

Maciej Walkowski

Adam Mickiewicz University in Poznań (Poland)

The EU-China Economic Relations: a Harmful Competition or a Strategic Cooperation?¹

Abstract: The People's Republic of China currently possesses the second biggest national economy in the world, smaller only to that of the United States. It is also a matter of time for China to become the greatest economic power, at least regarding share in aggregated global GDP and the sphere of international trade. Growing engagement of China in global economic development and its dependence on other participants of trade exchanges have made this country a more 'responsible shareholder' of the international economic system. China has a great development interest in upholding a stable world economic situation, and especially in proper economic relations with the United States and the European Union, on whose markets its healthy development largely depends. Whether China will soon become a "mature, responsible and attractive super-power" depends to a significant degree not only on its efforts but also on proper relations with major trade and investment partners around the world. It seems that mutually beneficial economic relations between the PRC and the European Union (founded on mutually beneficial and strategic cooperation and not on serious and opaque competition) constitute one of the key factors determining this scenario's validity. Unfortunately, for the time being, many problems arise in this relationship. They come from both sides requiring a proper diagnosis, as well as a scientific analysis including both assessment and prognosis. The presented scientific article tries to meet these expectations.

Keywords: *economy; globalisation; EU; China; trade; investments; cooperation; competition*

¹ The paper is a result of the project *The European Union in the Face of the Intensive Development of the People's Republic of China*, supported by the National Centre of Science in Kraków (Poland) on the basis of the agreement no. UMO-2013/11/B/HS5/03572.

Introduction

China currently possesses the second biggest national economy in the world, smaller only to that of United States. It is also a matter of time for China to become the greatest economic power, at least regarding share in aggregated global GDP and the sphere of international trade. Growing engagement of China in global economic development and its dependence on other participants of trade exchanges have made this country a more “responsible shareholder” of the international economic system. China has a great development interest in upholding a stable world economic situation, and especially in proper economic relations with the United States and the European Union, on whose markets its healthy development largely depends. Whether China will soon become a mature, responsible and attractive superpower depends to a large degree not only on its efforts but also on proper relations with major trade and investment partners around the world. It seems that mutually beneficial economic relations between People’s Republic of China and the European Union (founded on mutually beneficial and strategic cooperation and not on serious competition) constitute one of the key factors determining this scenario’s validity. Unfortunately, for the time being, many problems arise in this relationship. They come from both sides requiring a proper diagnosis, as well as a scientific analysis including both assessment and prognosis.

The Economic Significance of the EU for China

Europe plays a key role in China’s economy, particularly in commodities exports, FDI investment placement, technologies and know-how, and in using the country’s currency reserves. Overall, business cooperation with the EU is deemed in China as complementary to each other. The Chinese put it simply and say: “*Europe has technologies, while China has a receptive domestic market.*” To the Chinese elites, cooperation with Europe is of fundamental significance, both regarding securing the country’s further global economic expansion and proving the superiority of the Chinese development model. The People’s Republic of China and the European Union have been major trading partners for years, and their economies are strongly interlinked. The 2013 data reveal that the EU is China’s top trading partner (€429 bn / 13.4% of total share), followed by the USA (€396 bn / 12.4%). The USA are the EU’s top trading partner (€484 bn / 14,2%), followed by China (€428 bn / 12,5%). Year by year, the overall value of EU-China trade and investments increases, and so does the EU’s trade deficit in trade with China. In 2015, the figure was more than €180 bn, and almost as much one year later. Main deficit areas were machinery products, textiles and clothing, and

other manufacture products such as personal and household goods (Overview of Past and Recent Trade..., 2015).

China declares the European Union (alongside the United States and Russia) as one of the three “top global superpowers”. China’s relations with the EU are presented by the Chinese as one of the most important bilateral relations in the contemporary world and defined as “*a complex strategic partnership for mutual benefits and cooperation.*” The Chinese rhetoric also boosts the EU’s confidence as an important global partner participating in the construction of the multipolar international order. However, both documents and official declarations made by the Chinese leaders in diplomatic forums do not reflect the way Europe is perceived by the Chinese elites, and the Sino-European relations, not only in trade, can hardly be deemed as balanced. Facts prove the analysts of the Warsaw-based Centre for Eastern Studies right when they say that China sees Europe as a “crucial but faltering global superpower”. China has a sense of superiority over the poorly coordinated and the inconsistent in its decision-making the European Union, and over individual EU member states, which are cleverly “*played out with separately*” using bilateral agreements. The Chinese realise that there is no common or consistent EU policy on China in place. A relatively consistent position taken by the European Commission should not be mistaken for agreement on the level of European Union Council or (even more so) in the European Council which is lacking.

They are also aware of the fact that Europe is far less critical than the USA about China’s actions. It applies particularly to new member states in Central and Eastern Europe which are to serve as “a gate to Europe for China”² (Kaczmarek, 2016, pp. 5–28).

Interestingly, the Chinese political debate, based on numerous domestic scientific analysis, especially after global financial crisis 2008+, has consistently presented the European Union project more as a failure than success. The faltering development dynamics and the decision-making inconsistency of the EU has been perceived as a proof of a breakdown of the integration processes and “*the European model of capitalism*” (certainly, it is a mental shortcut as there is no such thing as one European model of capitalism – there is a number of different models of free market economy, all of which differ profoundly from the Chinese authoritarian state capitalism model). According to the Chinese elites, the attractiveness of the European economic model, the

² Model EU-China relations, from the Chinese viewpoint, are best illustrated by the initiative to establish the Asian Infrastructure Investment Bank (AIIB), put forward by China in 2015. A number of EU member states, including Poland, joined in as founding members. Thus, the Chinese vision of global management gained legitimacy, boosting China’s position worldwide. The member states’ involvement was not coordinated by the EU and was openly criticised by the United States.

EU's global economic position and its influence worldwide after 2008 have decreased. Following the crisis in the Euro area, the EU has been perceived by the Chinese political elites more as a "warning" than a role model. On the other hand, though, China is not interested in European disintegration. Cooperation with a powerful (but not too compelling) Europe is indispensable if China wants to better its position in the global labour share and legitimise its actions in the global management system. It also contributes to improving China's image worldwide. Europe's support may also contribute to the success of the ongoing process of internationalising the yuan (Kaczmarek, 2016).

Controversies Surrounding Sino-European Economic Cooperation

China has been presenting itself as the "proponent of globalisation" which was emphasised by Xi Jinping at the WEF in Davos in 2017. The 47th World Economic Forum in Davos was opened with a speech delivered by the Chinese president. With Donald Trump absent at the ceremony, Chairman Xi gave a wise note that "*no one will emerge as a winner in a trade war*" if the world rejects globalisation and impedes international trade instead. Xi's words alluded to the protectionist trends in the policies of many countries today, and especially to the election pledges made by US president-elect who threatened to accuse China of manipulating its currency and start due investigation and procedures. In his presidential campaign, D. Trump also pledged to impose high tariffs on imported goods, including those from China and Mexico. Trump promised to his voters that no more jobs would be transferred to low-cost countries with cheap labour. In his response to that, Xi stressed that "*globalisation is not to blame for the global financial crisis.*" He also added that "*we should not write economic globalisation off completely; rather, we should adapt to and guide economic globalisation, cushion its negative impact*". The Chinese leader also stated that "*emerging markets and developing countries deserve greater representation and voice in decision-making*". The New York Times compared the Davos summit and the Chinese standpoint to "*tectonic shift*". For almost half a century WEFs was a place to meet for Americans and Europeans who dominated the formula and agenda. The motto of the 2017 Forum was "Responsive and Responsible Leadership" which is perfectly in line with the new official Chinese development strategy (Xi Jinping in Davos..., 2017, Liu Mingfu 2016).

Thus, a country known for decades for its interventionism and protectionism policies (which it has not given up completely until this day) finds it fundamental – especially in using non-tariff tools in trade policies – not to allow a rise in protectionism levels in ... the European Union. The Chinese authorities present themselves as a globalisation proponent, but fail to state clearly that it is to be based "upon Chinese

principles”, i.e. being open to the fair competition of all markets... except the Chinese one. China will strive to limit Europe’s objection regarding the role of the big country in stimulating its economic growth using, among other things, giving support to exporters in the form of subsidised loans. The EU has a good many other reasons to criticise the Chinese attitude. Discriminatory practices and legal provision, forcing joint ventures and technology transfers, difficult access to the public procurement market, limited access to the market for services, breaking intellectual property rights, pay and social dumping, and the rigid non-market yuan exchange rate are all examples of the Chinese authorities actions which can be, or should be criticised by the EU. An excellent example of this is Chinese joint ventures. They were the first legal form available to foreign investors in Special Economic Zones that enabled foreigners to enter the Chinese market. Joint ventures are still favoured by the Chinese authorities who require that business is conducted in this very form in certain industries including construction, gastronomy, automotive or cosmetics. It also concerns European companies and signifies unequal reciprocity. Such a solution gives the Chinese many benefits, i.e. it provides the local partner with access to technologies, learning from the experience of the foreign partner, gaining corporate management skills and raising the qualifications of own staff. As R. Pyffel points out, an important feature of this type of companies in China is the fact that the foreign investor ought to have at least a 25% stake (there are limitations in certain industries which forbid the foreign partner to have more than a 50% stake). Moreover, in some industries, e.g. automotive, the foreign investor is not allowed by law to have a majority share. Furthermore, if a non-Chinese corporation aims to win a bid, e.g. in the construction industry, it must prove it has a long-time experience in the field (Pyffel, 2012, more in Do Céu Esteves, Haiyan Zhang, Van den Bulcke 2014)³.

A separate category is the mergers and acquisitions (M&A) made in Europe by the Chinese. Chinese businesses, both private and state-owned, have been buying up foreign assets. In 2015 Chinese companies took over 598 foreign businesses of the total worth of \$ 112.3 bn. The value of their cross-border transactions in 2016 rose by 8% to \$ 303 bn. Fluctuations at European stock exchanges, the lack of security in the market of high-risk bonds, which are used to finance many transactions and takeovers, and fewer public offers all make potential acquirers wary when making new transactions in the EU. Chinese companies find those challenges easier to overcome as their acquisitions are financed from their resources and preferential loans offered to them by Chinese state banks. In the years 2015–2017, the Bank of China allocated \$100 billion towards financing foreign takeovers. Furthermore, Chinese businesses

³ See also: Przewodnik rynkowy..., 2010; Gradziuk & Szczudlik-Tatar, 2012.

take advantage of low-cost debt, and they issue bonds. They can also count on support from the Silk Road Fund established in 2014. The Chinese buy established brands to boost sales in their domestic market and gain access to the technologies they lack in. The biggest transaction so far was that of taking over Syngenta - a global Swiss agribusiness that produces agrochemicals and seeds – by ChemChina for \$43 billion. In 2015 the corporation took over the Italian tyre manufacturer Pirelli for \$ 7.7 bn. The transaction was backed by the Silk Road Fund which bought 25% of shares of the special purpose vehicle. The Chinese invest more and more in sports. Dalian Wanda Group bought Atletico Madrid shares for which it paid \$50 m, China Media Capital Holdings invested \$ 400, e.g. Manchester City shares, and Rossoneri Sports Investment Lux took over AC Milan for \$ 740 m. Thus, the Europeans had lived to see the day when the derby of Milan in April 2017 became a competition of two Chinese investors (with Inter Milan being acquired by another Chinese group). Direct Chinese investments are faced with increasing resistance though. The Chinese are being accused of using price dumping which is to cause foreign competition to go bust, take over the market and then dictate higher prices (monopoly rent). Europe is becoming increasingly wary of the growing negative trade balance in its trade with PRC, which at the end of 2015 reached € 180 bn. Even Germany, Europe's biggest and most advanced and high-tech economy, is starting to report a deficit in its trade with China, estimated at more than € 20 bn in 2015 (Backaler 2014)⁴.

The character of Chinese investments is best illustrated by the country's actions in Central and Eastern Europe and the Balkans, a region that serves as a "test ground" in which China is testing the adaptation of certain elements of its development model. The 2010 report of the OADW, an organisation that represents Germany's top 140 enterprises, states bluntly that many bids in Central and Eastern Europe are won by Chinese companies through using dumping prices and taking advantage of enormous guarantees and subsidies offered by the state. A flagship example of unfair Chinese practices, according to the OADW report, is a contract to build two sections of the Polish A2 motorway, won by the state-owned COVEC (China Overseas Engineering Group) which offered – in the organisation's opinion – a price far lower than the market price, completely unrealistic – as it soon turned out in a scandal. German entrepreneurs were particularly indignant at the fact that the project received financing from the European Investment Bank. The OADW also gives some other examples, such as a loan of €1 bn offered to Moldova by Chinese state-run banks on condition that it

⁴ The issue of Chinese M&A in Europe and their economic and social consequences are aptly depicted in the famed 2012 documentary by L. Hermann and P. Moritry "When China invests in Europe" ("Quand la Chine délocalisé en Europe").

would be Chinese companies to win bids to modernise the Moldavian infrastructure. German entrepreneurs also resented China-subsidised construction of a bridge over the river Danube in Belgrade, Serbia, estimated at \$231 m, or a thirty-year-long lease of a part of the Pireus seaport in Greece, on which Chinese banks reportedly spent \$5.3 bn (Baj, Miączyński & Kostrzewski, 2010; Kublik, 2010; Kozieł, 2010).⁵

In the face of such problems, in October 2010 Karel De Gucht, the then EU Commissioner for Trade, suggested that the EU would set on working on ways to force reciprocity in allowing Western investments in China (discriminated in public tenders and other ways) or combating the theft of intellectual property – counterfeited Western products (while Chinese patents are well-guarded in the EU). “For a few years, the EU’s policy was to attract Beijing without making any conditions, and this policy turned out to be a complete fiasco. We opened our arms hoping that they would start assuming our political and economic model. The Chinese investors are having a great time in Europe, while the European investors are often driven away from China. Moreover, we had better not even mention any concessions in the area of human rights” – stated François Godement, an expert at the European Council on Foreign Relations. In its extreme form, the struggle for “reciprocity in investors relations” could turn into EU-imposed sanctions, i.e. a threat to close the Single Market to Chinese manufacturers in those industries which remain closed to European entrepreneurs in China. Another grave problem is maintaining a lowered exchange rate of the yuan to the main currencies – an estimated 30% lower. Artificially it enhances the competitiveness of the Chinese exports in global markets, causing trade deficits of tens of billions of dollars in the USA and EU’s trade relations with China (Bielecki, 2010; Chińska waluta..., 2010)⁶. “The Europeans must look for ways to prevent the Chinese expansion from relegating them to the margins of the global economy” – warned experts at The Conference Board Inc. in June 2010. “The present advantage of the European Union, achieved through technology development in the mid-market segment, is not enough. The European services sector must also be more competitive, but primarily, more resources must be allocated towards the development of the most advanced technologies, innovations and education” – says a report of this recognised worldwide research-analytical business organisation. “It is also crucial to keep control of labour costs, but without affecting the search for young talents. Investments in research and development should be made promptly” – alerted Bernard Arogyaswamy of Le Moine University, USA.

⁵ See also: Baj, Miączyński, & Kostrzewski, 2010 ; Kublik, 2010, and Kozieł, 2010.

⁶ See also: Bielecki, 2010.

The Chinese government decided that in 2010 investment in R&D would be two percent of the country's GDP, and as much as 2.5 percent in 2015, which matches similar expenditures made by highly developed economies. In Prof. Arogyaswamy's opinion, in 2010 the Chinese still find it difficult to apply the results of their scientific research directly in the economy, but it only remains a matter of time – a dozen or so years rather than decades – before they can do that. “The Chinese do not give in easily” – warned Krzysztof Obłój, director of the International Centre for Management of Warsaw University. “Western managers ought to see how the Chinese work and how Chinese companies compete against one another. There are 11,000 shoe factories in Guangzhou which account for 60% of the global production. Over there everyone competes against someone else in a small territory. Moreover, even if 3,000 of them go bust, there remain another 8.000” – stressed the Polish scientist (Walewska, 2010)⁷. When asked if it is right for the Europeans to have the Chinese invest in the old continent, especially in Central and Eastern Europe, with the countries' authorities' eager consent, a prominent expert in this field Jonathan Holslag, head of research at the Brussels Institute of Contemporary China Studies said: “Europe for a long time invested in China, putting there much money. I find it OK to see China invest in Europe now. However, one thing is an investment, another is Chinese loans. [...] When Chinese money is flowing into Europe, we ought to ask ourselves some questions. Will not Chinese construction companies relegate the EU ones to the margins? Will Chinese investments create new jobs? Alternatively, will they rather serve as a means to sneak their “made in China” dirt cheap goods into the EU market? Do not China's increasingly stronger bonds with certain EU member states weaken the bargaining position of the whole EU, for example regarding the opening up of the Chinese market? [...] The Chinese are skilful players who can play out conflicts within the EU to free themselves of the rigours of the EU trade policies” (Czy Chiny są dla nas dobre?, 2010)⁸. Naturally, Holstag's assertion about “outstanding Chinese skilfulness” vis-a-vis the EU can raise doubts and not really fits with the difficulties Chinese government has had achieving many of its economic objectives in Europe, such as market economy status (MES), the EC investigation into Belgrade-Budapest rail link, recent EU moves to increase screening for foreign (Chinese) investments, and others It raises the question whether the Chinese have been that ‘skilful’?

As early as in 2006, in a mild diplomatic tone, the European Commission implied that China, which benefits greatly from participating in the global trade system, ought to have more, proportional to those benefits, responsibility for global trade. The Com-

⁷ See also: Walewska, 2010.

⁸ See also: Kruczkowska, 2010.

mission stressed that “China must open up its markets and provide due conditions to fair market competition” (Commission of the European Communities, 2006).

Hypothetically, we could assume that China, having an enormous domestic market, being the world’s top exporter, would become a devoted proponent for deepened liberalisation of world trade. However, at least until 2017, this was not a case. China’s trade policy was as if “cut out from the 16th century model of the mercantile doctrine”, even following China’s accession to the WTO. Indeed, accepting China as a member of the WTO in 2001 meant a significant change to the multilateral trade system. China used its membership in the WTO to build its superpower position in the global economy system. Unfortunately, it is at the cost of other members of the WTO, including some EU member states, which still must face a great number of unfair protectionist practices on the part of China (Zamęcki, Borkowski & Wróbel, 2013; Wróbel, 2013).

The EU’s Position on Growing Problems in Trade and Investment Cooperation with China

According to the European Commission, the economically strong China is in the interests of Europe, provided that the relationship be driven by fair competition and open markets. China fails to fulfil those conditions though. Therefore the EU will put pressure on China so that the country fully meets its obligations it assumed as a WTO member (Zamęcki, Borkowski & Wróbel, 2013; Wróbel, 2013). In the following years, the EU was becoming increasingly irritated by the lack of same trade relations with China. In 2007, in a confidential letter to José Manuel Barroso, the President of the European Commission, which leaked to the media, Peter Mandelson, the then Commissioner for Trade, said that “to some extent the Chinese juggernaut is out of control, and the European Union ought to take decisive actions as it is sitting on a political time bomb.” State interventionism and trade barriers imposed by the Chinese were becoming increasingly oppressive and harmful. In the environment of the economic crisis following 2008, the issue of trade deficit became even more important politically, and the EU put more pressure on China so that it would reduce the inequalities in trade. Angelos Pangratis, Ambassador of the EU to the WTO, enumerated all the inequalities in his speech in June 2007 – exports restrictions, oppressive procedures, closed public procurement market, investment restrictions in many industries – and argued that China was not meeting its WTO accession obligations or was intentionally trying to move in time the moment of meeting them. Strict control of the access to its market gives the Chinese side a very convenient political tool – a possibility to force concessions in exchange for making it easier to enter the Chinese market or

winning huge government-controlled contracts. The Chinese exert enormous pressure in this field (Kamiński, 2014).

Considering the divergence of interests and the reluctance of the Chinese to make any concessions, it seems that what will prevail in the long term is competition rather than close strategic cooperation between the EU and China. The lack of a single and consistent policy of EU member states on China may result in the Middle Kingdom's gaining advantage over Europe in every facet of the global economy. Inconsistency and reactivity in the EU's policies on China are evident. Through cooperation with European partners, Chinese corporations managed to gain access to new technologies and know-how, while the integrated Europe stabilised its job market and boosted exports of services. Many European companies have become more competitive as they can take advantage of cheap Chinese means of production, and Chinese exports in Europe resulted in the lowering of retail prices of many daily goods. The accession of China to the WTO did not, however, result in the full liberalisation of the access to the Chinese public procurement market, obtaining fair and transparent trade rules, or due protection of intellectual property. Undoubtedly, trade with the EU and the Union's huge trade deficit in relations with the PRC contributed to the greater than ever before the competitive advantage of China worldwide, partially at the cost of the European economy. A betterment of trade and economic relations has not translated into any significant advancement regarding promoting human rights, democracy and the rule of law in China, which EU institutions always urge for in their official documents. The European Commission's line of argument often is that China is a difficult partner and that in principle both the pace and subject scope of cooperation depend to a much greater degree on the willingness of the Chinese government than on EU institutions. This somewhat too defeatist attitude of the EU has been slightly changed only over the past two years (Gomółka & Borucińska-Tereszkiewicz, 2016; Zysk & Gromala, 2013).

The EU's new strategy on China was presented in 2016. It is an important joint document of the highest level that sets out the directions of the development of "complex strategic partnership". It was once more stressed that the right political, economic and social development of China plays a much bigger role to the EU than ever before. It gives the EU great opportunities, especially in job-creation and economic growth stimulation, but it also requires taking coordinated and effective actions which remain scarce. The document states that it is the sides' reciprocal interest as the EU is one of China's two major trade partners. The EU welcomes Chinese investments in Europe, yet on condition that they do not break EU laws. The EU intends to cooperate with China more closely, striving to get China to open up its market to European investments. One of the things that the EU fears the most is China's overcapacity in certain

sectors of the economy, in the steel industry in particular. There is a threat of the surplus ultimately turning into unfair competition, especially if the EU market gets flooded with cheap Chinese goods sold at dumping prices. The Chinese government must – in the European Commission’s opinion – take decisive measures towards solving this problem and put a binding plan of limiting production capacity in place within a specified timeframe. The EU will otherwise resort to trade reprisal (which indeed it did later on, in May 2017, when it put a several dozen percent import duty on Chinese steel pipes manufacturers). The EU appreciates China’s presence in Europe in such fields as trade and investment, the tourism industry, or university exchange programmes. However, the EU strongly presses for reciprocity in actions, which it still does not see happening, and for respecting international law provisions. The European Commission also stresses that the EU – China relations require a more consistent and complex approach, the lack of which will, in the long run, translate into serious problems for Europe (Często zadawane pytania..., 2016).

Therefore, in its new strategy on China announced in June 2016, the European Commission puts pressure on China, urging the country to open up its market to more European companies. The Commission lures China with a possibility to make an investment agreement, and even a free trade agreement in the future, on condition that China stops unfair competition practices. At the same time, a debate is going on in the European Parliament where Gianni Pittella, head of Socialists and Democrats, states that the European steel industry has been struggling with Chinese dumping practices for years and that all European companies may be affected by some form of unfair competition on the part of the Chinese. In Pittella’s opinion, the decision to grant China the status of a market economy (MES) in the current state of play could result in “a suicide of the European industry.” According to analyses made for the Commission, if China is granted with MES at the beginning of 2017 (so far China’s application has been turned down) without failing to implement any protective measures, an estimated 60,000–200,000 jobs across the European Union can be lost (in Poland alone this may affect some 11,000 workers) (Unia Europejska przyjmuje..., 2016; UE uzna Chiny..., 2016; Zmienia się zasady współpracy...)⁹. On the other hand, the Chinese side has certain arguments in demanding this status, as consistent with previous agreements on transition period’s length, after which the

⁹ Being granted market economy status by the EU is now one of PRCh’s main priorities in the country’s international policy. In 2016 a part of the protocol of China’s accession to the World Trade Organisation expired. According to the Chinese government, the expiration automatically obliges the EU to acknowledge China as a market economy. Meanwhile, the European Commission is pointing to non-market practices applied by China, and looking for a solution that would protect the EU against some grave, negative consequences of making such a decision.

MES should be automatically granted. In this case, the most probable outcome is a compromise in which Market Economy Status will be granted, but only to selected Chinese sectors and industries.

On July 12–13, 2016, soon after announcing the new EU – strategy on China, an important EU-China summit took place. The meeting proved that the protocol of discrepancies was so broad that neither side managed to achieve their goals. China, determined to protect its market, keeps treating European investors in an unfair way. At the same time, the Chinese demand full access to the Single Market, so that they can export their overcapacity. On the other hand, the EU fears the subsidised Chinese exports and a variety of dumping practices as they threaten the job market in many EU member states. The 2016 Summit, unlike ever before, was not even coped with a joint communication! The only progression was establishing a working group to monitor and verify the Chinese declarations to curb steel overcapacity and exports (Szcudlik, 2016).

Thus, the key problem that the European Union faces in the international arena is its evident inconsistency in its relations with China. At the supranational level, requiring common agreement, what prevails is just normative, aid or humanitarian issues. In practice, EU foreign policy, including trade policy, is still conducted at the national level. The Chinese strategy is quite the opposite – its policy is very consistent, coherent and sustainable, taking advantage of a broad spectrum of methods and exerting influence. Therefore, we must agree with T. Paszewski (2016, pp. 315–317) who argues that the EU policy ought to be consistently conducted by the Community institutions and jointly and severally supported by the governments of all member states. Good relations with China have always been and will remain to be in the European interests, but priority should be given to political and economic relations with such democracies as the United States, Japan and India.

According to François Godement, Jonas Parello-Plesner and Alice Richard, it is in the Chinese interests to keep the Europeans divided politically and economically. Therefore, EU member states must unite over their common interests. Failing to take such actions – it is impossible to disagree – will result, in the medium and long-term, in unilateral benefits and irreversible losses of the EU's share in the global market. Europe ought to accept the growing interdependence in the globalisation processes. However, it must take the form of mutual dependence rather than a growing dependence on China and Europe's constant adjusting to "a globalisation managed by the Chinese". Naturally, the situation in which China dictates the "rules of the game" in the world economy and globalisation processes is still a distant possibility, if it comes to being at all. However, the EU must be prepared for such a scenario which is not completely improbable.

An alternative to fair trade relations is an increased level of protectionism, resulting in the EU's loss of competitiveness and increased own costs. The chaotic pattern of certain EU member states agreeing to the inflow of subsidised Chinese capital, artificially cheap investment, goods made and sold at dumping prices (thanks to the non-market yuan exchange rate), and China's workforce sent over to the Old Continent will debilitate the bargaining position of all EU economies, impair the security of the operations of European companies and their innovative advantage. In the long run, it will cause political and social tension and crises across the whole of Europe (Godement, Parello-Plesner & Richard, 2011)¹⁰.

Thus, the European Commission is striving to work out a joint and consistent European policy towards China, but within the EU still prevail particularist interests of single member states, headed by Germany, France, the United Kingdom, Poland and Hungary, forming – to China's unconcealed satisfaction – the main axis of the EU - China relations. The European Union may declare a consistent vision and a single strategy regarding China, but in practice, it only remains in the field of declarations. In reality, EU member states have never developed a single and long-term approach towards the Middle Kingdom. The policies of EU member states differ in their interests, and the actions taken are often unstructured and not agreed upon. EU member states often compete with one another striving to better their relations with China which results in a loss of credibility of the whole of the EU as a partner, at the same time hindering the possibility to exert pressure on China. The European Union as a community ought to pursue to implement the Chinese-promoted "win-win" principle. The EU's involvement in economic relations with China should be practical, pragmatic and stay in line with European interests and values (Elements for a new..., 2016; EU-China 2020....; Lisheng, Zhengxu, & Dong 2013).

Poland does not seem to recognise all the threats at all, and a close, expected, the cooperation of our state with community institutions in those matters can be passed over in silence. The official stand of the Polish government does not at all address the issue of all the threats that EU member states may face on accession to the Chinese "One Belt One Road" project (the OBOR), the lack of consistency in the EU's standpoint about it (the problem of EU foreign policy's incoherence is not limited to relations with PRC and affects dealings with many other states), and, worst of all, China's lack of willingness (with some exceptions as described below)

¹⁰ The problem of 'globalisation with Chinese characteristics' using the cases of PRC's economic and financial expansion in Europe (i.e. in Greece and UK) is presented in a very interesting way by Le Corre, Sepulchre 2016).

to withdraw from a number of practices that are very harmful to Europe. It was no coincidence then that some important presidents and prime ministers failed to show up at the Beijing-held “One Belt One Road” Forum, including representatives of Germany, France, the United Kingdom, Japan, Korea, India or the United States. The representatives of Community institutions led by Jyrki Katainen, vice-president of the European Commission, refused to sign the final communication of the Forum. This mere fact ought to make the Polish government more alert and evoke more providence regarding giving the otherwise attractive but controversial Chinese project unconditional backing (Kublik, 2017).

Conclusions

Authors of many well-known and recognised reports and scientific analysis agree that the long-term world economic domination of the United States and Western Europe may be heading for an end. A new international order, shaped and stimulated by China (popularly known as Pax Sinica), may come into being and become a permanent development trend, substituting the current order known as Pax Americana. The success of PRC’s main strategic geopolitical project in the 21st Century – the One Belt One Road idea (in which European economies play an important role) – will undoubtedly help China to achieve a great power status, as the country at the centre of the world affairs. It may also significantly accelerate the socio-economic development of many European states. It will be contingent on many political and economic variables, not all of which are currently easy to recognise, assess and forecast. However, one thing is certain: Chinese authorities regularly stress that in relations with EU People’s Republic of China wants to be a predictable strategic partner in mutually beneficial economic cooperation and not an irresponsible competitor, growing at the expense of economically troubled Europe. Pronouncements on the necessity of overarching harmony in global development processes, implementation of solutions beneficial for all interested parties (the “win-win” paradigm), peaceful coexistence and mutual trust constitute a traditional element of Chinese diplomatic strategy, which should be viewed as beneficial for the EU and the wider world. The problem is that, besides rhetoric and (so far) small concessions from the Chinese side, there are not many strong arguments to prove that China-EU economic relations are truly based on equal rights and bring symmetrical benefits to both partners. China and its development model – described as “authoritarian state capitalism” – as well as Going Global (Go Global) international development strategy, shouldn’t be demonised nor blindly criticised.

In the course of the last four decades, China has achieved an unquestionable economic success. Modernisation of this country had its significant social and ecological costs. Nevertheless, considering the state of the economy and living standards of pre-1978 PRC, both its rate and scale deserve great admiration and respect. The Chinese state is being capable and governed efficiently by successive generations of leaders, with President Xi Jinping at the forefront. The Chinese economy constitutes a crucial and prospective market for trade and investment of European companies, allowing for a quick rise in profits from trade, manufacturing and services. At the same time, cheap Chinese imports efficiently curb price rises in Europe, benefiting millions of consumers while Chinese investment creates thousands of new jobs in Europe. However, there is some Chinese practices in international economic relations which is harmful to European manufacturers and the common market. They are also demanding for the EU to accept on social, political and legal grounds. Ending of such practices should condition EU stance towards the crucial issue of granting China Market Economy Status and further deepening of cooperation on the New Silk Road project. The European Union should also strive to build a common and consistent position on Chinese development strategy at Member States level to create a situation in which obvious Chinese development interests complement the European interest. Considering mutual economic significance and high levels of the developmental interdependence of both partners in the frame of globalisation, the accord is undoubtedly possible, as well as needed and advisable. Above all, it will require a change in Chinese practices vis-a-vis European business and consumers. It is to be hoped for that rational and pragmatic Chinese authorities will be able to remodel their foreign economic policy by European Commission's expectations, which seem to be sensible. First signs of such an approach are already visible, attesting to responsibility and prudence of Chinese leaders. A report by analysts of *A. Capital Ventures* investment fund highlights two remarkable tendencies in this respect. First, Chinese investment in Europe, previously focused mainly on manufacturing, is increasingly aimed at the service sector. Second, to both earn the trust of dynamically rising and ever more demanding domestic middle class and sell their products around the world on a massive scale, Chinese companies need modern technologies and recognised brands. The European economy possesses both these assets, which Chinese companies lack in the less developed (basically agriculture and mining dominated) African, Latin American and Central Asian markets. Seeking access to these assets, Chinese authorities agreed to a shift in the investment strategy. Chinese companies making Foreign Direct Investment (FDI) in Europe are increasingly willing to accept minority stakes in local companies (The Economist 2013). We are witnessing a pragmatic and expected

response of Chinese business to growing social resentment in Europe, expressed by various EU institutions (especially the EC) towards an outright takeover of European companies by Chinese capital. This decision constitutes a small but promising step towards mutually beneficial strategic Sino-European cooperation.

References:

- Backaler, J. (2014). *China Goes West; Everything You Need to Know About Chinese Companies Going Global*. Palgrave Macmillan. Basingstoke.
- Baj, L., Miączyński, P., & Kostrzewski, L. (2010, July, 27). „Bez Chin się nie da. Część 1. Potrawka z kota, czyli fałszywy wizerunek”. *Gazeta Wyborcza*. http://wyborcza.pl/1,155287,8181681,Bez_Chin_sie_nie_da_Czesc_1_Potrawka_z_kota_czyli.html
- Bielecki, T. (2010, October 7). “Europo, bądź twarda w Chinach”. *Gazeta Wyborcza*. Retrieved from www.archiwum.wyborcza.pl/archiwum/autor/TOMASZ+BIELECKI,+BRUKSELA?ktory=20&PageStep=-1&orderByDate=1
- Chińskie inwestycje: w świecie, Europie i w Polsce Uwarunkowania i możliwości* (2017). „4 Filary”. Warsaw Enterprise Institute, Uczelnia Łazarskiego.
- Closer Partners, Growing Responsibilities A policy paper on EU-China trade and investment: Competition and Partnership Commission Working Document*, Commission Of The European Communities Brussels, 24.10.2006 Com(2006) 631 Final
- Communication From The Commission to the Council and the European Parliament, EU–China: Closer partners, growing responsibilities*. COM(2006) 632 final.
- “Często zadawane pytania na temat wspólnego komunikatu. Elementy nowej strategii wobec Chin” (2016, June 22). *The European Commission*. Retrieved from: http://europa.eu/rapid/press-release_MEMO-16-2258_pl.pdf.
- “Czy Chiny są dla nas dobre?” (2010, July 27). *Gazeta Wyborcza*. http://wyborcza.pl/1,75402,8181667,Czy_Chiny_sa_dla_nas_dobre_.html.
- Do Céu Esteves, M., Haiyan Zhang, & Van den Bulcke, D. (2014) *European Union Direct Investment in China: Characteristics, Challenges and Perspectives*. Routledge Taylor & Francis Group. London and New York.
- European Commission High Representative of the Union for Foreign Affairs and Security Policy (2016, June 22). “Elements for a new EU strategy on China”. *The European Union*. Retrieved from: http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf.
- “EU-China 2020 Strategic Agenda for Cooperation” (2013). *The European Union*. Retrieved from: http://eeas.europa.eu/archives/docs/china/docs/eu-china_2020_strategic_agenda_en.pdf.
- Godement, F., Parello-Plesner, J., & Richard, A. (2012). *Wyścig po Europę*. Londyn–Warszawa: Europejska Rada Spraw Zagranicznych and Fundacja im. Stefana Batorego.
- Gomółka, K., & Borucińska-Dereszkiewicz, I. (2016). “Polityka Unii Europejskiej wobec Chin: w kręgu współpracy i konkurencji”. In: J.M. Fiszer (Ed.), *Unia Europejska–Chiny. Dziś i w przyszłości* (pp. 42–56). Wydawnictwo ISP PAN. Warszawa.

- Gradziuk, A., & Szczudlik-Tatar, J. (2012). *Perspektywy rozwoju współpracy gospodarczej Polski z Chińską Republiką Ludową*, Warszawa: PISM.
- Kaczmarek, M., & Jakóbski, J. (2016). "Niezbędny partner drugoplanowy Europa w polityce Chin w okresie rządów Xi Jinpinga". *Prace OSW*, 56, pp. 5–28.
- Kamiński, T. (2014), "Po pierwsze gospodarka Narzędzia polityki zagranicznej ChRL wobec Unii Europejskiej". In: M. Pietrasiak & D. Mierzejewski & K. Zakowski (Eds.), *Narzędzia polityki zagranicznej Chińskiej Republiki Ludowej* (pp. 123–131). Wydawnictwo Uniwersytetu Łódzkiego. Łódź.
- Koziół, H. (2010, October 16–17). "UE: Chiny wypierają Niemcy". *Rzeczpospolita*, <http://www.archiwum.rp.pl/artukul/988330-UE:-Chiny-wypieraja-Niemcy.html>.
- Kublik, A. (2010, April 29). "Tanie drogi z Chin". *Gazeta Wyborcza*. Retrieved from <https://www.pressreader.com/poland/gazeta-wyborcza/20100429/281917359287199>
- Kublik, A. (2017, May 15). "Gospodarka na Jedwabnym Szlaku, czyli premier Beata Szydło w chińskim chórze powszechnej pomyślności". *Gazeta Wyborcza*. Retrieved from: <http://wyborcza.pl/7,155287,21815294,premier-beata-szydlo-w-chińskim-chorze-powszechnej-pomyślności.html>.
- Le Corre, P., & Sepulchre, A. (2016). *China's Offensive in Europe*. Brookings Institution Press, Washington D.C.
- Liu Mingfu (2016). *The China Dream, Great Power Thinking & Strategic Posture in the Post-American Era*. CN Times Books Inc. Washington D.C.
- Lisheng Wang, Zhengxu Dekker, & Henk Dong (2013). *China and the European Union*. Routledge, New York and London.
- Overview Of Past And Recent Trade And Investment Trends, Eu-China Relations 2015 And Beyond*, Business Europe, March 2015. <https://www.busesseurope.eu/sites/buseur/files/media/imported/2015-00194-E.pdf>
- Paszewski, T. (2016). "Unia Europejska i Chiny w nowym łańdźe światowym". In: J.M. Fiszer (Ed.), *Unia Europejska – Chiny. Dziś i w przyszłości* (pp. 75–79). Wydawnictwo ISP PAN. Warszawa.
- Przewodnik rynkowy dla przedsiębiorców*. (2010). Delta Rzeki Jangcy, WPHI Szanghaj. Retrieved from <https://china.trade.gov.pl/pl/prawny-samouczek/analizy-rynkowe>
- Pyffel, R. (2012). *Biznes w Chinach jak osiągnąć sukces*. Warszawa: PAliIZ.
- Szczudlik, J. (2016, July 26). "Relacje Chiny–Unia Europejska: perspektywy po szczycie" *Biuletyn PISM*, 47 (1397). Retrieved from: <https://www.pism.pl/publikacje/biuletyn/nr-47-1397>.
- The Economist (2013, April 20) *Overseas investment, Nice to see you, EU*.
- "UE uzna Chiny za gospodarkę rynkową w ramach WTO? «Gra toczy się o miliony miejsc pracy»" (2016, May 10). *Polskie Radio*. Retrieved from: <http://www.polskieradio.pl/42/273/Artykul/1617653,UE-uzna-Chiny-za-gospodarke-rynkowa-w-ramach-WTO-Gra-toczy-sie-o-miliony-miejsc-pracy>.
- "Unia Europejska przyjmuje nową strategię wobec Chin. Nie wyklucza umowy o wolnym handlu, ale stawia warunki" (2016, June 22). *Polskie Radio*. Retrieved from: <http://www.polskieradio.pl/42/273/Artykul/1634748,Unia-Europejska-przyjmuje-nowa-strategie-wobec-Chin-Nie-wyklucza-umowy-o-wolnym-handlu-ale-stawia-warunki>.
- Walewska, D. (2010, June 24). "Czy chiński smok pożre świat" *Rzeczpospolita*, <http://www.rp.pl/artukul/498466-Czy-chiński-smok-pożre-swiat.html>.
- Wróbel, A. (2013). *Pozycja Chin w międzynarodowym podziale pracy*, In: A. Wróbel, P.J. Borkow-

iak, & Ł. Zamecki (Eds.), *Wewnętrzne uwarunkowania aktywności międzynarodowej chińskiej republiki ludowej i jej relacji z Unią Europejską*, Wydawnictwo Wydziału Dziennikarstwa i Nauk Politycznych Uniwersytetu Warszawskiego, Warszawa, pp. 129–131.

“Xi Jinping in Davos: Nikt nie wyjdzie zwycięsko z wojny handlowej” (2017, January 17). *Forbes*. Retrieved from: <http://www.forbes.pl/xi-jinping-w-davos-nikt-nie-wyjdzie-zwyciesko-z-wojny-handlowej,artykuly,210268,1,1.html>.

Zamecki, Ł., Borkowski, P.J., & Wróbel, A. (2013). *Wewnętrzne uwarunkowania aktywności międzynarodowej Chińskiej Republiki Ludowej i jej relacji z Unią Europejską*. Warszawa: Wydział Dziennikarstwa i Nauk Politycznych UW.

“Zmienia się zasady współpracy UE-Chiny? Unia analizuje prośbę tego kraju” (2016, January 16). *Money.pl*. Retrieved from: <http://www.money.pl/gospodarka/wiadomosci/artkul/zmienia-sie-zasady-wspolpracy-ue-chiny-unia,186,0,1996986.html>.

Zysk, W., & Gromala, P. (2013). *Stosunki handlowe Unii Europejskiej z państwami trzecimi na przykładzie USA, Chin i Rosji*. Warszawa: CeDeWu.

Author

Professor Dr Hab. Maciej Walkowski

Adam Mickiewicz University in Poznań, Department of Social and Economic Policy. Contact details: ul. Umultowska 89A, 61–614 Poznań, Poland; e-mail: maciej.walkowski@amu.edu.pl.