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## European Parliament resolution of 5<sup>th</sup> February 2009 on trade and economic relations with China

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*On February 5<sup>th</sup>, 2009 the European Parliament adopted a resolution with 491 in favour (to 76 against and 12 abstentions) on trade and economic relations with China. This follows a first draft report from October 17<sup>th</sup>, 2008 presented by the Committee on International Trade (referred to as first draft report below)<sup>2</sup>. After consultations within the parliamentary groups and in the responsible committees<sup>3</sup> the Committee on International Trade presented a final draft report on January 27<sup>th</sup>, 2009 (referred to as draft report below)<sup>4</sup>. This draft report by the Committee on International Trade was not the one presented for vote on February 5<sup>th</sup>, 2009. Instead a motion for resolution by the European People's Party/European Democrats (PPE-DE) was presented for vote with some passages containing noticeable differences to the draft report by the Committee on International Trade. The draft presented by the European People's Party was merely modified to include a passage on Taiwan during the short debate in the plenary session<sup>5</sup>. The motion in question was pro-*

*posed by the Rapporteur, Dutch MEP for the European People's Party Corien Wortmann-Kool – a noteworthy procedure, given the fact that report presented came from her group.*

The European Parliament report repeatedly highlights the need to systematically further develop economic relations with China, trade relations in particular being given a prominent role: it is “the single most important challenge to EU trade relations” (paragraph 1 of the adopted report)<sup>6</sup>. A corresponding passage did not feature in the draft report by the Committee on International Trade – it was included on the initiative of European People's Party (PPE-DE), which is striking since the Rapporteur did not propose such a strong emphasis on trade relations between the EU and China although she is a member of this group.

Basically, the European Parliament report is informed by economic liberalism. For example, it refers to “fair trade” when it means “fair competition without trade-distorting export restrictions” (article 22). A comparison between the first draft presented by the Committee on International Trade and the final draft, which takes into consideration the votes of the consulting committees, and the adopted report shows that this is not merely a document propounding economic liberalism. For instance, the adopted report noticeably scaled down the “paternalistic tone” of the first draft completely – as if the EU could teach the

<sup>1</sup> The following text is the translation of the introduction to a synopsis of the European Parliament's resolution, the Committee on International Trade report and the committee's draft report: Heidel, Klaus: Entschließung des Europäischen Parlaments vom 5. Februar 2009 zu den Handels- und Wirtschaftsbeziehungen mit China. Eine kommentierte Dokumentation, Heidelberg, 3. März 2009 ([link to the article](#)).

<sup>2</sup> European Parliament (2008): Draft Report on Trade and Economic Relations with China (2008/2171(INI)), Committee on International Trade, Rapporteur: Corien Wortmann-Kool, October 17<sup>th</sup>, 2008 ([2008/2171 \(INI\)](#)); cf Wichterich, Christa (2009): Trade Committee of the European Parliament advocates Business Interests in relation with China (Background information of the EU-China Civil Society Forum, No. 2/2009, 06.01.2009) ([link to the article](#)).

<sup>3</sup> The Committee on International Trade was in charge with the following committees consulting: Committee on Foreign Affairs; Committee on Development; Committee on Economic and Monetary Affairs; Committee on Industry, Research and Energy; Committee on Internal Market and Consumer Protection.

<sup>4</sup> European Parliament (2009): Report on Trade and Economic Relations with China (2008/2171(INI)), Committee on International Trade, Rapporteur: Corien Wortmann-Kool, January 27<sup>th</sup>, 2009 ([A6-0021/2009](#))

<sup>5</sup> European Parliament resolution of 5 February 2009 on Trade and economic relations with China ([2008/2171\(INI\)](#)) ([T6-](#)

[0053/2009](#)).

Changes to the draft of a draft resolution (first draft) are requested in the course of parliamentary proceedings by the consulting committees but not usually during plenary debates.

<sup>6</sup> This emphasis on the importance of trade relations with China corresponded to the already privileged relations of the European Union with China as Parliament “calls on the Commission to put more ambition into the HLM by appointing one of its Vice -Presidents of the newly established Commission in 2009 as the coordinating Commissioner, leading the HLM- delegation” (article 65).

People's Republic of China about the "right" way – and made an effort to shape relations between the EU and China on the basis of equality. For example, critical remarks on the EU Commission's policies and the behaviour of enterprises from the EU were included to complement critical remarks on China. A comparison of the two documents – the aim of the synoptic presentation that follows – ultimately indicates parliamentary disputes and suggests that the European Parliament definitely sees itself as an organ independent from the European Commission.

## I. "Fair competition and trade": economic liberalism

The European Parliament report repeatedly advocates "fair competition and trade" in the sense of systematic liberalisation of trade between the European Union and China. It clearly rejects all protectionist practices (article 11 and more), calls for free market access for EU companies in China (article 14ff), complains about trade barriers (articles 20 and 21)<sup>7</sup> and calls upon China to "provide immediate access to EU companies established and operating in China" (article 24).

Here, the report consistently takes a clear stand on those issues that are the subject of controversial public debate in EU member states. It resolutely stresses the openness of the European Union for imports and investment from China, speaking out against all barriers to textiles imports originating in China (article 44). Consequently the Rapporteur criticises the European Commission because of the large number of anti-dumping processes against Chinese producers. The first draft contained a corresponding passage which asked the Commission "to start seeking to resolve trade disputes through dialogue" (instead of relying on anti-dumping disputes) (article 22 of the first draft). This clear criticism directed at the Commission was attenuated during the committee consultations – an objective reference to "the rising numbers of anti-dumping cases filled against Chinese producers" remained (article 35 of the adopted text). The attenuated version states "that a permanent dialogue between trade authorities can be helpful to prevent and resolve trade disputes", at the same time it states that "„that an effective and efficient use of trade defence instruments contributes to ensuring fair conditions

of trade between China and the European Union" – more careful wording was preferred in the first draft.

These circumstances could lead one to assume that the Committee on International Trade originally wanted to urge more strongly for trade liberalisation than in the adopted report. Yet the fact that the Committee's first draft only referred to non-tariff trade barriers for EU companies in China whereas the final version of the draft together with the adopted text is more critical than the European Commission noting that non-tariff-barriers for Chinese companies in the EU exist (article 20 of the adopted text) indicates otherwise.

It is also striking how unequivocal the European Parliament is in welcoming investments of China's sovereign wealth fund and state owned enterprises in the European Union (article 13) – albeit with the addition that it refers to investments that contribute "to the creation of jobs and growth and to the mutual benefit and balance of investment flows". Clearly the European Parliament does not regard further development of economic cooperation with China to be a threat for the EU – on the contrary: China is asked to "to hold more of their foreign exchange reserves in Euros" (article 25).

Above all, British members of the European People's Party emphatically advocated for a liberal shaping of the foreign economic relations and asked China to invest in the European Union. It is necessary to treat China as an equal partner. The British MEP Nirj Deva (European People's Party, PPE-DE) even asserted that „For many years we have treated China as though it were some sort of small child that needed to be chided and argued about, as though we were some superior institution. We must not forget that China's history exceeds ours by thousands of years.“

Such an appraisal was not without controversy. The independent MEP Dr. Bruno Gollnisch from France went furthest in his written statement: "every year this Parliament adopts a text on economic and trade relations with China", and every year Parliament laments "China's human rights violations, disloyal economic practices, dumping, disregard for international institutions" adjuring the myth of "change through trade". Yet the current situation in China strongly disproves this myth. Thus Gollnisch then opposed the claim that China is the world's workbench. On the contrary, production for Europeans should take place in Europe and be carried out by Europeans.

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<sup>7</sup> The Rapporteur substantiated this concern with her criticism that the "Chinese Compulsory Certification (CCC) and other specifications are often used as technical barriers to trade" (Report subsection "Barriers and Standards").

Such a protectionist view is only supported by a small minority in the European Parliament, which does indeed resolutely lobby for companies from the EU. For example: China is called upon to implement measures to protect intellectual property (articles 37 to 41) and both the European Commission and EU member states are called upon to support small and medium-sized enterprises (SME) (Articles 26 and 27 and others).

## **II. Sustainability, human rights and parliamentary participation: not just economic liberalism**

The European Parliament resolution includes a whole host of articles which go further than a mere laissez-faire position and propose interesting links for activities by civil society actors.

The heading “social and environmental impact” contains a collection of 16 articles (45-60) on aspects of sustainable development – the first draft only included six. Six articles are concerned with ecological issues, three deal with measures to guarantee product safety, four look at working conditions and one deals with social polarisation with China, the remaining two articles are concerned with the death penalty and the violation of International Financial Reporting Standards (the last one without illustrating the link to “social and ecological impacts”).

A comparison between the adopted text, the first draft and final draft presented by the Committee on International Trade again indicate parliamentary conflicts: the adopted text repeatedly addresses the need for sustainable development (articles 2, 3, 28, 30, 45, 66), yet there appeared to have been dispute about the relevance of sustainable development: in its first draft from 17<sup>th</sup> October 2008 the trade committee only identified “reciprocity” and “fair competition” as principles for trade between Europe and China (article 1 of the first draft); after committee consultations further principles were identified: “sustainable development”, “respect for environmental limits” and “contribution to global goals in the prevention of climate change”. The proposal submitted by the European People’s Party weakened the obligations to adhere to environmental policy goals: in the adopted text such goals are no longer described as “principles”, trade should merely “take into account” these goals.

At the same time and contrary to the trade committee’s first draft, the final draft (and the adopted text) emphasises “Europe’s shared responsibility” for the high ecological impacts of China’s devel-

opment path: the European Parliament is “aware of the shared European responsibility for the situation, given that a high share of Chinese industrial production is owned by European firms or ordered by European firms and retailers for consumption in Europe” (article 45). In addition, parliament states „that China cannot be expected to ask its population to carry the burden of limiting greenhouse gas emissions without action by the West” (article 49).

With reference to working conditions the European Parliament also assumes shared responsibility on the part of Europe as it “calls on European businesses operating in China to apply the highest international standards and best practices in corporate social responsibility with regard to workers and the environment” (article 53)“.

It is also noteworthy that the final version of the Committee on International Trade and the adopted text place more emphasis on human rights than the committee’s first draft. The European Commission is called on “to insist on the strengthening of the Human Rights Clause in negotiations with China about a renewed Partnership and Cooperation Agreement (PCA)” (article 6). The Committee on Development and above all the Committee for Foreign Affairs both urged for more emphasis to be placed on human rights – it suggested a comprehensive article on human rights but did not find a majority for it. The Committee on Development suggested phrasing that is supposed to build a bridge to China. In its statement the passage reads “Parliament calls the Chinese authorities to live up to the promises they made before the Olympic Games in 2008 on human and minority rights, democracy and the rule of law”. At the same time, the Committee on Development wanted the EU to “ensure that closer trade links with China are conditional on reforms in the field of human rights”. This suggestion went too far for the parliamentary majority.

It is striking that the term civil society is missing from the trade committee’s first draft but was included at the suggestion of the Committee for Foreign Affairs and linked to the concept of “change through trade”. Article 61 now states that the European Parliament “believes that democracy requires an effective civil society, which is in turn strengthened by trade and economic relations with the European Union; therefore believes that ‘change through trade’ is a way to aid China’s transformation towards being an open and democratic society benefiting all sections of society“. Even so, Parliament acknowledged „that the intensification of economic and trade relations be-

tween the European Union and China has not gone hand in hand with substantial progress with regard to the human rights dialogue“.

Ultimately, both the trade committee’s final draft and the adopted text indicate disputes with the European Commission regarding the participation of parliament. Since parliament „urges the Commission to increase transparency in the negotiation of the PCA between the European Union and China“ (article 75)“ – a corresponding request

was brought in by the committee for foreign affairs. With this in mind, article 70 can also be read as a criticism, since parliament „urges the Commission and the Chinese Government to explore together means of developing a parliamentary dimension to the work of the HLM (High Level Economic and Trade Dialogue Mechanism), mandated to reach out to the broader stakeholder community and to give a voice to their concerns“.

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## Bisher erschienene Hintergrundinformationen

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- Nr. 3/2009, 7.3.2009, Peng Xiaowei, Wang Ximing: Die Rolle von NGOs bei der Regulierung und Steuerung öffentlicher Krisen
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- Nr. 1/2008, 20. August 2008, Tom Jenkins: European Trade Unions and EU-China policy

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