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Trade Committee of the European Parliament advocates Business Interests in relation with China

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The draft report for a „Motion for a European Parliament Resolution“ on Trade and Economic Relations with China² was published in October a few days before the EU Parliament announced that the 2008 “Sakharov prize for freedom of opinion” would be awarded to human rights activist Hu Jia. The Chinese government strongly protested against this decision. One month later, the Chinese government cancelled the EU-China-Summit which was scheduled for 1st of December in Lyon because the French and at that time EU-president Sarkozy planned to meet with the Dalai Lama.

The draft report on trade between EU and China - prepared by the Committee on International Trade of the European Parliament (EP) - has to be seen in the context of bilateral relations which constantly float between diplomacy aiming at cooperation and a confrontational strategy. The above given context exemplifies that trade and economic issues are embedded in political relations between China and the EU and intertwined with other sensitive issues.

This draft report for a resolution will be discussed on January, 8th, at another meeting of the INTA-Committee³ followed by a debate in the European Parliament and - in whatever form - an adoption by the EP in February 2009. All this takes place while a *Partnership and Cooperation Agreement* (PCA) between the EU and China is under negotiation. The centre piece of this all-encompassing framework agreement will be an update of the *Trade and Economic Co-operation Agreement* (TECA) from 1985. The EU Commission negotiates trade issues and agreements while the European Parliament is not directly involved in trade policy

making. The Commission does not pass substantial information about the state of the art of the PCA or drafted text on to the European Parliament. Without criticizing this lack of transparency, the report aims at influencing Chinese trade-related policy making and the negotiations of the PCA by highlighting certain concerns from a EP perspective.

From a civil society perspective, the main question is whether the European Parliament as a democratically elected body attempts to make a difference vis-à-vis the positions on trade and investment in China phrased by the EU Commission. Whose interests in trade relations with China are represented in the paper? Are views from civil society taken up? Does the EP seek to control the policy makers from the EU Commission?

Advocating Business Interests

To cut the story short: by and large the draft report only repeats positions and the framework phrased by the EU Commission in earlier policy papers⁴. Thus, it misses the opportunity to phrase an independent position of the European Parliament vis-à-vis the EU Commission. Like the EU Commission it predominantly represents the corporate interests of EU business, and promotes trade liberalization in order to ensure a favourable business environment to EU companies. It lays emphasis on small and medium size enterprises (SMEs) who want to access the Chinese market,

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² see http://www.europarl.europa.eu/meetdocs/2004_2009/documents/pr/744/744822/744822en.pdf

³ Amendments by other Committees and by members of the EP can be found at: http://www.europarl.europa.eu/meetdocs/2004_2009/organes/inta/inta_20090108_0900.htm

⁴ European Commission (2006) Commission Working Document Accompanying COM (2006) 631 final: *Closer Partners, Growing Responsibilities. A policy paper on EU-China trade and investment: Competition*, Brussels, 24 October 2006, COM(2006) 631 final; European Commission (2006) *Communication from the Commission to the Council and the European Parliament. EU-China: Closer partners, growing responsibilities*, Brussels, 24 October 2006, COM(2006) 632 final; European Commission (2007) *Study on the Future Opportunities and Challenges in EU-China Trade and Investment Relations 2006-2010*, Brussels; http://ec.europa.eu/trade/issues/bilateral/countries/china/legis/index_en.htm

and mentions consumer protection against unsafe products imported from China. Other civil society concerns such as workers concerns about outsourcing of labour from Europe to China or European trade unionist concerns about deregulation and break up of collective bargaining for the sake of competitiveness with China are not reflected in the report. Instead, it is fully based on a neoliberal consensus to push forward the trade agenda.

Three concerns are highlighted in the report: 1) free and equal access to the Chinese market for EU companies with special focus on small and medium size enterprises (SMEs) and a targeted demand to open public procurement for foreign companies, 2) free and fair trade with a focus on intellectual property legislation, counterfeiting, product piracy and dumping, 3) social and environmental impact with special attention paid to pollution, greenhouse gas emissions, growth in child labour, and unsafety of Chinese products.

The only point which specifically reflects a parliamentary approach to policy making aims at reducing the lack of democratic involvement of parliamentary institutions into trade policy. The report urges the EU Commission and the Chinese Government to include parliamentary representatives into the negotiations of the EU-China *High Level Economic and Trade Dialogue Mechanism* (HLM) which was launched in April 2008 and is supposed to resolve "trade irritants" and conflicts of interests.

The draft reflects an ambiguous perception of the Chinese economy: on the one hand, there is a growing respect for China as a global player. The proposal to set up a China-EU Business Council "similar to the US-EU Business Council" ranks China a trade partner as important as the US; additionally the report urges China as an economic superpower to play a more active role in the WTO to foster global trade. On the other hand, the report re-iterates the EU's refusal to give China recognition as market economy, and blames the "state-led industrial policies" for bureaucratic and technical barriers put up in front of EU companies when entering the Chinese market.

One-sided Responsibilities

In a normative manner, the report calls upon China's responsibility as a global player to adhere to WTO rules, to adopt common values and the principle of reciprocity as well as to take up its share in fighting climate change. It claims that the forthcoming EU-China *Partnership and Cooperation Agreement* should "aim to establish free

and fair trade and should also include enforceable clauses on human rights, environmental, sustainable development and social issues." Given the above mentioned political context, the claim for "enforceable clauses" on human rights means another provocation to the Chinese leadership.

While the language of the draft resolution is rather moderate and dialogue-oriented, the whole building of an argument is still asymmetrical, and the tone is often patronizing as failures in terms of fairness, sustainability and balancing as well as responsibilities and obligations are addressed on the Chinese side only. This is under the assumption that the EU is the one who sets norms and standards, who defines values and fairness, and who "grants" market economy status.

The annexed "explanatory statement" uses stronger and more straight forward language. The annex statement starts explaining the motivation for this resolution in a purely economic and pragmatic way: China's non-tariff barriers are supposed to cause annually 21 billion Euro in terms of lost business for the EU, which has to be corrected. China is blamed to contradict and violate WTO rules and the principle of reciprocity for the sake of national economic interests. The statement ends in a threat that the EU could restrict imports from China because of lack of market access for EU companies and lack of enforcement of intellectual property rights and patents.

Surprisingly, the report does not refer to the *Trade Sustainability Impact Assessment* and the civil society dialogues which are supposed to feed the voice of different stakeholder groups into the negotiations of the PCA. The report makes China accountable for its environmentally unsustainable and socially unequal development path, and ignores the causal connection between EU's trade, investment and competitiveness policies and the pollution, overexploitation of natural resources and the disregard for labour rights and social standards in China. It blames China for a growing social polarization in the country, however, it does not consider that trade liberalization and unfettered competition work systemically in favour of strong actors in the market and big companies while weak actors are disadvantaged and marginalized by trade rules and standards – a process often highlighted by NGOs. The report calls upon China's responsibility for a more sustainable, environmentally and socially balanced growth strategy but does not refer to the systemic process-immanent co-responsibility of European companies. Since safeguarding the competitiveness of

European companies is the overall goal, the report gives preference to free trade over fair trade.

Amazingly, there is no mention of the global multidimensional crisis – the financial crisis, the food crisis, the energy and climate crisis - which determine trade and investment relations since months. This crisis gives evidence to the fact that the neoliberal trade regime is a highly volatile and unsustainable system. While the report complains about state intervention in industrial policy, market regulation, investment control and protectionist measures in China for the sake of “national economic security”, since October the EU itself

called for reregulation of markets and targeted state intervention. Hopefully the draft report will be rewritten in the wake of this global crisis, and will then reflect the recession caused in the real economy of the EU and China and the critique of the dysfunctional neoliberal system articulated globally. Since October real economies and real politics already overtook the positions phrased in the draft report.

Bisher erschienene Hintergrundinformationen

Nr. 1/2009, 2. Januar 2009, Nick Young: Mit dem Feind reden

Nr. 4/2008, 25. November 2008, Pierre Rousset: France-China relations or the pre-Olympic psychodrama in perspective

Nr. 3/2008, 31. Oktober 2008, Pierre Rousset: Die französisch-chinesischen Beziehungen oder das vorolympische Drama im Kontext

Nr. 2/2008, 1. Oktober 2008, Kristin Kupfer/Shi Ming: Was die Olympischen Spiele in China und im Westen in Bewegung bringen können

Nr. 1/2008, 20. August 2008, Tom Jenkins: European Trade Unions and EU-China policy

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