



竞争与伙伴关系

—— 中国与欧盟经济贸易关系热点问题

■ 史世伟 主编

Competition and Partnership

Key Issues of
Economic and Trade
Relations between
China and EU



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Competition and Partnership — Key Issues of
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Preface

The papers collected in this book were presented at the International Conference on Competition and Partnership: Key Issues of Economic Relations between China and EU. It took place on 12th and 13th April 2008 on the campus of University of International Business and Economics (UIBE) in Beijing. The language used in the conference was English, and all the papers were presented in English.

Background of the Conference

Sino-European relations embrace a long tradition in a very broad field. The economic relations with Europe have been strengthened and intensified since the reform and opening process of the People's Republic of China started, especially after China's entry into the WTO. China has enjoyed almost 10% annual average growth since 1980 and boosted to the world's 4th economic power and the second biggest exporter. EU offers the largest market in the world and is the greatest trade group of the world. EU-China trade has increased dramatically in the past few years, doubling between 2000 and 2005. Europe has become China's largest export market and China is Europe's largest source of imports. With the increasing roles China plays in the bilateral trade and investment and in the world economy, there is increasing awareness among the EU institutions and the authorities of the Member States of the importance to enhance the bilateral relations. As for China, EU acts as a state assemble of the developed countries and also plays an important role in the world economy and politics. EU is in command of some key technologies and skills which China needs urgently for its development. And China searches for cooperation and partnership with EU in finding out sustainable solutions to today's challenges on environment, energy and globalization.

In 2003 EU and China agreed to develop a strategic partnership to better reflect the importance of their relations. Currently authorities from both parties are negotiating a new Partnership and Cooperation Agreement (PCA), which will update

the 1985 Trade and Co-operation Agreement. The signing of this new agreement shall lay a stable foundation for strengthening the economic and trade relations between China and EU. In October 2006, the European Commission launched a new strategy paper (EU Comm2006 631 final) for the relationship with China: "EU-China: Closer Partners, Growing Responsibilities". The new strategy seeks to respond to China's re-emergence as a global economic and political power and the growing mutual responsibilities for the strategic partnerships between EU and China. The EU paper was followed by a trade policy paper titled "Competition and Partnership", which spelled out the challenges of the trade and investment relations in more details.

In China this paper was greeted with mixed responses, some commentators felt that it set a new tone — even turning point — for the bilateral economic relations, asking for containment rather than for a partnership among equals. We think that this paper reflects the changes of mutual understanding and expectations that the rapid development of bilateral economic relations has brought about. Especially the rise of economic strength of China caused a new revaluation of the China-EU economic relations and the role China plays in the global issues on the side of EU. As a longstanding observer of China-EU relations, we think that this change deserves discussions with academic scrutiny among the scholars from both China and Europe. Those discussions will make predominately contributions to the academic exchange in scientific research about China-EU relations. They can also benefit the policy makers on both sides in their decision making process. As a result, in our conference we received a number of independent research papers with high quality.

Content of the Papers

The conference was held in 3 plenum panels with a round table discussion in each case and separate parallel workshops with diverse topics. Drafting the conference, we conceptualized a comprehensive approach to cover varieties of China-EU relations on the one hand, underlined several key issues of recent bilateral economic relations on the other hand. We focused on economic issues predominately without ignoring other aspects of bilateral relations. Focusing on economic relations, the conference was dominated by economists with their distinguished methods of the research, presenting data, tables and figures. However, we realized that the China-EU relations are so complex and varied that we have to allow a methodic pluralism and even an

interdisciplinary approach between economics, law and political sciences. In economics, using mathematical and econometrical models for explaining economic causalities is very popular in the western countries. It is however relatively new in China, at least in the field of research on China-EU relations. Some Chinese authors in this book, particularly younger authors, deployed mathematical models for theorizing. Some others applied econometrical methods for empirical proving of their hypotheses. Considering the necessity of more normal researches and international acceptance of works by Chinese researchers, those attempts are highly appreciated, even if some of them properly could not pass the strict scientific examinations at the present stage.

By editing this book, I slightly changed the combination of the papers and composed them more rationally. Besides, I added a summary of all abstracts in Chinese and put it at the end of the main English texts. Now, the papers have been divided into 4 parts with different aspects of China-EU economic relations and the policies of China or EU as well.

Part I. The Role of China and EU in the World Economy

Originally, it is the debate about the appreciation of Renminbi yuan that prompted us to deal with macroeconomic issues, which built up the framework for the bilateral trade and investment relations. However, we realized very soon that we could not grasp the reasons of the alleged undervaluation of yuan or the strength of Euro against US Dollar without analysing the whole international monetary system and the effects of globalization on EU and Chinese economy. *Paul J. J. Welfens* emphasized in his long paper the impact of European economic and monetary integration on trade and the intra- and extra Foreign Direct Investment. He pointed out that proper policies of the government could promote growth, structural changes and international competitiveness. Different countries and regions should take account of their positions in the world economy, their development stage and comparative advantages to avoid making mistakes in policy making. He also made concrete policy commendations for both China and EU in its economic policies. *Zhang Jianping* investigated the new features of international industrial structure adjustment and transfer driven by economic globalization and scientific and technological development since the 1990s. It has great impact on China's economic development. He pointed

out that China's large trade surplus is mainly resulted by China's international division status and the structural factors of processing and manufacturing links in the international industrial chain. This finding implicated that the trade and investment imbalance between China and EU was caused mainly by China's comparative advantage, therefore cannot be simply reduced by revaluation of Renminbi. In the long run, the trade surplus of China against the most industrial countries can only be controlled through upgrading China's position in international industrial division and setting up the new comparative advantage. *Pei Changhong* and *Li Xiaoping* focused their analysis on the Euro and its impact on the China-EU trade and investment relations. They pointed out that the current strength of Euro is due to the stability-oriented monetary policy of ECB and the economic recovery of Euro zone against USA. The strong fluctuation between Euro and US Dollar caused however uncertainty of trade and investment flow between China and EU. In order to avoid risks and match the increasing importance of Euro, China should reduce the share of US dollar assets, increase the share of Euro assets in foreign reserves and use Euro price and settlement in China-EU trade. It will also be a good operation avoiding the frictions in the bilateral trade and investment. Furthermore, they gave in their paper a review of the bilateral trade and investment relations in the last 10 years. *Wolfgang Klenner* concentrated in his contribution also on currency issue, but his interest lied in the linkage between a leading economy and the internationalization of its currency. First of all, he inquired into what extent China fulfilled the requirements for a leading economy. He concluded that China as a transitional economy despite the rapid growth of economic strength fulfilled only halfway this requirement. Comparing the benefits and costs of becoming an international currency, he recommended a regionalization of Renminbi as a first step to a full internationalization, that is, the limited free capital flow between China and the selected partners, given the informal capital flow into and the de facto circulation of Renminbi as exchange medium in the neighbouring countries. Implementing this step, China has to reform its inefficient banking system and set up institutional structures for liberalization of its capital in- and outflow. The step by step approach for deregulation of capital control is due to the risk of financial crisis which emerged in many countries after fully liberalization of capital control. The damaging power of the recent subprime crisis forced financial experts to rethink the necessity of regulatory framework of global banking. The more cautioned way of

Chinese government to limit free flow of international capital seems to pay off. At last, *An Jia* rejected revaluation of Renminbi as a means for mitigate the dual surplus on Balance of Payment (BOP) in China. He based EU trade deficit with China and credit balance on capital and financial in China on the processing trade and the inflow of FDI into China and argued that it is only a result of one phase from the processing of reallocation of capital around the world and we could solve this problem by reforming the regulation about the foreign exchange.

Part II. Contested Markets: Trade Policy and Market Access

The exchange rate is a core point in the trade policy agenda, as the long-standing tensions between China and the US witness. Issues of trade policy and market access also move into the centre of European concerns about bilateral trade and economic relations, such as tariff and non-tariff barriers, alleged discrimination and lack of legal protection for foreign investors, and lack of compliance to WTO regulations. While European authorities seem doubtful of the efficiency of "Dialogue first" policy for solving those disputes, China is concerned about a possible extension of the use of safeguard clauses, resulting in disguised protectionism and antidumping procedures. Beyond these policy issues, the decision-making process in trade policy on both sides needs to be analyzed in order to identify particular actors and interests which take decisive impact on future development. Last but not least, some practical policy measures should be worked out on the basis of in-depth researches, in order to facilitate market access from both sides. *Hu Jiangyun* gave in his paper a general survey on the trade disputes between China and EU since China's WTO entry. They entailed trade dispute of textiles, antidumping, technical trade dispute, dispute About Intellectual Property Rights (IPR) and dispute of Generalized System of Preference (GSP). He based those disputes on trade imbalance between EU and China and growing competitiveness of China's Products. As a result of these facts, he made several recommendations for overcoming such disputes: strengthening bilateral communications concerning trade; making consultations with EU to remove export control on technical products and bringing the early-warning mechanism into full play; promoting IPR and independent innovation further. *Lu Yuduo et al.* made a more in-depth study on EU's Technical Barriers to Trade (TBT) and China's possible response. After a review of EU's TBT measures and the TBT dispute between China

and EU, they developed in three steps the static and the dynamic game model for China's strategy vs. EU's TBT measures by relaxing assumptions. Then they applied their model in a case study, namely Wenzhou Lighter, and came to the conclusion that the strategy the Chinese enterprises selected when encountering TBT was mostly decided by their expectation of the probability of success. Xu Shiteng and Tang Yihong also studied on a discrete trade measure, namely EU's antidumping measures vs. China. They engaged a Probit model for proving three hypotheses: 1. Has the pattern of the EU antidumping changed after China's entry into the WTO? 2. Which industry is easily initiated antidumping investigations? 3. Are the past antidumping records important for future antidumping filings? They found out on the basis of the empirical analysis evidence supporting their hypothesis. Furthermore, they investigated the decision making process of EU's antidumping activities and pointed out that it is not the European Commission, but the Member States play the decisive role by voting with simple majority for imposing the antidumping measures. Therefore it is necessary for the Chinese government, firms and branch associations to lobby the EU Member States in the antidumping cases. Li Jiguang *et al.* did an explicit study on the decision making system of EU using theory of International Political Economy. They outlined three levels of patterns in analyzing the EU's decision making on trade policy. The first level based on the EU politics, which has exclusive power in the realm of trade policy. The second level is based on the Member States' political impact on trade policy. The third level is international politics, including international political and economic situation, international economic environment, and other countries' influences. The interactions between these three levels and changes of actor's attitudes could influence the policy outcome of the EU.

The papers introduced above dealt mainly with the disputes and frictions between China and EU as outcome of trade policy of EU, while the following three papers devoted themselves to the issue of market access. Kai-Ingo Voigt *et al.* engaged with market entries of Chinese car manufacturers to Europe, which has been investigated quite few. The analysis focuses exclusively on those Chinese car manufacturers producing self-developed cars under their own brand names for the European market. It is the matter of 4 - 5 small Chinese car manufacturers as pioneers entering into European market. The research rested on expert and dealer interviews. The authors came to the conclusion that the Chinese car manufacturers did not pose a real threat to

European car manufacturers because of their significant quality problems. So far the market entries of smaller manufacturers were less successful, and it can be assumed that the manufacturers like SAIC, FAW, Chery or Geely come to the European market with a quite different quality standard and self-confidence. The rise of the market share of the Chinese manufacturers from today's 0.006% to 3–5% in 2015 appears quite realistic with the in general high innovation speed assumed by experts. As for the entry modes, it has been concluded that export, especially indirect export may be the best market entry version right now — among export, licensing and franchising, joint ventures, fusions or acquisitions and foundations of subsidiaries. But in the long run, the sales could take place via manufacturers' own subsidiaries in Europe. Such opinion was shared by *Zhang Shujing* who dealt in her paper explicitly with entry modes of Chinese enterprises to European market. She argued that the Chinese enterprises which aim at accessing the EU market have been using methods of indirect exporting quite often and became the victim of EU trade barriers. She advocated therefore diversifying entry modes of Chinese enterprises to EU market. Diversifying the methods to enter the EU market may help disperse risks, decrease the political sensitiveness of the EU on goods made in China, and reduce trade disputes. As the last contribution of this part, *Li Xiaomu* and *Wang Yixiao* provided a retrospect of bilateral trade relations and explored the possibility of enhancing trade in services between the two partners, in order to find a way of solving the extreme imbalance of bilateral trade figures.

Part III. Natural Resources, Climate Change, Energy Security and Potential EU-China Cooperation

China's economic development comes with a rapidly growing demand for natural resources and energy. As a newcomer, China faces difficulties and strong competition in entering the global energy markets which have long been dominated by western countries and companies. Especially, but not only in Africa where China has longstanding relations, it has increased its engagement. Europe is watching with interest and increasing criticism towards China's unconditional investment and aid in resource-rich countries. At the same time the EU is shaping its own strategies for the Union's engagement in Africa. Here lies the potentiality for competition and confrontation as well as for a future cooperation in managing the global energy

demand and distribution. Europe, a global protagonist in climate policies, also expresses its concerns about the impact of China's rapid growth on global climate change. China is short of technology and know-how for enhancing energy efficiency and reducing emission of greenhouse gases. Common interests in tackling climate change will enable environmental technology and management to become a promising field of economic and technological cooperation between China and EU. These complex interactions deserve closer scrutiny of the empirical facts, which are crucial for the strategic scenarios on both sides. *Yang Laike et al.* focused in their paper on the importance of emissions embodied in international trade — a very pregnant notion which little attention has been paid to. The paper argued that the CO₂ emission embodied in China-EU trade is even more unbalanced than that of the trade balance itself. EU avoided a huge amount of CO₂ emissions through trading with China. Therefore the policy makers have to take account of the so called dual imbalance between China and EU and take steps for tackling them. It will benefit both sides in realizing the goal of emission reduction and in fighting against global warming. *Giuseppe Schiavone* gave a review on the China-EU Policy Dialogues. He balanced that EU's bilateral dialogue with China is heavily influenced by questions related to energy security. Besides the EU-China summits held over the past 10 years, ad hoc meetings and increasingly closer sectoral dialogues are developing in a variety of fields. The ongoing EU-China Partnership on Climate Change has laid the foundations for further progress on building up China's participation in the Kyoto Protocol projects and goals. Time is probably ripe for a more dynamic EU contribution in the field of energy security, developing a partnership with China in several fields of common interests and leaving aside any antagonistic attitude vis-à-vis the emerging Asian superpowers. *Xie Weijun* dealt in his paper with energy cooperation between China and EU, particularly in Africa. He concluded that we can achieve win-win at both sides and triple win with Africa. *Huang Haifeng et al.* elucidated the new national innovation strategy of China and compared it with the European one. The paper emphasized the aspect of environmental and energy technology in the national innovation strategy, which will be of great importance for tackling the environmental pollution and achieving sustainable development. Finally, *Wu Xishun* and *Yusaku Nishimura* applied and extended the Iceberg Model of Von Thunen and Samuelson for the China-EU energy cooperation and advocated an energy market swap between

China and EU on the basis of their theoretical analysis.

Part IV. Economic, Environmental and Energy Policies of China or EU

This part of the book entails papers dealing with individual policy field either in China or in EU. Even if they are not centred on the China-EU relations, the implementation of those policies has great impact on the China-EU cooperations. *Pan Jianhua et al.* measured energy embodied in goods of international trade in China and derived policy implications for the Chinese government. *Andreas Oberheimann* assessed China's options for energy security on the basis of the correlation between economic growth and energy consumption in China. *Wang Bo* made a chronic review of Chinese climate change policy and tried to explain it from both international and domestic perspectives. *Shi Shiwei* dealt with the competition order embodied in EU Treaties, known as economic constitution. He pointed out that it linked to the ordoliberal tradition of German Freiburger School and evolved with the immersion of European integration process. Last but not least, *Chen Bin* and *Lin Ling* introduced and explained the legal framework of controlling pollution transfer in EU environmental law and its impact on "pollution transfer" to China.

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The conference was organized by UIBE and the Sino-Germany School for Governance (SGSG), University Witten/Herdecke, Germany. Professor Carsten Herrmann-Pillath, Director of the SGSG, and I did the most conceptual and organizational work for the conference. Heinrich-Boell-Foundation of Germany has funded the conference.

The original idea for holding an EU conference can be traced back to the summer 2006, when I initiated the idea for setting up a research centre of European public policy at the UIBE and discussed it with Professor Herrmann-Pillath about the cooperation. I suggested that we should hold a conference or a workshop as the first project of the emerging research centre. He agreed with me very much and we set out to conceptualize the conference. He took the responsibility of searching financial source. At first, we envisioned a conference on economic policies of EU, particularly the deregulation of network economy. The preparation lasted long because of a reconstruction within the UIBE in which I have been involved. I stuck however to my

idea. Meanwhile, I read the new policy paper of EU Commission and found it of great importance for the China-EU economic relations. I wrote to Prof. Herrmann-Pillath and we changed our concept. The conference had to be postponed once more, for our co-organizer and sponsor had withdrawn. The conference could not have been held, if I had not found Heinrich-Boell-Foundation as a new sponsor. We announced our conference via internet and received relatively good echoes from both domestic and abroad. Today, if I draw a balance, I would say that the conference was a success, even if Prof. Herrmann-Pillath, one of the initiators of the conference, eventually could not take part in the conference because of his new position as professor in another university. He is nevertheless worthy of mention and deserves my thanks.

I am also very grateful to Mrs. Katrin Altmeyer, Director of Heinrich Boell-Foundation in China. She has not only made the conference actually possible with her approval of financial support, but also done a lot of conceptual work for the conference, and even overworked herself for the programme of the conference. Special thanks also go to Prof. Lin Guijun, Vice-President of UIBE, Prof. Yang Yanhong, Director of School of Foreign Studies and Prof. Zhao Zhongxiu, Director of School of International Trade and Economics of UIBE. As responsible leaders of our university, they gave their full supports for the field studies in general and for this conference in particular. Their contributions are substantial for the success of the conference. I will give many thanks to Mrs. Liu Jinlan from School of Foreign Studies and Mrs. An Dingding from School of International Trade and Economics, UIBE for their organizational work. Praises are also bestowed on the students who offered their help in organizing the conference. Finally, I will acknowledge gratefully the support of all participants of the conference, for the conference could not be a success without their active role.

Beijing, June 29th, 2008

Dr. Shi Shiwei

Prof. of International Business and Economics (UIBE)

致 谢

此论文集是从2008年4月12-13日在北京召开的“竞争与伙伴关系：中国与欧盟经济贸易关系热点问题”国际学术研讨会上提交的论文中精选而成。此次国际研讨会的组织策划者是对外经济贸易大学和德国维藤大学德中管理学院。德国伯尔基金会为研讨会提供了资金赞助。作为会议的发起人和主要责任人，我利用论文集付梓之际，对全体为此次会议作出贡献的同仁表示我真诚的谢意。

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2008年8月

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Part I

Role of China and EU in the World Economy