

Palacký University Olomouc

School of Arts

Department of Politics and European Studies



Kateřina Hýlová

EU-China relationship: EU's response to China's rapid growth

Bachelor Thesis

Thesis supervisor: Doc. Dan Marek, Ph.D., M.A.

Olomouc 2011

Hereby I declare that I compiled this bachelor thesis independently, using only the listed literature and resources.

Olomouc 10 August 2011

Kateřina Hýlová

Table of Contents

Introduction	4
Research methods	5
Current state of research	6
Literature evaluation.....	7
Structure	9
1 Theoretical framework of social constructivism	10
1.1 Social constructivism – general concept.....	10
1.1.1 State personhood in international relations	15
1.2 Constructivism and the EU-China relationship	16
1.2.1 EU identities in East Asia	16
1.2.1.1 Chinese perception of the EU identities	19
2 EU-China relations with third countries.....	21
2.1 European Union	21
2.1.1 Lisbon Treaty innovations	21
2.2 China.....	23
2.3 EU’s approach towards China	27
2.4 China’s approach towards the EU	28
3 EU-China bilateral relationship.....	31
3.1 Development of the EU-China relationship	31
3.1.1 EU-China relations prior to China’s WTO accession.....	31
3.1.1.1 China’s accession to the WTO	37
3.1.2 EU-China relations following China’s WTO accession	38
3.1.2.1 EU-China strategic partnership	39
3.1.3 Future of the EU-China relationship.....	43
Conclusion.....	47
Annex I.....	50
Bibliography	57
Works cited.....	57
Works consulted	58
Abstract	65

Introduction

The relationship between People's Republic of China (China) and the European Union (EU) has lately attracted numerous scholars. This development has come to the spotlight especially in the last decade because of the remarkable speed of growth of Chinese economy which has been achieved by embracing the reformist approach of Den Xiaoping more than thirty years ago. Since the accession to the World Trade Organization (WTO) in December 2001, China has been undergoing economic and political transformation both internally and externally. As a result, starting as a developing country, China has become a significant global player. This thesis is focusing mainly on the period shortly before and then following China's accession to the WTO and its integration in global environment up until present.

The thesis poses two main goals. The first is to present a comprehensive overview of the tools that are used in the EU-China relations. That is why we will address the issue more generally in terms of tools and policies that both actors make use of with other countries. Their interaction will be interpreted in the social constructivist perception. The second is to build on this and provide analysis of the EU-China relationship. Starting with historical development of the EU-China relations, the main focus will be then given to the current state of the relationship with the main aim put on the trade relations that are at the most advanced level. To better understand the growing intensity of the EU-China relationship, it is necessary to explain the current state of Chinese economy and China's role in global leadership as well. Also, we will highlight some of the issues that are or could become problematic.

The EU has always been a supporter of China and has understood its great potential relatively early. The main breakthrough in their relationship was the accession process to the WTO. The EU was in the position of far more developed entity at that time and was in the position of main mediator. Together with the United States, the EU established numerous bilateral agreements with China. New policy proposals towards China introduced concrete steps to ensure China's WTO membership as well as subsequent process of implementing essential policies in order to be fully granted the position of a developed country.

With the gradual efforts of the EU in pursuing cooperation, China has also recognized its importance and its focus shifted from the United States more to the EU direction. Even though the European foreign direct investment to China is only at small percentage, the trade relations grew rapidly. Nowadays, majority of Chinese exports go to the EU countries and more projects of mutual cooperation in both economic and political issues are being established. However, the EU puts gradual pressure on better quality of the products, easier access of European enterprises to the Chinese market, intellectual property rights, labor and market economy conditions and more areas that are to be addressed in this thesis.

Research methods

This thesis is a study dealing with the EU-China relations after China's accession to the WTO. The inspiration to write this thesis came from the growing interest of society and also of academic community. The academic community focused on the EU-USA and China-USA most in the past, however, the past decade shows constant growth of interest in the EU-China relations. It was the case especially when China became a member of the WTO that the issues connected to China were brought up in the global debate. The aim of this thesis is to contribute to such debate and present a comprehensive overview of the EU-China relationship of the past decade and also outline persistent problems of the relationship and possible ways of cooperation in the future.

The thesis focuses on the importance of the EU-China relationship in the last decade taking into account Chinese membership to the WTO. The beliefs that are expressed are that this event has been a major milestone in the relationship. It facilitated a great breakthrough of newly established policies and further greater engagement of both entities. The reasoning thus follows this debate and leads into the verification of the hypothesis that the EU's role as a mediator in the Chinese accession process to the WTO has led to the EU's greater involvement in shaping Chinese perception in Europe and also in the world. It has played a major role in shaping the cooperation especially in terms of trade, not leaving behind the political talks and decision-making in the beginnings of the relationship. The idea of replacing the United States as a major partner of China can also be observed. The type of method chosen for this thesis is qualitative analysis. This method enables evaluating the aspects that has been forming the EU-China relationship up

until today. The method of analysis is used to better understand the implications of EU-China relations and their development. This method is used in the first part of the thesis to analyze the theoretical framework of the relationship. Based on the analytical method, the variables influencing the EU-China mutual cooperation are assessed. In order to provide an overall view on the Chinese economy and its rapid growth, quantitative indicators are used. Other research method used in the thesis is a method of synthesis which summarizes the information from the literature and the articles that have been used.

We perceive the EU-China relationship within the international relations theory. In this context, we have chosen the theory of social constructivism¹ because we have come to believe that it best describes the current nature of the Sino-European relationship. The ‘conventional’ constructivism (represented by such scholars as Alexander Wendt or Ted Hopf) is used for the purpose of this thesis. The relationship is characterized by frequent interaction which is represented by daily diplomacy and policy-making processes. It is created on the basis of internal and external interests of both actors and is reflected in the organization of the relationship. Especially the internal aspect is very important for the EU as well as for China. Even though the EU is an entity of sovereign states, both China and the EU have to face internal diversity. China is a very strong player at the global scene nowadays, despite facing a challenge of huge internal disparity and has to find consensus within its own territory first. The interaction between the EU and China does not necessarily lead to the same goals but is an integral part of shaping the relationship and their policies.

Current state of research

Increasing attention has been dedicated to the EU-China cooperation in relation to China’s rapid economic growth that leads to seeking its position as a global power and becoming the largest economy of the world. This certainly influences its links with the EU that might be threatened by this fact if it is not handled properly and used to its advantage. The Sino-European relationship is developing in a very dynamic way which is reflected by the growing interests of academic community in this field. The academic writers introduced new terminology, analyses or comparative studies. We are still in the emerging state of

¹ Further referred to as constructivism.

the research which has been evolving only in the last years. The focus was earlier aimed at either the EU-US or the US-China relations where the United States were perceived as a global leader both in politics and economy. The questions that are being raised are mostly concerned with the unresolved issues in China, such as human rights, intellectual property rights or conditions for entering Chinese market and doing business in China. Scholars direct their analysis mostly on evaluating both actor's behavior and development of the relationship and propose its future possible ways of development. Unfortunately, Czech academic community seems uninterested in the topic and no distinctive studies have been published. The importance of China has not been well communicated within the society and huge amount of prejudice still exists.

Literature evaluation

This study is mainly based on primary sources. This applies mostly on the sources used for the EU part of the study. We used the core documents on the EU external policy and further the EU policy towards China. These documents are accessible throughout the database of the European institutions. We have experienced a difficulty gaining primary Chinese documents. This was either due to the restrictions of the Chinese government that does not provide openly its official documents or because of the language obstacles. The only document available in English on the topic is the China's EU policy paper. Secondary sources have therefore had to be used.

Further analysis and gained information were based on the secondary sources. To get a comprehensive overview of China's rapid economic growth and its changes, we used the publication *China's Rise: Challenges and Opportunities* by C. Fred Bergsten, Charles Freeman, Nicholas R. Lardy, Derek J. Mitchell even though it is mainly oriented on the United States and the reflections of Chinese policies on them. For further elaboration of China's economic growth, statistical indicators were used. However, for the most up-to-date data, we were unable to use primary sources because of its only publication in China. Primary data that were gained from the Chinese Statistics Bureau are from 2003 and thus the secondary sources provided more up-to-date data.

In order to grasp the issue of the EU-China relations from different perspectives, edited books such as *The International Politics of EU-China*

Relations by Liu Fei and David Kerr or *China-EU: A Common Future* by Stanley Crossick and Etienne Reuter proved to be very beneficial. We need to mention that most of the publications on the EU-China Relationship are edited books providing diverse points of view that thus give us an overview of the issues. Also different studies and articles from academic journals were used to further elaborate on discussed topics. The book providing the insight especially in China's part of the thesis was *China-Europe Relations: Perceptions, policies and prospects* edited by David Shambaugh, Eberhard Sandschneider and Zhou Hong. The European mass media as well as Chinese showed different points of view and helped to create a complete image on the topic.

For the theoretical ground of the EU-China relations, we chose to use the social constructivism. Valuable publication for the definition of the EU-China relations within this theory has proved to be the *Social Theory of International Politics* written by Alexander Wendt. The author describes four factors that can lead to structural changes. He refers to culture, interdependence, common fate and homogenization.² Furthermore, he establishes his theory that the states act as persons in the article published in the *Review of International Studies*. For further elaborating the general concept of constructivism we made use of *The Promise of Constructivism in International Relations Theory* by Ted Hopf. In terms of establishing the EU and China's identities within the constructivism, the paper published in the *Asia Europe Journal*, *The political weakness of the EU in East Asia: a constructivist approach* by Ramon Pacheco Pardo as well as official sources by the European Commission proved to be very helpful. The Chinese side of view was well developed in *China's views of Europe: A Maturing Partnership* by Roberto Peruzzi, Arlo Poletti and Shuangquan Zhang which provided a great insight of Chinese perception of Europe.

The speeches of both the EU and Chinese representatives gave us the unbiased positions represented by them, instead of being commented by the third party. Also the articles and studies by Chinese scholars, even if they are based outside China, certainly contributes to the thesis by sharing completely different perspective because of a different cultural and political background unfamiliar to

² Wendt 1999, 1-420.

the Europeans. The most valuable source for statistical information on trade proved to be the Commission's DG Trade.

Structure

The thesis is divided into chapters which are thematically closed units. However, the chapters build on each other. The theme of the first chapter is grounding the EU-China relationship within the constructivist paradigm of the theory of international relations. In this chapter we will therefore formulate the main aspects of constructivism, taking Alexander Wendt's position as a cornerstone for the purpose of this thesis. We will also explain the EU-China relationship within the constructivism with the focus on the EU itself, shaping their identities in China and their perception.

In the second chapter we introduce the tools that both the EU and China use in their foreign policies, respectively external relations. There has been a significant change within the EU after the implementation of the Lisbon Treaty. In this thesis, we will focus on the current tools that are in use. In case of China, the nature of its foreign policy will be looked at. Further in this chapter, we will familiarize ourselves with the approaches that both the EU and China have towards each other.

The third chapter deals with the core topic of this thesis which is the EU-China relationship, its development and current state. We will address the EU's role in the Chinese admission process to the WTO and further elaborate on the issue by focusing on the development of the EU's tools and papers on China. This chapter will address the policy which is at the most advanced level, the trade relations. We find this area most important for both Chinese and European continuous growth and the essence of mutual cooperation on peaceful level.

In the conclusion, we will assess the development of the Sino-European relationship since China's accession to the WTO. We will summarize the most fundamental points of the whole thesis with the focus on the essential characters of the EU-China relations. Finally, we will answer whether the hypothesis of this thesis was verified – China's entry into the WTO and EU's role as a mediator of this entry has lead to strengthening of the EU-China relations and mutual cooperation.

1 Theoretical framework of social constructivism

As we have already mentioned in the introduction, we understand the relationship of the European Union and China to fit inside the constructivism theory. This chapter will therefore focus on the principles of constructivism. We will begin with the general concept of the theory and then continue to develop it into its state personhood aspect. The gained knowledge will serve as a basis for understanding the EU-China partnership.

1.1 Social constructivism – general concept

Constructivism's origins date back to the 1980s when it has become an increasingly significant approach when the situation after the Cold War turned much open. It was among the most influential international relations traditions of the late 1990s and early 2000s. The two dominant theories of neorealism and liberalism lacked a clear vision of the future by the end of the Cold War. The constructivism came somewhere in the middle to form a 'bridge' between the neorealist 'truths' and neoliberal 'truths' and was inspired by theoretical developments in other social science disciplines as well.³ The term itself was introduced to international relations theory (IR-theory) in 1989.⁴

Andrew Bradley Phillips states that "constructivists are defined by their emphasis on the socially constructed character of actors' interests and identities, and also by their concomitant faith in the susceptibility to change of even the most seemingly immutable practices and institutions in world politics".⁵ Constructivism offers alternative understandings of themes in IR-theory such as the meaning of anarchy, balance of power, the relationship between state identity and interest or prospects for change in world politics.⁶

The main focus of the constructivist theory is on human consciousness and its place in world affairs. It is in fact the opposite of neorealism and much IR-theory as such. Constructivists reject a one-sided material focus which these IR-theories represent. According to constructivism the system is constituted not by any material forces but by ideas. They argue that the most important aspect of international relations is social and that the social and political world is not

³ Jackson and Sørensen 2006, 162-163.

⁴ Jackson and Sørensen 2006, 168.

⁵ Phillips 2007, 60.

⁶ Hopf 1998, 172.

physical or material object that exists outside human consciousness. “It is a set of ideas, a body of thought, a system of norms, which has been arranged by certain people at particular place and time.”⁷ If the thought or ideas that exist inside international relations and thus create them change, then the whole system will change as well. This leads to Alexander Wendt’s claim: “anarchy is what states make of it”.⁸ This phrase actually proves that in constructivist view of anarchy, change becomes possible and also much easier because of the interaction between people and states that will create new norms of functioning in international relations. What constructivism says seems to be just common sense; that is that our identities (who we are) together with our interests (what is important to us) change.⁹

Wendt’s principal aim was to come up with a structural theory of international relations with state as its basic unit. In this he in fact agrees with Kenneth Waltz’s neorealist theory, yet he criticizes Waltz for the excessive materialism, the individualism, agent-centrism and rationalism that the neo-realist approach implies. Wendt argues that material factors cannot be analyzed apart from the social structures that give them the meaning. Moreover individuals cannot be taken as independent units of theories when they can be defined only in social terms. In terms of rationalism, we need to have a framework that explains how interests and identities are shaped. Wendt presents world politics as determined through the communication and interaction of units.¹⁰ Unlike neorealism, constructivism assumes that actors and structures mutually constitute each other. It also states that anarchy must be interpreted to have a meaning; that states are part of the identity construction process; and it sees change as difficult but possible.¹¹

The core of A. Wendt’s argument is the rejection of both neorealist and neoliberal one-sided position on anarchy. According to him anarchy does not necessarily have conflictual (or self-help) or cooperative nature. There is in fact no nature of international anarchy because if states behave conflictually or cooperatively towards one another, it only appears that the nature is such.

⁷ Jackson and Sørensen 2006, 162.

⁸ Wendt 1992, 395.

⁹ Weber 2010, 62.

¹⁰ Ringmar 1997, 291.

¹¹ Hopf 1998, 181.

Constructivism shares neoliberalist point of view that cooperation is possible under anarchy. Two fundamental assumptions of neoliberalism are that there are potentially beneficial agreements among states that have not yet been reached and are hard to achieve. Constructivist approach begins with examining state's interests within particular issue. When negotiating an agreement with a state that has similar interests, it will affect more cooperative relationship rather than negotiating with adversaries within particular field.¹² Wendt argues that overall nature, whether it will be conflictual or cooperative, cannot be decided beforehand, it depends on the interaction between the states. We must focus on states' actions to understand the nature of their behavior. During such process the identities and interests of states are created. Constructivism further argues that these identities and interests are not stable and have no pre-given nature that could determine the nature of international politics.

As his starting point, Wendt takes the classic dispute between realists and idealists (neorealists and neoliberals respectively) over the behavior of states in international politics. On the question whether the state behavior must be either conflictual or cooperative, Wendt says that it depends on how we think about the already mention 'nature of international anarchy'. Wendt focuses on the role of structure and process in anarchy and finds common agreements between neorealists and neoliberals. He claims that they agree on the fact that states are dominant actors in international politics; that they explain international state interactions through rationalism and that the security is defined as self-interest driven. What poses a problem is rationalism. It is that rationalism takes the identities and interests of states as given and thus not being opened to changes in them. In constructivism, we need to recognize the character of international anarchy as not pre-given and that self-help is not an immutable feature of anarchy and that it is practice of states that transform the anarchy into 'what states make of it'.¹³ Insight that anarchy is what states make of it implies different understandings of anarchy which means that actions of states should be more diverse than only self-help oriented. As Ted Hopf proves, this is an observation of already existing reality and the different understandings are rooted in social structures that are kept going by the power of practice and are quite indifferent to

¹² Hopf 1998, 189.

¹³ Weber 2010, 64-66.

some kind of change.¹⁴ Constructivism offers considerations of how and where change may occur.

Wendt develops his argument from states that are fundamental actors in international politics. They acquire identities that are relatively stable and specific expectations and understandings about themselves. As Wendt argues, these identities are basis of interests that are constructed in relation to each other and that these further form into institutions. These identities, interests and institutions all result from interactive social processes that complement each other. Again, institutions are not pre-given in international politics. They are created through social interaction as well as identities are constituted through interactions with other identities and social institutions. Based on this argument and further building upon the non-material aspects of constructivism, Wendt suggested two concepts of identity – corporate and social. Corporate identity refers to qualities that the actor acquires and that produce four basic interests that are common to all states: physical security, predictable relations with other actors, recognition and development. On the other hand, social identities are multiple and allow actors to define themselves within social structures in certain ways while showing particular types of their behavior. Some of these behaviors and identities develop from international social structures and are not created by the actor himself. Rather than explaining the behavior of states towards each other according to material interests, constructivism argues that the behavior that states show is dependent on its identities constructed through a definition of ‘self’ and ‘other’.¹⁵ It is therefore the perception of an actor itself and the perception that the other has of it that determines the relationship between them.

In the environment of social interaction, we therefore cannot say that the anarchical system will be conflictual or cooperative. As an example, we can outline a relationship between two sovereign states that have not met before¹⁶. On first meeting, they have no reason to be in security dilemma in which self-help principles exist. It is this first meeting that will determine future behavior of states towards each other. States do not have to increase their power to increase their security in the beginning because social threats are not natural but socially

¹⁴ Hopf 1998, 180.

¹⁵ Pardo 2009, 268.

¹⁶ Wendt refers to them as „Alter“ and „Ego“.

constructed and therefore non-existent at first. The only prior interest that states have is to survive. One state (Alter) may choose to pose a social threat, or the other state (Ego) may interpret its actions as threatening. However, prior to social interaction, both states are not in a security dilemma.¹⁷ Security dilemmas are assumed to be common ground in international relations because states cannot know the intentions of others. Constructivism in fact provides an understanding of what happens in international relations most of the time, which is nothing threatening at all.¹⁸ Constructivists state that the identities of states are constructed through norms which define state's particular interests. That is to say that if norms reconstruct identities, interests consequently change and therefore lead to changes in state policy.¹⁹ Constructivists claim that state interests and identities are much easily influenced than is possible in rationalist theory.²⁰ For rationalists, state preferences are unproblematic. According to them they are 'objectively' formed and based on power-maximizing rationality which means that states have specific interests prior to social interaction.²¹

In social theory, constructivism puts emphasis on the social construction of the reality. Constructivists argue that relations, including international relations, are built upon thoughts and ideas and not essentially on material forces. The social world is not an external reality that is given. They say that laws of such reality cannot be discovered by scientific research. It is "a world of human consciousness: of thoughts and beliefs, of ideas and concepts, of languages and discourses, of signs, signals and understandings among human beings, especially groups of human beings, such as states and nations"²². The main idea is that the social world and everything that is involved in it is made by those who live in it. To understand what constitutes the actors and structures in world politics, we need to know about the culture, norms, institutions, procedures, rules and social practices.²³ Concerning social structures, A. Wendt recognizes three elements or "structures": material structure, structure of interests and ideational structure. These are defined by shared understandings, expectations or knowledge and also

¹⁷ Wendt 1999, 328-335.

¹⁸ Hopf 1998, 188.

¹⁹ Hobson 2003, 146.

²⁰ Rationalist approach includes realism, liberalism and Marxism.

²¹ Hobson 2003, 145.

²² Jackson and Sørensen 2006, 165.

²³ Hopf 1998, 173.

establish the nature of relationships of actors, whether cooperative or the one of conflicts.²⁴ Earlier in his work, he emphasized that social structures do not exist in actors' head nor in material capabilities but in practices.²⁵ As a great example, the Cold War can be taken. According to a constructivist approach, it was a structure of shared knowledge that directed great power relations in certain ways for forty years. However, once both the USA and Soviet Union stopped acting on this basis, the Cold War was over.

Idea being the basis of the whole theory, we need to specify its meaning. Constructivists do not claim that ideas are more important than power and interests, or that they are autonomous from them. It rather means that impacts of power and interests are due to the ideas.²⁶ Ideas on matters must be widely shared even though they can be held by different groups, such as society, social groups, policymakers or organizations.

1.1.1 State personhood in international relations

Alexander Wendt further developed the constructivism theory and likened the state to a person in international theory. He argues that “to say that states are ‘actors’ or ‘persons’ is to attribute to them properties we associate with human beings – rationality, identities, interests, beliefs, and so on”.²⁷ He also states that states are structured interaction of their members and that states are in fact social constructions of the mind.²⁸ He introduces a realist argument that ‘states are people too’ already in his previous work.²⁹

To define persons, we need to differentiate between inside and outside ways in which people are constituted. “Inside constitution refers to the role of structures and processes within the body of a person (for example, all healthy adult human beings have, in virtue of their internal biological and cognitive structure, the ability to be persons). Outside constitution, in contrast, refers to the role of social recognition in making persons.”³⁰ Both constitutions are only conditionally related. Being constituted from the inside does not necessarily mean

²⁴ Wendt 1999, 47-190.

²⁵ Wendt 1995, 74.

²⁶ Wendt 1999, 135-136.

²⁷ Wendt 2004, 289.

²⁸ Wendt 2004, 289-290.

²⁹ Wendt 1999, 215-224.

³⁰ Wendt 2004, 293.

that the person will be constituted from the outside as well. We have seen many examples throughout history when certain groups of people (for example women) were in fact incapable to be recognized from the outside perspective. This can also work the other way round.³¹ However, being socially recognized as a person does not mean that such person is capable of intelligent rational action just as not being recognized does not mean that he or she is not.

When we apply this theory of personhood together with inside and outside constitution to states, we will see that it is easy to see both processes at work. Good example would be state sovereignty – internal and external. Internal sovereignty refers to a state that is able to exercise political control of its territory only formally, whereas external sovereignty recognizes state as a legal member of the society of states.³² We can take Taiwan as an example of the first case and Somalia (or other failed state) of the second.

1.2 Constructivism and the EU-China relationship

Having described the general aspects of social constructivism, we will now turn our attention to the EU-China relationship and its perception from the constructivist point of view. We will also look at certain weaknesses in this relationship. Constructivism draws the attention to the role that identity plays in shaping actors' behavior and determining other actors' perception of it. Actors not only construct their corporate identity based on its domestic factors but also as a result of interaction with other actors.

1.2.1 EU identities in East Asia

EU actively takes part and is well integrated in both Asia-Europe Meeting (ASEM) and the Association of South East Asian Nations Regional Forum (ARF), two of the most important political and security frameworks in Asia. Theoretically speaking, this provides the EU with an arena where it can be involved in solving the most alarming challenges faced by Asian countries. Also, the EU is in the position to link its economic power to soft power and thus be able to influence regional political developments. The overall cooperation between the EU and East Asia on soft issues such as trade and investments, culture and education has been

³¹ As an example of the outside constitution only, A. Wendt indicates animals which were put on trial in medieval Europe for crimes against God, man or beast. Even though they did not have inside constitution to be humans, they were recognized from the outside perspective.

³² Wendt 2004, 294.

constantly growing. However, the EU has been excluded from the resolution of hard politics issues. The EU does not play any role in the Taiwan issue as it adheres to Beijing's one-China policy. While in theory, the EU is actively involved in the already mentioned regional structures, it is the United States that are more involved in the hard-power politics in the region.

According to the constructivist principles, the EU has constructed a triple identity towards East Asia based on its corporate identity and its social identities towards Asian countries, developed through ASEM, and towards China itself. These identities prevent the EU from being more involved in regional political affairs. On the other hand, it is also the Chinese perception of the EU that results in China's rejection of the EU's greater involvement. We therefore need to look closer at these identities to better understand the EU-China relations.

To understand how the EU sees itself, we will look at the last treaty signed by the 27 members of the EU, the Lisbon Treaty, which includes the declaration on the common foreign and security policy. In its preamble, the EU establishes "the cultural, religious and humanist inheritance of Europe, from which have developed the universal values of the inviolable and inalienable rights of the human person, freedom, democracy, equality and the rule of law"³³ as its guiding principles together with „the principles of liberty, democracy and respect for human rights and fundamental freedoms and of the rule of law"³⁴. First, the EU's corporate identity is constructed through respect of individual and political human rights. Then, it is democracy as its system of government and also the rule of law as a principle for domestic issues. EU thus strongly identifies with these principles and clearly considers itself as their source. Furthermore it considers these principles universal.

The EU also describes itself as an actor with a "substantial international influence" to protect and promote its interests and that is expected to "assume its global responsibilities".³⁵ The EU's corporate identity is built upon two concepts in particular. The first one is soft power and the focus on attraction rather than pressure and force. The other is multilateralism and turning to international

³³ The European Union 2010, 15.

³⁴ The European Union 2010, 15.

³⁵ Commission of the European Communities 2006a, 3.

institutions and norms in order to pursue global causes.³⁶ The self-identification of the EU is the one of an attractive power of taking the leading role in the fight against non-military threats and as a counterpart to the United States as a global superpower mostly engaged in the military challenges and actions. The European Neighborhood Policy provides the example of the EU's corporate identity as an actor in the international system. This policy is considered as means to bridge the divide between the EU members and countries within their borders that are not in the process of joining the EU. It does so by building on "mutual commitment to common values principally within the fields of the rule of law, good governance, the respect for human rights, including minority rights, the promotion of good neighborly relations, and the principles of market economy and sustainable development"³⁷. First, the EU presents itself here as an actor respectful of human rights, democracy and the rule of law and the policy is based on the principles that the EU considers universal. This attracts others but also entails global responsibilities. And second, the EU has mechanisms and budget for the implementation of the policy which makes it go beyond the theory and applies it beyond its borders.

In the case of Asia, the EU self-identifies as key dialogue partner of Asian countries including China, as well as a supporter of regional cooperation within established frameworks such as ASEM, the Association of South East Asian Nations (ASEAN) or ARF. It also sees itself as a cooperative partner in political, economic and cultural issues.³⁸ The emphasis on these issues and focus on dialogue, multilateralism and development within ASEM serves to reinforce the EU's social identity in Asia.

EU further self-identifies with China through bilateral dialogues and EU-China meetings. The EU uses two different characteristics of China. First, it is a re-emerging power with a potential to influence global affairs. And second, China is a country with different political values to those of the EU.³⁹ In case of the first characteristic the EU identifies as an equal partner to China in terms of power and influence of the world affairs. Nonetheless, the second characteristic the EU separates China as an 'other' with an identity based on political principles that are

³⁶ Pardo 2009, 270.

³⁷ Commission of the European Communities 2004, 3.

³⁸ Commission of the European Communities 2007, 1-14.

³⁹ Commission of the European Communities 2006b, 1-13.

not in accordance with the principles of the EU, especially regarding the protection of human rights.

1.2.1.1 Chinese perception of the EU identities

The EU approaches China in a mode of ‘constructive engagement’ seeing it as a major strategic partner. China sees value in developing closer contacts with the EU as well, especially when the European engagement in international affairs seems more favorable to China’s interest than the US approach.⁴⁰ When we look at how Chinese elites, civil society and media perceive the EU, we will discover that China’s rhetoric grants political relevance to the EU.⁴¹ For example, Chinese Premier Wen Jiabao expressed his support to the integration of the EU and stated that we would like to see the EU play a more active role in international affairs.⁴² The Chinese government has always viewed the EU-China relations as strong and it occupies an important position in the China’s foreign policy, especially the bilateral aspect of the relationship. China sees the EU as an equal partner and one of the possible leaders in a multipolar world which is still currently led by the United States only.

On the other hand, China prevents the EU from intervening in its most concerning political and security issues, such as Taiwan, Tibet or human rights.⁴³ That suggests that even though China sees the EU as a superpower, it limits it to the issues of soft politics. Also, Chinese media present the EU mostly as an economic power. In case of ASEM, China perceives EU as a partner in political, economic and cultural matters. However, whereas economic and cultural questions are understood in practical and substantive terms, the political ones are only based on dialogue.⁴⁴ China pretends to believe in a multilateral dialogue to enhance EU’s and East Asia’s role in world affairs, but no specific measures have been advanced to take place. This is closely linked to Chinese negotiation culture. However, this will not be discussed in this thesis.

China perceives the EU as an ‘other’ with different values that must certainly be respected but which do not have to be extended.⁴⁵ China therefore

⁴⁰ Balme and Briges 2008, 20.

⁴¹ Peruzzi, Poletti, and Zhang 2007, 311-330.

⁴² Mission of the People’s Republic of China to the European Union 2004.

⁴³ Peruzzi, Poletti, and Zhang 2007, 311-322.

⁴⁴ Pardo 2009, 273.

⁴⁵ Pardo 2009, 274.

rejects one of the most important aspects of the EU's self-identity, that of a powerful actor whose values, such as democracy, human rights or rule of law, have to be promoted due to its universality. Here the key disagreement between the EU's self-identity and Chinese perception of it appears.

Also, with the change of leaders in the major European powers⁴⁶ the change in the European position towards China has become more critical, especially in the field of human rights, the Tibetan problem etc. The case may also be that current leaders are closer to the US.⁴⁷ In sum, this European attitude towards China may lead to changing Chinese perception of the EU and consequently to certain loss of mutual political confidence and to higher competition rather than cooperation. As of today, cooperation still prevails and the documents of the European Commission aim for strengthening the EU-China relationship.

⁴⁶ Particularly Angela Merkel in Germany (2005) and Nicolas Sarkozy in France (2007).

⁴⁷ Ting 2011, 184.

2 EU-China relations with third countries

In this chapter we will consider the EU and China separately in terms of their foreign policies and external relations. In case of the EU we will present the major changes that were brought by the implementation of the Treaty on Functioning of the European Union (also known as Lisbon Treaty). In Chinese case, we will focus on its foreign policy in general because no document specifying it exists. Further on, we will introduce the EU's and China's approach to each other.

2.1 European Union

EU's external cooperation had been set by the Treaty Establishing the European Community⁴⁸ before the Lisbon Treaty came in use. External action as such was not included in the treaty. The broad objectives were set out for development cooperation and for relations with overseas territories (such as Greenland, French Polynesia or Netherlands Antilles). The broad objectives of Article 177 included sustainable economic and social development of developing countries; smooth and gradual integration of developing countries into the world economy and the campaign against poverty in developing countries.⁴⁹ In addition to that, treaty also pointed out the need for economic, financial and technical cooperation measures with third countries (carried out by both Member States and the Community). The Community's aim was also to contribute to consolidation of democracy and the rule of law, as well as respect for human rights and fundamental freedoms.

2.1.1 *Lisbon Treaty innovations*

Following the entry of the Lisbon Treaty⁵⁰ into force in 2009, two important institutional innovations that have an impact on EU external action were established. First, it is a creation of a President of the European Council and second, creation of a High Representative of the Union for Foreign Affairs and Security Policy. The High Representative is assisted by the European External Action Service (EEAS). EEAS staff members come from the European

⁴⁸ For the consolidated version of the Treaty, see <http://eur-lex.europa.eu/en/treaties/>.

⁴⁹ The European Union 2006, 125-126.

⁵⁰ For the consolidated version of the Treaty, see <http://eur-lex.europa.eu/en/treaties/>.

Commission, the General Secretariat of the Council and the Diplomatic Services of the EU Member States.

For the first time in Union's existence, it is stated that common policies and actions for cooperation in all fields of international relations should be defined and pursued in order to

- safeguard Union's values, fundamental interests, security, independence and integrity;
- consolidate and support democracy, the rule of law, human rights and the principles of international law;
- preserve peace, prevent conflicts and strengthen international security
- foster sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty;
- encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade;
- help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development;
- assist populations, countries and regions confronting natural or man-made disasters;
- promote an international system based on stronger multilateral cooperation and good global governance.⁵¹

Union's external actions are to be guided by the principles of democracy, rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.⁵² It is also stated here that the EU should develop relations and build partnerships with third countries and further promote multilateralism, especially in the framework of the United Nations.

The Union's external action is further specified in the Treaty into different areas of cooperation. In terms of commercial policy, the Union intends to contribute to the development of world trade, to progressive abolition of

⁵¹ The European Union 2010, 28-29.

⁵² The European Union 2010, 28-29.

restrictions on international trade and foreign direct investment (FDI) and to lowering of customs and other barriers. Moreover, uniformity of liberalization, export policy and trade protection should be introduced.⁵³ Primary objective in the development cooperation is reduction of poverty which would lead to its eradication in long-term perspective.⁵⁴ The EU emphasizes the need for cooperation with third countries and international organization to address the issues properly. Further cooperation is also needed in economic, financial and technical cooperation measures and assistance carried out by the Union.⁵⁵ It seeks to establish a framework for humanitarian aid operations represented by a European Voluntary Humanitarian Aid Corps.⁵⁶ The EU should thus be better prepared to provide assistance and relief and protection for victims of natural or man-made disasters in third countries.

The EU puts emphasize on multilateralism. It also intends to create all possible forms of cooperation with the organs of the United Nations and its specialized agencies, the Council of Europe, the Organization of Security and Cooperation in Europe, the Organization for Economic Cooperation and Development as well as with other international organizations.⁵⁷ All the delegations of the European Commission in third countries become the delegations of the EU with the introduction of the Lisbon Treaty. They shall represent the Union as a whole and are under the authority of the High Representative of the Union for Foreign Affairs and Security Policy. However, they shall not act independently but in close cooperation with Member States.⁵⁸

2.2 China

In case of Chinese foreign policy, we cannot rely on a specific document or policy paper. The reason for this is that no such document has been introduced by the Chinese government. After the adoption of a provisional constitution in 1949, the basic principles of China's foreign policy were set. These were a guarantee of independence, freedom and territorial integrity of the state, support

⁵³ The European Union 2010, 139-141.

⁵⁴ The European Union 2010, 141.

⁵⁵ The European Union 2010, 142.

⁵⁶ The European Union 2010, 143.

⁵⁷ The European Union 2010, 147.

⁵⁸ The European Union 2010, 147.

of world peace and friendly cooperation among all countries in the world and an opposition of imperialist policies of aggression and war.⁵⁹ Later during the Eighth National People's Congress which was held to plan the country program for period 1993-1998, these provisions were revised. The approach was for China to adhere to an independent foreign policy and principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit as well as peaceful coexistence in developing diplomatic relations and economic and cultural exchanges with other countries.⁶⁰ China's opposition to imperialism, hegemony and colonialism was emphasized as well. Their support for oppressed nations in their struggle for independence was expressed.

With the ongoing process of China's rise, China has become more active an assertive in world affairs. For China "having a foreign policy has become a necessity, not a luxury"⁶¹. China's approach has been taking less confrontational, more sophisticated and constructive development. It has engaged in much of international institutions, rules and norms and in a limited way also in shaping the evolution of that very international system so far.⁶² Since the mid-1990s, the number of Chinese bilateral relationships, trade and security accords and its participation in international organizations has broadened. The evolution of China's foreign policy began under Deng Xiaoping who initiated its first diplomatic transformation by launching 'reform and opening' movement in 1970s. Its purpose was mostly to facilitate domestic economic modernization by engaging with the international community.⁶³ The process of creating policies then was highly centralized and policies were not well elaborated.

The turning point in China's approach to foreign policy was the attempt of Chinese leaders to break out of their post-Tiananmen isolation, build new image of China and protect and promote Chinese economic interests and enhance their security. Today, China's acting on international scene reflects its new flexibility and sophistication despite its domestic goals being at the first place.⁶⁴

⁵⁹ People Daily, not dated.

⁶⁰ People Daily, not dated.

⁶¹ Zhao 2008.

⁶² Medeiros and Fravel 2003, 22.

⁶³ Medeiros and Fravel 2003, 23-24.

⁶⁴ Medeiros and Fravel 2003, 23-33.

Current Chinese leadership represented by President Hu Jintao and Prime Minister Wen Jiabao focuses on advocating peace, development and cooperation, and always pursuing an independent foreign policy of peace.⁶⁵ Its general priority is creating and maintaining a stable and favorable international environment for its modernization program.⁶⁶ It is very important to note here that China's foreign strategy of the moment is pragmatic, disengaged from ideology, firmly goal-fulfilling and national interest-driven.⁶⁷ The policies are created differently to address specific issues most effectively in international environment. As Wen Jiabao puts it, China "makes judgment independently on the merit of each international issue and takes position accordingly; it does not use ideology and social system as a criterion in conducting diplomacy, nor does it impose its values on others"⁶⁸.

In 2006, Hu Jintao's leadership proposed a strategic guideline to China's foreign policy: "big powers are the key, periphery countries are the priority, and developing countries are the foundation"⁶⁹. The Hu leadership desires an emergence of a multipolar world of sovereign states that are mutually respecting the already mentioned principle of non-interference (in which China has become more relaxed and flexible⁷⁰) while keeping its independent face by creating a network of strategic partnerships, as is the case of strategic partnership between the EU and China. The path of peaceful development is emphasized by China at all times. What it means is to foster a peaceful international relations arena to develop itself and promote world peace with its own development.

The approach that Chinese leadership called 'peaceful rise' reflected both economic and political transformation of China until they stopped using the term in 2004 because the term might pose challenges to the interests of other states.⁷¹ Instead, the term 'peaceful development' was chosen to represent the non-aggressive nature of China and to avoid the implications of various aspects of

⁶⁵ Wen 2007.

⁶⁶ Zhao 2008.

⁶⁷ Zhao 2008.

⁶⁸ Wen 2007.

⁶⁹ Zhao 2008.

⁷⁰ Zhao 2008.

⁷¹ Odgaard and Biscop 2007, 69.

China's rise, from its expanding influence and military muscle to its growing demand for energy supplies.⁷²

For Hu leadership, China's relations with neighboring Asian-Pacific countries are at the center of its foreign policy. Its security relies on maintaining good relations with these neighbors. To work with its neighbors and create a favorable environment for cooperation, China has formulated an integrated periphery policy since the 1980s.⁷³ It is known as Good neighbor policy and is aimed at exploring common ground in both economic and security arenas and finding mutual positions on stability and cooperation establishment processes. In ASEAN, China has come forward and signed ASEAN free trade area investment agreement.

Not only has China engaged enormously in neighborhood foreign policy, but it has also deepened its interests in situation in Asia (especially those regarding Afghanistan and terrorist threats in South Asia). It has also achieved progress in coordination and cooperation with developing countries.⁷⁴ Facing the reform of the financial system, climate change and other global issues, it is especially the platform of 'BRIC' countries⁷⁵ that has gained recognition in the world. China has also deepened its cooperation with Africa and Latin America.

If China wants to become fully respected member of international community, it is well aware of the fact that it needs to create stability at home.⁷⁶ China is determined to build a country of democracy and rule of law, even though it will be with Chinese characteristics, meaning under socialist conditions. It intends to fully improve educational system from elementary to higher education, enhance its cooperation with foreigners and promote its image as a 'going global' country. Especially improving and strengthening the ways and means of external work has proved to be very important for raising China's image in the world. It stresses the need for effective public diplomacy. China strives to improve the ability to guide public opinion and the international communication, construct friendly and favorable international public opinion environment and enhance its

⁷² Zheng 2005.

⁷³ Zhao 2008.

⁷⁴ Wei and Fu 2010.

⁷⁵ BRIC countries platform is a dialogue mechanism of major developing countries with emerging economies, namely Brazil, Russia, India and China.

⁷⁶ For more on China's internal development in face of international recognition, see Wen Jiabao's article Our Historical Tasks at the Primary Stage of Socialism and Several Issues Concerning China's Foreign Policy.

cultural soft power.⁷⁷ Success of both Beijing Olympics in 2008 and the World Expo in 2010 helped manifest China's open and progressive international image even though these might have been sometimes overshadowed by China's internal problems that always attract global media.

2.3 EU's approach towards China

Apart from the documents that focus on different aspects of the EU-China relationship, European Commission has developed an overall strategy. At this point we will focus on the strategy for the period of 2007-2013 and compare some parts of it with a strategy for the period of 2002-2006. Since the establishment of the relations between China and the EU, the one-dimensional relationship based mainly on trade issues developed into a full partnership which rests on three pillars: political dialogue; economic, sectoral and trade relations; and the EU-China cooperation program.⁷⁸ The strategy towards China must take into consideration the duality of its character. On the one hand, China is a developing country in terms of some traditional indicators (for example human rights issues). On the other hand, it is a major player on the world stage in terms of its commercial importance, FDI flows, consumption of natural resources and contribution to global warming.⁷⁹ The objectives of the EU strategy towards China are to provide support for China's reform program in areas where European experience can provide added value (for example in science and technology development), assist China in its efforts to address global concerns over the environment, energy and climate change, and also provide support for China's human resources development.⁸⁰ The EU recognizes the importance of continued implementation of China's commitments associated with the WTO membership and will support China's further integration into the world economy.

When looking at the objectives of the EU strategy for 2007-2013 and the strategy for 2002-2006, not much difference is obvious. In both cases, broad objectives are set by the then applicable Treaty Establishing the European Community, namely fostering sustainable economic and social development, integration of the developing countries to the world economy and fight against

⁷⁷ Wei and Fu 2010.

⁷⁸ The European Union 2007, 2.

⁷⁹ The European Union 2007, 4.

⁸⁰ The European Union 2007, 4.

poverty.^{81,82} In both cases, the stress is put on promotion of human rights, diminishing of regional and social disparities in China, human resource development, cooperation activities in technology matters, protection of the global environment etc.^{83,84} A slight change of EU's position might be observed in the poverty reduction issue. In the 2007-2013 strategy, EU recognizes the improvements of Chinese government in this issue and does not see it as alarming for future relationship. Also, China has become much more visible player in the global arena and is thus seen less as a developing country. Current EU strategy is therefore focused on more specific areas of cooperation than general ones as reduction of poverty and it also puts emphasis on specific programs of cooperation.

2.4 China's approach towards the EU

Traditionally, China used to consider its relationship with the EU as secondary. It could not stand comparison with the weight of its relations with the United States, the Soviet Union, Japan, or other countries in the region of the Asia-Pacific.⁸⁵ Yet it does not mean that it was completely insignificant. Europe was a factor in conducting relations with the two superpowers (the United States and the Soviet Union), an economic partner and source of advanced technology, Eastern Europe countries were ideological colleagues and Europe as a whole was seen as potential ally to China with the Third World and as a co-builder of a multipolar world.⁸⁶ China's leaders have in fact tended to place their country together with Europe as a distinct grouping on the world stage. Since the declaration of an independent foreign policy in 1982 and especially since 1989, Chinese leaders have increasingly pointed towards Western Europe and China as new poles in a multipolar world.⁸⁷ We mention here only Western Europe because Chinese Ministry of Foreign Affairs used to treat Western and Eastern Europe as two distinct units. We will not focus on Eastern Europe relations with China

⁸¹ Commission of the European Communities 2002, 6.

⁸² The European Union 2007, 17.

⁸³ Commission of the European Communities 2002.

⁸⁴ The European Union 2007.

⁸⁵ Yahuda 1998, 266.

⁸⁶ Yahuda 1998, 266.

⁸⁷ Yahuda 1998, 267.

because these were influenced by the ideological similarities and do not reflect on the development of the Sino-European relationship of today.

Relations with the Western Europe have gone through four phases so far and are probably entering a fifth one. The first phase (1950s and 1960s) was characterized by bipolarity. Some contacts were developed, especially with Britain and France, the former facilitated by preservation of status quo in Hong Kong. The second phase (1970s) was dominated by Chinese efforts to develop an anti-Soviet union of states. China was titled ‘the 16th member of NATO’ or ‘more European than the Europeans’ at that time. Despite frequent high-level visits, no common positions were ever reached. During 1970s trade expanded and in 1977 China signed a preferential trade agreement with the European Community. The third phase began with the declaration of China’s independent foreign policy in 1982. There were few conflicts between the two sides but Sino-Western European relations were generally conducted in accordance with mutual interests and deeper understanding of each other’s positions. The fourth phase was marked by the 4 June 1989 massacre in Beijing. European governments joined in the sanctions against China and French government even hosted prominent Chinese dissidents then.⁸⁸ Since mid-1990s, the cooperation between China and Europe intensified and transformed into the relationship of mutual partnership.

An important breakthrough in the EU-China relationship came in October 2003 when China introduced its first ever government white paper called China’s EU policy paper. The paper states that there are no fundamental conflicts of interest between China and the EU and neither side poses threat to the other. Despite different views or disagreements on some issues, China-EU relations are conducted in a spirit of equality and mutual respect.⁸⁹ China’s EU policy objectives are to promote reliable and steady development of China-EU political relations under the principles of mutual respect and trust, of common ground finding while reserving differences and of a contribution to world peace and stability. Furthermore, China seeks to deepen economic cooperation and trade under the principles of mutual benefit, reciprocity and consultation on an equal basis, and promotion of common development. Last but not least, the objective is to expand China-EU cultural and people-to-people exchanges and to promote

⁸⁸ Yahuda 1998, 267-269.

⁸⁹ China’s EU policy paper.

cultural harmony and progress between the East and the West.⁹⁰ Strengthening and enhancing China-EU relations is an important component of China's foreign policy. China sees the relationship as a long-term, stable and one characterized by full partnership.

⁹⁰ China's EU policy paper.

3 EU-China bilateral relationship

In this chapter we will analyze the EU-China relationship. First, we will begin with the development of the EU-China relations as a whole, including both economic and political aspects with the main aim on the economic part. Then, we will focus on the EU-China economic and trade relations because of their traditionally highest importance. We will cover this development regarding China's enormous growth since 1990s, its accession to WTO and continuous evolution and improvements in the Sino-European relationship.

3.1 Development of the EU-China relationship

If we wanted to go far back in time, we would discover China and Europe being old trading partners making use of the Silk Route. We will not reach that far, after all. The diplomatic relationship that we will turn our attention to was established in May 1975. There was a period of time after the Tian An Men incidents in 1989 when the relations between the EU and China were purposely frozen but which were shortly after that re-established.⁹¹

3.1.1 *EU-China relations prior to China's WTO accession*

First trade agreement between the European Community and China was established as early as 1978. Also the Joint Committee on trade issues was created. It was in 1985 that the Agreement on trade and economic cooperation was signed. As we have already mentioned, following the incidents of 1989, the cooperation was suspended and a range of sanctions was placed. The relationship was renewed with only arms embargo remaining in place, which has continued to be a tense issue still today. The arms embargo has not been lifted yet. In 1995, the European Commission published its first Communication on the EU-China relationship 'A long-term policy for China-Europe relations' which showed the EU's great interest in China, development of a long-term relationship and especially in incorporating China both regionally and globally. Already in 1995, the forecasts looked very bright for China, predicting it to become the world biggest economy.⁹² It was therefore in Europe's crucial interest to expand the bilateral trade and cooperation for its future sake.

⁹¹ For the full chronology of the EU-China Relations (1975-2010), see Annex I.

⁹² Commission of the European Communities 1995, A.1.

In order to be highly involved in China, the European interests were clearly presented. These included global and regional security interests, shared interests on issues such as sustainable development, environment protection, addressing illegal immigration, control and eradication of disease as well as competitiveness and global economic stability to be secured by the system of rules and policies.⁹³ The EU was determined to take a proactive role in this relationship by creating a bilateral political dialogue. The new framework introduced regular meetings at ministerial level as well as high level political consultations for a wide range of policy areas including issues of common interest and global significance.

Since the beginning of the Deng Xiaoping's reformist approach to Chinese economy, it has boomed extraordinarily. Therefore, the EU devoted big part of the bilateral dialogue to helping China with bigger involvement in key international economic organizations, namely WTO or G-group. The EU being well aware of China's potential and its low share of FDI in China, it was its main aim to help rise Chinese profile within the EU companies and help both sides by promoting better information flow on investment conditions and opportunities, as well as providing direct business-to-business contacts.⁹⁴ The EU has clearly put itself in an important position by stating in the Communication that "the EU has taken a leading role in the negotiation, in particular in establishing the principle that of the commitments that China would make when joining the WTO"⁹⁵. According to the EU, the key remaining issues preventing China from entering the WTO include lowering import tariffs, liberalization of the foreign trade monopoly, adherence to the Civil Aircraft Code and the Government Procurement Agreement, elimination of all quotas and non-tariff barriers inconsistent with WTO, making industrial policies WTO compatible, and essentially, adherence to the principle of non-discrimination.⁹⁶

The bilateral discussions on trade issues beneficial for both the EU and China were institutionalized in 1993 by an Economic and Trade Working Group complemented by sectoral meetings which were supposed to be expanded. Generally, the EU stated that it "should continue to strongly support reform as an

⁹³ Commission of the European Communities 1995, A.2.

⁹⁴ Commission of the European Communities 1995, C.1.

⁹⁵ Commission of the European Communities 1995, C.3.

⁹⁶ Commission of the European Communities 1995, C.3.

integral part of its trade and cooperation policies” and also “pursue China’s entry to the WTO as soon as possible”⁹⁷.

The first Communication of the Commission was largely welcomed also by the European Parliament. The Parliament endorsed the strategy in China, tackling poverty, helping China pursue environmental and agricultural reforms, establishing business relations and particularly development of the society.⁹⁸

In order to help incorporate China in the region, the EU established a framework for informal process of dialogue and cooperation in 1996 – Asia-Europe Meeting (ASEM). It allowed the EU to become an essential element in this process. ASEM aims to be an informal, non-binding dialogue forum based on equality and consensus addressing political, economic and cultural issues. The main objective of ASEM is to strengthen the relationship between the East Asia and the EU.⁹⁹ The ASEM partners include 10 countries of ASEAN¹⁰⁰, China, India, Japan, Mongolia, Pakistan, South Korea, ASEAN Secretariat, all EU Member States and the European Commission.¹⁰¹ The ASEM meetings are organized on the regular basis in order to provide continuity of the dialogue. The strengthening of the ties between East Asia and the EU are clearly visible in mutual trade in goods which has been constantly growing with a little downturn in 2009. In 2010, the exports to ASEM exceeded €280 billion and the imports from ASEM exceeded €500 billion.¹⁰² The Asian members of ASEM are key trading partners of the EU, accounting for one fourth of the EU's trade with the world already in 2008.¹⁰³ In this thesis, the focus is put on China being the most important trading partner of the EU today as will be shown later.

But going back to the 90s, the second Communication of the Commission ‘Building a Comprehensive Partnership with China’ was published. This Communication recalled China’s progress in both political and economical spheres and the previous efforts of the EU set by the 1995 Communication. It also set five main goals for the EU-China partnership:

⁹⁷ Commission of the European Communities 1995, C.5.

⁹⁸ The European Union 1997.

⁹⁹ ASEM (Asia-Europe Meeting).

¹⁰⁰ 10 ASEAN countries partners to ASEM: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Burma/Myanmar, Philippines, Singapore, Thailand and Vietnam.

¹⁰¹ ASEM (Asia-Europe Meeting).

¹⁰² DG Trade 2011a.

¹⁰³ ASEM (Asia-Europe Meeting).

- Engaging China further in the international community (focusing mostly on the WTO succession),
- Supporting China's transition to an open society based on the rule of law and the respect for human rights,
- Integrating China further in the world economy, world trading system and supporting the process of the economic and social reform,
- Providing Europe's funding on larger scale,
- Raising the EU's profile in China.¹⁰⁴

To engage China further in the international community, the EU came with a new development in form of annual EU-China summits at Head of State and Government level, as well as at ministerial level. The purpose of the summits was to raise the EU's profile in China and vice versa. Moreover, by upgrading the dialogue, China joined the EU partners such as the US, Japan or Russia. Also, it provides the ground for negotiation and resolution of key issues in the EU-China relationship.¹⁰⁵ The annual summits prove the determination of the EU to broaden and strengthen the relationship and not only maintain the bilateral agreements or the ASEM platform. The EU further encouraged China to take part in a reform dialogues within the United Nations (UN) where China is a permanent member of the Security Council. The EU also urges China to sign and ratify the UN Covenant on Civil and Political Rights as well as to ratify UN Covenant on Economic, Social and Cultural Rights¹⁰⁶. It may seem that China is well integrated within the UN system being a permanent member of the UN Security Council. However, China has not yet ratified the UN Covenant on Civil and Political Rights signed in 1998.¹⁰⁷ China thus remains one of the last five countries¹⁰⁸ that have not ratified this Covenant.

Since the beginning of the economic reforms, the EU-China trade increased more than twenty-fold in 1998. China became the EU's third trading partner outside Europe and the EU recognized the great potential for European

¹⁰⁴ Commission of the European Communities 1998, 4.

¹⁰⁵ Commission of the European Communities 1998, 5.

¹⁰⁶ China signed the UN Covenant on Economic, Social and Cultural Rights on October 27, 1969 and ratified it on March 27, 2001.

¹⁰⁷ The United Nations 1966.

¹⁰⁸ Countries that have not ratified the UN Covenant on Civil and Political Rights include China, Comoros, Cuba, Nauru and Sao Tome and Principe.

trade and investment there.¹⁰⁹ It was therefore for its own sake to support China's entry to the WTO to make the potential even greater in terms of existing obstacles. In the Communication, the EU outlined the main efforts that needed to be made by China to be able to join the WTO. The EU highlighted key WTO principles that had to be met – transparency, national treatment of foreign companies and non-discrimination.¹¹⁰ Then, the Commission stressed the need to offer market access for all goods by cutting tariffs and removing all quotas, technical barriers or non-tariff measures. In terms of foreign trade, the existing monopolies had to be rapidly removed in order to facilitate easy flow of import and export. Providing substantial opening of China's services market, opening the financial sector, improving the conditions for foreign companies establishing in China, eliminating WTO-incompatible measures for prioritizing industries or establishing a transparent, open and competitive procurement regime are other demands introduced in the Communication in order for China to be able to join the WTO.¹¹¹ The process of change was designed to be achieved by close cooperation of China with the EU and the EU provided all accessible assistance. It should not only negotiate but also help to build the institutions, policies, human resources, management etc. that would help to constitute modern way of economy development.

The Commission also looked in the EU itself and its position towards China. The Commission proposed amendments to the European anti-dumping legislation towards China. The proposal suggested removing the label 'non-market economy' applied to China and instituting a new case-by-case approach where Chinese exporters operating within clearly defined conditions would be granted market economy treatment.¹¹² The change of the legislation, which was adopted in late 1998, stated that the companies in countries belonging to economies in transition (such as China) had to prove that their prices and costs were not influenced by the state.¹¹³ Even though China is the second-largest trading partner to the EU, as will be shown later in the thesis, it has not yet recognized China's market economy status. At the 11th EU-China summit in

¹⁰⁹ Commission of the European Communities 1998, 11.

¹¹⁰ Commission of the European Communities 1998, 12.

¹¹¹ Commission of the European Communities 1998, 12-13.

¹¹² Commission of the European Communities 1998, 15.

¹¹³ The European Union 2004.

Prague, Chinese Premier Wen Jiabao expressed its hope that the EU would recognize China's market status soon and that it would benefit both sides.¹¹⁴ The experts sharing this view also point to the political aspect of the topic. Economic ties between China and the EU have continued to prosper and it is widely shared that granting China market economy status is more an issue of political attitude.¹¹⁵ Also, in 2003, only 0,5% of Chinese exports of goods to the EU were subject to anti-dumping measures.¹¹⁶ It has been mostly agreed, that major trade partners of China are waiting to grant the status until 2016, the year agreed under the terms of China's accession to the WTO.¹¹⁷ With mutual trade still growing, the market economy status is clearly not an obstacle in economical terms.

In 1998 Communication, the Commission also devotes part of the EU budget to implement its new ideas. It proposed to fund small, short-term projects out of Beijing, as well as longer-term initiatives already proposed in the 1995 Communication.¹¹⁸ However, apart from the financial aid, it stressed mostly the need for further cooperation with other international institutions and strengthening the dialogue.

The process of development in the EU since 1998 was extensive, including the implementation of the Amsterdam Treaty, Nice Treaty, and adoption of the EU Charter on Fundamental Rights and also reinforcing the EU's Common Foreign and Security Policy and the European Security and Defense Policy. These developments provided greater possibility of engaging China in wider range of issues.¹¹⁹ Also, Chinese growing political and economic weight and its role in international affairs had to be taken into account. The Commission called mostly on strengthening the dialogue on political issues and also on negotiating China's entry to the WTO. The EU was certain that China's accession to the WTO would lead to significant market opening and it would ensure that China could actively participate as the world trading system prepared for further trade liberalization.¹²⁰ To facilitate that, China needed to continue its economic and social reform program especially in the politically sensitive area of state owned enterprises.

¹¹⁴ Xinhua News Agency 2009.

¹¹⁵ Xinhua News Agency 2011.

¹¹⁶ The European Union 2004.

¹¹⁷ Xinhua News Agency 2009.

¹¹⁸ Commission of the European Communities 1998, 22.

¹¹⁹ Commission of the European Communities 2001a, 6.

¹²⁰ Commission of the European Communities 2001a, 12.

Also, the unemployment that emerged after the provisions of the reforms which had been undertaken had to be handled. The issue is also linked to the huge regional disparities that China would have to deal with internally. China had become the world's second largest energy consumer and third largest producer by 2001 and therefore had to be more conscious of the environmental impact of its growth. New policies for sustainable development had to become priority for Chinese government.¹²¹ The EU put itself in a position to provide assistance and expertise to China in every possible way. The significant news in 2001 Communication was the fact that the Commission pressed Chinese authorities to provide reliable statistical information in order to get better insight in China and for the EU to be able to provide effective monitoring and policy making basis.

3.1.1.1 China's accession to the WTO

After fifteen years of negotiations in which the EU had been unanimously supporting China's entry, the EU and China agreed on the terms of China's accession to WTO which was accomplished on 11th December 2001. The terms took two basic forms. First, there were the schedules of commitments setting out the obligations that needed to be legally bound to grant market access. The schedules covered tariffs and non-tariff measures applicable to goods and services. Second, there were the documents (Protocol and Working Party Report) that set out how China promised to fulfill the WTO obligations.¹²² It also included number of special provisions, temporary divergence from WTO rules. Most challenging task for China was the need for reforms in order to allow a transition from state ownership to the market based system.

It was and still is in the EU's interest to make sure that the European industries and firms were fully represented in China. China's entry to the WTO would therefore provide the EU with "an enormous gain in enforceable rights, with no significant change in its own commitments towards China"¹²³. The only obligation for WTO members agreed was the must to accord China permanent MFN (most favored nation) status which entitled it to be treated in the same was as every other WTO member.¹²⁴ Since the EU has accorded China this status in

¹²¹ Commission of the European Communities 2001a, 13.

¹²² Commission of the European Communities 2001b, 1.

¹²³ Commission of the European Communities 2001b, 1.

¹²⁴ Commission of the European Communities 2001b, 2.

any event earlier, the only change coming out of this agreement is that the EU, as well as other WTO members, has to grant China the market economy status 15 years after the date of the succession latest¹²⁵ (by December 11th, 2016).

The EU certainly benefited from China's entry to the global trading system. The WTO rules improved access for EU firms to China's market, import tariffs and other non-tariff restrictions had to be sharply and permanently reduced and also the investments could take place in more predictable and attractive business environment. China has accomplished an enormous economic reform and development after it had been accepted in the WTO. However, it has been said that China still provides preferential treatment to Chinese companies and thus not complies fully with the WTO provision. These accusations are nevertheless unofficial and only speculative.

The EU played a great role of mediator and supporter in China's accession process. In order to implement the WTO provisions as promptly and accurately as possible, the EU was determined to work in partnership with China and share its experience in the WTO. Also, the technical assistance had a role to play in a number of co-operation projects already put in place. These projects were broad-based and accompanied the efforts already established by the European Commission, Member States and business groups.¹²⁶ Moreover, the EU took also part in monitoring China's developments and compliance with the WTO and other international commitments. This task had been taken by the European Union Chamber of Commerce in China.¹²⁷ The Chamber was founded in 2000 and in fact, the first rationale for its establishment was for the EU and the EU businesses to find a common voice for the various business sectors in China with the help of Chinese experts and professionals. The Chamber is now recognized by the European Commission and the Chinese Authorities as the official voice of European Business in China.

3.1.2 *EU-China relations following China's WTO accession*

Since the Commission's last policy paper issued in 2001, the EU went through series of changes. The Euro was fully established in 2002, biggest enlargement ever and consequent internal reforms were approaching, the EU took

¹²⁵ World Trade Organization 2001, 9.

¹²⁶ Commission of the European Communities 2001b, 3-4.

¹²⁷ European Union Chamber of Commerce in China, not dated.

on new responsibilities especially in domestic affairs, the EU's Common Foreign and Security was going towards strengthening and also the EU recognized China as one of its major strategic partners.

3.1.2.1 EU-China strategic partnership

The term 'strategic' was first used in the Commission's policy paper issued in 2003. It marked the beginning of the 'comprehensive strategic partnership', the upgraded relationship between the EU and China. China herself entered a new phase of the reform process; she became increasingly involved in world affairs, in multilateral forums and quickly emerged as a major player in the world economy thanks to its dynamic growth and accession to the WTO.¹²⁸ As the Commission's policy stated, "the EU and China have an ever-greater interest to work together as strategic partners to safeguard and promote sustainable development, peace and stability"¹²⁹. The mutual bilateral trade was growing at very high pace, making China Europe's third largest trading partner in 2003 and European firms continued to invest in China. The policy paper dealt with the relationship at two levels, one were immediate issues, China's rapid growth in trade as well as great differences over human and political rights and freedoms. The second level was the one emphasizing long-term strategy and partnership as well as the role of both the EU and China in the world order.¹³⁰ The year 2003 certainly meant a breakthrough in the relationship because of the already discussed first ever paper on China's EU policy that was issued then. China and the EU became partners of global strengths, capabilities and responsibilities which were well aware of their respective significance that the two edges of the Eurasian continent place their interaction in a global perspective.¹³¹ Their mutual approach of dialogue and negotiations to achieve solutions satisfactory to all played a key role in the EU-China relationship and lead to ever closer partnership.

The importance of strengthened partnership was shared by the EU representatives as well as by the Chinese. Benita Ferrero-Waldner, the EU Commissioner for External Relations and European Neighborhood Policy, proclaimed that the 1985 Trade and Economic Co-operation Agreement between

¹²⁸ Commission of the European Communities 2003, 3.

¹²⁹ Commission of the European Communities 2003, 3.

¹³⁰ Scott 2007, 25.

¹³¹ Pastor and Gosset 2005, 2.

the EU and China simply had not kept pace with their mutual interests and activities. She added that the new agreement was created to reflect the modern reality of the friendship between two of the most influential and fast changing actors on the world stage.¹³² Also Javier Solana, the EU High Representative for the Common Foreign and Security Policy, agreed that the EU and China do have a partnership, which is growing both wider and deeper. In his speech at China Europe International Business School he cleared what ‘strategic partnership’ meant in his point of view. According to Solana, there were two reasons why they called the partnership like that. First, the issues that were discussed and on which they pushed action forward were global strategic issues, such as the proliferation of weapons of mass destruction, international terrorism, and global security of energy supply, regional crises or the environment. Second, the EU and China are partners with significant global strengths, capabilities and responsibilities.¹³³ The rationale for the partnership as viewed by the EU was to work together to achieve big results.

Chinese Premier Wen Jiabao also provided his insight on what the ‘comprehensive strategic partnership’ meant. First, ‘comprehensive’ meant that the cooperation should be all-dimensional, wide-ranging and multi-layered. It covered various fields containing bilateral and multilateral levels. It also meant that it was conducted by both governments and non-governmental groups. Second, according to Wen, ‘strategic’ meant that the cooperation should be long-term and stable, bearing on the larger picture of China-EU relations. It did not interfere with ideology and social system. Third, meaning of ‘partnership’ was that the cooperation should be equal, mutually beneficial and win-win, not a zero-sum game. The dialogue should be based on mutual respect and trust, trying to expand interests and seek common ground on the major issues while maintaining differences on the minor ones.¹³⁴ It is also interesting to observe the rhetoric, where Chinese interpretation puts China in the first place, perceiving it as the driving force, whereas the EU puts it in the second place after themselves.

After China’s accession to the WTO, one of the EU’s main objectives remained promoting China’s economic opening both within its own borders and

¹³² Ferrero-Waldner 2005.

¹³³ Solana 2005.

¹³⁴ Wen 2004.

internationally. The priorities were to work closely with China to comply with its WTO commitments, monitoring new policies and reforms to ensure WTO-compatibility.¹³⁵ In the economic field, China's membership of the WTO has been an example of proactive attitude towards integration into global economy. Instead of trying to oppose WTO's demands, China has been embracing the existing global rules with the purpose of transforming them to better match Chinese needs.¹³⁶

Based on its previous experience in China, the EU proposed new action points in economic area of cooperation. Apart from widening the economy dialogue and reorganization of administration, the EU stressed the need for reinforcing the dialogue related to the new round of multilateral negotiations under the WTO Doha Development Agenda. China needed to take the leading role in the Agenda negotiations because of its importance in Asian region and together with the EU, build the bridges between developed and developing countries.¹³⁷ By stating this in its policy, the Commission clearly puts the EU in a position of a developed country and China as a developing one. The Commission also sees China as a developing market, stating that in its statistics. On the other hand, China sees itself as a strong leader in Asia as well as strong economy leader in the world. At first, the EU was not willing fully to accept China's right to developing country status within the WTO at all. It proposed the idea of transition status which would enable China to gradually conform to WTO rules to the scheduled deadlines after the entry to the WTO. Nevertheless, with this proposition the EU hit the US wall and had to change it. The EU revised its approach and suggested a case-by-case sectoral approach where it acknowledged the dualistic nature of the Chinese economy in which some aspects were advanced while others remained significantly underdeveloped.¹³⁸ Even though the USA remained reluctant, its position softened.

Apart from the monitoring of the implementation of China's WTO commitments already put in place by the 2001 Commission policy, the EU highlighted the need not only for focusing on Chinese laws and regulations to WTO rules, but also on their implementation and enforcement by authorities at all

¹³⁵ Commission of the European Communities 2003, 4.

¹³⁶ Odgaard and Biscop 2007, 65.

¹³⁷ Commission of the European Communities 2003, 18.

¹³⁸ Dent 1999, 147.

levels.¹³⁹ The way of the EU's assistance was defined in forms of visits, seminars, conferences, training and studies. The EU also stressed the importance of strengthening its own initiatives in China, for example by supporting the growth of the European Chamber of Commerce in China and expanding the scope of its activities, supporting initiatives by the EU industry.¹⁴⁰ In terms of strengthening the bilateral trade relations, the trade-related cooperation programs had to be better used. Furthermore, negotiation process to start the cooperation on GALILEO program, science and technology research programs, dialogues on food safety issues and environment protection issues were to be established. Also, the negotiations on granting the EU 'Authorized Destination Status' and thus facilitating EU tourism for Chinese citizens had to be concluded.

In the last policy paper that the Commission created in 2006, it continues to support China's reform process and transition towards more open country. The EU started to point out possible problematic issues in China connected to its fast growth. The issues of the utmost concern were continuing disparities and growing wealth gap as well as China's growing demand for energy and raw materials.¹⁴¹ The EU also pointed out the negatives of Chinese foreign policy as one of strict non-interference, the role that becomes increasingly unreasonable.¹⁴² Since the EU has become China's biggest trading partner, the EU continues to cooperate with China but also pushing for change harder, especially in political issues of human right, fundamental freedoms etc. Nevertheless, no significant new developments were presented by the Commission and dialogue remains the primary source of cooperation.

In the meantime, apart from the single policies, the China Country Strategy Paper for 2002-2006 as a broad policy base was issued. It addressed three specific objectives in assisting China in its reform process. The objectives included support for the social and economic reform process (WTO implementation, information society, human resource development etc.), support for environmental protection and sustainable development and support for good governance and the rule of law.¹⁴³ The total amount of financial aid for

¹³⁹ Commission of the European Communities 2003, 18.

¹⁴⁰ Commission of the European Communities 2003, 19.

¹⁴¹ Commission of the European Communities 2006b, 3.

¹⁴² Commission of the European Communities 2006b, 3-4.

¹⁴³ Commission of the European Communities 2002.

cooperation and development projects was specified in the Strategy Paper. Every year, € 50 million was provided, which was a little less than in previous years, especially before China's accession to the WTO. The total number of projects already taking place was also steadily going down with only 26 in 2005, compared to 59 in 1998. The number of new projects to be committed every year should have not exceeded six after 2001.¹⁴⁴ The agreed amount of actions linked to social and economic process was € 75 million for the period of 2002-2004, allocating € 15 million to EU-China WTO Co-operation and Information society, € 20 million to Social Security Reform and € 25 million to EU-China Human Resources Development. The social and economic reform process was named priority 1 in the budget and devotes highest number of financial support.¹⁴⁵ However, some delays and difficulties in the implementation of these objectives occurred due to the complexity and sensitivity of the issues. The EU sees the problem on Chinese side for not well coordinating the tasks and thus constraining full program implementation.

3.1.3 Future of the EU-China relationship

Since the last policy paper issued in 2006 and the China Strategy Paper for the period of 2002-2006, no new development has been suggested. The China Strategy Paper for the period 2007-2013 is the last document provided by the Commission. In terms of trade and investments, the EU feels that further intervention will be required to back up the continued engagement with China on the implementation of its WTO commitments, to support China's further integration into the world economy, to promote further trade and economic liberalization, and to support trade regulatory reform.¹⁴⁶ The EU would further continue the current EU-China Trade Co-operation Program (EUCTP) established in 2003.

The EUCTP was completed in 2009 and thanks to its great success, the EUCTP II was newly established and begun in 2010 as the third major EU-China trade related technical assistance project. From 2010 to 2015, project activities are designed to support the Chinese government's trade reform and sustainable development agenda by working under the EU-China economic and trade

¹⁴⁴ Commission of the European Communities 2002, Annex 5

¹⁴⁵ Commission of the European Communities 2002, National Indicative Programme.

¹⁴⁶ The European Union 2007, 5.

dialogues to promote fair competition and value for consumers; facilitate harmonization with international standards and promote safe products; improve food safety and quality; modernize customs; encourage a more transparent legal environment, and work towards transparency, good governance and sustainable development. The EUCTP II will hold approximately 400 individual activities, organized under five linked components – trade in services, quality infrastructure and technical barriers to trade, agriculture and food safety, customs and trade related regulatory systems and cross-cutting policies.¹⁴⁷

The Chinese economy has been the fastest growing economy in the world for over three decades, experiencing the emergence of a large educated middle class with rising purchasing power.¹⁴⁸ It was the expanding investment that has been a major driver of China's growth. It averaged 36 percent of GDP in the first decade of economic reform, which is relatively high by the standard of developing countries in general.¹⁴⁹ The steady growth of economy has also enabled China to become the second largest economy of the world in 2010 enjoying manufacturing boom.¹⁵⁰ However, there is a great disparity between the Chinese production, exports and household consumption. Whereas the production and exports are growing, the household consumption is lowering. Also exports of goods and services became a major source of economic growth, reaching 8.9 percent of GDP.¹⁵¹ This leads to excessively large trade surplus that might cause problems for China's growth in the future. Chinese leadership needs to focus on transition towards a more consumption-driven growth which might be facilitated by diminishing the regional disparities, income inequality and on the other hand enlarging the purchasing power of its citizens as well. China is a country with vast potential domestic market that has to develop internally. Two factors would have to be taken into account and taken advantage of. First, China has the largest population in the world with huge consumption and development needs and second, the rural areas, where most Chinese live, are less developed.¹⁵² Nevertheless, the International Monetary Fund predictions show belief in China. Forecast based on 'purchasing power parities' showed that China's GDP will rise

¹⁴⁷ EU-China Trade Project, not dated.

¹⁴⁸ Lorca 2006.

¹⁴⁹ Bergsten et al 2009, 96-106.

¹⁵⁰ BBC News 2011.

¹⁵¹ Bergsten et al 2009, 107-109.

¹⁵² Li 2007, 45.

from \$11.2 trillion in 2011 to \$19 trillion in 2016.¹⁵³ This would put China in the first place of the world's economy, replacing the USA. What is more, political reform goes hand in hand with the economic one and we can expect the EU to be putting more pressure on China on sensitive political issues, such as Tibet, human rights, political freedoms and more open society.

The economic ties between the EU and China are likely to remain the most important part of the relationship. Chinese exports to EU countries grew much rapidly during 2000-2005 then to any other comparator region.¹⁵⁴ In 2003, the EU became China's second-most important trading partner and a year later, it became China's most important trading partner, replacing Japan. In 2010, China ranked number one as the EU's importer and number two as its exporter. Chinese imports of goods to the EU reached over € 282 billion, EU exported over € 113 billion creating thus great Chinese surplus of almost € 170 billion.¹⁵⁵ It is the EU's largest bilateral trade deficit, which is still growing, and seen through Brussels' eyes, it is more of a reflection of the effects of the deliberate use of restrictive and discriminatory practices in China.¹⁵⁶ Respectively, the Chinese complain about EU trade barriers.¹⁵⁷ The deficit has been the source of tense relations with the EU calling for revaluation of China's currency and protectionist demands from the business sector. For Chinese government, there is still an issue of market economy status that is agreed by most Chinese scholars to be "the most critical outstanding problem negatively affecting China-EU commercial relations"¹⁵⁸ paired with the arms embargo put on China which has not been lifted since it has been put in place after the Tian An Men incidents.

The most anticipated change is yet to come in near future. In March 2013, the current Chinese leaders, Hu Jintao and Wen Jiabao, will step down from the top office. The new leadership will not have such easy path in the economy and many Chinese economists worry about falling into a 'middle-income trap'. That would mean losing competitiveness in labor-intensive industries and failing to gain new sources of growth from innovation.¹⁵⁹ This could be a great opportunity

¹⁵³ Song 2011.

¹⁵⁴ Ash 2008, 200.

¹⁵⁵ DG Trade 2011b.

¹⁵⁶ Ash 2008, 201-202.

¹⁵⁷ Pastor and Gosset 2005, 3.

¹⁵⁸ Zhang 2008, 237.

¹⁵⁹ The Economist 2011, 3-5.

for the EU to make use of its added value as far more advanced technological and innovative power.

Conclusion

This thesis is a study analyzing the EU-China relationship especially in the light of China's accession to the WTO process. In the thesis we tried to prove that the current state of the EU-China relationship is based on long period of its strengthening and broadening and that the role of the EU in the China's accession to the WTO has enabled building strong partnership. The purpose of the thesis was to present a comprehensive overview of the functioning of the relationship. Within this topic, we verified the hypothesis that the EU's role as a mediator in the Chinese accession process to the WTO has lead to the EU's greater involvement in shaping Chinese perception in Europe and also in the world. We focused on the relations in terms of trade and investment, putting aside the sensitive political issues. Finally, we also provided the possible future of the relationship and the problems that might occur.

We grounded the EU-China relationship in the constructivism theory. Constructivists base their thinking on the fact that the international system is created by ideas, knowledge, norms and values. This is why we defined the basic principles of constructivism that fit the relationship between the two entities. It is the interaction that enables the process of socialization and that can change the interest of the actors. The mutual perception is based on the trust shown by the actors. We also outlined the concept of state personhood in the IR theory which helps us understand not only the external behavior of states but also their internal actions and their perception on the outside.

We argued that the EU created a triple identity towards East Asia. The EU sees itself as a global player standing for principles liberty, democracy and respect for human rights and fundamental freedoms and of the rule of law. The EU perceives itself as a source of these principles and considers them universal which is not in accordance of Chinese perception of it. The EU creates the position of a strong and attractive power, but only in soft issues. The hard politics is reserved to the USA. In Asia, the EU identifies itself as a key dialogue partner to the East Asian countries. China welcomes the strong role of the EU and accepts it as a great partner. However, the relationship is restricted to soft issues only and China does not allow the EU to interfere within its own politics. The fact that the most developed area of cooperation is trade and economy issues supports this fact.

The foreign policy and external action as it functions now was established by the Lisbon Treaty. The treaty provided the reasons for the common policies and actions for the first time in the EU's existence. The EU is an entity putting stress on multilateralism and dialogue with other countries to reach consensus and avoid conflicting actions and thus create a nature that will be cooperative with all other actors. In case of China, its foreign policy is more blurred. The process of reform initiated by Deng Xiaoping forced China into more openness towards the world. China pursues the policy of strong statehood, based on non-interference in internal issues and on equality. No official policy document exists and the only known fact is the path that China has chosen to follow and name it 'peaceful development' enhancing its non-aggressive nature and focusing mostly on economic growth and development. Even though China refuses its role as a new world leader, it has become very active and strong leader in the Asian region. However, China's nature appears to be both cooperative and conflictual on the outside, former represented by its active role both in the region and in the world and shaping its bilateral relations and latter by showing off the material force in form of its army and military strengths. China's policy towards the EU was established as late as 2003 and focused mostly on economic relations as well. The political issues remained in the background and China has been opening quite slowly on the issues of human rights and other freedoms. China and its actions are quite unpredictable and any pre-given nature does not really exist because of its complex historical and cultural nature.

The EU has always perceived China as a prospective strong partner and treated it as such. Even when it put pressure on China's sensitive issues, it did not go far and concentrated on trade relations at first. With time, the EU became more aggressive and confident while pursuing its initiatives and ideas in the relationship. Lately, the dialogue on human rights has been enhanced. The EU quickly understood China's potential in the world economy and became one of the major mediators in the China's role in the world. It enabled the regional cooperation on the basis of dialogue by creating the ASEM framework where China quickly took the leadership. The EU also took on the role of supporter of China's accession to the WTO. It has always been seeking the consensus on the global ground, negotiating further. After the accomplishment on the WTO provisional agreements and China's entry to the WTO, the EU again proved to be

initiator of stronger relationship. In order for China to comply with its commitments, the EU provided all possible assistance and also established the control management projects. The constructivist theory suggests that relations and mutual behavior is based on interactive social process and the EU-China relationship has been a constant proof with the relationship based on dialogue, cooperation, agreements and consensus that had to be reached by intensive communication and interactions on both sides. No case of one-sided decisions in the relationship has appeared and both entities turn to a path of mutual benefits and increasing the importance of their roles in global order.

The relationship has been strengthening steadily especially in trade terms when the EU became Chinese number one trading partner where the highest portion of its export goes to. Also, China is in a position of second most important trading partner to the EU after the USA. With the ongoing process of opening Chinese market and diminishing the restrictive measures, the EU businesses are expected to become even more associated with China. China emphasizes the importance of the EU as its business partner but also pushes for opening the market fully and granting China market economy status.

Even though the EU-China relationship has become stronger, it still falls behind in political issues. The EU is well aware of this fact and tries to force China on enhancing the dialogue in sensitive issues with already established strong trade and investment ties. In terms of trade, the great surplus for China is in place and discriminatory measures still exist. Last but not least, China needs to transform internally in order to achieve balanced growth and reduce the great inequalities existing in today's China. The change is expected to come with the new Chinese leadership in 2013 and how the new leaders will continue in the EU-China relationship.

The interaction between the EU and China is based on number of factors and does not take place in vacuum. In this thesis, we concentrated on a specific part of the relationship that is at most advanced level. The analysis is limited mostly because the Chinese sources are not available to public and therefore the analysis cannot be complete with enough relevant information from the Chinese part. These limitations however provide possibilities for further study of the topic and especially the research that would look at the relationship from the Chinese point of view.

Annex I

EU-China Relations: Chronology (1975-2010)

1975	May	Diplomatic relations established, Christopher Soames first European Commissioner to visit China
1978	2 May	Trade agreement EEC-China signed. Inter alia, establishes Joint Committee
1979	February	Roy Jenkins visits China. First visit of a Commission President. Meets Deng Xiaoping
	July	First meeting of the Joint Committee in Beijing
	18 July	First agreement on textile trade
1980	16-19 June	First inter-parliamentary meeting between delegations of the EP and of the National People's Congress, Strasbourg.
1983		Launch of first science and technology cooperation program
1984		First political consultations at ministerial level, in the context of European Political Cooperation
		Launch of first cooperation projects in China (Management training and rural development)
1985	21-23 May	Agreement on trade and economic cooperation signed
1988	4 October	Opening of the Delegation of the European Commission in Beijing
1989	June	As a reaction to Tian An Men incidents of 4 June, EC freezes relations with China and imposes a number of sanctions, including an arms embargo
1990	October	Council and EP decide to re-establish bilateral relations step by step
1992		EC-China relations largely back to normal; arms embargo remains in place
	June	Launch of environmental dialogue
	June	Establishment of a new bilateral political dialogue
1993	October	Opening of Commission office in Hong Kong
1995	15 July	European Commission publishes first Communication "A long-term policy for China-Europe relations"
		Launch of a specific dialogue on human rights issues
1996	1-2 March	First Asia-Europe Meeting (ASEM); China and EU are active participants
1998	25 March	European Commission publishes Communication "Building a Comprehensive Partnership with China"
	2 April	1st EU-China Summit, London

	22 December	Agreement on scientific and technological cooperation signed
1999	21 December	2nd EU-China Summit, Beijing
2000	19 May	Bilateral agreement on China's WTO accession signed in Beijing
	11 July	Visit of Prime Minister Zhu Rongji in Brussels (first visit of a Chinese Premier to the Commission)
	24 October	3rd EU-China Summit, Beijing
2001	15 May	European Commission publishes Communication "EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy"
	5 September	4th EU-China Summit, Brussels
	17 September	New Information Society Working Group launched
	25-26 October	Human Rights Dialogue, Beijing
	13 November	Ministerial Troika, New York (in the margin of UN General Assembly)
	30 November	Political Directors Troika, Beijing
	8 December	Human Rights Seminar, Brussels
	11 December	China becomes the 143rd Member of the World Trade Organization
2002	30-31 January	EC-China Joint Committee, Brussels.
	1 March	Release of China country Strategy paper 2002-2006
	5-6 March	Human Rights Dialogue, Madrid
	28 March-4 April	Visit of Commissioner Patten to China
	16 May	Launch of negotiations on Chinese participation in GALILEO
	June	Exchange of letters strengthening the EU-China political dialogue
	24 September	5th EU-China Summit, Copenhagen
	13-15 November	Human Rights Dialogue, Beijing
	6 December	EU-China maritime transport agreement signed
2003	14 February	EU-China Ministerial Troika held in Beijing
	5-6 March	Human Rights Dialogue, Athens
	10 March	EC opens European Economic and Trade Office in Taiwan
	3 June	China formally requests market economy status under EU's anti-dumping instrument

	30 June	Ministerial Troika, Athens
	10 September	European Commission adopts policy paper “A maturing partnership: shared interests and challenges in EU-China relations”
	13 October	EU Council of Ministers endorses Commission policy paper “A maturing partnership”
	13 October	China releases first ever policy paper on EU
	30 October	6th EU-China Summit, Beijing: Agreements signed on - cooperation in the Galileo satellite navigation program - Industrial Policy Dialogue - EU-China Dialogue on Intellectual Property
	26-27 November	Human Rights Dialogue, Beijing
2004	10-11 February	EU-China Seminar on the two Policy Papers issued in October held in Beijing, leading to “Guidelines for Common Action”
	12 February	Signing of MOU on Approved Destination Status (the “Tourism Agreement”)
	26-27 February	Human Rights Dialogue, Dublin
	26 February	Political Directors Troika, Beijing
	16 April	Commission President Romano Prodi visits China
	6 May	Chinese PM Wen Jiabao visits Commission Headquarters, new dialogue initiatives signed; customs cooperation agreement initialed; political leaders recommend that the “Guidelines for Common Action” are implemented
	26 May	5th High Level Consultations on Illegal Migration and trafficking of human beings, Brussels
	24 September	Human rights dialogue, Beijing
	8 October	Ministerial Troika, Hanoi
	12 November	Geographical Directors’ Troika, Beijing
	8 December	7th EU-China Summit, The Hague: the EU and China signed - Joint declaration on Non-proliferations and Arms Control - EU-China Customs Cooperation Agreement - Agreement on R&D cooperation on the peaceful use of nuclear energy
2005	24-25 February	Human Rights Dialogue, Luxembourg
	11 May	Ministerial Troika, Beijing

	30 June - 1 July	EU-China Civil Aviation Summit, Beijing
	7 July	First ADS Committee (“Tourism Agreement”) Meeting, Beijing
	14-18 July	Commission President José Manuel Barroso visits China
	5 September	8th EU-China Summit, Beijing: the EU and China signed: - MoU on labor, employment and social affairs - Joint Statement on cooperation in space exploitation, science & technology development - Joint declaration on climate change
	25-27 October	Human Rights Dialogue, Beijing
	4 November	EC-China Joint Committee, Brussels
	20 December	1st EU-China Strategic Dialogue, London, UK
2006	January	EU-China MoU on food safety is signed in Beijing
	3 February	Ministerial Troika, Vienna
	20 February	Commission and Chinese Government sign a MoU on cooperation on near zero emissions power generation technology
	27 March	Political Directors Troika, Beijing
	30 March	The first EU-China bilateral consultations under the Climate Change Partnership are held, Vienna
	6 April	Geographical Directors Troika, Brussels
	15 May	EU-China Dialogue on Regional Cooperation initialed
	25-25 May	Human Rights Dialogue, Vienna
	6 June	2nd EU-China Strategic Dialogue
	9 September	9th EU-China Summit, Helsinki: the EU and China agree on opening negotiations for a new comprehensive framework agreement
	11 October	Official launch of China-EU Science and Technology Year
	19 October	Human Rights Dialogue, Beijing
	24 October	Commission adopts Communication “EU-China: Closer Partners, growing responsibilities” and a policy paper on trade and investment
	7 November	EC-China Joint Committee, Beijing
	7 December	The first Macroeconomic Dialogue is held
	11 December	The Council endorses the Commission Communication and adopts related Council Conclusions

2007	16-18 January	Commissioner for External Relations Ferrero-Waldner visits Beijing: launch of negotiations on a Partnership and Cooperation Agreement
	5 March	Geographical Directors Troika, Beijing
	3 May	Commission and ECB discuss economic policy issues with Chinese counterparts, Beijing, China
	8 May	Political Directors Troika, Brussels
	15-16 May	Human Rights Dialogue, Berlin, Germany
	11-12 June	EC-China Joint Committee, Brussels
	22 June	1st Meeting of the EU-China Civil Society Round Table, Beijing, China
	17-18 October	Human Rights Dialogue, Beijing, China
	25 October	3rd EU-China Strategic Dialogue, Lisbon
	14 November	2nd Meeting of the EU-China Civil Society Round Table, Brussels
	28 November	2nd Meeting of the EU-China Civil Society Round Table, Brussels
	28 November	10th EU-China Summit, Beijing: the EU and China - established High Level Economic and Trade Dialogue - agreed to enhance cooperation on climate change
2008	11 March	Geographical Directors' Troika, Brussels
	24-25 April	President José Manuel Barroso and nine Commissioners meet with their counterparts in Beijing
	25 April	1st EU-China High Level Economic and Trade Dialogue, Beijing
	15 May	Political Directors' Troika, Beijing
	15 May	Human Rights Dialogue, Brdo, Slovenia
	9 June	EU-China Ministerial Troika, Ljubljana
	11 June	Chinese Foreign Minister Yang Jiechi visits Brussels
	23-26 June	3rd Meeting of the EU-China Civil Society Roundtable, Beijing, China
	24-25 September	EC-China Joint Committee, Beijing
	6-7 November	4th Meeting of the EU-China Civil Society Roundtable, Paris, France
	28 November	Human Rights Dialogue, Beijing
2009	19 January	4th EU-China Strategic Dialogue, Beijing
	30 January	Chinese Prime Minister Wen Jiabao visits Brussels

	29-30 March	Commissioner B. Ferrero-Waldner's visit to China
	7-8 May	2nd EU-China High Level Economic and Trade Dialogue, Brussels, Belgium
	18-19 May	5th meeting of the EU-China Civil Society Round Table, Tianjin, China
	20 May	11th EU-China Summit, Prague, Czech Republic: the EU and China - addressed the issues of the financial crisis and climate change.
	14 May	Human Rights Dialogue, Prague, Czech Republic
	27 May	EU-China Ministerial Troika, Phnom Penh, Cambodia
	28 October	6th meeting of the EU-China Civil Society Round Table, Stockholm, Sweden
	18 November	Political Directors' Troika, Stockholm, Sweden
	20 November	Human Rights Dialogue, Beijing, China
	29 November	Euro-zone Troika and Chinese counterparts, Nanjing, China
	29 November	EU-China Ministerial Troika, Nanjing, China
	30 November	12th EU-China Summit, Nanjing, China: the EU and China - agreed to speed up the negotiations on the Partnership and Cooperation Agreement - agreed to strengthen people-to-people exchanges and cultural cooperation
	17 December	5th EU-China Strategic Dialogue, Stockholm, Sweden
2010	28 January	EU HR/VP Ashton meeting with FM Yang Jiechi in margins of London Conference on Afghanistan
	5 February	China experts Group meeting
	24-27 February	PCA negotiations China (Beijing)
	16 March	Regional Directors' Troika, Brussels, Belgium
	12 April	Meeting between President Von Rompuy and President Hu (Washington, on the margins of the Nuclear Security Summit)
	26 April-2 May	College visit (President Barroso, HR/VP Ashton) and to Beijing and Shanghai
	6 May	Celebration of the 35th anniversary of the establishment of diplomatic relations between the EU and China
	21 May	24th EU-China Joint Committee
	29 June	29th EU-China Human Rights Dialogue

	29 Aug-4 Sept	HR/VP Ashton's visit to China (including High Level Strategic Dialogue and Foreign Ministerial meeting)
	14 September	PCA negotiations EU (Brussels)
	6 October	13th EU-China Summit, Brussels: the EU and China addressed: - how to strengthen our political dialogue, trade and investment questions; - issues related to global governance (sustainable growth in a post crisis-world economy). They agreed to dedicate 2011 as the EU-China Year of Youth
	6-7 October	High Level Cultural Forum

Source: European Commission – External Relations

Bibliography

Works cited

Commission of the European Communities, 1995. 'A Long Term Policy for China-Europe Relations'. *COM(1995) 279*. Brussels, Belgium: Commission of the European Communities.

Commission of the European Communities, 2001b. *Overview of the Terms of China's Accession to WTO* [Internet]. Commission of the European Communities, 1 October 2001 [cited 1 August 2011]. Available from http://trade.ec.europa.eu/doclib/docs/2003/october/tradoc_111955.pdf

Commission of the European Communities, 2003. 'A Maturing Partnership – Sharp Interests and Challenges in EU-China Relations'. *COM(2003) 533*. Brussels, Belgium: Commission of the European Communities.

Commission of the European Communities, 2004. 'European Neighbourhood Policy Strategy Paper'. *COM(2004) 373*. Brussels, Belgium: Commission of the European Communities.

Jackson, Robert, and Georg Sørensen, 2006. *Introduction to International Relations: Theories and Approaches*. 3rd edition. Oxford, UK: Oxford University Press.

Phillips, Andrew Bradley, 2007. 'Constructivism' In: Martin Griffiths (ed), *International Relations Theory for the 21st Century: An Introduction*. Oxon, UK: Routledge, 60-74.

The European Union, 2010. 'Consolidated Versions of the Treaty on European Union and the Treaty on the Functioning of the European Union'. *Official Journal of the European Union*, vol. 53, C 83.

Wen, Jiabao, 2007. *Our Historical Tasks at the Primary Stage of Socialism and Several Issues Concerning China's Foreign Policy* [Internet]. Beijing Review, 12 March 2007 [cited 25 July 2011]. Available from http://www.bjreview.com.cn/document/txt/2007-03/12/content_58927.htm

Wendt, Alexander, 1992. 'Anarchy is what States Make of it: the Social Construction of Power Politics'. *International Organization*, vol. 46, no. 2.: 391-425.

Wendt, Alexander, 2004. 'The State as Person in International Theory'. *Review of International Studies*, vol. 30, no. 2.: 289-316.

Zhang, Zuqian, 2008. 'China's Commercial Relations with Europe'. In: David Shambaugh, Eberhard Sandschneider and Zhou Hong (ed), *China-Europe Relations: Perceptions, Policies and Prospects*. Oxon, UK: Routledge, 231-247.

Zhao, Suisheng, 2008. *Chinese Foreign Policy in Hu's Second Term: Coping with Political Transition Abroad* [Internet]. Foreign Policy Research Institute, 10 May 2008 [cited 25 July 2011]. Available from <http://www.fpri.org/enotes/20080510.zhao.chineseforeignpolicyhu.html>

Works consulted

ASEM (Asia-Europe Meeting) [Internet]. European Commission, Trade, Bilateral Relations, not dated [cited 1 August 2011]. Available from <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/asem/>

Ash, Robert, 2008. 'Europe's Commercial Relations with China'. In: David Shambaugh, Eberhard Sandschneider and Zhou Hong (ed), *China-Europe Relations: Perceptions, Policies and Prospects*. Oxon, UK: Routledge, 189-230.

Balme, Richard, and Brian Bridges, 2008. 'Introducing Asia, Europe and the Challenges of Globalization'. In: Richard Balme and Brian Bridges (ed), *Europe-Asia Relations: Building Multilateralisms*. Basingstoke, UK: Palgrave Macmillan, 1-23.

BBC News, 2011. *China Overtakes Japan as World's Second-Biggest Economy* [Internet]. BBC, 14 February 2011 [cited 30 July 2011]. Available from <http://www.bbc.co.uk/news/business-12427321>

Bergsten, C. Fred, Charles Freeman, Nicholas R. Lardy et al, 2009. *China's Rise: Challenges and Opportunities*. Washington, DC: Peterson Institute for International Economics, Center for Strategic and International Studies.

China's foreign policy [Internet]. People Daily, not dated [cited 25 July 2011]. Available from <http://english.peopledaily.com.cn/china/19990914A128.html>

Commission of the European Communities, 1998. 'Building a Comprehensive Partnership with China'. *COM(1998) 181*. Brussels, Belgium: Commission of the European Communities.

Commission of the European Communities, 2001a. 'EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy'. *COM(2001) 265*. Brussels, Belgium: Commission of the European Communities.

Commission of the European Communities, 2002. *China Strategy Paper 2002-2006*. European External Action Service archive.

Commission of the European Communities, 2006a. 'Europe in the World – Some Practical Proposals for Greater Coherence, Effectiveness and Visibility'. *COM(2006) 278*. Brussels, Belgium: Commission of the European Communities.

Commission of the European Communities, 2006b. 'EU-China: Closer Partners, Growing Responsibilities'. *COM(2006) 631*. Brussels, Belgium: Commission of the European Communities.

Commission of the European Communities, 2007. *Regional Programming for Asia Strategy Document 2007-2013*. Brussels, Belgium [cited 1 August 2011]. Available from http://www.eas.europa.eu/asia/rsp/07_13_en.pdf

Dent, Christopher M., 1999. *The European Union and East Asia: An Economic Relationship*. London, UK: Routledge.

DG Trade, 2011a. *Asian ASEM countries: EU Bilateral Trade and Trade with the World* [Internet]. DG Trade, 8 June 2011 [cited 1 August 2011]. Available from http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113472.pdf

DG Trade, 2011b. *Top Trading Partners* [Internet]. DG Trade, 14 June 2011 [cited 1 August 2011]. Available from <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/>

EU-China Trade Project, not dated. *Supporting China's Sustainable Development* [Internet]. EU-China Trade Project [cited 1 August 2011]. Available from http://www.euctp.org/index.php?option=com_content&view=article&id=1&Itemid=2&lang=eeu

European Union Chamber of Commerce in China, not dated. *About the Chamber* [Internet]. European Union Chamber of Commerce in China [cited 1 August 2011]. Available from <http://www.europeanchamber.com.cn/view/about/aboutchamber>

Ferrero-Waldner, Benita, 2005. *EU-China Partnership at an Exciting Stage* [Internet]. China Daily, 11 May 2005 [cited 30 July 2011]. Available from http://www.chinadaily.com.cn/english/doc/2005-05/11/content_440999.htm

Hobson, John M., 2003. *The State and International Relations*. 2nd edition. Cambridge, UK: Cambridge University Press.

Hopf, Ted, 1998. 'The Promise of Constructivism in International Relations Theory'. *International Security*, vol. 23, no. 1.: 171-200.

Information Office of the State Council of the People's Republic of China, 2003. *China's EU Policy Paper*. Beijing, China [cited 1 August 2011]. Available from <http://www.china.org.cn/e-white/20050817/>

Li, Shaojun, 2007. 'Key Elements of China's Foreign Strategy'. In: David Kerr and Liu Fei (ed), *The International Politics of EU-China Relations*. Oxford, UK: Oxford University Press, 38-53.

Lorca, Maria, 2006. 'The EU-China Trading-Economic Relationship is not a Zero-Sum Game'. *EUMA*, vol. 3, no. 3.

Medeiros, Evan S., and M. Taylor Fravel, 2003. 'China's New Diplomacy'. *Foreign Affairs*, vol. 82, no. 6.: 22-35.

Mission of the People's Republic of China to the European Union, 2004. *Wen Jiabao Holds Talks with the President of the European Commission*. Brussels, Belgium [cited 30 July 2011]. Available from <http://www.chinamission.be/eng/zt/Topics/t97483.htm>

Odgaard, Liselotte, and Sven Biscop, 2007. 'The EU and China: Partners in Effective Multilateralism?'. In: David Kerr and Liu Fei (ed), *The International Politics of EU-China Relations*. Oxford, UK: Oxford University Press, 54-77.

Pardo, Ramon Pacheco, 2009. 'The Political Weakness of the EU in East Asia: a Constructivist Approach'. *Asia Europe Journal*, vol. 7, no. 2.: 265-280.

Pastor, Alfredo, and David Gosset, 2005. 'The EU-China Relationship: a Key to the 21st Century Order'. *ARI 142/2005*. Madrid, Spain: Real Instituto Elcano.

Peruzzi, Roberto, Arlo Poletti and Shuangquan Zhang, 2007. 'China's Views of Europe: A Maturing Partnership'. *European Foreign Affairs Review*, vol. 12, no. 3.: 311-330.

Ringmar, Erik, 1997. 'Alexander Wendt: a Social Scientist Struggling with History'. In: Iver B. Neumann and Ole Wæver (ed), *The Future of International Relations: Masters in the Making?* London, UK: Routledge.

Scott, David, 2007. 'China and the EU: A Strategic Axis for the Twenty-First Century?'. *International Relations*, vol. 21, no.1.: 23-45.

Solana, Javier, 2005. 'Driving Forwards the China-EU Strategic Partnership'. Speech presented at the China Europe International Business School, September 2005, Shanghai, China.

Song, Jingli, 2011. *China's Economy to Surpass US in 2016: IMF* [Internet]. China Daily, 26 April 2011 [cited 30 July 2011]. Available from http://www.chinadaily.com.cn/bizchina/2011-04/26/content_12396645.htm

The Economist, 2011. 'Rising power, anxious state'. *The Economist Special Report China*, 25 June 2011, 3-5.

The European Union, 1997. 'Resolution on the Commission Communication on a Long Term Policy for China-Europe Relations'. *Official Journal of the European Union*, C 200.

The European Union, 2004. *China – Market Economy Status in Trade Defence Investigations* [Internet]. 28 June 2004 [cited 1 August 2011]. Available from http://trade.ec.europa.eu/doclib/docs/2004/june/tradoc_117795.pdf

The European Union, 2006. 'Consolidated Versions of the Treaty on European Union and of the Treaty Establishing the European Community'. *Official Journal of the European Union*, C 321.

The European Union, 2007. *China Strategy Paper 2007-2013*. European External Action Service.

The United Nations, 1966. 'International Covenant on Civil and Political Rights'. No. 14668. New York, NY: The United Nations.

Ting, Wai, 2011. 'EU-China Relations in the Age of Globalization and Regionalization'. *EurAmerica*, vol. 41, no. 1.: 181-220.

Weber, Cynthia, 2010. *International Relations Theory: A Critical Introduction*. 3rd edition. Oxon, UK: Routledge.

Wei, Zonglei, and Fu Yu, 2010. 'China's Foreign Strategy: Constantly Deepening and Broadening'. *Contemporary International Relations*, vol. 20, no. 2. [cited 30 July 2011]. Available from <http://www.cicir.ac.cn/english/ArticleView.aspx?nid=1924>

Wen, Jiabao, 2004. 'Vigorously Promoting Comprehensive Strategic Partnership Between China and the European Union'. Speech presented at the China-EU Investment and Trade Forum, May 2004, Brussels, Belgium.

Wendt, Alexander, 1995. 'Constructing International Politics'. *International Security*, vol. 20, no. 1.: 71-81.

Wendt, Alexander, 1999. *Social Theory of International Politics*. Cambridge, UK: Cambridge University Press.

World Trade Organization, 2001. 'Accession of the People's Republic of China'. WT/L/432. Geneva, Switzerland: World Trade Organization.

Xinhua News Agency, 2009. *China still Striving for 'Market Economy' Status from EU* [Internet]. China.org.cn, 22 May 2009 [cited 1 August 2011]. Available from http://www.china.org.cn/business/news/2009-05/22/content_17818642.htm

Xinhua News Agency, 2011. *EU Urged to Grant China Market Economy Status* [Internet]. China Daily, 18 June 2011 [cited 1 August 2011]. Available from http://www.chinadaily.com.cn/business/2011-06/18/content_12729508.htm

Yahuda, Michael B., 1998. 'China and Europe: the Significance of a Secondary Relationship'. In: Thomas W Robinson and David L. Shambaugh (ed), *Chinese Foreign Policy: Theory and Practice*. Oxford, UK: Oxford University Press, 266-282.

Zheng, Bijian, 2005. 'China's "Peaceful Rise" to Great-Power Status'. *Foreign Affairs*, vol. 84, no. 5.: 18-24.

Abstract

The topic of the bachelor thesis is the relationship between the European Union and China. The main focus is devoted to the economic and trade relations that are at the most advanced level. As both the EU and China are leading global players, their importance is unquestionable. The topic of this thesis was chosen because of the steady growth and strengthening of the relationship. The EU's role in the face of China's rapid economic growth and development as well as its growing leadership in global affairs will also be part of the thesis. The goal of the thesis is to provide a comprehensive overview of the EU-China relationship development and to point out the importance of the EU in shaping Chinese role and development, especially in the Chinese accession process to the World Trade Organization. The thesis describes the development of the relationship since its beginning in 1975 and the growing intensity of mutual cooperation. A great deal of attention is given to the China's WTO accession and the role that the EU played as a mediator and later as a kind of supervisor of China's compliance with the WTO provisions. The aim is to discuss the importance of the relationship in today's world, growing responsibilities of both entities, as well as possible future of further development.