barriers to market access and competition, I would assume that this should have ramifications on two variables, namely the level of trade and the flux of FDIs between the two actors.

I am not in the position to assess if every single discussion has been translated into an organic operation capable of boosting the cooperation level, but on the other hand I can infer from the general variation of these indicators if the implementation has been consistent in reducing the level of inequality among the players.

### *HED's evolution*

As mentioned in the before, it is worth assessing where it all started and which were the conditions that favored its evolution, as well as the general background that shapes this kind of relationship. I will now start with some general consideration that will provide a better idea of the reasons behind both actors' recent actions: the first thing that we need to acknowledge is that the World we are living in is changing, a consideration that is even more worthy when we apply that to China and the EU. After the end of the Cold War, the US gradually lost control of the World and the international system moved towards multi-polarity. Thanks to the reforms introduced by President Deng, China started to follow the path of modernization: even though there still seems to be quite a lot to do, it is hard to consider the Middle Kingdom as the underdeveloped country that it was during the best part of the XX century (Geeraerts 2011). China has been growing according to several standards: economic, diplomatic and military developments were all facets of this evolution, making China a World player in almost every major field. On the other hand, the Chinese have a different perspective on World affairs: still very rooted in what can be called power politics<sup>13</sup>, they sometimes fail to appreciate the benefits of a more multilateral approach, thus hampering some of the efforts of the other players (Geeraerts 2011). It has been also pointed out that one of the reasons that would justify such double-edged behavior might be that China holds a different set of normative values that shapes its essence: more than focusing on actors and their motives, the Chinese tend to rely on relationships and the ethics of such (Womack 2008). Moreover, as obvious at it might seem, it should be here noted that China is still a dictatorship: it went through several transformation during the past century, but since 1949 the Communist élite has been holding on steadily to power: for bad or for good<sup>14</sup>, such grip allows the Chinese government to impose its will

---

<sup>12</sup>What I mean with the last sentence is that, especially in the EU, higher representatives (such as Commissioners) are nominated for a fixed time-span, while civil servants actually oversee on the correct outcome of a certain policy due to the fact that they do not have to be re-confirmed.

<sup>13</sup> On the other hand it is true that China gains extensively (and sometimes promotes actively) from well-functioning international regimes: their attitude tends to be quite mixed when it comes to the reasons that lie behind their moves (Geeraerts 2011). It has also been pointed out that, up to a certain extent, China's willingness to engage some actors is dictated by the necessity of constructing a more multipolar World (referring to a Balance of Power system)- which entails that the EU is seen as a possible counterweight against the US (Cottey, Gottwald 2008).

<sup>14</sup> Such a grip has strong drawbacks, since several parts of the population are suffering from poverty as well as from the lack of openness to the outside world, which up to some extents has the potential to reduce or dent the economic

with a rather unitary voice (Barella 2009; Hutton 2008).

Coming to the EU, the old continent has been progressively detaching itself from the USA, pursuing more specific aims with different strategies (Telò 2003). Not to mention that the EU has an identity that drives it towards somewhat different standpoints: being a harbinger of liberal political norms as well as multilateralism, it normally tried to use the international institution in a multilateral way, hoping that in the end other countries will adapt to European standards- in this instance, the EU has often been dubbed as a normative, soft or civilian power (Cottey, Gottwald 2008). Especially when it comes to China, the EU has been following a pattern that goes under the definition of “conditional cooperation”, meaning that they will provide help to China on the economic field in order to make it more liberal, which in the end will open the doors to internal human rights progresses (Geeraerts 2011; Yueh 2008). This kind of approach, which has been some kind of *leitmotiv* during the past decades, needs (and has been up to a certain extent) to be revised: the Chinese deal with international affairs in a way that is very unitary and such a divided and mild approach seems not to be able to bear fruits (Tocci, Manners 2008).

Thus said, both parties felt (and are still feeling) the need to devise a functional dialogue, sometimes under the name of strategic partnership. While the Middle Kingdom might not deem the EU powerful enough to be taken into account as a player on the military level, it sure does on the economic field; while the EU thinks that the Chinese are abusing of its patience when it comes to “exploit the situation”, it still holds true that there is a necessity to foster ongoing dialogues (Geeraerts 2011).

We can now start the narrative more specifically related to the HED in 2007: China and Europe were facing quite a strong disagreement when it came to their economic approaches. The EU perceived China as manipulating the trade deficit and abusing of its exchange-rate policy: heads of state, such as Merkel and Sarkozy, as well as members of the Commission such as Trade Commissioner Mendelson were expressing doubt over the future of the relationship and litigations were becoming more frequent even inside the WTO. China, on its side, was facing a strong internal opposition against foreign investments (and foreigners) in general. Liberalization started to slow down and protective measures which have been fought in the WTO started to multiply (Dreyer, Erixon 2008). The general perception back in the days was that China had strong interest in manipulating the market (especially in fields such as trade imbalances, protection of Intellectual Property Rights and investments conditions), therefore to be punished by the means of trade barriers; the Chinese perceived Europe’s behavior as an intrusion in internal affairs, also in collaboration with Chancellor Merkel’s visit to the Tibetan leader, the Dalai Lama- always a soft spot for the Middle Kingdom (Cottey, Gottwald 2008).

This whole situation was impairing the dialogue between Beijing and the Brussels: even good news (such as the exponential augment of business between the two actors<sup>15</sup>) was overlooked, and shadows cast over the future in the form of protectionist policies (Dreyer, Erixon 2008). That is why, during the month of November 2007 (at the 10<sup>th</sup> EU-China Summit in Beijing), the two actors launched a new initiative in order to get over this moment of impasse. Therefore the Joint Statement that came out of the EU-China Summit stated, among several other provisions, that March 2008 would have seen the launching of the newly designed HED, meant chiefly to involve the Chinese minister of commerce and the EU trade commissioner: they would have had to discuss first and

---

progresses that the country has achieved over the year. This, mostly due to the fact that in an environment as corrupt and resistant to changes such as nowadays China, consumers tend to save way more than what is healthy for a normal economy, and companies tend not to grow as much as a result of the stringent limitations that the system imposes upon them. Thus said, at the present moment, such prophecy is far from being a reality (Barella 2009; Hutton 2008).

<sup>15</sup> In 2007 Europe was China’s main trading partner, while China was Europe’s second trade partner for goods and fourth for services (Dreyer, Erixon 2008).



foremost macroeconomics, fiscal and financial policies as well as reforms and regulations of the financial sector by also taking into account the developments coming from other forums (Council 2007).

So far we can count 3 HED meeting: in 2008, 2009 and 2010. The first one has seen Barroso and premier Wen announcing the HED: both saluted the event as a turning point in their mutual economic policies. Both of them praised the meeting for its ramification when it comes to establish a strong economic, trade and scientific cooperation. They both agreed on the fact that the meeting was one of the highest level ones that EU and China had ongoing: Barroso and Wen were leading a team composed of several Commissioners/Ministers and the first talk managed to bring both parties to exchange their points of view over topics such as intellectual property protection, climate change and human sciences (Du 2008). The delegation sent by the EU was one of the highest level ones that have ever been sent to a foreign country, and even the composition of the Chinese one was extremely relevant in terms of who was sitting there (more information in the previous section). The focus of the first session was on four major issues: energy, trade in high-level technology, intellectual property rights (protection) and trade facilitation. General talks have been conducted on measures that should foster trade and investments on a broader scale, sustainable development (with the idea of lowering tariffs for environmental friendly goods), consumer protection and product safety as well as development and aid (especially in Africa) (Commission 2008).

More specific talks have been held for what concerns some of the above mentioned features in order to provide more consistent solutions to the issues at stake:

- Energy: in this case the EU stressed the need for the Chinese to meet international standards and through investments and a greater use of renewable energy, offering technological transfers, and raising some doubts about Chinese standards;
- Technology cooperation: both countries agreed on fostering the existing cooperation by removing barriers and promoting several areas<sup>16</sup> even though the EU raised some issues when coming to the effective protection of Intellectual Property Rights (IPR);
- IPR protection: this table started with the EU pushing for a higher degree of protection for what concerns patents. The two actors accepted to take further steps in elaborating a joint plan, and there have been discussions on making China's internal judicial system more accessible;
- Trade facilitation: in this case there was an agreement on exchanging more information in order to counter fraud as well as promoting global standardization (Commission 2008).

The second talk, held in 2009, brought together almost the same people (with the notable exception of Wen and Barroso who did not inaugurate the event). The main change in the overall environment was the general atmosphere that the 2007-2009 economic crisis had caused: that is why the discussion focused more on the benefits of open trade and investment, as well as on how to foster cooperation with/within international organizations as well as when it came to joint stimulus packages and/or economic/regulatory reforms (Commission 2009). IPR and fair competition were again a great topic, especially when the matter concerned foreign accessibility to the Chinese internal judicial system and the simplification/notarization of legal documents; also, the EU stressed that in order to achieve good levels of consumer protection the producing country had to actively ensure that safety measures were respected as well as exchanging information with their counterparts. Renewable energies and the reduction of carbon emissions were also discussed as well as technology cooperation (Commission 2009).

Coming to the tables that have been held on specific themes, they related to:

---

<sup>16</sup>Civil aviation, maritime and civil nuclear developments as well as space technologies (Commission 2008).

- Trade and investment: in this discussion both parties expressed their hope of seeing a fast and positive conclusion of the Doha rounds. Apart from that, the importance of mutual ties has been restated, as well as the necessity of finding common parameters that would allow a joint evaluation of the global economic situation as well as the elaboration of a joint response;
- Small and medium size companies: better linkages and communications were deemed necessary in order to facilitate the productivity of smaller companies;
- Custom cooperation: even in this case IPR were the main discussion topic. Usual measures were put forward, such as a better communication between custom agencies and praises for projects such as the IPR Custom and Enforcement Plan and the Smart and Secure Lanes pilot project;
- Sustainable development and trade: this table took into account the (then) upcoming Copenhagen meeting on climate change. The two sides agreed on the necessity of using low-carbon energies, as well as on how to integrate wind energy and new building material in new upcoming construction projects;
- Consumer protection and trade: here the major focus has been on product safety. Even if, for both actors, food standards should be enforced by the producer, it is on the other hand necessary to enhance cooperation especially if taking into account that a higher number of Chinese products are commercialized in the EU. New protocols regarding health and food security have been implemented by China (Sanitary and Phytosanitary protocol) with the aim of gaining a better access to European markets, while the EU asked for a similar policy in return (also in the pharmaceutical field);
- Innovation: again, IPR came as one of the major topics (aside from cooperation especially in the pharmaceutical field);
- Transport: the title might be misleading, since this is the same table that the year before went under the name of "Technology cooperation". For the aviation sector, praises went to the Computer Reservation System (CRS) introduced in China as a way of registering passengers on airplanes- for the maritime one the two parties agreed on continuing on the same path as before (Commission 2009).

Last but not least, we have the last HED which has been held so far. It took place in December 2010, and it seemed like a good starting point in order to consolidate the relationship with China after the 2007-2009 crisis (we should remind that, back at the time, the EU bond crisis did not kick in, or at least it seemed manageable). Both parties were presenting to each other their response to the crisis (new fiscal and economic measures, as well as a reform of the IMF) as well as their future projects (the EU with the Euro 2020 project, China with its 5-year plan). In the general exchange China pledged to reduce its level of savings in order to provide a stronger basis for consumption, while the EU acknowledged the need for a quick completion of China's WTO negotiations in the Doha round. Also, competition and IPR measures were considered in order to create investments in both zones- cooperation has been deemed as the key factor in the equation (Commission 2010).

As for the previous HEDs, some specific issues have been dealt with on more focused tables:

- Current macroeconomic situation: the discussion followed the line of what mentioned in the previous paragraph. Fiscal consolidation policies and the elaboration of common indexes useful in order to assess the recovery were the main outcomes of such table;
- Competition: both actors saw competition measures as a way to provide a more stable recovery from the crisis, mainly through the anti-trust policies, a higher degree of transparency as well as a stronger action of the state in order to prevent market failures (and promote public goods);
- Trade and investment: in this particular field, even if the interaction was deemed to be solid, the two actors decided to intensify higher contacts between the two actors in order to foster the mutual exchange of investments. Also, the EU hoped for a fast completion of the Doha Rounds within the end of 2010. For what entails high-tech productions, China requested a better technological exchange, while at the same time the EU replied with a request for a higher

circulation of raw materials (especially rare earths);

– IPR: as always, this table has been one of the most debated ones since it is deemed as essential for the continuing of a fruitful relationship between the two actors, as well as to protect firms. China has been praised for its past actions aimed at enforcing counterfeiting and piracy laws, while at the same time there has been a mutual agreement on the necessity of a further cooperation concerning patent quality;

– Innovation: a strong accent has been put on developing the EU-China dialogue on information and communication technology products (ICT) which should be helped by a reduction in regulatory burdens. For what concerns energy, they agreed on enhancing mutually recognized standards;

– Customer cooperation: the topic bounced again towards the necessity of a better cooperation in order to avoid misunderstandings in the IPR field. The two actors praised projects such as the IPR dialogue and the Smart and Secure Trade Lanes dialogue as two projects that are actually facilitating trade while at the same time constructing a mutual understanding between the parts (Commission 2010).

	<i><b>General discussion</b></i>	<i><b>Specific tables</b></i>	<i><b>Main points and concerns</b></i>	<i><b>Major outcomes</b></i>
2008	<ul style="list-style-type: none"> <li>• Strategic bilateral trade related issues</li> <li>• Global trading system</li> <li>• Investment and innovation</li> <li>• EU-China economic cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Technology cooperation</li> <li>• IPR protection</li> <li>• Trade facilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Technological cooperation and exchange</li> <li>• IPR protection and enforcement</li> </ul>	<ul style="list-style-type: none"> <li>• Joint plans for better IPR protection</li> <li>• Instituted higher degree of cooperation against frauds and to promote global standardization</li> <li>• Plans for higher technological cooperation</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Strategic bilateral trade related issues</li> <li>• Global trading system</li> <li>• Investment and innovation</li> <li>• EU-China economic cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Trade and investment</li> <li>• SMEs</li> <li>• Customs cooperation</li> <li>• Sustainable development and trade</li> <li>• Consumer protection and trade</li> <li>• Innovation</li> <li>• Transport</li> </ul>	<ul style="list-style-type: none"> <li>• Global economy and international trade-based</li> <li>• Trade/investment cooperation</li> <li>• IPR</li> <li>• Sustainable development and trade</li> <li>• Consumer protection</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement on better environmental standards</li> <li>• Approved new protocols for product safety and better access to the market</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Strategic bilateral trade related issues</li> <li>• Global trading system</li> <li>• Investment and innovation</li> <li>• EU-China economic cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Current macroeconomic situation</li> <li>• Competition</li> <li>• Trade and investment</li> <li>• IPR</li> <li>• Innovation</li> <li>• Customs cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• General macroeconomic situation</li> <li>• Trade investment and cooperation</li> <li>• Competition and customs</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Approved common indexes for fiscal policies</li> <li>• Fostering of cooperation against regulatory burdens</li> <li>• Adjustments to the IPR dialogue</li> </ul>

Table 2. Main points discussed during the HED

### ***Data Analysis***

This chapter will quantitatively analyze this complicated relationship, taking into account the four variables described in the Methodology: trade balance status, FDI variation, IPR evolution as well as product safety and standards compliance. The data has been taken either from official sources, such as DG Trade or DG Taxation and Custom Unions, or from papers/institutions that dealt extensively with one (or more) specific topics. First of all, I will provide to the reader the information that I have used in order to perform my evaluations, which will follow in the same subchapter. At the beginning of every subchapter related to a set of data/policy to be changes, I will explicitly outline the question that lies behind such data set. This analysis will be used to present a factual representation of the outcomes of the HED: after taking a look at its history and composition, here we will get an idea of its real effects.

All of the points that I will touch will be an attempt to closely examine some topics discussed within the HED framework. This will be useful to point out what level of cooperation was achieved after the socialization process: is the Realist approach (predicting loose integration based on national interests) prevailing over the Economic Liberal one (where cooperation is almost a necessity in order to spread and augment gains)? Is Constructivism (and its assertion in regards to socializing behaviors) assisting us in better understanding the issue?

In the end, I will elaborate a more comprehensive model that will take into account all of the factors: this model will provide me with a (non-exhaustive) indicator of what is the state of the affairs and, more important, in which direction is this relationship pointed.

### ***Trade Balance***

*Question: did trade relations improve over the time or did the initial disparity persist?*

First and foremost, we can see that the sheer trade balance between China and the EU (from an EU perspective) has been steadily developing during the past years, with the strong exception of the year 2009 (DG Trade 2011, 2012). However, we must take into account that in 2009 the World was facing a strong hit from the financial crisis.

Year	Total trade (Import+Export)	Import	Variation import (%)	Export	Variation export (%)	Balance
2008	326.350	247.933	6,6	78.417	9,2	-169.517
2009	296.516	214.090	-13,7	82.426	5,1	-131.663
2010	395.129	282.011	31,7	113.118	37,2	-168.893

Table 1. EU-China trade balance between 2008-2010 (Billions of €)

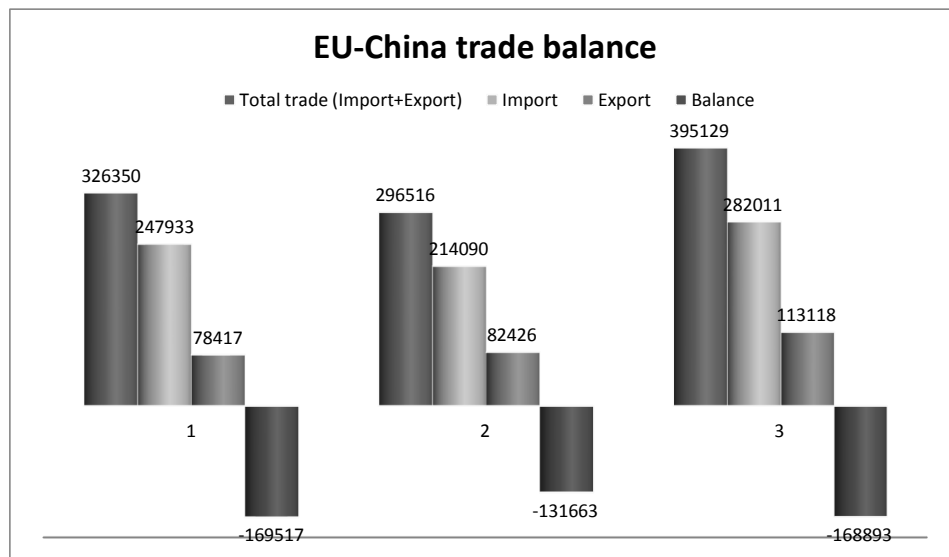


Table 2. EU-China trade balance (Visual)

As we can see in Table 1 and Table 2, the first column shows the total balance between imports and exports, which is the total volume of affairs between the two actors. If we break this amount down into two groups, in this case import versus export, we can see that the trend is slightly different: the import sector, which is by far the biggest voice in this table, has been the one suffering from the crisis with an inflection of -13,7% in 2009. However, this figure went up almost exponentially in 2010 (by 31,7%). The export sector, however, seems to be quite astonishing: even though we can witness a flection in its annual variation in 2009, the growth has been steady and in comparison more stable (DG Trade 2011, 2012).

It is worth mentioning that the two voices are in deep imbalance: the export sector accounts for slightly more than 25% of the current trade exchange, which leads to the conclusion that trade between China and the EU tends to go in one way. It can be pointed out that the overall balance still remains overly in favor of the PRC: the steep rise in China-oriented export surely is a positive sign, but it needs to be tampered with what we witness from a more inclusive perspective (DG Trade 2011, 2012).

Such an analysis, so far, lacks a fundamental term of comparison: the outside World, which is useful in this situation to give us an idea of how big the two economies are as well as how their relationship is proceeding in comparison to the general trend.

EU						
Year	Total trade (Import+Export)	Import	Variation import (%)	Export	Variation export (%)	Balance
2008	2.876.193	1.566.309	9,1	1.309.885	6	-256.424
2009	2.303.617	1.206.475	-23	1.097.142	-16	-109.333
2010	2.850.636	1.501.844	24,5	1.348.792	23	-153.051
China						
Year	Total trade (Import+Export)	Import	Variation import (%)	Export	Variation export (%)	Balance
2008	1.656.655	698.556	12,2	958.099	10,2	259.543

2009	1.499.425	655.342	-6,2	844.083	-11,9	188.740
2010	2.139.315	966.863	47,5	1.172.452	38,9	205.589

Table 3. EU and China World trade balance between 2008-2010 (Billions of €)

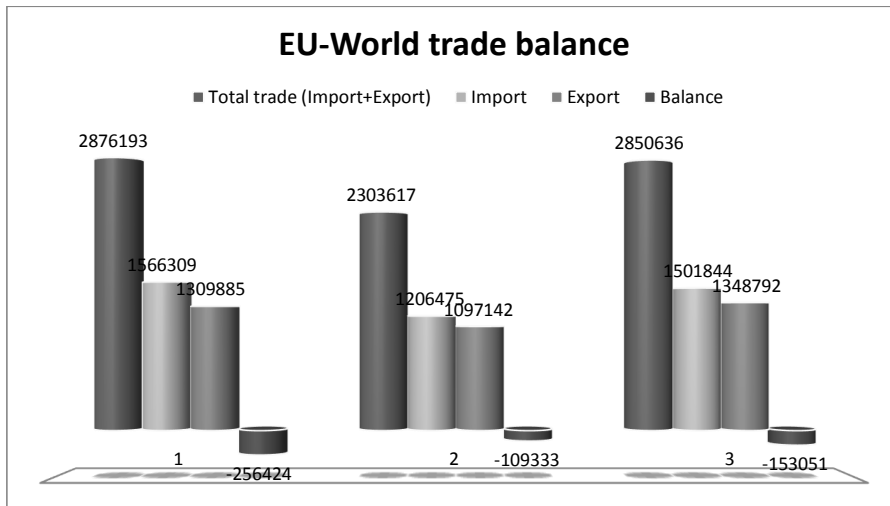


Table 4. EU-World trade balance (visual)

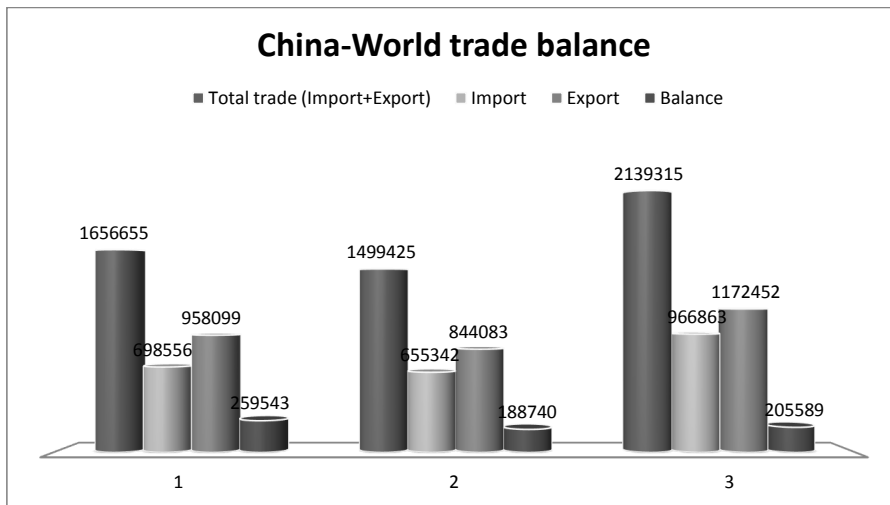


Table 5. China-World trade balance (visual)

Here we can see that the situation gets more articulated. First of all, the volume of affairs that both actors possess is, to say the least, comparable: even though China's volume resulted smaller than the EU by roughly 1.200 million of Euros in 2008, such cleavage has been gradually reduced and, in 2010, the difference amounted to a little bit more than 700 million. Now, another important factor to take into account is that China is running a surplus with the rest of the World, while the EU is facing the opposite situation, and in 2008 it seemed that such imbalance was quite specular: the

China had as a surplus what the EU was lacking. This situation has been steadily changing during the past years, mirroring in Table 3-5 what we have seen in Table 1-2 (DG Trade 2011, 2012).

At any rate, by combining those five tables, we can see that a feature is quite striking: being true the fact that China is still an export-driven economy (also due to its continuous growth over the past three decades) and the EU is facing an opposite situation, the ratio when it comes to their mutual trade seems not to be in line with both economies' overall trend (if taking into account the World system). When trying to make a comparison between the two figures, the sheer result states that China exports to the EU are (in 2010) 24,05% bigger in relations to the same figure for the rest of the World (DG Trade 2011, 2012). Even though such ratio decreased in comparison to the same one registered in 2008 (which was 25,87%), we are still within the same range of roughly one quarter, which justifies the assumption that no significant improvement has been made during the past few years.

### ***FDI***

*Question: when it comes to investments and technical/economic cooperation, was there a rebalancing (as well as an increase) over time?*

As I have analyzed the overall situation when it comes to trade in general, it is now time to take into account FDI. Here we can take into account both the flow of FDI as well as FDI stocks. When it comes to FDI, their amount seemed not to suffer from the recession that dragged down trade exchanges during 2009.

<b>Year</b>	<b>Inflow</b>	<b>Outflow</b>	<b>Balance</b>
2008	-0,2	5,2	5,4
2009	0,3	5,8	5,6
2010	0,7	7,1	6,4
<b>Year</b>	<b>Inward stocks</b>	<b>Outwards stocks</b>	<b>Balance</b>
2008	5,6	52,4	46,8
2009	5,7	58,3	52,6
2010	6,7	75,1	68,4

Table 6. EU-China FDI in flow and stock (Billions of €)

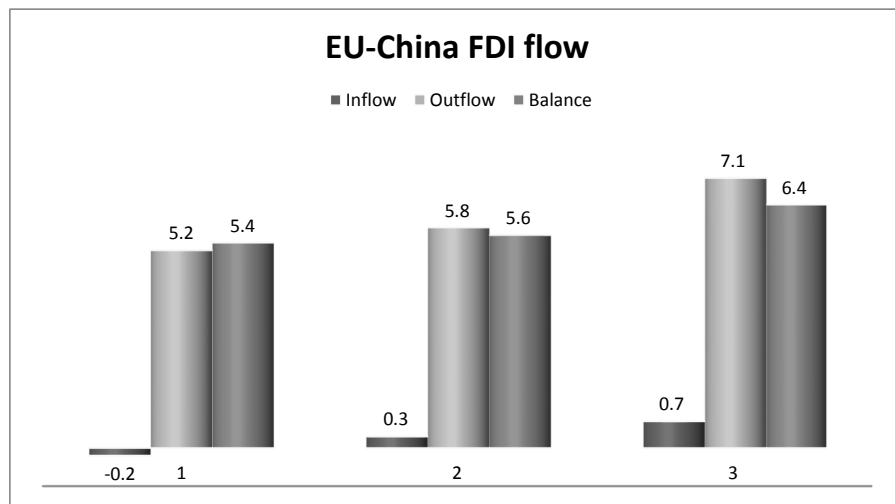


Table 7. EU-China FDI flow (visual)

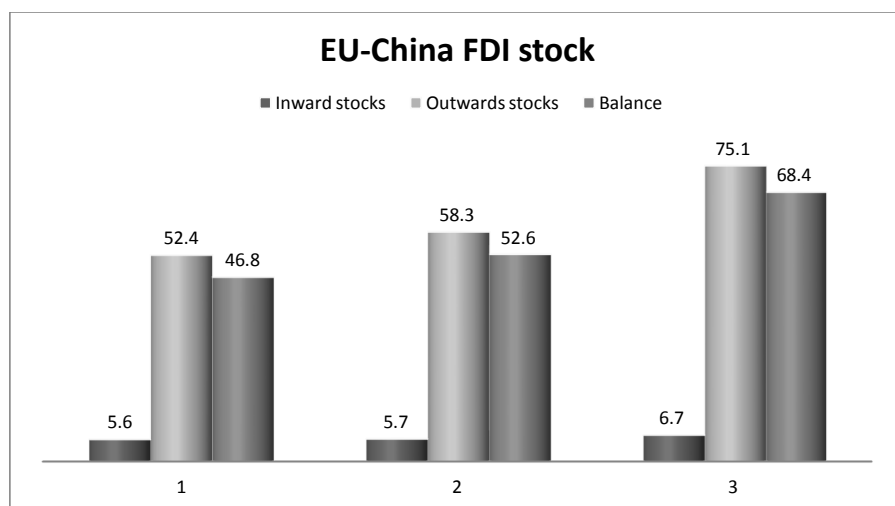


Table 8. EU-China FDI stock (visual)

In light of the data here provided, and following what said in the beginning of this subchapter, the first thing that comes to the eye is that the general amount of FDI (both in flow and in stock) has been constantly rising over the time. This is true for the overall balance, in both case, but it is even more true when it comes to outflow/outwards stocks: while the inflow stock went from -0,2 to 0,7 billion € and the outwards stocks went from 5,6 to 6,7 billion € in 3 year<sup>17</sup>, outflow FDI went from 5,2 to 7,1 billion while FDI outwards stock went from 52,4 to 75,1 billion (DG Trade 2011, 2012). This means that from the last two figures the first one rose of 38% in 3 years, while the latter rose of 39,4%. The sheer percentage tells us that the augment has been progressive and on the same line both when it comes to the amount of investments that China received, as well as the one that China produced: however, we have to take into account that investments towards China are in 2010 bigger

<sup>17</sup> The first figure grew by roughly 5 times, while the latter augmented of almost 38% (DG Trade 2011, 2012).



than the ones going the other direction in the reason of 5 to 1, while in 2008 such ratio was close to 3 to 1. Which leads me to the conclusion that, up to this respect, there is a substantial tendency of going backwards: aids are flowing almost one way only (towards China), and the trend does not allow me to foresee a change for the future.

### ***Intellectual Property Rights***

*Question: were the steps taken under the IPR2 aegis effective in addressing the intellectual and property rights issue?*

One of the major culprits in depicting the EU-China relationship as a negative one has been the treatment of IPR. Being China (still) a developing economy, several of its productions are based on foreign patents: being an extremely high level of corruption distributed at all levels a structural characteristic of the Chinese system, IPR infringements tend to be quite common. On the other hand, a high level of infractions might mean that several companies will pull out of the Chinese market. That is why, on a general tone, the Chinese government has been adopting several measures to amend its Trademark as well as Unfair Competition Law, while a Copyright Law change had to follow shortly after (Li 2011).

The two actors started discussing the topic by instituting a joint office/dialogue in order to foster protection of IPR. Under the name of IPR2<sup>18</sup>, such institution was born in 2007 and implemented until 2011. The project brought together several experts from both the EU and China in order to address common issues when it came to the Chinese legal, judicial and administrative systems dealing with administration and enforcement of IPR. More specifically, they targeted the reliability, efficiency and accessibility of IPR related protection system in order to establish a sustainable environment and provide large documentation on procedures and rules (IPR2 2012). The initial project entailed a 10 million € funding from the EU with a Chinese contribution of 5,425 million over a 4 year time span: the idea was to constitute round tables and joint studies on how to exchange best practices and, on the other hand, how to elaborate rapid dispute settlement mechanisms, such as arbitration boards or tribunals during trade fairs- all of this under the aegis of the European Patent Office (EPO) on the EU side, and of the Ministry of Commerce on the Chinese side (IPR2 2007). Transparency of the Chinese system, higher expertise of the operators, improvement in criminal and administrative cases as well as the creation of a general database available nationally and internationally to firms, lawmakers and operators were the main specific aims belonging to the project<sup>19</sup> (IPR2 2009).

A first evaluation of such operation came in 2009, and the number of completed activities were 36<sup>20</sup> scattered on several Chinese locations: quite openly, the report admits that at least during the first few months a substantial lack of cooperation on the Chinese part has been preventing the overall (as well as the annual) working plan to take full effect (IPR2 2009). However, the same report implied that such resistances were absorbed during the course of the following year and that the results were matching the expectations set up by both China and the EU.

A new, more comprehensive and analytical report on the status of the IPR2 and its impacts on Chinese legislations/procedures came out in 2011. The report has been redacted by Professor Li

---

<sup>18</sup> A similar project, called IPR, ended in 2006 (IPR2 2009).

<sup>19</sup> Core components of this operation are: legal framework, capacity building, access to information, enforcement, support to right holders and trademark & designs (IPR2 2009).

<sup>20</sup> Among the various projects there were seminars, trainings, workshops and seminars aiming at affecting, in the order: the elaboration and amendment of Patent, Trademark, Copyright, Unfair Competition Laws, as well as the enactment of the new Anti-Monopoly Law. Also, such activities aimed at identifying a correct path when it comes to dispute resolution. Moreover, new regulations on folklore, cultural heritage and Geographical Indications (GI) were as well devised (Li 2011).

Mingde and it contains a structured evaluation of what has been achieved so far in the IPR field, which I will hereby expose in four points, namely: impact on Patent Law; impact on Copyright Law; impact on Unfair Competition and Competition Law; GIs, Folklore and Intangible Cultural Heritage; impact on IPR enforcement procedures (Li 2011).

#### *Impact on Patent Law*

In this case IPR2 organized some workshops on the topic which, in the end, managed to influence the Chinese authority in charge of drafting the new Patent Law added two new paragraphs to what they initially wrote, thus including a clause on compulsory disclosure of genetic resources and/or traditional knowledge, one on filing patents in China as well as how confidential examinations are conducted. Other major changes concerned the redefinition of remunerations corresponded to a patent inventor, an improved Bolar<sup>21</sup> rule, rules on compulsory licenses, rules on how to submit a patent (formats and descriptions) (Li 2011).

On the other hand, even if taken into account as a fair point, provisions concerning the institution of a clear procedure *vis-à-vis* the judicial treatment of infringement cases (now meant to go in front of several courts at virtually every Chinese level) have not been promulgated. This is due to the fact that such an operation would require the CCP to change an extensive amount of laws (Li 2011); nevertheless, it is a great impairment especially for foreign firms, since the delays and mutual obstructions between courts will certainly favor the misuse of patents for a longer time. In substance, the advocated changes might have a positive effect, but this will only show after a proper implementation.

#### *Impact on Trademark Law*

The readjustment of the Chinese Trademark Law has been a long process still under discussion: it seems that the authorities are still considering the EU point of view, which entails a stronger control over what is considered to be a trademark. It is also noteworthy that the IPR2 managed to maintain the current regulation that states that both natural and legal persons can apply for a patent/trademark as well as modifying the rule stating that the Chinese Trademark Office can only refuse a patent in “Absolute ground” cases<sup>22</sup>. Furthermore, a new procedure concerning opposition procedure and aiming at simplifying the administrative tasks that an opponent has to go through has been taken into account by the Chinese revising committee. Another provision concerning the “likelihood of confusion”, entailing that in case of purposely perpetrated confusion between trademarks (i.e., a company using a symbol similar to the one pertaining to another, bigger, competitor in order to gain a market-share) has been explicitly turned down (Li 2011). In this case we can see that, at best, the different provisions are part of drafts or have been taken into account from the revising committees, while on an instance they have been almost entirely rejected.

#### *Impact on Copyright Law*

The last Chinese Copyright Law was promulgated in 2010 and it works in accordance with the provisions that the WTO panels promulgated on the subject. Most notably, the IPR2 activities focused on the introduction of an article clearly stating what kind of audio reproduction is allowed during broadcast transmissions (allowing copyrighted material to get compensation in case of its use on television), as well as a better delineation of criminal procedures in case of piracy and counterfeiting acts. In the latter case the IPR2 produced a manual provided later on to several

---

<sup>21</sup> For Bolar rule (or Bolar exception) it is meant a clause that prescribes that some activities are not considered as infringement if, for medical related reasons, a patented product is imported for a personal/regulatory use (Li 2011).

<sup>22</sup> This means that the above mentioned office will be able to rule out an application only if it creates concerns for the public interest. Every other issue related to prior rights will end up in a civil procedure (Li 2011).

Chinese institutions in order to achieve a more consistent and organic application of the law (which tends to vary greatly from region to region) (Li 2011). Thus said, the influence of the IPR2 seems to be at least feeble: the legislative changes seem to be dictated more by a Chinese adaptation to the WTO provisions rather than by a better reception of EU principles; at the same time, the manual elaborated for criminal cases can be seen as an appreciable step forward, but still far from being an incisive change of trajectory.

#### *Impact on Unfair Competition and Competition Law*

The evaluation on this point entails prohibitions of passing-offs (i.e., unfair competition, especially counterfeiting) concerning registered and unregistered trademarks, as well as trade names. The IPR2 conducted several seminars in order to instruct the State Administration on Industry and Commerce (SAIC) since they will be taking over some of the responsibilities in this field at a non-judicial level. Coming to the protection of trade secrets the activities organized aimed mostly at putting in contact experts from the EU in order to inform Chinese officials on the overall EU standards and on how to fight the phenomenon (Li 2011).

Another field of activity concerned standardizations: an excessive level of standards, especially if they are only Chinese ones, might create a situation of monopoly where the ones creating the standard product would impose unfair royalties on competitors or create discriminatory licenses-which would take tolls on EU-based companies. Even in this case, the IPR2 activities were mainly relying on creating more information for the Chinese authorities: especially judges and members of the executive were trained in order to familiarize them with EU regulations, as well as to point out the differences between the EU and the American system (Li 2011). Again, even though such meetings are to be viewed as a positive fact, the actual impact on the Chinese system has been quite limited since no new laws were passed and no old one has been properly revised.

#### *GIs<sup>23</sup>, Folklore and Intangible Cultural Heritage*

To start with GIs, they are protected by the general Trademark law and, in second place, by administrative regulations. This means that some confusion on who is the most correct institution taking care of enforcing GIs' protection: since in Europe a general protection coexists with a *sui generis* one (since GIs are no one's property, thus concerning a public interest, while trademarks do have a private behind them, thus involving private rights), the IPR2 pushed towards this direction and it seems that new legislative drafts are moving towards this direction. Also, a study on the common recognition of several GIs is under negotiations in order to create a common framework to protect typical local specialties in China, the EU and *vis-à-vis* third parties (Li 2011).

Folklore and intangible cultural heritage went in the same basket, due to the fact that it can be inferred that by protecting a nation's folklore one also protects its cultural heritage. On the other hand, in China intangible cultural heritage was protected by administrative measures, while folklore went under copyright law. Since June 2011, however, the Standing Committee of the NPC put both of them under the same kind of protection (administrative) (Li 2011). The IPR2 involvement was minimal in this case, since the revision took a majorly internal course and the activities presented were mostly related to present the topic on the international level.

#### *Impact on IPR enforcement procedures*

Last but not least, enforcement procedures are a vital branch of the IPR protection: sometimes, it can be also considered more important than the right in itself due to the fact that administrative

---

<sup>23</sup> Geographical Indications.

impairments and bureaucracy can easily impair the ability of a party to enforce such rights. Notarization and legalization of an infringement still do not have a relevant place in the Chinese system and even though some seminars have been conducted on the topic, we can see no change in the current procedures- also due to the fact that the Chinese authorities are afraid of clogging the procedural system by introducing such a change (Li 2011).

Concerning criminal cases and criminal enforcements, similar workshops have been held in order to pass information to prosecutors/attorney offices, as well as the drafting of some manuals explaining what kind of criminal protections and procedures are available as well as daily praxis' guidelines (distributed at a nation-wide level) (Li 2011). This course of actions managed to influence some juridical opinions on the matter, thus making the Chinese/EU systems a little bit more harmonic.

In the end, I can deduce that even though a certain level of cooperation has been achieved through the institution of different organs able to foster contact and common positions on several topics, though there has been a strong internal Chinese resistance towards changes in any field where such changes might result in a loss of power *vis-à-vis* external (and sometimes internal) actors. Which leads me to the conclusion that even though some measures proposed by the EU have been analyzed and taken into consideration by Beijing, the results depends on internal consideration rather than multilateral attitudes.

#### ***Customs and product safety cooperation***

*Question: did the provisions included in the IPR protection framework get translated into reality (meaning, a reduction of IPR violations)?*

This last point wants to take into account not only the legal and regulatory aspects revolving around the protection of IPR, but also what has been done so far in order to prevent not complying products to access the EU and the Chinese market- which in the long run acts as the first barrier towards preventing such situations from arising. Also, and this is a particular that we should not forget, customs tend to constitute a huge fraction of a good's cost (between 2-15%) as well as one of the major reasons for shipping delays (Doyle 2010); not only, even though such figures are a rough approximation of our reality (only a percentage of goods is inspected as a routine based, while in some situation it is possible to require a check in cases of suspicion), the administrative burden that such controls do impose on our system tend to be a sound voice in every business transaction (DG Taxation and Custom Union 2008).

The charts that I will present shortly below would like to represent the sheer amount of reported custom infringement on the EU borders between 2008 and 2009. This amount has to be adjusted in order to figure out the percentage of Chinese goods on the overall infringement total; apart from that, the chart will show how many Chinese goods have been confiscated during the three years taken into account, as well as the Chinese share on the total.

Year	Total number of open cases	Number of articles	Chinese share by number of articles
2008	49.381	178.908.278	54,57 %
2009	43.572	117.959.928	64,40 %
2010	79.112	103.306.928	84,92 %

Table 9. EU custom cases and Chinese percentage

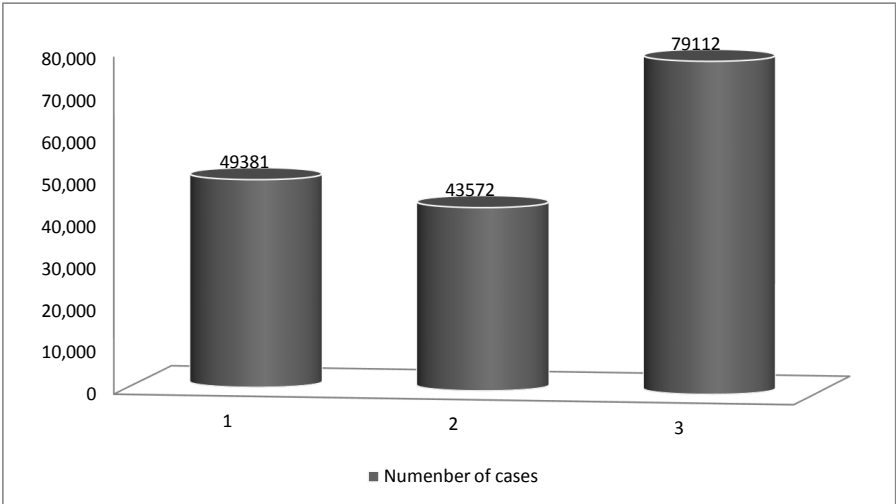


Table 10. Number of cases (visual)

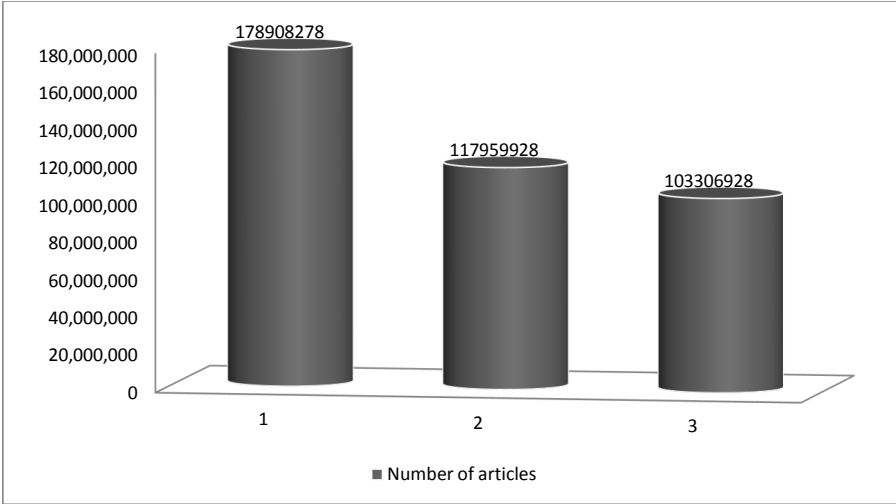


Table 11. Number of articles (visual)

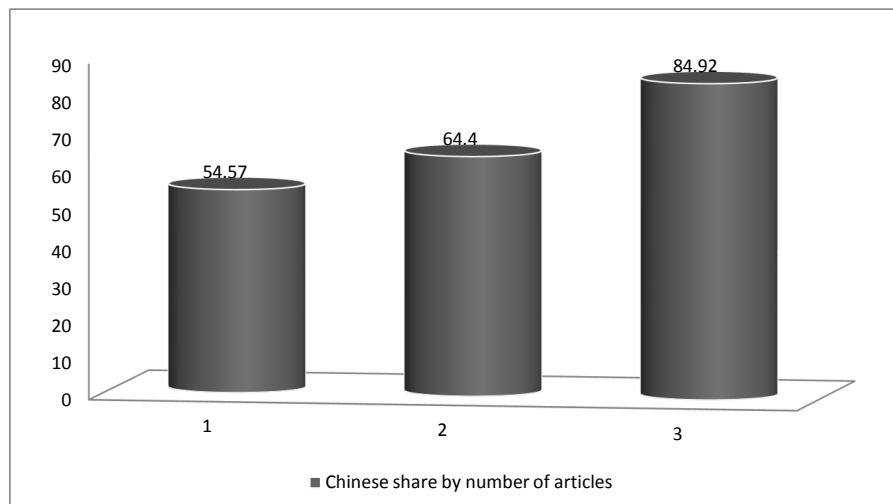


Table 12. Chinese share (visual)

The numbers that we have in front of us are somewhat staggering: the first fact that must be pointed out is that there is an overall rise in the number of cases dealt with while the number of confiscated goods has been generally decreasing. However, such statement only describes a part of our reality: the sheer number of custom related cases saw a flexion during the examined time arch, shadowing up to a certain extent the data shown where we were talking about trade at large- therefore, with a reduced number of cases during 2009<sup>24</sup> followed by a rising 2010 (DG Taxation and Custom Union 2008, 2009, 2010; DG Trade 2011, 2012). On the other hand, even if the sheer number of confiscated goods dropped over the years from 178.908.278 to 103.306.928, the Chinese share when it comes to such figure went from slightly less that 55% of the infringement cases (2008) to rise up to almost 85% in 2010 (DG Taxation and Custom Union 2008, 2009, 2010).

In every foreword or executive summary concerning the topic, China is always identified as the main source of infringements. It is noteworthy that some sort of collaboration seems to be always taking place (in this case, the most important one has been described in the last chapters- the IPR2- as well as several other action plans) without being able to sort any sensible effect. In the end, we have to take Commissioner Šemeta's words for good: "...China remains the main source for these goods and we are committed to strengthening customs cooperation with a view to identifying infringing products earlier in the supply chain." (DG Taxation and Custom Union 2010). I used this quotation in order to point out that the idea behind prevention relies on the fact that there is something odd in the supply chain- *ergo*, the Chinese side has either to change its behavior or to take further actions towards harmonization and higher standards, as well as best practices and sectorial cooperation.

#### ***Data evaluation in accordance to the theory***

This subchapter will serve the purpose of integrating the theoretical framework outlined in chapter 2 with the data collected and analyzed so far. First of all, I will need to explain how I am supposed to

<sup>24</sup> In this case, it is quite obvious that such decrease has to be linked to the general status of the economy which plagued the EU during 2009- what remains impressive is the constant rise of infringements as well as the diversification that is taking place nowadays. Usually connected to the luxury sector, Chinese withheld goods now tend to be objects used for daily purposes (toothpastes, shampoos and hygiene products at large) as well as potentially dangerous items (food and medicines) (Dg Taxation and Custom Union 2009).

integrate the two:

- We can assume that, in the trade relation between the two actors, a higher level of cooperation will be situated closer to the Liberal approach, while every time that we see the contrary the situation steers more toward a Realist one;
- At least for 3 variables (Trade Balance, FDI and Customs Infringements) we have statistical data, which allow me to provide the reader with a clear trend, while the fourth (IPR progresses) will derive its evaluation from its correlation with Customs Infringements, mitigated in case of legal procedures deemed to take a long time in order to be implemented;
- Every variable will receive a plus or a minus in accordance to the general direction that the relationship has been taking (i.e., higher level of exchanges), as well as a second plus or minus in accordance to the main beneficiary of such evolution (i.e., a plus will be awarded if the two players will seem to be on the same level, a minus if one of the two will gain more extensively than the other). In case a positive/negative trend cannot be deducted from the data available, I will award it with a plus/minus sign;
- I will then build a table where to put all of those pluses and minuses, as well as providing some other visual devices that will allow me to provide the reader with a better understanding.

Question	General evaluation	Spread benefits evaluation
Did trade relations improved over the time?	+/-	-
When it comes to investments and technical/economic cooperation, was there an increase over the time?	+	-
Were the steps taken under the IPR2 aegis effective in addressing the intellectual and property rights issue?	+/-	+/-
Did the provisions included in the IPR protection framework get translated into reality (meaning, a reduction of IPR violations)?	-	-

Table X. Evaluation table for the HED progresses

Now we can see with a swift glance that the situation does not look as good as the statement provided by both actors stated. If we were to provide a binary value (0 ; 1) to the pluses/minuses above mentioned (with the plus/minus one counting as 0,5), we can easily build a scale telling us at what point (between cooperation and lack of cooperation) can we locate this specific relationship:

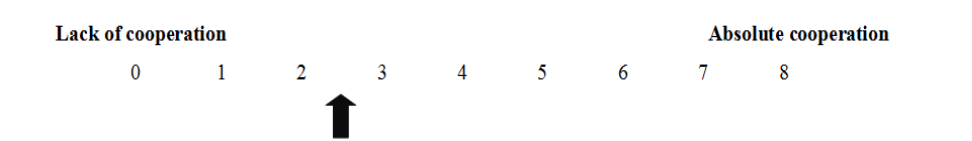


Table X. Visual Cooperation achieved within the HED results representation

The conclusion that I have to derive from such data must therefore be that whenever it comes to trade, China and the EU are dealing with a situation that tends to be closer to what expected from a Realist standpoint. This is not a negative situation in general- realist powers have been dealing with themselves quite successfully in several instances (Morgenthau 2006): however, in order to have a

productive realist relationship both actors must share the same background. This is where Constructivism comes in handy: China has different expectancies from the EU and the other way around- and this derives from the fact that they see the World in different ways, therefore arriving to different ideas of what is good and/or favorable in the international arena. Socialization, as predicted by the Constructivist canon, did not take place extensively: the persons composing the HED have a different mindset and they do not feel the presence of an external menace that will allow them to set aside their differences and push for a higher degree of factual cooperation (Checkel 1989). The direct consequence of this argument is that even if cooperation exists at the institutional level, implementation will be bound to fail due to lack of hard commitment.

In the end, even if they are not completely destroying their relationship, they are lying in a limbo where no actor is capable of fully benefits from a cooperative behavior- and the most ruthless one takes advantages over the other.

It is not hard to see that we have two mindsets clashing against each other, and in a battle between a unitary, realist and multipolar, liberal actor it is usually the first one coming out as a winner. However, both actors are failing at seeing what are the perspectives leading the other to certain actions.

The EU is strongly driven by a multilateral and cooperative frameset, which tends to see every other actor as a collaborative one due to the fact that such evolution proved to be beneficial for our continent. Brussels has been trying so far to involve Beijing by providing support in several areas: from trade to environment, from administrative reforms to human rights- although, every action seems to be a response to an external stimulus rather than an assertive move on the chessboard (EEAS 2007). Also, the EU suffers from the fact that its multilayered, poly-faceted systems prevents fast decisions as well as the creation of strong position (Dai 2006). It is always easier to go for a median policy due to the fact that taking a hard stance against an actor would require (at least in the long run) the acceptance of the majority of the states- and some of them might use such scenario in order to take unfair advantages from a Chinese actor willing to deal more with a single state rather than with the Union at large. Also, due to the (self-) image that the EU tried to create over the years (a pacific, benevolent, civilian power that tries to shape its environment via collaboration, examples and the exchange of best practices), it seems quite hard to revert such course of actions- even though it could be argued that the EU promotes rights that are hardly compatible an actor as Beijing, therefore Brussels could use this standpoint in order to change its policies (Telò 2003; Manners 2008).

China, on the other hand, perceives its behavior to be the most suitable to the situation: due to the fact that the Chinese government requires a strong counterpart capable of enforcing its decisions when needed, it sees the EU as an underperforming actor. Or, at least, the Chinese see the EU as a problematic player: the integration process, far from being over, seems to be impairing the EU in the eyes of China and it is no mystery that both actors acknowledge to see the other as some sort of an opposite due to cultures, historical backgrounds, political systems as well as levels of economic development (Information Office of the State Council of the People's Republic of China, 2003). In its 2003's document about the EU, the Chinese authorities clearly outlined that aside from fostering cooperation and mutual gains, they set some guidelines that seem quite controversial (to say the last) when it comes to what they want from the EU as a strategic partner: the so called One-China policy (which implies the non- recognition of Taiwan), a total dismissal of the Tibetan situation, the reduction of trade barriers against China<sup>25</sup> as well as a solid cooperation in every field that is

---

<sup>25</sup> And in this case we have every kind of trade limitation, even the justified ones: anti-dumping policies, compensations for China in case of losses linked to the EU enlargement, more aids and funds as well as cooperation in several relevant sectors (such as the technological one, transports, financial markets, etc.) (Information Office of the State Council of the People's Republic of China, 2003).



sensitive for the Middle Kingdom (terrorism, FDI low, agricultural cooperation, etc.) (Information Office of the State Council of the People's Republic of China, 2003).

With such backgrounds, we can see that the chances of frictions are there. One player believes in rigid and exploitable relationships, while the other (also due to its internal frailty) tends to focus of mutual and reciprocal changes. And both end up with gaining less than the optimum from their collaboration.

## Conclusions

I opened this dissertation with two questions that I will now repeat:

- Does this relationship pattern fit within the analysis frameworks provided by the mainstream IR theories? Being the fact that both actors claim to pursue a cooperative logic, how is it possible that cooperation-level suggests an underdevelopment?
- What are then the main factors shaping the EU's and China's behavior *vis-à-vis* each other? Taking into account the case study that I will present, can we see premises for socialization as well as positive outcomes?

The same questions derived from my original thesis, which saw the two actors using different approaches (Realist versus Economic Liberal) to interpret reality, causing one of the two to take advantage of the current situation.

**Commented [L3]:** Note on how I ended up with the questions above.

From this point, I have outlined the three theories (Realism, Economic Liberalism and Constructivism) that have been guiding me in theoretically understanding what took place in the trade-related field since the HED has been put into effect. Within this section, I have underlined what different theories expect for key aspects of my work, such as socialization, cooperation and distribution of gains/losses.

After, I focused on depicting the HED: its institutional asset provided me with a better understanding of its effective powers as well as its consistency, while an analysis of the different sessions clarified what has been discussed over time and what where the expectations after such meetings.

In a third moment, I took into account four different variables (trade balance status; FDI variation; IPR evolution; product safety and standards compliance) and outlined that, according to their trend, we seem to be facing a situation where cooperation is kept close to a minimum level. From this, I inferred that Realism tends to explain this situation only if tampered by some Constructivist and Liberal features. The EU has a mostly Liberal approach, while China tends to have a Realist one: this created a clash of perspectives between the two, and in a situation of mutual misunderstanding, it is the most down to earth actor that will ripe the benefits of an asymmetrical relationship. To be more precise, as long as socialization takes place between two actors holding opposite standpoints on reality, every institution produced by the two of them will result in a minimum level of cooperation and mutual influence. As demonstrated in the chapters above, theories do matter: if used correctly, they do provide us with a valid heuristic framework of analysis.

A difficult task that each scholar has in analyzing the relationship between the EU and China is that, even though this dialogue has been making progresses over the past couple of decades, the two actors are at the opposite end of a spectrum. On one side, we have a multilateral, multipolar and liberal-democratic semi-state (or not-so-loose confederation), on the other a unitary, business-driven dictatorship (Cottey, Gottwald 2008).

Both want to influence the other actor, having that becoming closer to their expectation: China would like the EU to become a valuable counterweight *vis-à-vis* the US; the EU would like to see the CCP abiding from power (at least in the end) in order to have a partner that acts according to liberal and democratic policies. Both standpoints are, at best, unattainable in the short-medium run (Cottey, Gottwald 2008). Thus, we have an actor in need of multilateralism (the EU), the other in need of multi-polarity (China) (Men 2006).

So far, the scale tends to tilt in favor of China, mainly because of one reason: the more an actor is unitary and consistent with its policies, the more it tends to be successful when facing a passive and divided one. And the EU, due to its internal division and bureaucratism has always been in such position. Moreover, due to the fact that our mind-frame tends to drag us towards a solution rather than another, we see the relationship with China almost only as an opportunity to change China's behavior (apart from those rare moments where we have to face reality)- in fact, we are more prone to appease China rather than taking a strong stance towards it (Dai 2006). On the other hand, whenever the EU has been holding a firm hand (see the Mendelson declarations of 2006 in response to the "Bra wars"<sup>26</sup>, which led to the creation of the HED) the results have been temporary and under the level of efficiency (Dreyer, Erixon 2008).

Every author who sees an improvement in the relationship between China and the EU bases that on official communications/speeches/press releases, all very consistent (from both sides) in affirming that notwithstanding all of the differences between the two giants, there are several hints suggesting a happy ending (Men 2008). Again and again we see papers promoting the strategic nature of this relationship, where the responsibilities towards global governance are stressed and partnerships based on respect and mutual cooperation reassured (Information Office of the State Council of the People's Republic of China, 2003; EEAS 2007). It is indeed true that we have witnessed some astonishing steps forward during the past few decades (i.e., after Tien An Men square), on the political as well as on the economic level; however, they seem not to take into account that there were several instances where the Chinese government dealt with each single situation in accordance (almost exclusively) with what Beijing deemed necessary.

Moreover, if we take into account trade based relationships, we can see that there was not real progress towards cooperation: the same problems that we had to face in 2007, before the creation of the HED are still in place (Dreyer, Erixon 2008). A high trade deficit is still there, access to the Chinese market is still restricted in comparison to Chinese access to the European one, there is a strong FDI imbalance, IPR related infringements and infractions still persist. Even if we take into account (as a parallel reference) the Strategic and Economic Dialogue between China and the US, we have to face the fact the HED is underperforming (to say the least<sup>27</sup>) (Dreyer, Erixon 2008). What we can say about the overall trade relationship is that it flourished in absolute terms but, on the other hand, it grew in its imbalance level (Brødsgaard, Hong 2009). In the end, this seems to prove my initial assumption: a strong actor with a Realist approach is able to take advantage of a divided one following a Liberalist one; at the same time, the latter is only able to mildly mitigate this situation without being in the position to rebalance the game.

Commented [L4]: Added new part to this paragraph

At the present moment, more than ever, a strong and consistent position against China is not possible: the sovereign debt crisis prevents us from jeopardizing China as a possible help in solving this situation. It is true that the crisis has given Beijing an incentive to invest in the Old Continent, but such commitment does not come without a price (Sorroza 2001). And in order to provide a consistent answer to the Chinese issue, a reform of the Treaties (providing more power to the Commission or to the DGs when it comes to foreign trade) would be, to say the least, necessary. But it is not a change of treaties that will do the trick in the long run: the EU needs to change its mentality in dealing with China. Or China needs to change mentality in dealing with the EU- even though this option seems slightly too optimistic.

This is not something bad by itself: the US managed to show different behaviors *vis-à-vis* different

<sup>26</sup> A set of anti-dumping measures concerning textile products coming from China (Dai 2006; Dreyer, Erixon 2008).

<sup>27</sup> The SED dialogue between China and the US managed to attain several achievements during its very first year (2006/2007) such as a higher access for American companies to the Chinese financial market, aviation and tourism related agreements, memoranda of understanding on several products (food, drugs, liquors, food safety, pharmaceutical products) (Dreyer, Erixon 2008).

actors in accordance to their interests in every region. In some situations, especially when the expectations related to a certain event are shared, it is completely normal to actively seek for cooperation. On the other hand, when it is hard to find a common ground, it might be savvier to look for an alternative solution which allows both players to share the benefits. In other words, if Beijing is expecting Brussels to act as a responsible and powerful counterpart, it might well be that a more strict and realist approach will pay off, at least in the medium run. So far, the EU seems to be trapped in its vision of the world: being liberal and being a peaceful power seem to be two standards that we are in desperate need to apply to every situation. However, the world is multi-faceted, fragmented and varied. Sometimes, the best course of action might be the one that looks antithetical to our ideas and/or to our expectancies, because it will grant the results that we are after.

The analysis needs to switch from what we might gain in a perfect situation to what we can gain in reality: a different set of attitudes towards different situations should not be perceived as a weakness, it should rather be seen as a sign of adaptation to the situation. That is why every nation has some ideas, shaping their long term objectives, and some policies, shaping the short term ones. This is not a cry for a pure realist approach, almost confrontational: *au contraire*, the liberal-democratic values that constitute the foundation of the Union proved to be essential in promoting peace, stability and development in a region that only 100 years ago was theatre to some of the most astonishing massacres in the human history. This is a cry for a better understanding of reality: the only way to change a situation is to change its foundations, and this cannot be done if cause and effect are reversed.

But alas, the real issue is the inability of the EU to come up with a common position, due to the fact that it has no real common government: we are in a situation that qualifies neither as a full federation, nor as a loose confederation. And here lies the biggest problem: if we cannot come up with consistent policies (for better or for worse), several actors will have the chance to exploit the division between member states. Is this something that we can afford?

## ***Bibliography***

### ***Books and Articles***

Barella – The Relationship between China and Japan after 1989, *MA dissertation, Rome 2009*

Beverly, Sherraden (2001) - Maximizing Internal and External Validity: Recommendations for a Children and Youth Savings Account Policy Demonstration, in *Research Background Paper, Vol. 1, N. 3, pp. 1-5*

Brødsgaard, Hong – Eu-China Relations: Economics still in Command?, in *EAI Background Brief, N. 484, pp. 1-15, 2009*

Bustelo – Enfoque de la regulación y Economía Política Internacional: ¿paradigmas convergentes? (An approach to regulation and International Political Economy: converging paradigms?), in *Revista de Economía Mundial, n° 8, 2003*

Calder, Phillips and Tybout (1982) – The Concept of External Validity, in *Journal of Consumer Research, Vol. 9, pp. 240-244*

Campbell (1986) – Relabeling Internal and External Validity for Applied Social Scientists, in *Advances in Quasi-Experimental Design and Analysis, N. 51, pp. 67-77*

Cafruny, Magnus Ryner – Critical Political Economy, in *Wiener, Diez – European Integration Theory, New York 2009*

Chabod – Storia dell'Idea di Europa (History of the Idea of Europe), *Roma-Bari 2005*

Checkel – Social Construction and Integration, in *Journal of European Public Policy, Vol. 6, No. 4, pp. 545-560, 1999*

Cottey, Gottwald – The European Union and the People's Republic of China: Who's Changing Whom?, in *Social Europe Journal, Vol. 3, pp. 131-134, 2008*

Dai – Understanding EU-China Relations: An Uncertain Partnership in the Making, in *University of Hull Research Papers, Vol. 1, pp. 1-33, 2006*

Dalcourt – Théorie de la sécurité (Security Theories), *Syllabus, Brussels 2007*

Di Nolfo – Storia delle relazioni internazionali 1918-1999 (History of International Relations 1918-1999), *Roma-Bari 2003*

Dreyer, Erixon – An EU-China Trade Dialogue: a new Policy Framework to Contain Deteriorating Trade Relations, in *ECIPE Policy Briefs, No. 3, 2008*

Fox, Godement – A Power Audit of EU-China Relations, *ECFR Report, 2009*

Frieden, Martin – International Political Economy: Global and Domestic Interactions, in *Katznelson, Milner – Political Science: the State of the Discipline, 2003*

Gilpin – Global Political Economy: Understanding the International Economic Order, *Princeton 2001*

Geeraerts – China, the EU and the New Multi-polarity, in *European Review*, Vol. 19, pp. 57-67, 2011

Graz - Les nouvelles approches de l'économie politique internationale (New Approaches of International Political Economy), in *AFRI*, Vol. 1, pp. 558-569, 2001

Grieco – Realist Theory and the Problem of International Cooperation: Analysis with an Amended Prisoner's Dilemma Model, in *Journal of Politics*, Vol. 50, pp. 600-624, 1988

Holslag – The Elusive Axis: Assessing the EU-China Strategic Partnership, in *Journal of Common Market Studies*, Vol. 49, pp. 293-313, 2011

Hutton – Will China dominate the 21<sup>st</sup> Century?, in *Social Europe Journal*, Vol. 3, pp. 131-134, 2008

Johnson, Reynolds – Political Science Research Methods, Washington, CQ Press, 2008

Keohane – The Demand for International Regimes, in *International Organization*, Vol. 36, No. 2, pp. 325-355, 1982

Krasner – The Accomplishments of International Political Economy, in Smith, Booth, Zalewski (editors) - *International Theories: Positivism and Beyond*, Cambridge 2002

Manners – The Normative Ethics of the European Union, in *International Affairs*, No. 84, pp. 45-60, 2008

Men – EU-China Relations: from Engagement to Marriage?, in *EU Diplomacy Papers*, Vol. 7, pp. 1-25, 2008

Morgenthau – Politics Among Nations, New York 2006

Niemann, Schmitter – Neofunctionalisms, in Wiener, Diez - *European Integration Theory*, Oxford, 2009

Noël – Théories des "Régimes", Économie Politique Internationale et Science Politique: réflexions critiques (Regime theory, International Political Economy and Political Science: critical reflections), in *AFRI*, Vol. 2, pp. 140-163, 2000

Nye – Neorealism and Neoliberalism, in *World Politics*, Vol. 40, pp.235-251, 1988

Roberts – A History of China, London 2002

Scherrer – Internationale Politische Ökonomie (International Political Economy), in Fritz Haug - *Historisch-Kritisches Wörterbuch des Marxismus*, Vol. 6/II, pp. 1387-1406, 2005

Simon-Belli – Teorie delle Relazioni Internazionali (Theories of International Relations), Perugia 2002

Telò – Sociologie des Relations Internationales (Sociology on International Relations), Bruxelles 2007

Telò – Europe: a Civilian Power?, *Brussels* 2003

Teubner – How the Law Thinks: Toward a Constructivist Epistemology of Law, in *Law & Society review*, Vol. 23, No. 5, pp. 727-758, 1989

Tocci, Manners – Comparing Normativity in Foreign Policy: China, India, the EU, the US and Russia, in *Tocci – Who is a Normative Foreign Policy Actor?*, *Brussels* 2008

Wendt – Collective Identity Formation and the International State, in *The American Political Science Review*, Vol. 88, No. 2, pp. 384-396, 1994

Wendt – Anarchy is what States make of it: the Social Construction of Power Politics, in *International Organization*, Vol. 46, No. 2, pp. 391-425, 1992

Womack – China as a Normative Foreign Policy Actor, in *Tocci – Who is a Normative Foreign Policy Actor?*, *Brussels* 2008

Yueh – Reflections on the EU-China Economic Relationship, in *Social Europe Journal*, Vol. 3, pp. 131-134, 2008

#### ***Institutional documents***

DG Taxation and Customs Union - Report on EU Customs Enforcement of Intellectual Property Rights, 2010

DG Taxation and Customs Union - Report on EU Customs Enforcement of Intellectual Property Rights, 2009

DG Taxation and Customs Union - Report on EU Customs Enforcement of Intellectual Property Rights, 2008

DG Trade - EU Bilateral Trade and Trade with the Rest of the World: China, 2011

DG Trade - EU Bilateral Trade and Trade with the Rest of the World: China, 2012

Doyle – Is there a Future for Customs?, 2010

European External Action Service – China Strategy Paper 2007-2013, 2007

EU Commission - EU – China: Closer Partners, Growing Responsibilities, COM(2006) 631 final, 2006

EU Commission - EU and China Start High-Level Economic and Trade Talks, IP/08/648 (and annexed fact sheet), 2008

EU Commission - 2<sup>nd</sup> EU-China High Level Economic and Trade Dialogue (HED), Memo/09/220 (and annexed fact sheet), 2009

EU Commission - 3<sup>rd</sup> EU-China High Level Economic and Trade Dialogue (HED), Memo/10/698 (and annexed fact sheet), 2010

EU Council - 10<sup>th</sup> China-EU Summit Beijing, Joint Statement, 2007

Information Office of the State Council of the People's Republic of China - China's EU Policy Paper, 2003

IPR2 - Mid-Term Evaluation of the EU-China Project on the Protection of Intellectual Property Rights (IPR2), 2009

IPR2 – Press Release, 2007

Li - Overall Evaluation Report Project Result 1, 2011

Treaty of Lisbon - 2007/C 306/01, 2007

### ***Newspapers and Online resources***

Du - China, EU Start-up of High Level Economic and Trade Dialogue, [http://news.xinhuanet.com/english/2008-04/25/content\\_8052180.htm](http://news.xinhuanet.com/english/2008-04/25/content_8052180.htm) accessed on the 19<sup>th</sup> of September 2011

Duncan - EU-China Trade: New Goals Needed, <http://www.neurope.eu/article/eu-china-trade-new-goals-needed>, accessed on the 21<sup>st</sup> of September 2011

EU Relex - EU-China Relations Chronology, [http://eeas.europa.eu/china/docs/chronology\\_2010\\_en.pdf](http://eeas.europa.eu/china/docs/chronology_2010_en.pdf), accessed on the 19<sup>th</sup> of September 2011

EUCTP – Introduction to EUCTP Components, <http://www.euctp.org/index.php/downloads/finish/7-euctp-information/73-introduction-to-euctp-components.html>, accessed on the 28<sup>th</sup> of August 2011

Holslag – The case for more Realism in the EU-China Policy, in *Asia Briefing*, 2008

IPR2 - <http://www.ipr2.org/> accessed on the 17<sup>th</sup> of January 2012

Pastor, Gosset – The EU-China Relationship: a Key to 21<sup>st</sup> Century Order, <http://www.ceibs.edu/ase/Documents/eu-china.relationship.en.htm>, accessed on the 21<sup>st</sup> of September 2011

Sorroza - Is the Eurozone crisis changing EU-China relations?, [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/elcano/elcano\\_in/zonas\\_in/ari154-2011](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari154-2011), accessed on the 5<sup>th</sup> of April 2012

### ***Table list***

pp. X	Table 1. Differences between different theoretical frameworks
pp. X	Table 2. Main points discussed during the HED
pp. X	Table 3. Use of theories as explicative means
pp. X	Table 1. EU-China trade balance between 2008-2010
pp. X	Table 2. EU-China trade balance (visual)



pp. X	Table 3. EU and China World trade balance between 2008-2010
pp. X	Table 4. EU-World trade balance (visual)
pp. X	Table 5. China-World trade balance (visual)
pp. X	Table 6. EU-China FDI in flow and stock
pp. X	Table 7. EU-China FDI flow (visual)
pp. X	Table 8. EU-China FDI stock (visual)
pp. X	Table 9. EU custom cases and Chinese percentage
pp. X	Table 10. Number of cases (visual)
pp. X	Table 11. Number of articles (visual)
pp. X	Table 12. Chinese share (visual)
pp. X	Table X. Evaluation table for the HED progresses
pp. X	Visual Realism/Liberalism HED results representation