ECONOMIC RELATIONS BETWEEN THE EU AND CHINA IN AN UNUSUAL TIME

by
MELIKE METİNTAŞ

Submitted to the Graduate School of Social Sciences in partial fulfilment of the requirements for the degree of Master of Arts

Sabancı University
August 2020

ECONOMIC RELATIONS BETWEEN THE EU AND CHINA IN AN UNUSUAL TIME

Approved by:

Prof. Meltem Müftüler Baç ....
(Thesis Supervisor)

Asst. Prof. Damla Cihangir Tetik ....

Prof. Senem Aydın Düzgit ....

Date of Approval: August 11, 2020

ABSTRACT

ECONOMIC RELATIONS BETWEEN THE EU AND CHINA IN AN UNUSUAL TIME

MELİKE METİNTAŞ

EUROPEAN STUDIES M.A. THESIS, AUGUST 2020

Thesis Supervisor: Prof. Meltem Müftüler Baç

Keywords: Economic Relations, European Union, China, Rivalry

The European Union – China economic relations which was started in 1975, is a highly institutionalised, and multi-layered but to a certain extent complicated, partnership. Ever since China's integration of the global economy began, the EU was one of the leading actors behind this integration. The EU had promoted China's liberalising market reforms. Thus, in the process of China's economic growth, China's economic relations with the EU has played an important role. In today, economic relations between the EU and China represent one of the largest relations in the global economy in terms of both the quantity and number of sectors. However, in the last decades, both sides have reconsidered their economic partnership, after a period of growing closer ties and increasing interdependency. Despite the growing linkage and increasing number of financial interactions, disputes in several fields in economic relations have increased tensions between the EU and China. China has become more confident to follow its own economic model and therefore, shared interest of these economic relations between the EU and China has blurred.

This thesis provides an analysis of certain aspects and challenges of the EU – China economic relations by focusing on how relations have undergone alteration over time, which major problems damage the economic partnership and how international dynamics influence these relations.

ÖZET

OLAĞAN DIŞI ZAMANLARDA AVRUPA BIRLİĞİ VE ÇİN EKONOMİK İLİŞKİLERİ

MELİKE METİNTAŞ

AVRUPA ÇALIŞMALARI YÜKSEK LİSANS TEZİ, AĞUSTOS 2020

Tez Danışmanı: Prof. Dr. Meltem Müftüler Baç

Anahtar Kelimeler: Ekonomik İlişkiler, Avrupa Birliği, Çin, Rekabet

1975 yılında başlayan Avrupa Birliği (AB)-Çin ekonomik ilişkileri oldukça kurumsallaşmış olup, çok katmanlı, ama bir diğer bir yönü ile zorlu ve karmaşık bir ortaklığa dayanmaktadır. Çin'in küresel ekonomiye dahil olmaya başlamasından bu yana, AB, bu entegrasyonu destekleyen öncü aktörlerden birisi olmuştur. AB, Çin'in pazarını liberalleştirmeyi hedefleyen reformlarını desteklemiştir. Bu nedenle, Çin'in ekonomik kalkınması süresince AB ile yürüttüğü ekonomik ilişkiler, bu kalkınma için önemli bir rol oynamıştır. Günümüzde AB-Çin ekonomik ilişkileri miktar ve sektörler açısından dünyadaki en kapsamlı ekonomik ilişkilerden birini temsil etmektedir. Ancak, uzun süredir artan yakın ilişkiler ve ekonomik bağımlılığa karşın, son on yıldır her iki taraf da ekonomik ortaklıklarını tekrar gözden geçirmeye başlamıştır. Aralarında yükselen yakın ilişkilere ve finansal etkileşimlere rağmen, birçok alanda yaşanan anlaşmazlıklar ve çekişmeler AB ve Çin arasındaki gerilimi yükseltmektedir. Çin, son yıllarda kendi ekonomik modelini uygulama konusunda daha kararlı hale gelmiştir. Bu nedenle, AB ve Çin'in ekonomik ilişkiler içinde paylaştığı ortak çıkarlar da belirsizleşmeye başlamıştır.

Bu tez, AB-Çin ilişkilerinin zaman içinde nasıl değişime uğradığına, hangi temel sorunların ekonomik ortaklığa zarar verdiğine ve uluslararası dinamiklerin bu ilişkileri nasıl etkilediğine odaklanarak, AB-Çin ekonomik ilişkilerinin karakteristiğini ve sorunlarının bir analizini sunmaktadır.

ACKNOWLEDGEMENTS

Sincere thanks to Prof. Bahri Yılmaz who helped me through my research process. He had always guided me when I need help and encouraged me about my research interest. I could have not finished this process successfully without his support. I would also like to thank my respectable supervisor Prof. Meltem Müftüler-Baç who gave valuable comments and revisions through my research process. I would like to express my gratitude to her for her guidance and patience.

Also, I would like to thank my mother Selma Metintaş for her guidance and love and to my father Muzaffer Metintaş for his encouragement and help. They have always been my source of inspiration. Without their motivation and constant belief, I could not have become the person I am today. I also thank my big brother Oğuzhan for his pure love.

Finally, I would like to thank my European Studies crew. With their friendship, I never felt alone while writing my thesis and working my exams. I was quite lucky to spend this year with them.

To my grandparents Suna-Abdulkadir İnaler and Zekiye-Selahattin Metintaş

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATONS

1. INTRODUCTION

"*China is a sleeping giant. Let her sleep , for when she wakes,she will shake the world.*"

— *Napoleon Bonaparte*

Today's world is witnessing the awakening of the "sleeping giant", China. With its economic rise, People's Republic of China (PRC) has become one of the leading economies in the world. China's economic power is based on the 40 years of gradual reforms which started in 1975, when Deng Xiaoping was appointed as China's primary leader. Before far-reaching reforms took place, PRC had encountered many devastations in its economic and social structure. In that period, ideological ground and political matters had prevailed over people's prosperity.

Xiaoping found the solution in the opening-up Chinese economy to the global competition and improved the country's internal structure with mass-reforms on education, agriculture and industry. He had articulated a vision to overcome backwardness at his speech titled "Respect Knowledge, Respect Trained Personnel" in May 1977 by insisting that

> "The key to achieving modernization is the development of science and technology. And unless we pay special attention to education, it will be impossible to develop science and technology. The empty talk will get our modernization programme nowhere; we must have the knowledge and trained personnel. . .. Now it appears that China is fully 20 years behind the developed countries in science, technology and education" (Kissinger 2011)

Reforms and open-up policies in economy initiated by Deng Xiaoping have provided unprecedented economic growth to China. In the Third Plenum of the Chinese Communist Party's 11th Congress, in 1978, these policies and reforms had clarified. Basically, these reforms and policies oriented by two guidelines: reorganising internal economy with more liberal patterns and integrating the Chinese economy into the world economy (Dent 1999). In that sense, establishing industrial governance, modernizing fragile agriculture system, opening up China's coastal regions for international trade and investment through the government's Open-door policy were the main reforms and policies that Xiaoping government had enforced (Dent 1999). Moreover, dividing China's regions into four special economic zones (SEZ) in order to promote foreign investments and profitable production within different local areas was one of the essential priorities of the Chinese reforms[1] (Oktay 2016).

Through these reforms, for nearly 35 years, the Chinese economy grew by an average of 10 per cent per year and has reached its current position, as being the second-largest economy in the world. Today, China has become the biggest competitor of other powerful economies in the world, such as the United States (US), Japan and the European Union (EU).

With regards to its economic growth, China has also been a global player in international relations. With its extensive trade and investment relations in the global area, China has improved its relations with almost all countries and, international, regional and sub-regional institutions in the world. China has increased its political weight in the international relations over time through its economic power as being the attractive partner for countries by offering lucrative business to them. That's why China benefits from some concepts such as mutual benefit, win-win, shared-interest, equal partnership, non-interference, closer-cooperation in order to improve relations with other countries and institutions. (Ministry of Foregin Affairs of the People's Republic of China 2014)

The EU has been an essential actor in China's economic development. China has gained high trade volume and multidimensional and institutional economic relations by establishing relations with the EU. In parallel to reforms in China's domestic system, the first official EU – China relations was established in 1975, when they broadened diplomatic recognition of each other for the first time and first official economic and trade relations were constituted by signing the EC-China Trade Agreement in 1978 and extended with establishing Trade and Cooperation Agreement in 1985. From the establishment of diplomatic relations and economic cooperation, China-EU relations converted into a highly institutionalized and complex partnership over time.

In the environment of the beginning of the 21st century where the new trends, multi-

[1] Four different regions which were suitable for foreign trade and investment were selected: Shenzhen, Zhuhai, Xiamen, Shantou.

polarity and globalization were taking place, both sides aspired to enlarge economic relations between each other and become a global partner within the structure of international institutions. In other words, apart from their bilateral economic relations, China and the EU had joint interest to encourage global financial governance and open trade (Pan 2012).

Meanwhile, the sheer volume of economic activities between the EU and China has also gradually increased, while relations have deepened and widened. Both sides were interested in taking advantage of the opportunities offered by their markets (Yilmaz 2020*b*). Thus, the European and Chinese economies have become much more interdependent to each other, to a point where any withdrawal or weakening of relations would affect both sides adversely (Wouters and Burnay 2012). Today, China and the EU represent about one-third of world GDP, and they are two of the biggest trading partners in the world. China is the EU's second-biggest trading partner behind the United States, and the EU is China's largest trading partner (European Commission 2019*b*).

In other respects, although the EU and China have been closely interlinked with each other in terms of the economic relations, emerging problems in their partnership cannot be overlooked. The last two decades, the EU - China economic relations have encountered an extraordinary change. The EU's economic weight and prospects has struggled in the international financial system. China, by contrast, has become a more competitive and robust actor in the international economy. It has increasingly portrayed itself as a new model to be inspired by developing countries regarding its economic policies and development (Dessein 2015).

Previously, the EU used to see China as a profitable market with its cheap labour, large consumer facilities and advantageous investment environment. However, ever since China became more pivotal actor within the European continent with the vast amount of exports and investments, the EU realized that China now becomes a competitor, instead of a partner.

Likewise, in that period, the EU and China recognized that fundamental divergences in their principles and visions has become more prominent in international economic relations (Zhimin and Armstrong 2010). This has led to rising frictions in multiple issues which have overshadowed the further development of the Sino-EU economic relations.

Therefore, this thesis attempts to provide an analysis of certain aspects of the EU-China economic relations and problems behind these relations. The main intention of this thesis is to focus on how the EU-China economic relations have changed over time and which major problems are being jeopardised to the further steps of their economic partnership. By doing so, the study aims to illustrate the impact of the changing economic relations between the EU and China over the European Union's views and policies. In a broader context, this study aims to contribute to the academic debate by portraying the changes and disputes in the EU-China economic relations. Particularly, demonstrate how the EU perceptions, discourses and policies have altered concerning China's unprecedented economic growth and diverse interests. In parallel to its single market principle among the EU-members, on the global scale, the EU supports liberalising international trade and promotes this approach with its policies. Therefore, it is essential to analyse the changes in the EU's perceptions and policies in economic relations with China. Through this, it can be questionable how much the EU preserve its liberal market ideas towards China.

The thesis is divided into four chapters. The first chapter provides a brief historical background of the EU-China economic relations from first diplomatic relations to today. The chapter explains the evolution of economic relations between the EU and China in the five stages by focusing on increasing linkage and institutionalising relations between them. Analysing the historical evolution of the EU-China economic relations poses a great importance to recognize major shifts in policies and perceptions.

In the second chapter, the trade and investment relations are explained in detail by showing relevant data about the EU – China economic relations. Before this, the Chinese economy in the world is explained with numerous indicators. Apart from the relevant data, type of goods and services, regional distribution of economic activities, trade and investment volume, and the field of investments are analysed. Then, which problems have emerged in trade and investment relations and in which way the EU responds to these problems are identified.

Following the second chapter, China's global investment and trade project called Belt and Road Initiative (BRI) and its impact on the EU-China relations are examined in the third chapter. Additionally, the EU's views and strategies over the BRI are also analysed.

In the fourth chapter, the impact of three recent external issues on the EU-China economic relations is argued. These three major issues are identified namely; as the United Kingdom's withdrawal process from the European Union, which is also known as Brexit, the ongoing trade war between the US and China, and the brand-new but essential issue, Covid-19 outbreak. In this chapter, the possible impacts of these recent issues on the EU – China economic relations is examined by focusing on economic protectionism, disputes and rising strains in the global economy. This chapter also aims to demonstrate, aside from problems in the bilateral economic relations, how the international dynamics influence the EU-China partnership.

For the purpose of this thesis, the European Commission's country strategy papers on China, annual joint statements of the EU-China Summits and other official documents are benefited as primary sources. In additions, reports, legal documents and statements of Chinese and the European Union officials is exploited.

1.1 Literature Review

The academic literature on the EU-China relations is abundant as well as literature on the US-China relations. Beyond the economic interactions, ever since the 1990s, the relations between China and the EU has gained a broad scope of institutional characteristics and, their dialogue has expanded into multiple sectors. Thus, studies on EU-China economic relations have shaped in parallel with these deepening relations.

The pre-dated studies on the EU-China relations to a large extent focused on political economy approach. Although these studies did not ignore the political impacts on the EU-China economic relations, they mostly focused on the economic factors and growing bilateral transactions in this relationship. According to these approaches, the dominant driving force behind the EU-China relations is the economic relationship between these two influential global players (Dent 1999; Kapur 1990). Likewise, these studies are very much related to China's economic opening and the EU's support of China's engagement to the international financial system through Bretton Woods institutions. Even though multiple new issues have weakened the simple political, economic approach over time, this perspective is essential to understand today's economic interdependence between these two major powers. Even though simple political economy approach has remained weak to explain multiple new issues and problems, these studies are essential to grasp today's boundaries of economic activities and interdependence between the EU and China.

In later periods, the EU – China economic relations have struggled with several conflicts over time such as trade imbalance, China's restricted market access, unfair competition, violation of intellectual property, and controversy of human rights. In that sense, academic studies in the later periods, often cover multiple fields and explain economic relations together with other factors and problems.

Farnell and Crookes contributed to literature on the EU-China economic relations with similar manners. They argued that in several occasions, political issues had been the major determinant factor on the economic relations. They insisted that although the economic partnership is a backbone of the EU-China relations, differences within the structure of these actors often undermined economic cooperation (Farnell and Crookes 2016). Similarly, another study argued that structural differences between the EU and China led to the communication crisis in their relations (Jing 2018). For the EU, international standards, and the EU acquis are prevailing while doing business with China, in fact, the Chinese side is reluctant to fulfil these requirements. Besides, politically, the European core values on human rights, democratic governance and liberal market economy con not overlap with China's Communist party regime.

In parallel to these structural differences, Pan defines the EU-China relations with the term conceptual gap. According to Pan, China, and the EU are highly interlinked and have a significant impact on each other. However, they have distinct identities and distant from each other concerning culture, geography, history and political system (Pan 2012). Thus, although both sides are eager to develop more comprehensive relations on democracy, multilateralism, global governance, international trade and investment or human rights, their perceptions on these concepts strongly diverge. Prominently, Pan argued that the EU-China relations is a good illustration that both the political and economic relations in the international area cannot only explain with material factors, concepts and views should also be taken into consideration (Pan 2012).

Regarding conceptual gaps, Chen Zhimin and John Armstrong discussed that the EU's assumption that economic reforms and development would also complement political liberalisation and human rights in China and, the country internalise European norms remained dissonant. China did not converge what the EU wishes for. Thus, the economic rebound of China has also widened gaps in relations with the EU (Zhimin and Armstrong 2010). Moreover, Bersick argued the EU – China trade relations with the national role conception of China. He posits that the course of the EU-China relations might be understood through domestic actors in China's political structure. He interprets that divergence of interests between these domestic actors concerning China's position in the global economy are also influence the EU-China economic relations. While some of them consider liberal market-oriented policies, others prefer mercantilist policies by offering preservation of Chinese domestic market and industry (Bersick 2018).

Furthermore, the growing linkage and institutionalisation in relations between the EU and China are debated in the literature. As mentioned above, the EU-China relations cover multiple frameworks, and that is why they are closely interlinked with each other. Xiatong explained the EU-China economic relations with linkage power. According to him, linkage is a strategy to combine multiple issues for achieving specific purposes in bilateral relations. (Xiaotong 2018). He stated that both the EU and China have benefitted from linkage power for their interests. Thus, in many circumstances political and economic issues intertwined in the EU-China relations. The European Union's demand for the advancement of human rights in China in order to maintain its economic relations is a vivid example for Xiaotong's argument.

He supported his argument with historical cases and insisted that in each historical stage of economic relations, close linkage and multi-layered debates have been essential determinants rather than a material gain of economic relations. Likewise, other scholars argued that interdependency and solid institutional character in the EU – China economic relations, are also deepening and varying challenges and disputes between them. (Telò, Xiaotong, and Chun 2018).

On the other hand, there is also shared view that can be seen in the future perspective of the EU-China economic relations. While the global financial governance deteriorates and economic protectionism rises with several issues such as Brexit or trade war, the EU-China economic relations might be unstable in the future despite the linkage and broad institutional characteristics (Telò, Xiaotong, and Chun 2018). Likewise, some scholars have begun to argue protectionist measures taken by the EU towards China, such as trade defence instruments or investment screening mechanism. (Hanemann, Huotari, and Kratz 2019).

To sum up, considering all of these studies in the academic literature it can be argued that the EU-China economic relations cannot be explained in a simple manner. Several internal, external and historical factors shape these relations. Most dominantly, it can be seen that given problems and challenges in these studies, is explained with various factors and theories.

Therefore, this study aims to contribute to the academic literature by examining changing discourses and policies within the context of EU-China economic relations. While doing this, several other determinants are also included in the scope of research such as disputes, domains of problems, the volume of trade and investment, and international dynamics. Moreover, these points are argued by supporting the argument that although the EU-China economic relations have comprehensive institutional characteristics, erosion and uncertainties in these relations are rising.

2. HISTORICAL BACKGROUND OF THE EU-CHINA ECONOMIC RELATIONS

The official economic relations between the Union and China dated back to the 1970s when the Cultural Revolution was over, and China shifted the reforms era together with Deng Xiaoping's leadership. China had begun to integrate global system both politically and economically throughout these reforms. It had developed several diplomatic relations with Western Europe and the United States. Since that era, the EU- China relations have grown stronger with a high number of agreements and institutional cooperation in different sectors.

Widening the scope of bilateral relations between the European Union and China, has increased interdependence between them. In order to comprehend of their economic relations, it is crucial to posit the history of this interdependence and institutional improvement of the EU-China relations along with the political and economic realms. In this section, a historical overview of the EU – China economic relations is examined through agreements, institutions, political events, and main proceedings; and growing linkage between each other is demonstrated.

The history of the Sino-EU economic relations, which was started in 1975, can be divided into five stages. The First Stage (1975-86) witnessed the first trade agreements and negotiations. The Second Stage (1987-2001) covered China's reform process, engagement to the World Trade Organisation (WTO) and its predecessor the General Agreement on Tariffs and Trade (GATT), and negotiations with the EU on these developments. The third Stage (2002-2006) is about how multilateral tendencies were formed the Sino – EU economic relations in the early years of 2000s and why their economic relations had experienced "honeymoon" during this process. The Fourth Stage (2007-2013) witnessed how their relations have affected from the Global and Eurozone financial crises, and how their interests on investments and trade diverged. The fifth Stage (2014 to date) is about how the EU's frustration has risen towards China and how their close linkage has disintegrated because of several problems such as trade deficit, market restrictions or economic protectionism (Bersick 2018).

2.1 The First Stage (1975-86): China's Open-up Reforms and Earliest

Relations with the European Economic Community

During the Cultural Revolution, China was reluctant to develop relations with both the European Economic Community (EEC) and Western countries. In that period, the Chinese approach was based on hesitation rather than shared interest with the EEC and its members (Kapur 1986).

Nevertheless, at the end of the Cultural Revolution and Deng Xiaoping's edge over the radical groups in the country, policies and ideas were changed in this point. Xiaoping promoted the normalization of relations with Western Europe and the United States.

Meanwhile, Xiaoping had commenced several reforms in order to make the Chinese economy competitive in the global financial system. He emphasised re-professionalization of the Chinese workforce with technological and scientific development (Kissinger 2011). As Kissinger indicates, Deng Xiaoping gave priority to professional competence rather than political correctness (Kissinger 2011). These structural developments and liberalising policies in China had also encouraged by the European side. Thus, China's new characteristics and the Europe's support to China's reforms paved the way for new economic partnerships and cooperation.

However, it should be noted that ever since the beginning of the establishment of the official relations between the EU and China, there is a trade-off between political and economic issues (Xiatong 2018). Despite the developing dialogue on several fields, some key problems always aggravate the EU-China economic relations.

During the Sino-EEC economic relations, diplomatic recognition of Taiwan's independence was the main political issue between the EEC and China. Before signing any agreement and establishing an institutional framework, both sides had wished to reassure each other on Taiwan issue. China demanded that the EEC shall have no intention to establish independent diplomatic and economic relations with Taiwan, especially after the EEC's textile agreement with Taiwan in 1970 (Kapur 1986).

In 1975, European Commissioner Christopher Soames' visit to China was the turning point for the EEC-China economic relations. He concluded the Taiwan issue with his following statement;

> "I confirmed to the Minister that the Community... does not entertain any official relations or enter any agreements with Taiwan. I explained that matters such as recognition of states did not come into the responsibility of the Community. But I pointed out to the Minister that all the member states of the Community recognized the Government of the People's Republic of China as the sole legal government of China and have taken positions with regard to Taiwan question acceptable to the People's Republic." (Kapur 1986).

Soames speech promoted China and the EU to remove political obstacles on economic relations. In 1978, the EEC and China signed the first trade agreement in Brussels and in 1985, long-lasting negotiations on extension of trade agreement were concluded with signing Trade and Economic Cooperation Agreement in Brussels (Sarah 2006).

2.2 The Second Stage (1987-2001):China's Accession Process to GATT/WTO and the EU's Role

China's open-up reforms and emerging relations with the EEC paved the way for integrating the Chinese economy into the global financial system. China applied to the GATT membership in 1986, however, 15 years later, joined the WTO, in December 2001. The EU had a constructive role in China's both the GATT and WTO accession process. China and the EU developed dialogue to boost reforms on accession criteria. In other words, the EU was the longstanding supporter of China's incorporation into the global trade system. Moreover, the EU has been the active observer of how China fulfils its membership commitments (Kanecka 2012). Despite the breakdown of relations in the events of "Tianmen Square" in 1989, the EU had maintained its encouragement for China's accession to WTO, when their relations re-normalised in 1995 by launching human rights dialogue (Xiatong 2018). As a postscript, these developments showed how political and economic issues were interlinked to each other within the context of the EU – China economic relations.

In the issue of China's accession to the WTO, the EU and United States dissented. While the US was steadfast to refuse China's membership due to several incomplete subjects such as weakness of property law or privatizing financial sectors, the EU was eager to accelerate China's membership to the WTO (Eglin 1997). The 1998

EU Communication on China titled “Building a Comprehensive Partnership with China” stated

> “The EU remains one of the keenest advocates of China’s early accession to the WTO. It will provide an important boost for China’s economic reform and will signal strengthened international confidence in the reform process. It will also cement China’s place in the global economy and provide traders and investors with greater certainty when doing business in China” (Commission of the European Communities 1998).

In the same document, three fundamental WTO principles which China shall comply were also underlined by the EU. These key principles are transparency, national treatment and non-discrimination. In that case, the EU had given priority to WTO principles in its own commitments to China.

Table 2.1 Meet Key WTO Principles

Transparency, including prompt publication of all relevant laws and regulations, clear licensing criteria and better identification of the authorities responsible for granting licences.
National treatment, notably by offering the same operational conditions to foreign companies as to domestic ones.
Non-discrimination against EU companies vis-a‘-vis those of other trading partners.

Source: (Commission of the European Communities 1998) .

In 1999, China became the third top-trading partner of the EU with 5 percent of share by surpassing Russia (Eurostat 2019). While trade relations between the EU and China had reached one of the highest numbers in the world, the EU desired to pursue economic relations under international legal standards. Through that way, the EU aimed to resolve increasing trade deficit and access to the Chinese market. Some scholars insisted that China’s WTO entry would stimulate the country’s rapprochement with the rule of law and market liberalisation which would lead to free and prosperous society (Wang 2003). Thus, several European companies was pleased about China’s accession to the WTO. This might have been an opportunity to access to populous Chinese consumers by eliminating high tariffs and restrictions (Andreosso-O’Callaghan 2013).

Meanwhile, it should be noted that in both the GATT/WTO process, China had shown a positive attitude concerning the EU's commitments and responded them with accelerating reforms on the Chinese economy. As China's Vice Premier Li Lanqing stated, "the ever-deepened reform of China's foreign trade regime, in particular China's accession to WTO ushered China into a new stage of open economy." (Xiatong 2018).

Under these circumstances, the EU and China relations had ever deepened with China's accession to the WTO, and growing ties between them had accelerated with new institutional steps in the 21st century.

2.3 The Third Stage (2002-2006): Honeymoon Period

After China being a member of WTO, it has become the second-largest trading partner of the EU around 8 of share in 2003, behind the United States shared 25 (Eurostat 2019). This development demonstrates that the vast scope of cooperation between the EU and China had increased mutual trust between each other. Moreover, the EU's success on fostering reforms through linkage power and commitments in China's political and financial structure had also increased tendencies to develop stronger economic relations with China. At the same time, when China was rising as alternative to the US, regarding as being the top-trading partner of the EU, there was a growing awareness that could China – EU relations develop a new axis in the global financial system? (Shambaugh 2004).

The millennium period has witnessed the dissolution of the bipolar world, and multipolarity had gained weight in international relations. Thus, the EU tried to develop new relations with emerging countries, beyond the Transatlantic partnership with the United States (Casarini 2013). China – with its growing economy– could have been an alternative global player for the EU in this context.

Meanwhile, China's economy had overtaken the largest EU-member countries. China's overall nominal GDP surpassed France in 2002, the United Kingdom in 2006, and Germany in 2007 (Casarini 2013). Sino-EU economic and political ties intensified in the early years of the 21st century, when China's economic growth overtook the major European countries. Moreover, China became an international actor in several strategic issues such as international development, security, and global governance. Thus, both sides were well-aware that maturing relations with new steps were necessary. These developments were clear signs that there was a potential for the EU and China to build a strategic partnership to cement their economic and political relations(Casarini 2006). In October 2003, the Joint Statement of the sixth EU – China Summit stated;

> “The two sides agreed that their high-level political dialogues had been fruitful and the dialogues and consultations at other levels had also further expanded in intensity and scope and such multi-layered structure of China-EU relations is an indicator of the increasing maturity and growing strategic nature of the partnership.” (European Council 2003).

A strategic partnership might be considered as the EU’s foreign policy tool to tackle with 21st century’s multipolar structure. The EU benefitted from a web of a strategic partnership to imply underpinned assessment that without emerging powers, critical global problems cannot be resolved (Reiterer 2013). Moreover, in the EU’s partnership policy, the EU seeks to move beyond bilateral relations with the partner country by incorporating global issues in the agenda of their relations and reinforcing its partner to take responsibility for global peace and development (Vasconcelos 2010).

While emerging actors involves global issues such as international trade, investment, foreign aid and environmental issues, the EU aims to pull these emerging powers towards its line in these global issues. China’s inevitable economic growth and integration to the global issues were the major driving forces for the EU to acknowledge China as a strategic partner.

Together with a strategic partnership, more comprehensive issues in both global and bilateral realms also came into the agenda for the EU and China. Beyond the commercial relations, the strategic partnership provided various sectoral dialogue to the EU-China relations. In this context, the European Commission adopted Communication titled "EU – China: Closer Partners, Growing Responsibilities" in 2006. The document specified how EU-China relations has extended to different frameworks together with China’s rising presence in the global context. In the document the EU’s purpose was declared as;

> “The EU’s fundamental approach to China must remain one of engagement and partnership. But with a closer strategic partnership, mutual responsibilities increase. The partnership should meet both sides’ interests and the EU and China need to work together as they assume more active and responsible international roles, supporting and contributing to a strong and effective multilateral system.” (Commission of the Euro-

pean Communities 2006).

In the following year, the EU-China High Level Economic and Trade Dialogue –as the second pillar of their strategic partnership [2] - was signed in the 10th EU-China Summit in Beijing. The exceptional pace on forging a link between China and the EU in the early years of the 2000s is considered as "honeymoon period" for the EU-China relations (Shambaugh 2004). However, comprehensive economic ties are also conveyed several novel problems for EU-China relations in the road ahead.

2.4 The Fourth Stage (2007 to 2013): EU-China Economic Relations in the Era of Financial Crises

Financial and Eurozone crises were the main crossroads in identifying China's assertive economic power in the global economy towards the European Union and the United States. The Western-oriented liberal monetary and financial system had struggled with the two major economic crises. In contrast, China's three decades of clout within the socialist market economy model made the Chinese policymakers more confident in the global economy as representatives of Chinese model of economic growth (Geeraerts 2013). The positive picture on China's steady growth and dealing with financial crises has been verbalized in the 13th Five-year plans of China as significant economic achievements and main tasks and targets (reconstruction of economy and develop domestic consumption) of the 12th Five-year plan which covered by the extraordinary time for China's economic growth were fulfilled successfully.(National Development and Reform Commission 2016).

During the crises period, China and the EU had shared interest to rebalance the global financial system for the post-crises era. Although the destructive effects were not severe as merely the EU and the US had struggled, China's export-oriented economic growth and international trade volume was affected adversely. In 2007 China's GDP growth was around 14 percent, however, in 2012 it decreased to 7 percent and did not climb the previous numbers anymore (World Bank 2019*d*).

Due to fact that reconstruction of the EU countries' economies and market carried

[2] Political dialogues (1), Economic and sectoral dialogues (2), and People-to-people dialogues (3)

importance for the China since significant part of its economic growth depended trade and investments transactions with the EU. In 2011, during Chinse Premier Wen Jiabao's visit to Europe, he declared the recovery of European economies were interest and task of China. He stated; "Whether the European economy can recover and whether some European economies can overcome their hardships and escape the crisis, is vitally important for us." After Jiabao's visit, the two sides set up the "Crisis Consulting Experts Meeting" mechanism to deal with financial crises in a cooperative way (Jingkun et al. 2017). Moreover, in the Joint Statement of the 13th EU-China Summit, cooperative relations during the financial crises were underlined as;

> "The leaders expressed satisfaction that the bilateral relations had strengthened during the recovery from the international financial crisis. They agreed that EU- China relations should stand at a new starting point for further development at a time when the impacts of the current financial crisis on the international economic, political and security landscape are becoming increasingly evident, and the EU and China are both entering a new important stage of development."(Council of the European Union 2010).

China is becoming more active within the EU economy in financial crisis and post-crisis periods. China had developed a three-level strategy to increase its presence, namely; by purchasing European countries' bonds, by directly investing to the EU countries through FDIs, and by participating in European public procurements (Godement, Parello-Plesner, and Richard 2011). While China has followed a "bond diplomacy" and great level of investments as a strategy for Europe, its existence has increased in the European countries. In 2013, Euro-bonds represented around 30 per cent of China's foreign currency reserves which was equal to the world's largest assets of the Euro (Casarini 2013). In line with it, China's bilateral relations with the periphery countries in Europe has risen by the following bond diplomacy and bringing large investment flows to these countries.

On the other hand, a variety of problems in economic relations which we argue today had become more identifiable in this period. The EU's over 30-year positive attitude towards China on economic relations has become soured. Discriminatory trade and investment activities, restricted market access, and ill-defined international property rights were some of the essential concerns that frustrated the EU and raised its voice in further summits and strategy papers. Lack of partnership and cooperation agreement (PCA) and Free-trade Agreement (FTA), the EU's reluctance to given market economy status (MES) to China and the EU commitment- conditionality issues which are divergent for Chinese non-interference principle have been the major complaints of Chinese side.

2.5 The Fifth Stage (2014 to date): China's changing position in the EU: From Strategic Partnership to Systemic Rival

This period is witnessing the deepening of Sino-EU contestations in economic relations. Together with its substantial economic growth and result of the Eurozone crisis, China's presence in the EU has inevitably raised. In this period, there are not only economic problems matter, but also security-related concerns are becoming vital issues for the EU side.

As Xi Jinping came into power, he declared China's grand international trade and investment project One Belt One Road (OBOR) in 2013. OBOR aims to reach the European market by covering three continents: Asia, Africa and Europe. China has accelerated its large-scale infrastructure investments to Europe by purchasing critical ports, harbours or airports in several European countries. In that case, raising concerns from the EU side is merely related with how the EU developed a unified political and economic policies towards China, while China drained a vast amount of money and investments to these countries.

Moreover, in China's new policy Made in China 2025, China highlights the developing Chinese high-tech industry – which the EU has a comparative advantage -by bringing technology from the EU companies through joint investments (McBride and Chatzky 2019). There is also tension rises on the protection of intellectual property rights and huge trade deficit. Although, the EU used to speak with a humble approach with China on economic issues, currently the EU's attitude towards China becomes more rigid regarding these problems.

Recently, all these issues have influence unfavourably the EU-China economic relations and their strategic partnership. Unlike the early years of the 2000s or beforehand, now China and the EU are taking yet another turn which is not optimistic at all. Indeed, in the European Commission's document titled EU – China Strategic Outlook, China's position modelled as systemic rival;

> "China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance." (European Commission 2019*c*).

It should be annotated that the term systemic rival does not simply refer to bilateral economic relations between the EU and China. This term highlights rivalry about several fields in international relations where the EU and China are highly involved, such as global governance, international development, human rights, and democratisation. Therefore, systemic rival means that the EU does not rest assured to sharing same interests and values in terms of trade, investment, multilateralism, types of governance, human rights and democracy with China. Thus, the EU has transformed its policies and attitudes with regards to China's new situation. Titling China as a systemic rival is a striking evidence showing how the EU's approach change towards China.

Overall, in this chapter a brief historical account of the EU – China economic relations from the first official diplomatic relations to today have been provided in five different stages. In each stage, relations have shaped regarding the EU's and China's conditions and global dynamics, have been explained. In almost all periods, political issues have been decisive factor of the EU and China economic relations. Therefore, in order to maintain economic relations, solving political obstacles has carried importance for them. Moreover, while the economic transactions and mutual interdependency have risen within the EU – China relations, problems were also climbing in parallel to it. In this part, it is shown that how the EU- China cooperation on economic relations have diverged after the financial crises. It should be noted that deepening and widening of the EU – China relations within the institutional framework had been established in the early years of the 21st century. Yet, in the following periods, although these institutional characteristics have been maintained by both sides, further steps such as Free Trade Agreement (FTA) was not achieved due to unsolved problems. As this chapter has shown, the EU – China economic relations have turned to an unstable situation in recent years, and rebalancing relations with effective policies and bilateral dialogues is required for maintaining relations in a stable way.

Table 2.2 Historical Background of the EU – China Economic Relations

Periods	***The EU Interest***	***Motivations***	***Developments***
The First Stage (1975-1986)	Building first diplomatic and economic relations	Chinese open-up reforms	May 6, 1975- Diplomatic relations established. April 1978 – First Trade Agreement signed. Creation of EU-China Joint Committee. May 21, 1985-Agreement on Trade and Economic Cooperation signed.
The Second Stage (1987 – 2001)	Promoting China's reforms and imposing EU conditionalities on economic relations. Increasing trade volume. Imposing sanctions and pushes China for develop human rights matters	Development of human Rights. Expanding trade and investment. China's process of GATT/WTO membership. R*approchement* with the rule of law and market liberalisation	March 25, 1998 - Commission declared Building a Comprehensive Partnership with China 1995, Launching Human Rights Dialogue April 2, 1998 - 1^{st} EU-China Summit in London, UK December 11, 2001 – China became member of World Trade Organization
The Third Stage (2002-2006):	Institutionalising economic relations and expanding trade and investment. Launching Strategic Partnership.	Rising multilateralism in the era of globalization. China is an emerging power in global economy and an alternative partner to the US. Increasing interdependency.	October 13, 2003 - Acknowledging Strategic Partnership October 24, 2006 - Commission published "EU-China: Closer Partners, growing responsibilities" and policy paper on economic relations.

Table 2.3 Historical Background of the EU – China Economic Relations

Periods	***The EU Interest***	***Motivations***	***Developments***
The Fourth Stage (2007-2013)	Mitigating adverse impacts of financial crisis. Increasing Chinese presence in Europe.	Close cooperation with China on financial crises. Clear recognition of Chinese economic weight. Changing direction of investment flow.	November 28, 2007 – the EU – China High Level Economic and Trade Dialogue established. May 12, 2011 – 3^{rd} Meeting of High Level Economic and Trade Dialogue (Crisis Consulting Experts Meeting Mechanism and post- crisis world economy negotiated) November 21, 2013 – 16^{th} EU-China Summit (High Level Dialogue on Investment and Innovation) December 2013 - Negotiations on EU-China Comprehensive Agreement on Investment were launched.
The Fifth Stage (2014-date)	Robust response to China's unfair practices in economic relations. Protection of EU companies and industry against unfair competition.	Increasing Trade deficit, loosing competitiveness. More assertive Chinese policies on economic relations.	June 22, 2016 – the Commission published Elements for a new EU strategy on China March 12, 2019 – the Commission published EU – China Strategic Outlook

3. EU- CHINA ECONOMIC RELATIONS

3.1 China's Position in the World Economy

The EU's economic development is settled in an extended period, whereas China is a fast-growing and new emerging economy. Yet, China has become the most advantaged economy in the global market within a short period (Yilmaz 2020*a*). China has expanded its economic, cultural and political influence in the global system as being one of the most significant economic powers of the world, with its extraordinary economic development. At the same time, its success on elimination of poverty across the country by increasing per capita income, its competitiveness with technologically developed countries and its active role in foreign investments have made China one of the most debated country in the international agenda today. Before examining the EU- China economic relations, it is essential to comprehend this mentioned economic development with relevant data.

According to World Bank (WB) data in terms of nominal GDP, China was the third-largest economy with USD 14,343 trillion after the EU (USD 15,593 trillion) and the US (USD 21,428 trillion) Additionally, China is the largest economy in terms of purchasing power parity (PPP) with USD 22.527 trillion. (World Bank 2019*b*).

Moreover, China was the world's 78th country in per capita income USD 16,784 based on 2019 data, by contrast, per capita income for the EU was USD 46,467 and, for the US USD 62,641 in the same year, respectively (World Bank 2019*c*). Although China is far away to the world's two largest economies concerning per capita income, China's annual per capita growth is noteworthy. China's per capita growth is one of the highest with 5.3percent, while the EU's is 1.3 percent and the US's is 1.8percent. It means that China is successful to increase the income of Chinese citizens and reducing poverty (World Bank 2019*c*).

China is an economic juggernaut by having the world's largest foreign reserves (USD 3.38 trillion) (World Bank 2019*f*). Additionally, it is the largest exporter of goods in the world with USD 2.49 billion and the world's third-largest importer with USD 2,077 trillion, in 2019. China, the US and the EU accounted for 42percent of international trade in goods in 2019 (European Commission 2020*b*).

On the other hand, according to OECD current data, China has the third-largest source of outward FDI flows with USD 97,7 billion in the world in 2019, behind the US (USD 147 billion) and the EU (USD 462 billion) (OECD 2019*a*). China is the third-largest recipient of FDI flows with USD 155 billion, in 2019; after the EU (USD 473 billion) and the US (USD 260 billion) (OECD 2019*a*).

Relevant data demonstrate that in several economic indicators, China is one of the leading financial powers in the world, and its growth is worth considering. Throughout China's economic outreach reforms, the weight of the state authority to the market has been significantly reduced (Yağcı and Bakır 2019). Thus, these reforms have become a driving force for China's economic development. However, even though the its involvement to market and companies remarkably decreased over time, government still controls strategic sectors such as energy, agriculture, transportation, technology, medicine, or telecommunication.

In 2017, the number of Chinese enterprises increased 105 – excluded Hong Kong and Taiwan - within the 500 largest enterprises in the world based on the Fortune Global 500 list. Yet, 81 of them are state-owned enterprises (SOE) which still grasp an overwhelming share (Kwan 2017). Sinopec Group (3rd), China National Petroleum (4th), China State Construction Engineering (24th), China Construction Bank (28th), Agricultural Bank of China (38th), and China Mobile (47th) are some of the Chinese enterprises in the Fortune Global 500 list that government is owned 50percent or more of their assets (Fortune 2017).

3.2 EU-China Trade Relations: The Key Facts and Disputes

Trade is one of the essential pillars of the EU-China relations. Although other economic issues such as investments or political issues compete for attention, main areas of cooperation between the EU and China is dominated by trade (Wouters and Burnay 2012). In one sense, the EU-China trade might be considered as a success story in the era of globalization, together with fast-growing intercontinental business flows and closer partnership with various agreements.

As mentioned before, after the first official trade agreement between China and the EC, two-way flow of goods and services had steadily increased. In that sense, both the EU and China had developed different policies in response to that commercial rise and rewarded their relations with new agreements on cooperation and partnership. The EU's expectation on conducting trade relations into institutional and legal framework, and liberalising Chinese economy had also increased trade volume at a remarkable pace.

Alongside these developments, the broadening of the EU-China trade and growing interdependencies have revealed adverse impacts in recent period. Several new partnership agreements and institutionalised relations have stimulated fast-growing trade; however, disputes and unfavourable effects have emerged within the context of commercial activities between the EU and China.

The continuous growth of the EU-China trade had confronted with turbulence and fluctuation in 2009, right after the global financial crisis had erupted (Xin 2017). Although cooperation in recoveries to the global trade came to both economies' agenda, the Eurozone debt crisis in 2011 caused another erosion in the EU-China trade.

Meanwhile, the EU has been running a huge trade deficit with China and this situation become severe for the EU's economy. In addition to its trade with the EU, China also multiplied profits in the international trade. Although global recession was also influenced China's export-led economy negatively, it had still converted a leading exporter of the world by benefiting the environment created by the financial crisis where the US's and the EU's weight in the international trade has decreased. The EU's supply to the world trade was shrinking, and China had been replaced the EU in many sectors. This new situation resulted in the changing positions between the EU and China in terms of the trade balance. China has enlarged its' trade surplus, while the EU's trade deficit has worsened after this period.

Foreseeably, disputes and obstacles in the EU-China trade have raised, stemming from out of trade balance and diverse characteristics in domestic economies. Therefore, certain restrictions and protective measures that are implemented by both sides, have become more evident. Even though both economies are components of each other, these restrictions and conflicts put trade relations in an awkward situation.

This part provides a brief analysis of the EU-China commercial relations within the outline of the main disputes and strategies. Firstly, the trade between the EU and China is examined by the relevant data and figures. Then, the key issues and disputes on the EU-China bilateral trade are discussed.

3.2.1 China and the EU in Global Trade

The EU is a leading actor in global trade, accompanied by the second-largest share of global exports and imports behind the United States. It is the top trading partner with 80 countries in the world (European Commission 2019*d*). Although the EU was confronted with fluctuations and declines during the crises period between 2008-2012, it has been recovering its trade mobility in recent years. The export of goods was equivalent to 15.5 percent (EUR 2.132 billion) of global trade; meanwhile, the import of goods was equivalent to 13.7percent (EUR 1.935 billion) of global trade in 2019. The EU's total trade volume in the global market was valued at 15 percent of the world's trade (EUR 4. 067 billion), in 2019 (European Commission 2019*d*).

There are several driving forces behind the EU's weight in international trade. The EU adopts an open-market strategy for trade by reducing or eliminating tariffs. More than 70percent of imports can enter the EU market at zero or reduced tariffs (European Commission 2019*d*). This openness contributes to the integration into the global market.

The EU and member states adopt the single market economy and common commercial policy. Whether in bilateral or multilateral trade relations, the EU speaks with "one-voice" and negotiates with the third country through one single agent (Meunier and Nicolaidis 2011). Thus, long-standing internal co-ordination on foreign trade policies makes the EU as a generator of international trade (Dur and Elsig 2011). The EU has an attractive consumer market, composing of 500 million consumers with GDP per capita around USD 35,623. Moreover, the EU's trade is underpinned with several rules and regulations concerning transparency, level-playing filed and reciprocity. Therefore, it is fair to say that the EU has branding itself as a reliable partner in global trade.

On the other hand, China's remarkable economic growth brought the country a similar position with the EU in global trade. China was the largest exporter with a 16percent of share and third-largest importer with a 13percent of share in the global trade in 2018. (The Observatory of Economic Complexity 2020). Unlike the liberal and open-market oriented structure of the EU, China's trade is conducted with a system of state assistance. Although, WTO accession burdened China with regard to the fulfilment of its commitments, tariffs and restrictions and state intervention are still a part of China's economic structure.

China's political and economic structure give the outstanding capability to sustain its trade surplus. The several Chinese multinational companies are still in the monopoly of the Chinese government. State policies has played a key role to encourage Chinese firms to open abroad and has provided resources, capital, lands and market access to them (Ren, Liang, and Zheng 2012).

Moreover, China achieves a comparative advantage through cheap labour. There is a low-level investigation mechanism on workers' conditions and workforce is unregulated which is also one of the major concerns of the EU's on human rights regarding relations with China.

3.2.2 The EU – China Trade in Goods and Services

Before the second decade of the 21st century, China was barely in the top-ranked 20 export markets of the EU (Farnell and Crookes 2016). However, China's position has changed after this period.

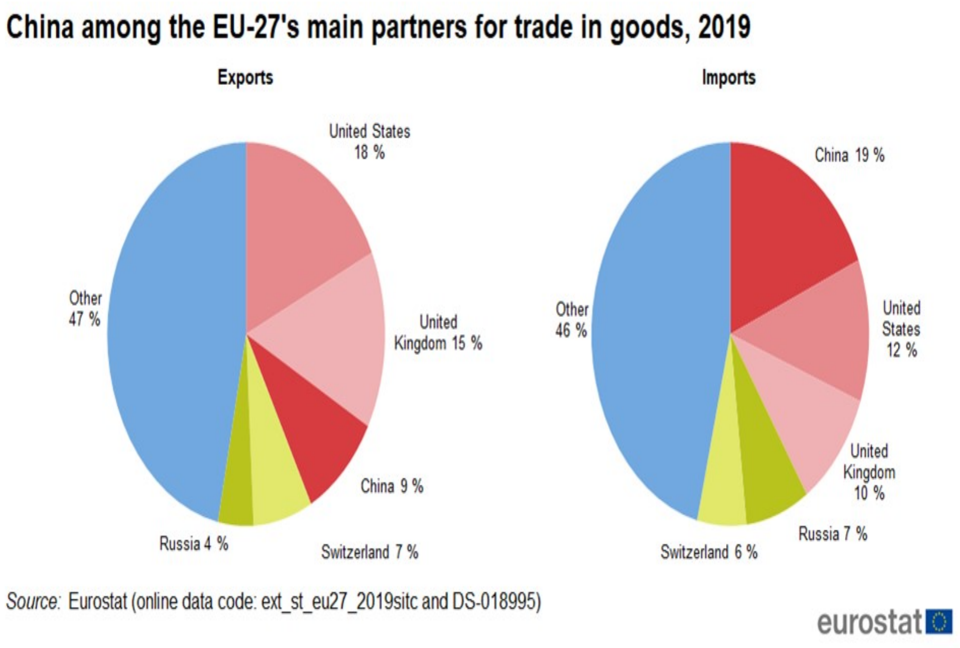

Figure 3.1 China among the EU-27's main partners for trade in goods, 2019
Source: (European Commission 2019*a*)

Figure 1 shows that China is the third-largest partner of the EU with the 9percent of sharing exports; and, the largest partner with the 19percent of sharing imports

(European Commission 2019*a*). Recent data demonstrates that the EU's imports from China has reached EUR 361 billion, and the EU's exports to China have remained EUR 198 billion, in 2019 (European Commission 2019*a*). Therefore, the EU has challenged with a huge trade deficit (EUR 164 billion). The trade deficit that the EU suffers from trading with China is not a current phenomenon.

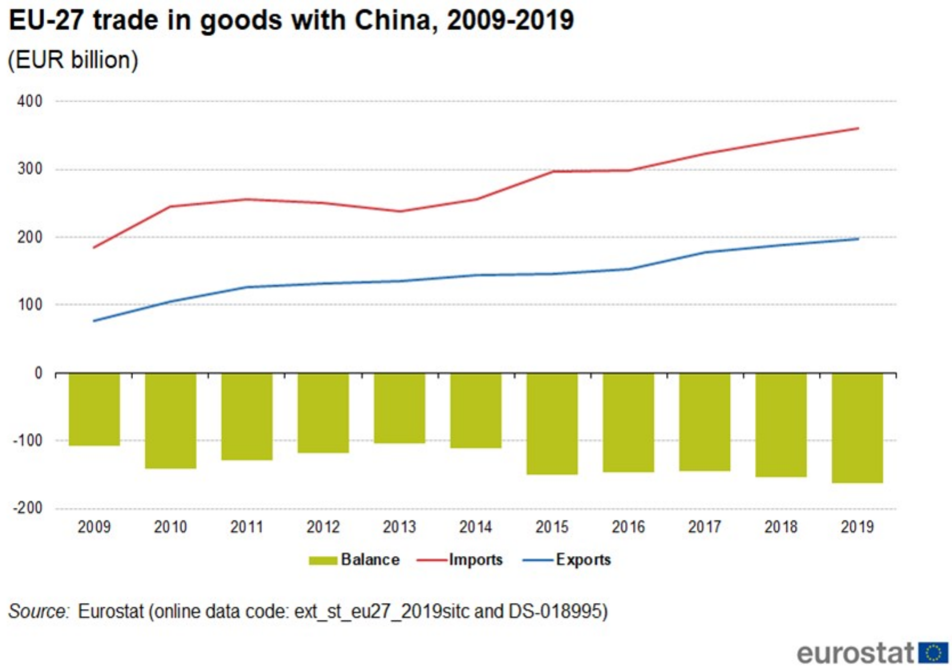

Figure 3.2 EU-27 trade in goods with China, 2009-2019
Source: (European Commission 2019*a*)

Figure 2 indicates that continually increasing trade deficit had taken place for the EU during the trade activities with China and it is getting severe for the EU's economy.

Moreover, the composition of goods between the two economies had correspondingly transformed between the first and second decade of the 21st century. Previously, the EU imports from China were mainly low-cost of goods which were textile products, and semi-finished goods. But these goods had endowed a fruitful opportunity for China to increase its economic weight through a large scope of trade activities. Financial returns from exports of low-priced goods have enabled China to intensify its industrial and technological development (Farnell and Crookes 2016). Therefore, China's export of goods was replaced with more competitive ones.

In the recent period, the EU's export of goods was machinery vehicles (55%), followed by other goods and chemicals (33%). China's exports of goods are nearly similar; machinery vehicles (54 %) accompanied by other goods and chemicals (41%) (European Commission 2019*a*). Therefore, the EU's comparative advantage on the high-tech commodities have decreased over time.

On the other hand, the situation in the service sector is moderately different. While the EU has a relative advantage in the service sector, it is uncertain that whether the EU's services are observably located in China's domestic market. The primary fields in the EU-China trade in services are namely: transportation, insurance, finance, telecommunications, intellectual property (licences) and tourism (Eurostat 2019*b*).

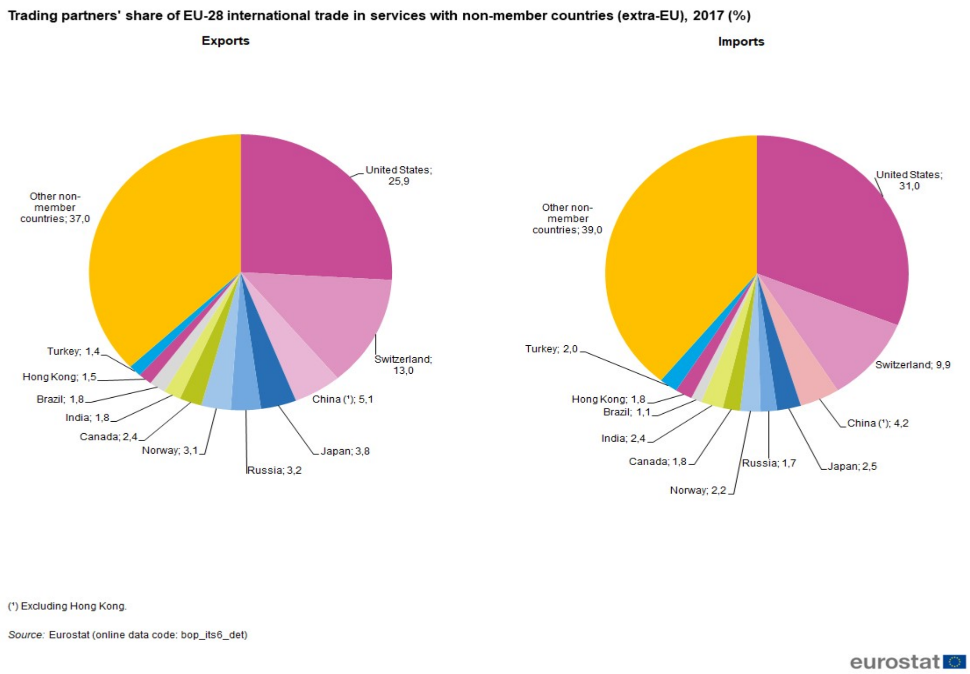

Figure 3.3 Trading partners' EU-27 international trade in services with non-member countries, 2017

Source: (European Commission 2019*a*)

Figure 3 demonstrates that the EU's exports in services to China remain at 5,1%, and its imports from China around 4,2% (European Commission 2019*a*). In 2017, the EU imported EUR 30.6 billion services from China; and exported EUR 46,7 billion (European Commission 2019*a*). Although the EU has a trade surplus in the service sector, this number in the total amount of trade, remains insignificant.

In conclusion, the relevant data and main facts of the EU-China trade showed that there is an observable change between the two economies in terms of commercial activities. Previously, the EU had a dominant position and cooperative advantage in many sectors towards China. Whereas together with its expanding growth and developing industry, China has gained pre-eminence in commercial relations with the EU. This new situation has caused existing problems and disputes more prominently affect the EU-China trade relations. Recently, problems and disputes have started to be debated more than economic gains.

3.2.3 Main Issues and Disputes in the EU – China Trade Relations

Uncertainties and tensions between the EU and China have increased, while the trade is no longer a win-win game for both sides. They criticize each other about unfair rules and regulations in terms of trade with each other. Concerns from the EU side have been raised when its open market and liberal trade practices began to be exploited by the Chinese side and suffer from a high trade deficit in result of it. The EU's approach can be associated with free and fair trade. EU is critical about China's domestic financial system, which is underpinned by state aid and control. Also, the EU urges China to maintain trade relations with the reciprocal and level-playing field by mitigating tariffs, barriers, and discrimination against EU companies.

On the other hand, China is well-aware that trading with the EU is an integral part of its economic growth. Since its accession to the WTO, China has benefited from reaching the EU market and conducting its trade with moderately lower tariffs. Despite the fruitful proceedings, several problems have come to the agenda in time. China complains about the unfair treatment of the EU regarding measures in trade with China. Likewise, China considered that the EU's treatments on various respects such as trade defence measures are inappropriate in terms of multilateral trade and global competition.

Considering all of these, in this study four major problems in the EU-China trade relations is examined. These issues are classified into four sub-titles as follows, high tariffs and restrictions to China's market access, violations of intellectual property rights, the EU's trade defence instruments, and non-recognition of market economy status of China.

3.2.4 Imposing Tariffs and Barriers: Chinese Discrimination against European Companies

Tariffs and barriers are the long-lasting problems upon the Chinese economy. During the aforementioned reforms and accession process to the WTO, China has achieved considerable reductions in tariffs and restrictions insofar. According to the World Bank (WB) statistics, China's tariff rate was around 14.1 percent before the accession, but in the year of 2002, it was sharply down to 7.7 percent (World Bank 2019*e*).

Yet, recent conditions indicate that there is still disequilibrium between the EU and China about the implementation of tariffs and barriers. The EU's average applied tariff rate was about 2.35 percent, by contrast, China's was about 7.56percent (World Bank 2018). In 2018, around the EU's 17.5 billion EUR tariffs were paid to China by the EU exporter companies (BDI 2019)

Moreover, China imposed several technical and non-technical barriers against the EU companies through procedural delays, or unclear obligations. Mainly, these restrictions are implemented the EU's strategic sectors and products such as telecommunication, finance, car industry, chemicals, bio-medical products, and luxury goods which have comparative advantage towards China's products and sectors.

The Commission remarked this problem in the document EU – China A Strategic Outlook;

> "the EU has an open procurement market, which is the largest in the world. At the same time, EU companies often encounter difficulties to gain access to procurement opportunities in the Chinese particular in sectors where EU companies are highly competitive (e.g., transport equipment, telecommunications, power generation, medical equipment, and construction services)." (European Commission 2019*c*).

While the EU companies have a competitive advantage on the above-mentioned products, China's barriers to domestic market access have restrained the EU's profits in the trade relations. Therefore, China has become a strategic competitor for the EU while China is failing to reciprocate market access and maintain fair competition (European Commission 2019*c*).

Furthermore, China still is a part of the WTO Technical Barriers to Trade Agreement; however, according to the EU, this agreement has a lack of definition of transparency and policy implementation process (European Parliament Think Thank 2019). China utilizes this gap to discriminate against foreign companies' entrance to the domestic market.

According to the EU side, WTO rules and regulations are outdated and unable to adapt changing trends in global economy. EU's Trade Commissioner Cecilia Malmstroem stated that;

> “The world has changed, the WTO has not. It’s high time to act to make the system able to address challenges of the today’s global economy and work for everyone again. And the EU must take a lead role in that.” (EU Business 2018).

She also added;

> “Many member countries in the WTO ignore their transparency obligations - not being open with their trade policy when it comes to government support, for instance. They have an obligation to report that, but they don’t.” (EU Business 2018).

Therefore, the EU has stimulated the WTO for adopting reforms in terms of more overarching rules and regulations. In this regard, the EU declared a Concept Paper on WTO modernization, in 2018 and highlighted three titles which are covers urgent issues that need to be modernized: Rulemaking and development, regular work and transparency, and dispute settlement. These three titles basically mentioned about capturing SOEs, level-playing field, intellectual property, technology transfer and market access. (European Commission 2018*a*). Given these issues, it would be fair to estimate that the driving force behind the EU’s demand for reforms in WTO structure is related with China’s policies and strategies in trade. Thus, same issues underlined in the document, EU-China – A strategic outlook;

> “The World Trade Organization is the cornerstone of the multilateral trading system, but its rules need to be modernized, and some gaps must be filled to ensure a level playing field and eliminate unfair practices deployed by China.” (European Commission 2019*c*).

3.2.5 Infringements of Intellectual Property Rights

The weak regulations of China about intellectual property rights (IPRs) are another concerning issue for the EU. IPRs are preventive rights in order to protect information and innovations from exploitation (Drahos 1999). Thus, Companies can preserve their products, inventions and technologies with IPR to maintain an advantage towards the other competitors in the market. Growing demand in the Chinese domestic market concerning the rising people's purchasing power is to encourage European companies for technology and know-how transfer to China through foreign direct investments and commercial activities (Farnell and Crookes 2016). However, companies are still reluctant to carry their technological and scientific assets to China, stemming from the risk that shared knowledge may be lost or stolen. Recently, China is the top country which is under investigation of the EU regarding violation of IPRs. According to the European Commission's Report on EU Customs Enforcement of Intellectual Property Rights in 2018, "China is the overall main country (50%) of provenance for goods suspected of infringing one or more intellectual property rights arriving in the EU." (European Commission 2018*d*). IPRs have been in the agenda of the EU, ever since the trade relations has reached a remarkable point. In the later years, protection of the IPRs has still been remaining on the agenda. The European Commission's document titled "Elements for a new EU strategy on China" underlined that the EU should reinforce policies and measures to counter China's violation of intellectual property and trade secrets (European Commission 2016*a*).

3.2.6 EU Strategy against Unfair Competition: Trade Defence Instruments

As mentioned before, China has comparative advantage regarding its mode of production. The state audits trade and monetary policies. Therefore, many state-owned companies have not suffered from lands, resources, labour costs, or credits. The state-controlled system in trade directly empowers China in global trade by gaining exceptional power. In terms of these economic privileges, Chinese companies are able to reduce production costs. Therefore, Chinese products in several sectors is more purchasable than its equivalents. In other words, many Chinese products' prices are lower than the EU's products and this situation takes China a one step further in competition. In that manner, the European Union has implemented its Trade Defence Instruments (TDIs) against China's unfair trade practices. It is undoubted that the EU has been integrated an open trading system. Yet, in order to protect its domestic economy and products, it has utilized from TDIs against unfair practices. TDIs are mainly composed measures of anti-subsidies, anti-dumping, and safeguards.

Table 3.1 The European Union's Trade Defence Instruments

Anti-dumping	***Anti-subsidy***	***Safeguards***
"Dumping occurs when manufacturers from a non-EU country sell goods in the EU below the sales prices in their domestic market or below the cost of production. If the Commission can establish – through an investigation – that this is happening, it may correct any damage to EU companies by imposing anti-dumping measures."	"Subsidisation is when a non-EU government provides financial assistance to companies to produce or export goods. The Commission is allowed to counteract any trade-distorting effects of these subsidies on the EU market – after an investigation into whether the subsidy is unfair and injuring EU companies."	"Unlike subsidies and dumping, safeguards are not taken to address unfair trade practices. Rather they are concerned with imports of a certain product that increase so suddenly and sharply that EU producers can't reasonably be expected to adapt immediately to the changed trade situation."

Source: ((European Commission 2018*b*)).

Recently, China has received the most substantial amount of TDIs concerning conflicts in trade activities by the EU. Before 2012, anti-dumping and anti-subsidy investigations against China by the EU did not exceed 2 percent (Xin 2017). However, after that year, a noticeable increase in the TDIs against China can be observed. The Commission's Report on Trade Defence Instruments highlighted;

> "...the Commission has imposed 95 trade defence measures. At the end of 2018, the EU had 93 definitive anti-dumping measures and 12 anti-subsidy measures in place. Almost 44 percent of them measured applying to imported steel products. Of all the measures in force, over two-thirds (68 percent) concern products imported from China." (European Commission 2019*e*).

TDIs mainly operated against steel, solar, chemical, and aluminium products. A significant part of these products is imported from China. Thus, in many occasions, the EU has been accused of implementing high number of TDIs and protecting its own enterprises (Walker 2018). The EU defend itself, that TDIs are mainly conducted under the WTO and the EU principles. Commissioner Phil Hogan who is responsible with enforcing TDIs explained the EU's main purposes behind these measures as

> “. . . a more assertive approach does not mean protectionism. A Europe that protects is not a protectionist Europe. The EU’s economic success is built on openness, which we have a strong interest to maintain. However, any sign that our openness is being exploited will be dealt with swiftly. We will have tools at our disposal to defend other vital interests.” (European Commission 2020*c*)

Although the EU asserts that the TDIs under the EU trade defence policy seem to be not protectionist, remarkable growth on these measures raises China’s voice. China’s Ministry of Commerce spoke person Gao Feng considered anti-dumping and anti-subsidy policies that are implemented by the EU, as misleading. He stated that "Every country enjoys the right to choose its own development path, which should be respected by the international community" (Ying 2017). Feng’s statements put differences of interests between the EU and China bluntly in trade relations. His approach showed that China’s interests and strategies in economic relations are based on non-interference principle which refers to each actor in economic relations are free to choose its own strategy.

3.2.7 Market Economy Status of China: EU’s Denial

The problem that NME pose to international trade arises from state intervention in trade activities. State intervention to global trade causes market distortions and jeopardizes the rules and principles of market-oriented economies (Zhou and Nedumpara 2018). NMEs have implemented by the WTO and its predecessor GATT, to preserve the international trade from this state intervention. Denial of China’s market economy status (MES) has been a long-lasting dispute between two economies, since WTO accession of China. China was subject to the non-market economy (NME) position after the WTO membership. One similar instance to this issue was Russia, which treated under the same condition as China during the WTO accession process.

Yet, Russia gained MES in 2002 by US recognition, even though its WTO membership came far later than China (Tavernise 2002). WTO members had retained their position to treat China as a non-market economy (NME) from its participation to the WTO, in 2001 (Nedumpara and Subramanian 2018). In that sense, the implementation of the aforementioned anti-subsidy and anti-dumping investigations by WTO members have become easily adjustable against China.

Article 15 of China's accession protocol agreement regarding the NME status had expired on December 11, 2016. According to clause, China would gain MES automatically. China consulted to the WTO dispute settlement with the European Union and the United States to gain its market economy status. (Nedumpara and Subramanian 2018) Nevertheless, both the EU and the US have remained reluctant to grant MES to China considering their commercial law procedures. They strongly oppose the Article 15 stance and stating that market economy statues cannot be gained automatically, it should be earned. (Hsu 2016).

It can be argued that the EU acquis has been prioritised by the European Union, rather than acquis gattien of the WTO in terms of China's MES. In the Article 2.7(a) of the EU Regulation on Protection Against Dumped Imports from Countries not Members of the European Union determining MES for third country as follows;

> "An appropriate market-economy third country shall be selected in a not unreasonable manner; due to account being taken of any reliable information made available at the time of selection. Account shall also be taken of time limits. Where appropriate, a market-economy third country which is subject to the same investigation shall be used." (European Council 2016).

In Article 2.7 (c), the principles for approving MES to third countries stated as;

> "... producer operates under market-economy conditions, that is if decisions of firms regarding prices, costs, and inputs, including for instance raw materials, cost of technology and labour, output, sales, and investment, are made in response to market signals reflecting supply and demand, and without significant state interference in that regard, and costs of major inputs substantially reflect market values... and if exchange rate conversions are carried out at the market rate." (European Council 2016).

With regard to China's economic structure which involves many state-owned enterprises and state intervention in several sectors, it can be considered that China barely fulfils requirements of market economy principles. Thus, the EU's position for granting MES to China worth considering.

Moreover, according to the European Parliamentary Research Services report, titled "Granting Market Economy Status to China" China can be treated by members of the WTO as NME if Chinese companies do not prove that they maintain their production and trade under market economy conditions. These conditions are mainly measured through state intervention, labour costs, government control over the allocation of resources, and monopoly of currency (Puccio 2015).

Although the EU is recently suspicious to reward China as a market economy, before 2016 and the expiry date of Article 15 of China's accession protocol, there were some positive approaches had risen for China market economy status from the EU and its member states. For instance, former British Prime Minister David Cameron expressed his optimistic view in his speech at Beida University, in 2010. He stated that "I will make the case for China to get market economy status in the EU...... but China needs to help, by showing that it is committed to becoming more open, as it becomes more prosperous..." (Cameron 2010).

However, in recent period, discourses from the EU side have become more severe against China due to rising problems in several sectors. The salient one is overcapacity in the steel sector. China's huge dumping to the steel products has undermined the EU's steel industry. In that sense, former president Jean-Claude Juncker implied the EU's view about granting MES to China through disputes in steel industry. He stated that "there is a clear link between the steel overcapacity of China and market economy status for China." (European Commission 2016*b*). Juncker's statement is a good illustration to show that the EU demands applying market economy principles in industry and economy by China. Without any clear evidence, the EU seems to be reluctant to give MES to China.

He also underlined that China still not follow market economy principles and many European companies suffer from this situation, in the 12th EU-China Business Summit;

> "...how difficult it can still be to do business in China. Roughly half of EU companies say that it actually got harder last year. One in two say they feel less welcome than when they entered the Chinese market. And more than half say that foreign companies are treated unfairly compared to their Chinese competitors." (European Commission 2017*a*).

From this point of view, maintaining China's non-market economy status is a fair strategy for the EU to preserve its domestic economy and industry against unfair competition. The EU is more flexible to implement trade defence measures against price dumping and other unfair practices in trade (Snyder 2001).

On the other hand, as one of the top trading partners of the EU, China has become more insistent on gaining MES, after 2016. Premier Li Keqiang, at the 12th China-EU Business Summit highlighted that expiry of Article 15 of China's WTO Accession Protocol is a sunset clause, and hence; the EU should obey to this clause. He also stated

> "On the issue of complying with Article 15 obligations, we hope the EU will send a positive signal of upholding the multilateral system and rules. If all WTO members chose to observe international rules in a selective way, this would trigger cycles of reactions and undercut the foundation of the multilateral order. No one will emerge as a winner eventually." (The State Council of People's Republic of China 2017).

Overall, China's NME status is still an unsolved issue between the EU and China and evidence the EU's changing approach. For the EU, while many sectoral problems persist and China does not make any policy changes, it is not appropriate to give the market economy status.

3.3 Investment Relations of the EU and China: China's Growing Investments in Europe

Foreign investments are an important component of global economic relations. They strengthen links between companies and countries to boost economic development and potential profitability for both investors and host countries. According to the World Bank (WB) statistics, the net outflow of the international foreign direct investments (FDIs) is amounting to USD 921 billion (World Bank 2019*a*). In this case, FDIs are the major leading force of global economic relations and growth. Advanced economies in the world such as the US, the EU or China, facilitate from FDIs to increase their trade blocks among them and with the other countries and regions.

The EU – China investment relations have been formed based in this condition. Both sides have increased number of bilateral investments in their regions over time and it boosted their economic growth. Nevertheless, the diverging economic structures and policies of the EU and China have also affected investment relations between them. The EU has a liberal tendency on two-way FDIs flow; by contrast, China has progressively increased restrictions against European companies' FDIs in its region. Under these circumstances, China has found chance to integrate into the European region with different types of investments. Beyond the financial returns, China's purposes within the European continent has changed over time, and China's national policies has become determinant for aims of investments.

In recent years, investment ties between the EU and China have been challenged with this problem, and the EU has changed its attitude towards bilateral investment relations with China. Thus, investment flows among these two global economic powers remain far behind than those between the EU and the US.

This part aims to examine the EU - China bilateral investment relations and main challenges behind these relations. Firstly, the composition of FDI flows between the EU and China will be analysed, following this, how the presence of Chinese investments has taken place in Europe will be investigated. In the final part, the reasons why the EU is concerned about Chinese investments will be outlined and how its policies have changed against Chinese investments over time will be discussed.

3.3.1 Mapping the Investment Relations between the EU and China

Similar with the trade relations, the investment relations between the EU and China compose an essential part of their economic relations and also show similar changes in time. Ever since China had opened its economy to global trade and competition during the 1980s, European companies were eager to enter into the Chinese market through FDIs. Many major European companies have launched enterprises in China in that period. The EU's outward investments to China have grown steadily since the 1990s when China was one of the top destinations of FDIs. After 2012, China has followed the same trend with the EU and enhanced its outward investments to Europe. Before the 21st century, the presence of the Chinese FDIs was almost not existed in Europe (Hecq 2018). However, China has caught up with the EU on outward FDIs after the era of financial crises.

According to the Eurostat annual flow of the FDI data, Chinese direct investments to the EU were under EUR 700 million before 2006 (Eurostat 2019*a*). Similarly, during the Eurozone crisis, Chinese investments had remained on small amounts. Since 2012, Chinese outward FDI flow to Europe has increased around EUR 10 billion annually, and in 2016 it reached a peak with EUR 34.9 billion (Thilo, Huotari, and Kratz 2019). However, in 2017 and onwards, it has shown a decreased trend.

Although the share amounts of FDIs between the EU and China cannot be overlooked, these two-way FDI flows have remained far behind from other regions. The share of Chinese FDIs in Europe is around 2.2 per cent. By contrast, the share of the US's FDIs in Europe is around 38 per cent (BDI 2019). Moreover, the EU holds four per cent of its total FDIs in China, but 36 per cent in the US. In that case, it is essential to outline the legitimate reasons why EU-China investment relations cannot reach a similar level with the US. One of the aspects that regularly mentioned as the low level of investments to China is the persistence of restrictive market regulations. According to OECD's FDIs Regulatory Restrictiveness Index, China has the most restrictive market for investments in the world rating with 0.33, while the global average is around 0.10 [3] (OECD 2019*b*).

Additionally, analysing characteristics of Chinese outward investments to the European continent is essential to understand why EU-China investments remain in lower level and why China's investment flow has decreased after 2017.

3.3.2 Chinese Outward Investments to Europe

China's growth in both the economic and political realms is related to mass production export-led trade and international investments. Accessing the raw materials to meet its consumption and foreign markets to maintain its trade, are essential factors for sustainable economic growth. In the early 2000s, the goal of China's international investments was based on these factors. Thus, China increased its investments to Africa, Latin America, and the Middle East to meet its natural resource needs. Meanwhile, it has expanded its investments relations with Europe to access the EU's large consumer market. Europe is a solid choice for China, as being a second-largest market in the world with 500 million consumers having high purchasing power (Casaburi 2016).

Nevertheless, in the following years, Chinese goals on investments have shifted to a different direction. Ever since President Xi Jinping came into power in 2013, China's investments policies have drastically changed worldwide. He has given priority to develop China's domestic industry with high-tech and innovations. In the 13th Five Year Plan of China, it is underlined as a new goal of Chinese development as;

[3] OECD FDI Restrictiveness Index (1=Closed / 0=Open)

> “Innovation must be placed at the heart of China’s development and advanced in every field, from theory to institutions, science, technology, and culture. Innovation should permeate the work of the Party and the country and become an inherent part of society.” (Central Committee of the Communist Party of China 2019).

In that sense, the primary purpose of Chinese investments has shifted from market-seeking to strategic assets-seeking, which comprise technological development, RD, innovation and know-how. The willingness of China to catch up with developed countries and reduce dependency to the technological products, has expanded more innovation-driven growth (Nicolas 2009).

Besides, in 2015, the Chinese government has launched “Made in China 2025,” a national policy to expand dominant Chinese role in the global production and economy by highlighting top-priority sectors including aircraft engines, information technology, cyber-security, robotics and bio-medical technology (The State Council The People’s Republic of China 2015*b*). For Made in China 2025 policies, Premier Li Keqiang stated that by targeting Chinese investment companies “High-tech companies should transform science and technology into products that are highly competitive in the market.” (The State Council The People’s Republic of China 2015*b*). In that sense, one of China’s main tools to meet requirements of Made in China 2025 goals are outward-oriented FDIs.

As being one of the long-lasting developed economies in the world, the EU has the top innovative economy and thus, the EU companies has technological advantages in global trade and investment. In that sense, Chinese investments to Europe are aiming to transfer technology from high-tech sectors (Seaman, Huotari, and Otero-Iglesias 2017) .

Additionally, China’s investments in Europe are not limited to technology transfer. At the same time, China’s investments have political, regional and economic goals depending on its national policies.

3.3.3 Regional Distribution of Chinese Investments

Although the EU provides several integrationist policies and tools to boost economic unity to its member states and continent, economies in Europe vary from region to region. Central and Eastern part of Europe still struggle with the economic downturn, and purchasing power is lower compared to the Western European countries. China is well-aware of this economic discrepancy and adjusts its investments based on regions.

According to the Merics and Rhodium Group, since 2013, the “big three” European economies are receiving the lion’s share of Chinese investments. In 2018, the United Kingdom (EUR 4.2 billion), Germany (EUR 2.1 billion) and France (EUR 1.6 billion) shared the most significant part of Chinese investments (Hanemann, Huotari, and Kratz 2019). As mentioned before, China aims to transform technology and science for boosting its domestic industry. These big three countries are main destination for this purpose. Numerous Chinese technology-based and internationally competitive companies such as Huawei or Haier, target to invest in these countries.

Benelux and Northern European countries have also become an attractive destination for Chinese FDIs. In 2018, Sweden received 3.4 billion of total Chinese investments (Geely’s EUR 3 billion direct investments to purchase Volvo) and Luxembourg shared EUR 1.6 billion (Hanemann, Huotari, and Kratz 2019). Italy, Spain, and Portugal are other important regions for the Chinese investors for their shipping and transportation facilities.

On the other hand, Central and Eastern European (CEEC) countries represent a small number of Chinese investments compared to the other EU member countries. Fragile economies, public debt problems and low purchasing power are unattractive for Chinese investors. However, ever since BRI was taken into the force as a foreign policy tool by the Chinese government, Chinese big infrastructure companies have begun to enter to this region in order to expand transportation networks for trade activities and reach into the Western Europe.

China considers CEEC as a gatekeeper to access Western Europe in terms of trade routes. Hence, these countries have geostrategic significance for China. Many Chinese infrastructure companies has begun to invest CEEC by targeting railroads, highways and ports. Moreover, China has increased its presence in these regions by signing a cooperation agreement with these countries. In 2012, 16+1 Cooperation was signed among China and the CEEC then BRI was engaged in this cooperation. Recently, it retitled as 17+1 [4] Cooperation with Greece’s participation. China launched institutional diplomatic relations with this region separately from the EU. Therefore, 17+1 Cooperation directly represents Chinese integration to the European continent by utilizing from its economic power as a diplomatic and political

[4] 17+1 Cooperation involves relations between China and Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, North Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

tool (Hillman and McCalpin 2019).

Table 3.2 Distribution of Chinese FDI in Europe, 2018

Region	***Amount of Investments***	***Targeted Sectors***
The Big Three: Germany The UK France	EUR 83.4 billion	Technology, Telecommunication, Machinery, High-Tech Industry, Agriculture, Biotech, Health, Automotive, Finance
Italy Spain Portugal	EUR 25.8 billion	Infrastructure, Transportation, Energy, Agriculture, Service, Real Estate
Benelux and Northern Europe	EUR 24.5 billion	Automotive, Biotech, Telecommunication, Finance
CEEC - 17+1	EUR 10 billion	Infrastructure, Transportation, Renewable Energy, Telecommunication, Real Estate

3.3.4 The EU's Concerns and Policies about the Increasing Chinese Outward Investments to Europe

According to the European Commission's document, EU-China Strategic Outlook,

> "Negotiations for a Comprehensive Agreement on Investment have been ongoing since 2013. This would be a key tool in rebalancing investment relations and in securing fair and equal treatment for EU companies operating in China as well as ensuring legal certainty for Chinese companies across the Single Market." (European Commission 2019*c*).

As mentioned in the document, negotiations on Comprehensive Agreement on Investment began in 2013, but could not concluded. Simply because the EU has concerns on multiple issues in investment relations with China.

Similar with the global context, Chinese investments in Europe are overwhelmingly conducted by Chinese multinational state-owned enterprises (SOEs). In 2018, 71 per cent of the Chinese investments in Europe was comprised of these companies (Hanemann, Huotari, and Kratz 2019). It means that, major infrastructure and high-tech investments are funded by the Chinese government. This situation not only undermine fair competition but also pose a threat for the EU security.

Cyber-security, strategic assets, transportations routes, medical technology and 5G networks are other sectors that the EU concerns about Chinese outward investments under the state-led companies, in these fields. According to the Commission Report,

> "Foreign investment in strategic sectors, acquisitions of critical assets, technologies and infrastructure in the EU, involvement in EU standard-setting and supply of critical equipment can pose risks to the EU's security. This is particularly relevant for critical infrastructures, such as 5G networks that will be essential for our future and need to be fully secure." (European Commission 2019*c*).

As this statement demonstrates, beyond the economic disputes, the EU's security has also become critical issue for the EU in terms of Chinese investments to strategic sectors.

Moreover, 17+1 Cooperation is also considered as critical issue which threats the EU and Europe's unity. Therefore, the EU urged these states to act in unity towards Chinese investments. In 2016, the European Commission highlighted this issue in the document Elements for a new EU strategy on China;

> "The EU must project a strong, clear and unified voice in its approach to China. When Member States conduct their bilateral relations with China – whether one-on-one or as groups of countries such as the 16+1 format – they should cooperate with the Commission, the EEAS and the other Member States to help ensure that aspects relevant to the EU are in line with EU law, rules and policies, and that the overall outcome is beneficial for the EU as a whole." (European Commission 2016*a*).

On the other hand, asymmetries between the EU − China investments is another significant problem. China has displayed strategic restrictions against European companies' investments to the Chinese market, but Chinese investors have benefited from the EU's open-market oriented system (Hanemann and Huotari 2018). Thus, the EU gives priority for reciprocal investment flow to maintain investment relations with China.

In 2015, the EU and China agreed on 17th Joint Statement and they indicated that "Both sides reaffirmed their shared commitment to an open global economy and a fair, transparent and rule-based trade and investment environment, guaranteeing a level playing field and opposing protectionism." (European Council 2015*b*). However, the consensus among the EU and China were unable to exceed to the practice. Therefore, the EU demanded more balanced and reciprocal investment relations. In 2017, former President of the European Commission Jean-Claude Juncker stated in the 12th EU-China Business Summit as;

> "While Chinese investment into the European Union increased by 77percent in 2016, the flow in the other direction declined by almost a quarter. To put that into context, EU investment into China last year was roughly 3percent of what we invested in the United States. That reflects how difficult it can still be to do business in China. Roughly half of EU companies say that it actually got harder last year. One in two say they feel less welcome than when they entered the Chinese market. And more than half say that foreign companies are treated unfairly compared to their Chinese competitors." (European Commission 2017*a*).

Under these circumstances, the EU has several concerns about Chinese offensive investments in Europe and complains about the lack of reciprocal investments considering restrictive market access regulations. Although China and the EU agreed on paper, the evident reciprocity in the investment is still deprived. With regards to these problems, the EU has changed its strategy towards Chinese investments to control offensive FDI flows and re-balance mutual investment activities. Recently, the EU launched an FDI screening mechanism as a new investment policy tool to protect its strategic assets, unity and infrastructures.

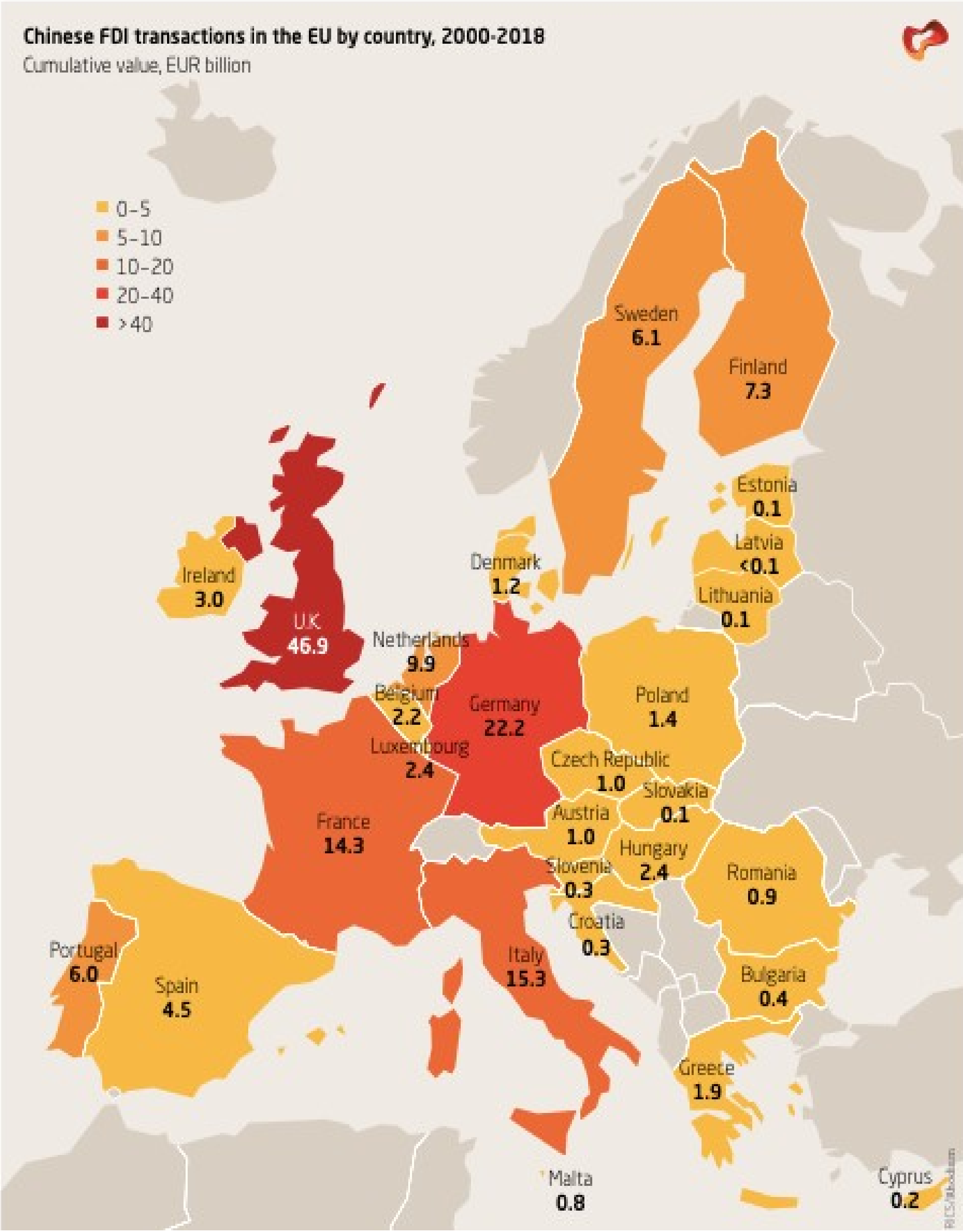

Figure 3.4 Chinese FDI Transaction in the EU by country, 2000-2018
Source: (Hanemann, Huotari, and Kratz 2019)

3.3.5 FDI Screening Framework

The Chinese offensive investments to the European region with the aim to reach and transfer high-level technologies and infrastructures led the EU to change its attitude and policies. As a result, Juncker reacted that

> "...we want Europe to keep the most open investment regime in the world, but we must defend Europe's strategic interests, and for that, we need scrutiny over purchases by foreign companies that target Europe's strategic assets." (European Commission 2017*a*).

In this regard, on 20 November 2018, FDI Screening Framework was taken into the force. This new policy mainly targets to strengthen the cooperation between the Union and member states towards Chinese investments and to protect the EU security, technology, industry and economy (European Commission 2017*b*). Moreover, these regulations encourage member states to monitor state-led investments in strategic technologies and infrastructure (Hanemann, Huotari, and Kratz 2019). The large share of Chinese investments has encountered obstacles after FDI Screening Framework has come into force. The reason behind the decline of Chinese investments within the European countries in recent period is also related with conducting FDI Screening Framework. In that sense, FDI Screening Framework is an outstanding illustration to show how the EU's position towards China and its outward investments has changed.

3.4 Conclusion of the Chapter

Given the relevant data and issues in the EU-China trade and investment relations, it can be affirmed that despite the growing linkage and interdependency in the EU – China economic relations, rising disputes and changing strategies should not be undervalued.

Firstly, trade relations have been one of the leading arms of EU-China relations. Trade has been enjoyed by both sides, during the enlargement process of their economic relations. This period was crucial for originating today's volume of the EU-

China trade. Relevant data showed that both the EU and China are the leading actors in global trade. Likewise, comprehensive trade activities between each other have contributed to increasing cross-continental, flow of capital, products, and people. However, the profitable two-way of trade flow between these two economic powers could not be continued harmoniously in the ongoing process. Contestations, political issues, and divergence of interests have overshadowed the developing trade relations at the further step, such as free trade agreement.

The EU predominantly gives attention to reciprocal and rule-based commercial activities by eliminating barriers and following certain international standards. China, by contrast, is still far-away from fulfilling the WTO and the EU commitments. This situation has adverse impacts on the EU economy. The EU cannot overcome the increasing trade deficit towards China and lose its competitiveness. Therefore, the EU's policies and discourses has become more assertive towards China due to these rising problems. In that sense, trade relations between the EU and China are a good illustration to understand how the EU's attitude and policies have changed towards China overtime.

On the other hand, investment relations between the EU and China have steadily increased since the 1990s. Although China was the recipient country for European investors beforehand, after the financial crises period, Chinese outward investments in Europe has expanded to the same extent and altered with regards to China's national goals. However, it should be noted that both the EU and China share a merely small amount of their global investments to each other since some deteriorating issues affect their investment relations.

Furthermore, Chinese investments in Europe are formed with a mix of goals, which are shaped based on Chinese motivations. The investments amount and motives change around European states and regions. In other words, China does not consider the EU as a single entity, rather see as separate regions with separate markets. The incentives within the European countries are different, and thus, Chinese investors decide their type of investments in terms of regions and countries.

The core EU countries such as Britain, France or Germany received the largest share of Chinese investments, and China mainly aims to reach high-tech, sectors and know-how to advance its industry and technology. China also involves Northern European countries with similar purposes. By contrast, although CEEC received a small share of investments, 17+1 cooperation and BRI have carried mega infrastructure projects to these regions in order to reach Western Europe through these countries.

Nevertheless, the EU is not satisfied with particular issues regarding investment relations with China and suspicious about the reliability and transparency of Chinese investments. Thus, the EU increases its protection and screening mechanism to defend its unity, industry and companies. The EU insistently urge China to follow commitments that were agreed on several agreements and summits. The EU demanded reciprocal investments and transparent relations. In the recent period, security-related issues in Chinese investments have also been added into the EU's agenda, and the EU launched FDI Screening Framework to preserve its domestic market and region against offensive and unlawful investment practices.

Investment relations between the EU and China is convincing evidence that the EU-China relations have changed to the unstable direction, and the EU's policies and approach seem to be suspicious and assertive towards China in the recent period regarding China's new attempts and strategies on investment.

To sum up, this chapter tried to analyse the scope of EU-China economic relations through trade and investment relations. It also demonstrated how these relations can be associated with the EU's changing policies and approaches in economic relations with China. Several unsolved issues both in the trade and investment relations have caused alteration of discourses and policies of the EU.

Moreover, accountability and credibility of China have decreased in the eyes of the EU. Therefore, the EU attitude has become more suspicious with regards to pursuing economic relations with China. In this regard, in order to sustain economic actives between the EU and China, problems and disputes in the trade and investment relations shall be solved with the cooperation and mutual trust shall resurge.

4. IMPACT OF THE BELT AND ROAD INITIATIVE TO THE EU-CHINA ECONOMIC RELATIONS

In November 2013, President Xi Jinping announced One Belt One Road (OBOR) -also referred as New Silk Road- as their national project. In the following years, the name was simplified in English as Belt and Road Initiative (BRI). This strategic initiative involves around 65 per cent of the world's population and one-third of the global GDP in order to create an economic corridor among countries. China's grand project BRI has two-diverge routes, the first one is an overland route which starts at China and reaches to Western Europe and the second one is called 21st century Maritime Silk Road which covers China's Fujian coast, Malacca straits, Horn of Africa, Red Sea, Mediterranean and ends in Venice (Xing 2019). BRI aims to boost economic integration across these areas.

For China, BRI is a tool for promoting domestic economic growth by boosting export-led trade, accessing natural resources and for developing technology within domestic industries (Rolland 2015) . China aims to expand grand projects on transport, technology and telecommunication across mentioned regions. In March 2015, the legal document of the initiative titled Action Plan on the Belt and Road Initiative was published. The document indicates;

> "The connectivity projects of the Initiative will help align and coordinate the development strategies of the countries along the Belt and Road, tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries, and enable them to understand, trust and respect each other and live in harmony, peace and prosperity." (The State Council the People's Republic of China 2015*a*).

Increasing mutual benefits, boosting international trade and expanding global economic cooperation are other aims that mentioned in the Action Plan. The popular estimated cost of the BRI is ranged from USD 1 trillion to USD 8 trillion (Hillman 2018). By the end of 2015, Chinese multinational banks had invested approximately USD 250 billion in several countries' mega infrastructure projects such as ports, pipelines, railways, factories, airports and highways (Jing 2018).

Furthermore, it should be noted that although BRI remarked in a particular area, the Action Plan highlighted that BRI is open for all countries, and international and regional organisations (The State Council the People's Republic of China 2015*a*). It means that throughout BRI, China's political and economic relations with countries and organisations will be determinant for the direction of BRI.

In this context, China's relations with the European Union will be a determinant factor for the BRI goals in the European continent which is one of the prime objectives of this initiative. The EU revealed its opinion about the BRI in the 17th EU-China Summit for the first time, in June 2015. In the Joint Statement of the Summit, both sides agreed on interest on each other's investment initiatives, namely; Investment Plan for Europe – known as Juncker Plan-, and the BRI. Leaders decided to promote synergies between these initiatives and add these issues in the agenda of the EU-China High-Level Economic and Trade Dialogue (European Council 2015*a*). In the same year, the EU-China Connectivity Platform was agreed by both sides. The main objective of this Platform is to foster cooperation in the area of transportation by integrating the Trans-European Transport Network (TEN-T), and BRI (European Commission 2015). Ever since 2015, two sides have focused on identifying pilot projects in the European continent to be undertaken by China and they have negotiated on how these infrastructure projects has taken place in Europe.

Alongside the mutual consultations, BRI has become a brand-new debate in the EU. Several European think-thanks actively analyse BRI and its potential impact on the EU-China relations (Jing 2018). Although BRI is an option to bring substantial investment project to the European region, there are several concerns still exist according to the EU. For the EU side, the EU rules and regulations, and international standards are straightforward for Chinese investments and the EU expects that China shall fulfil its statements. In the European Commission's document, Elements for a New Strategy on China, the EU's perception was indicated as;

> "China will need to fulfil its declared aim of making its "One Belt, One Road" initiative an open platform which adheres to market rules and international norms in order to deliver benefits for all and to encourage responsible economic behaviour in third countries." (European Commission 2016*a*).

Moreover, at the 3rd Meeting of EU-China Connectivity Platform in 2018, the EU side underlined the importance of level-playing-field among investments, reciprocity and compliance to the EU rules and standards for BRI (European Commission 2018*c*). Nevertheless, latest challenges on investment relations and China's bilateral diplomacy with European countries, detract China from the EU's expectations.

Apart from the EU level relations, China has also sought to make cooperation at the member-state level and expand bilateral relations to non-EU member countries in Europe (Jing 2018). While China has increased state-level diplomatic relations and alternative regional cooperation within the Europe, some scholars interprets China's strategy as divide and rule (Godement and Vasselier 2017).

17+1 platform with CEEC and Greek-China cooperation on operating Piraeus port by the Chinese company, COSCO are prime instances to China's European strategy for BRI. Moreover, Italy has become the focus of debates in the EU after its participation to the BRI as the first G7 country. Italy began to negotiations on bringing Chinese infrastructure investment to its strategic ports, one salient of them is Italy's ancient port, Trieste (Horowitz 2019). These cases show that aside from relations with the EU, bilateral interactions with the European states might be a gateway for the BRI to reach to the heart of Europe.

These issues are also raising worries of the EU about economic relations, political unity, and security. Thus, similar with the trade and investment relations, the EU repeatedly warned its member states to act in full unity and follow the EU law, rules and policies towards China's investments under the BRI (European Commission 2019*c*).

Consequently, China's BRI might be an outstanding opportunity for Europe to increase investment flows and trade volume across the continent, which is also one of the purposes of the EU's Juncker Plan (European Commission 2014). However, the EU is concerned about unfair competition, lack of reciprocity and non-transparent economic activities of China. Some scholars indicate that the Chinese side often prefers to do things faster regardless of the complying with whole procedure, by contrast; the EU side strictly wants to be sure about fulfilling rules and following international standards for economic activities (Jing 2018).

Under these circumstances, China attempts to fulfil its BRI goals, not only relations with the EU but also bilateral relations with the states. However, divergence of interest and the EU's concerns might postpone further steps of BRI in Europe. Moreover, as mentioned earlier, an increasing tendency of the EU to be more protective on receiving investments and implement trade defence measures might influence the BRI goals unfavourably in the foreseeable future.

5. CURRENT EXTERNAL CHALLENGES ON THE EU-CHINA ECONOMIC RELATIONS

In the last four years, the EU – China economic relations have been affected by three new external challenges. The first challenge is the United Kingdom's withdrawal process from the EU, which is well-known as Brexit. The second challenge is the ongoing trade war between the United States and China, and the third challenge is this year's brand-new problem, Covid-19 pandemic.

The UK, which is a strategic trading and investment partner for China within the context of EU-China economic relations has a direct impact on how economic relations among the EU, China and UK will shape after Brexit. On the other hand, how does increasing protectionist tendencies regarding trade and investment during the trade war, influence the EU – China trade and investment? Lastly, how will the economic problems caused by the Covid-19 pandemic affect the economic relations of the EU and China in the foreseeable future? There are several debates on these issues that affect the EU-China economic relations positively or adversely. In this chapter, the impact of these three challenges on the EU – China economic relations are briefly discussed.

5.1 Brexit

On June 23, 2016, Britain went to the polls to respond to the critical question "Should the UK remain a member of the European Union or leave the European Union?" (Oltermann 2015). The referendum resulted with 52 percent of "leave" votes and, the UK's exit process from the EU has officially begun. Similarly, with other countries, the 2006 referendum and the UK's decision to leave the EU has astonished China.

Brexit signalled that China needs to develop new trade and investment policies, as well as to make it necessary to re-examine its relations with the EU. On the other hand, now the UK is coming in sight as one of the top-trading and investment partner for the EU. It is still unclear how the EU develops its economic policies and institutional changes towards the UK and China.

There is no doubt that since 2016, the significant uncertainties have risen for both the EU and China about Brexit process. In the early stages of Brexit, Xi Jinping indicated that China promotes European integration a expects to see a united Europe (Gan 2015). In particular, a prosperous EU with its large number of consumers, open market and a common currency, was in China's interest, while Brexit would bring ambiguities to current powerful economic relations (Ke 2018).

The UK used to play an essential role in the EU-China economic relations as being the second biggest favourable trading partner of China among the EU-members, having 12.7 per cent size of the EU population. To the scope of Brexit means, there will be a remarkable decrease in the volume of the EU-China trade and investment activities (Summers 2017). Also, the direction of the EU, which enters into a process of disintegration and new institutional set, has increased China's frustration on economic relations (Ke 2018).

Moreover, as mentioned before, the EU has highlighted a demand for a more cooperative policy and unity in decision making with members states towards China. Historically, the UK has chosen to pursue policies and ideas on foreign affairs that differ from continental Europe. In that sense, after Brexit, regardless of the UK's role in the EU, members and institutions might develop more coherent policies towards China (Summers 2017).

On the other hand, there is still essential divergence of interests between the EU and China in the economic realm. China's continues market restrictions and non-transparent investments. Therefore, some scholars are concerned that liberal open-market policies within the EU structure would be weakened after Brexit so that the EU might follow more protectionist policies towards China, and it unfavourably affects China's investments and exports to the EU (Ting 2018).

Besides new relations with the EU, China is also an active spectator of the UK's new positions with the European Union regarding customs union and single market. In this process, China aims to sign a free trade agreement with the UK as an independent European country, as well as it did before with Switzerland in 2014 (Dadush and Dominguez-Jimenez 2020). However, some scholars argued that it would be difficult for the UK to engage a new agreement with China before it establishes a substantive trade agreement with the EU after Brexit (Cottey 2018) Also, similar to the other Western countries, Britain has complained about common problems on economic relations with China, as mentioned earlier in this study.

Overall, the Brexit process brought several uncertainties and new approaches to the EU-China economic relations. Positive and negative foresights about the impact of Brexit to EU-China economic relations might become more apparent after the UK's transition period over.

5.2 Trade War between the US and China

Ever since 2018, the US-China trade war has become a significant turmoil in international trade relations, and its influence is not merely limited to China and the US. Several big economies and emerging economies have been affected by this trade conflict due to new protectionist measures such as increasing tariffs and market restrictions, that have been taken by the US and China. Trade war poses a threat to most of these economies and creates instability for many international investors and companies (Goulard 2020) .

The EU is the major economic area that was influenced from trade war between China and the US and, has been concerned about increasing protectionist policies in the global economy. Indeed, the EU is also the target of protectionist policies in this trade war. The symbols of more competitive international trade that is characterised by the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP) and the Transatlantic Trade and Investment Partnership (TTIP) and, negotiations are inevitably shifting the US protectionism that is led by President Donald Trump's implications as an orientation to trade war structure (Ke 2018). Under these circumstances, the EU and its member states challenge with the US protectionist decisions on trade and investment, especially, while the European automobile industries are struggling with the huge US tariffs (Johnson 2020).

Furthermore, although its domestic restrictions and non-transparent policies are not solved yet, China manifests itself as a promoter of globalisation and international trade. President Xi Jinping emphasised that "We must remain committed to free trade and investment. We must promote trade and investment liberalisation, No one will emerge as a winner in a trade war." (Riley 2017). He also underlined destructive effects of trade war and Trump's protectionism for the EU as "a trade war would be destructive to both sides. The EU generally is very concerned about Donald Trump's trade protectionism." (Goulard 2020)

Precisely, globalisation has ensured that both the EU and China have expanded an ever-bigger GDP in the past decade (Merics 2020). The EU and China always benefit from open and free trade. Therefore, they are acting together against the US aggressive protectionism. Although the EU shares similar concerns with the US about China, trade wars might convey new chances for the EU – China economic relations. In April 2019, both China and the EU expressed their shared responsibility against protectionist trends in the international economy as;

> "The EU and China recognise their responsibility to lead by example, pursue policies that support an open, balanced, and inclusive global economy which is beneficial to all, and encourage trade and investment. The EU and China firmly support the rules-based multilateral trading system with the WTO at its core, fight against unilateralism and protectionism, and commit to complying with WTO rules." (European Council 2019).

Moreover, according to some scholars it is noted that since the early years of the 2000s, China and the EU hope to reduce US dollar dependency in the international monetary system, and both sides encourage each other to increase the euro as a common currency in the international trade (Ke 2018). This might be argued in the context of the trade war, and the euro might gain substantial value in global economic transactions.

Meanwhile, the EU-China economic transactions might increase if the EU substitutes the US for China. Christian Keller, head of economic research at Barclays, asserted that European companies and investors might gain market share and export in China, due to trade substitution resulting from additional tariffs (Smith 2019). In parallel to it, the EU export to China increased by around 6 per cent, while its imports from China grew by 5 per cent from 2017 to 2018 (Goulard 2020).

Nevertheless, despite the fact that economic interactions seem to be growing the EU's problems with China's stationary policies and, increasing protectionism still on the table. China becomes more competitive as mentioned earlier in this study, and it is still far from fair treatment and competition in economic relations with the EU. At the same time, the EU's protectionist tendencies are also rising in economic policies, and this takes their economic relations in obscurity.

5.3 The Covid-19 Outbreak

According to the OECD Economic Outlook, Covid-19 pandemic and lockdown measures in several business sectors triggered the severe downturn around the world. Although lockdown measures have succeeded in the slowing the spread of the virus, its frozen business activities in many sectors, climbed unemployment, decreased the living standards of individuals and hit international trade.

OECD stands on two different scenarios that compromise a single-hit scenario, in which the second wave of pandemic and lockdown measures are avoided and, a double-hit scenario, in which second wave and lockdowns measures are expected. Firstly, if pandemic would weaken in the next term, global economic activity would fall 6%, and unemployment would climbed to 9.2% from 5.4% in 2019, and for the major EU countries around -11% GDP, fall is expected (OECD 2020). Secondly, if the second wave hits, all these numbers are expected to negatively be doubled. In these situations, a severe decline in international economic transactions is expected and such might undermine confidence in the future. Under these circumstances, the global Covid-19 pandemic has led the Sino-EU relations to a profound alteration regarding disputes and mistrust. The EU and China relations have experienced several new issues in both the political and economic realms. In that case, it can be said that the EU's stance towards China has become more assertive and realistic (Marlowe 2020).

Increasing economic protectionism and recession have accelerated contestations in the EU about China. As discussed within the Brexit and trade war, the global economy was not in harmony. Economic nationalism was already threatening the open and rule-based world economy, and multilateralism which was always supported by the EU. In parallel to it, the EU and China relations are also under struggle, due to China's reluctance to improve its economic structure with liberal reforms, even increased its competitive, assertive and autocratic tone which can be seen in Made in China 2025. While Covid-19 brought an existential crisis to Europe, China has gained more critical importance in the eyes of governments, policymakers and civil society (Seaman 2020). In this respect, recently, China has become a conspicuous part of the public and policy debate worldwide. Thus, the adverse impacts of the pandemic have shown that the EU needs to adopt more coherent and realistic strategies towards China. (Seaman 2020)

At the beginning of the Covid-19 crisis, the EU and China demonstrated cooperation for this struggle. The EU institutions and member states promoted the fight against the pandemic and delivered several medical supplies to China. In January, president of the European Commission Ursula Von der Leyen indicated that 50 tonnes of medical supplies had been delivered to Wuhan (European Commission 2020*d*). Nevertheless, ever since the pandemic has spread to the world and Europe becomes the region that suffers the most, the EU and member countries raised their voice against China about non-transparent issues such as investigating the origin of the virus, accurate statistics about patients and deaths.

The other essential issue which led the EU to change its behaviour is Chinese follow-up diplomacy about the pandemic. While the economic costs for Europe could be quite high, the EU becomes apprehensive about Chinese diplomacy. Chinese embassies and ambassadors across Europe have shared several messages, especially on social media, as Covid-19 has expanded the region (Seaman 2020). China's "mask diplomacy" has aimed to access European countries by benefitting from soft power, which comprises of aids, warm messages and sharing China's so-called success story, and with that to attain its economic interests in Europe (Marlowe 2020).

According to the Merics' special report on Covid-19, China's diplomacy in Europe involves predominantly four principles. These principles are namely; 1) solidarity and assistance, 2) invitation for a multilateral cooperation, 3) promotion of China's fight against Covid-19 as a success story and 4) countering any criticism against China, including propagating disbelief about the origins of Covid-19. (Seaman 2020) The same report indicated that China has also followed diversity in its diplomatic relations changing from country to country. For instance, while China follows a more moderate tone for 17+1 countries which warmly welcomes China's investments, it can increase its voice more rigidly for more aggressive countries such as France, or Germany. Furthermore, when the pandemic hits European countries, Chinese aid has arrived in Europe with different channels, including the Chinese government, state-owned multinational companies as well as institutions which spread Chinese propaganda across Europe.

Interestingly, there is a correlation between Chinese state-owned enterprises with commercial interests and donation of these enterprises. As an instance to it, Huawei which is amid the ongoing debate about security and national threat about 5G network in Europe, donated wave of face masks to Europe; for Spain 1 million, and for Netherlands 838,000 (Politico 2020). France and other big-EU members expressed their determined behaviour that these donations and soft diplomacy would not change their decision on 5G security and other economic disputes (Hamman 2020)

Overall, the Covid-19 pandemic led to a severe recession in European economies.

Meanwhile, the problems between the EU and China has risen. While China's assertive tone has become more visible, a question arises that will the EU achieve its goals in economic relations with China? It is noteworthy that with a EUR 700 billion annual trade and increasing mutual dependence between the EU and China cannot be overlooked. Yet, mutual understanding and shared interests might be more problematic in the post-pandemic period.

As a result, in this chapter, three major external issues which have a direct impact on EU – China relations have been identified. Firstly, possible effects of the Brexit process, then to what extent trade war between the US and China influence relations of the EU and China have been explained. Lastly, a very recent issue, Covid-19, which caused a remarkable economic downturn in the EU and changed relations with China, has been touched upon.

Therefore, it can be argued that these external issues influence the EU-China economic relations to shift in a different direction. Therefore, this result might be taken out from this chapter; for more coherent economic relations between the EU and China, international dynamics also essential and should be convenient just as the "honeymoon period" in order to broaden relations with mutual cooperation.

6. CONCLUSION

Today, China is one of the powerful economies in the world. Together with its economic power, China has become the leading actor in global relations. China's successful economic development began in 1975 when the country started to integrate its economy to the international economic system with several reforms. Ever since 1975, China demonstrated outstanding growth in its economy and expanded its trade and investment relations worldwide, and China's economic growth is an exceptional one in the world. At the same time, China also began to participate in international financial institutions and develop diplomatic relations with other parts of the world.

The European Union is one of the essential actors within the process of China's economic development. While China economically raised and increased the number of liberal reforms in its internal structure, the EU promoted this process. In parallel to China's open-up policies, the EU – China relations officially took place in 1975 by establishing first diplomatic relations. Moreover, the first economic ties were established between the EEC and China by signing the Trade Agreement in 1978 and the Trade and Cooperation Agreement in 1985. Ever since that period, the EU – China relations became highly institutionalised through several new agreements and cooperation. Meanwhile, economic interactions between these two actors has steadily increased. After China joined to the WTO, the EU became more eager to trading with China within the context of maintaining economic relations in international rules and regulations, and also promoted its accession process and reforms with regards to it.

In the first decade of the 21st century, the EU – China economic relations have witnessed the "honeymoon" period. Certain trends in that period, such as globalisation and end of the bipolar world system, had encouraged them to expand closer linkage for their economic relations. In that period, China's economy surpassed the largest EU - member states' economies, and China has become an influential actor in the global economy and politics. In that sense, the EU – China Strategic Partnership was launched in 2003. Likewise, the economic linkage between the EU and China had deepened and widened. It is noteworthy that both sides were eager to ramp up their commercial transactions and cooperation by sharing common interests that stimulate international and open trade.

However, after the global financial and Eurozone crises, European economies had struggled with the economic downturn. China, by contrast, has maintained its economic growth and even increased its presence within the European region by flowing investments and trade activities. China has become a fortunate side in terms of obtaining the sharing of opportunities in these economic relations. In this regard, several problems have become more visible in the EU – China economic relations and the EU's positive approach towards China has changed since that time.

In recent years, China's economic rise in the global economy has become assertive, and its economic and political influence over various territories has expanded. By contrast, the EU's economic weight in the world has eroded. This new position of China and ongoing problems in the economic relations pose some concerns for the EU side.

Although the EU and China have the most valuable trading partnership in the world, there are several unsolved issues in these relations. High tariffs and market restrictions imposed by China, violation of intellectual property rights, and anti-dumping/anti-substitution are the significant concerns of the EU with regards to trading with China. On the other hand, China complains about the EU's reluctance to give the market economy status to China. Apart from the problems, the EU's increasing trade defence instruments against Chinese products to prevent unfair trade practices and stance against China's MES is essential to observe the EU's altering policies towards China.

Moreover, both the EU and China share a small number of their global investments due to several issues are deteriorating their investments relations. In terms of the EU companies' investments to China, the essential problem is China's restrictive market regulations and international property thief. Besides, the EU acts with suspicion towards China's outward FDIs across the European continent. The concern of the EU regarding Chinese investments might be explained with the term divide and rule.

Instead of making investments in cooperation with the EU and its regulations; China conducts its investments through bilateral or regional relations with European countries. In some cases, the investments that China makes are considered contrary to the unity of the European Union's decision-making. China's cooperation with the CEEC countries under 17+1 cooperation is a prime example of this argument.

China's investments to the strategic high-tech industries in the scope of Made in China 2025 incentives also pose a risk for the EU industries in terms of losing competitiveness in strategic sectors towards China. Therefore, with regards to these issues and concerns, in 2018, the EU promulgated the FDI Screening Framework to monitor investments before receiving for the EU countries.

With regards to Belt and Road Initiative, despite the EU recognised the initiative and agreed on foster cooperation in several investments' projects, there is still lack of convergence between the EU and China concerning interests and ways of implementations. For the BRI, the EU shared similar concerns with trade and investments. The BRI might be a good opportunity for further steps of the EU-China economic relations; however, the impact of unsolved issues and concerns cannot be overlooked.

While China is reluctant to fulfil commitments on economic relations with the EU, and uncertainty have taken place in the economic relations, the EU's policies and discourses became more severe against China. Likewise, disputes in economic relations between these two partners have become more tangible.

On the other hand, the recent challenges which are identified as Brexit, trade war between the US and China, and Covid-19 outbreak, have underpinned the argument that the EU-China economic relations have converted into an unstable situation and China loses its credibility in the judgement of the EU.

Given these issues, the following outcomes might be reached;

Firstly, there has been a crystal-clear fact that Chinese economic rise in the global realm is now more assertive, and Chinese policymakers are more confident to follow their development model and rules. Precisely, The EU values and interests in the economic context do not overlap with Chinese ones.

Secondly, based on the analysis of this study, it can be noted that despite the broad institutional characteristics and close partnership in the EU-China economic relations, disputes and problems are more noticeable in the recent period. Mutual trust, shared interests and bilateral cooperation have weakened. Therefore, this situation has led to changing behaviour and policies of the EU and now it considers China as systemic rival.

Thirdly, the fact that there has been a growing tendency to follow more protective economic policies from the EU side regarding trade and investment relations with China might be observed. The EU is more protective for its industry and strategic assets, and more cautious about Chinese investments in several strategic sectors such as infrastructure, telecommunication or energy. Moreover, the EU's political concerns on Chinese investments in Europe has come up. Especially, China's engagement to Europe's strategic regions and pursuing bilateral relations with European countries instead of the EU as a whole, have perceived as a threat in terms of political and security issues.

The final contribution might be that; the emerging external issues and new dynamics in the world might further generate the problems and disagreements that arise in the EU - China economic relations. Both the EU and Chinese side determine its policies in terms of changing international dynamics. Hence, global transformation in finance and more mercantilist inclinations might also transform the EU and China relations into a different direction than previous fruitful times of the globalisation period.

Regarding all of these, even though the economic relations between the European Union and China undertake challenging issues, their more than 40 years of economic relations and multi-layered partnerships should not be overlooked. Given their history of relations and growing economic interactions, it may well be argued that the EU – China relations are still on track and represent one of the largest economic relations in the world. Therefore, resurging closer partnership and mitigating tensions can only be achieved with engaging in bilateral dialogue and identifying a shared view of how to respond these challenges. In the latest EU-China annual Summit, the EU relations with China expressed with similar manners and titled relations as "complex and vital partnership". President of the European Council Charles Michel states that;

> ""EU-China relations have evolved in recent years. Our economic interdependency is high, and we must work together on global challenges like climate action, meeting the Sustainable Development Goals or dealing with COVID-19. Engaging and cooperating with China is both an opportunity and necessity. But, at the same time, we have to recognise that we do not share the same values, political systems, or approach to multilateralism. We will engage in a clear-eyed and confident way, robustly defending EU interests and standing firm on our values." (European Commission 2020*a*)

Overall, the possible recommendation raised in this thesis posits that both sides should develop a common interest and dialogue to respond to changing dynamics in their economic relations. China needs to ensure that its economic structure and multinational companies comply the rules of international standards and leave anti-competitive and unfair practices in its economic relations with the EU, if it wants to stop being a target of EU's defensive policies and attitudes. The EU should protect its position in international economic relations as being a liberal market economy. Follow to propose commitments to China for further liberalisation of trade and investment. Additionally, the EU should strength its intra-EU coordination in decision making to follow robust economic policy and defend its interest towards China.

As shown in the thesis and relevant studies, the EU – China relations are shaped with multiple factors, thus, in order to make future predictions that how these relations will evolve, understanding transformation and development of these factors are essential.

BIBLIOGRAPHY

Andreosso-O'Callaghan, Bernadette. 2013. "Market Access and Trade Facilitation." In *The Palgrave Handbook of EU–Asia Relations*, ed. Thomas Christiansen, Emil Kirchner, and Murray Philomena. London: Palgrave Macmillan.

BDI. 2019. "China – Partner and Systemic Competitor How Do We Deal with China's State-Controlled Economy?" Last accessed 25 June 2020. Retrieved from: https://english.bdi.eu/publication/news/china-partner-and-systemic-competitor/.

Bersick, Sebastian. 2018. "China and the EU Trade and National Role Conceptions." In *China's International Roles*, ed. Sebastian Harnisch. Oxon: Routledge pp. 226–245.

Cameron, David. 2010. "PM's speech at Beida University." Last accessed 11 May 2020. Retrieved from: https://www.gov.uk/government/speeches/pms-speech-at-beida-university-china.

Casaburi, Ivana. 2016. "Chinese Investment in Europe 2015-2016." *ESADE-Geo/ESADE China-Europe Club, Barcelona* .

Casarini, Nicola. 2006. "The Evolution of the EU- China Relationship: from Constructive Engagement to Strategic Partnership." Last accessed 11 May 2020 Retrieved from: https://www.iss.europa.eu/content/evolution-eu-china-relationship-constructive-engagement-strategic-partnership.

Casarini, Nicola. 2013. "The EU - China Partnership: 10 years on." *European Institute for Secuirty Studies* pp. 1–5.

Central Committee of the Communist Party of China. 2019. "The 13th Five-Year Plan for Economic and Social Development of The People's Republic of China." Last accessed 16 June 2020. Retrieved from: https://en.ndrc.gov.cn/policyrelease_8233/201612/P020191101482242850325.pdf.

Commission of the European Communities. 1998. "Building a Comprehensive Partnership with China." Last accessed 6 May 2020 Retrieved from: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:1998:0181:FIN:EN:PDF.

Commission of the European Communities. 2006. "EU – China: Closer partners, growing responsibilities." Last accessed 21 June 2020 Retrieved from: http://aei.pitt.edu/38107/1/COM$_($2006)$_6$31.*pdf*.

Cottey, Andrew. 2018. "No panda bear hug from Beijing: Britain and China after Brexit." Last accessed 1 July 2020. Retrieved from: https://ukandeu.ac.uk/no-panda-bear-hug-from-beijing-britain-and-china-after-brexit/.

Council of the European Union. 2010. "13th EU-China Summit Joint Press Communique." Last accessed 15 June 2020. Retrieved from: https://ec.europa.eu/clima/sites/clima/files/docs/0021/joint_press_statement_en.pdf.

Dadush, Uri, and Marta Dominguez-Jimenez. 2020. "What can the EU learn from the China-Switzerland free trade agreement?" Last accessed 24 June 2020. Retrieved from: https://www.bruegel.org/2020/03/bern-after-reading-lessons-from-the-sino-swiss-trade-deal/.

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

Dessein, Bart. 2015. "Historical Narrative, Remembrance, and the Ordering of the World: A Historical Assessment of China's International Relations." In *China's international roles*, ed. Sebastian Bersick. Routledge pp. 22–37.

Drahos, Peter. 1999. "The universality of intellectual property rights: origins and development." *Intellectual property and human rights* pp. 13–41.

Dur, Andreas, and Manfred Elsig. 2011. "Principals, agents, and the European Union's foreign economic policies." *Journal of European Public Policy* 18(3): 323–338.

Eglin, Michaela. 1997. "China's Entry into the WTO with a Little Help from the EU." *Royal Institute of International Affairs* pp. 489–508.

EU Business. 2018. "EU puts forward ideas to reform 'outdated' WTO." Last accessed 25 June 2020. Retrieved from: https://www.eubusiness.com/news-eu/trade-wto-eu-18du.

European Commission. 2014. "What is the Investment Plan for Europe?" Last accessed 29 June 2020. Retrieved from: https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/what-investment-plan-europe_en.

European Commission. 2015. "The EU-China Connectivity Platform." Last accessed 19 June 2020. Retrieved from: https://ec.europa.eu/transport/themes/international/eu-china-connectivity-platform_en.

European Commission. 2016*a*. "Elements for a new EU strategy on China." Last accessed 16 July 2020. 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.

European Commission. 2016*b*. "Remarks by Jean-Claude JUNCKER, President of the EC, at the joint press conference with Donald TUSK, European Council President, in Beijing, China." Last accessed 19 May 2020. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_17_1526.

European Commission. 2017*a*. "Speech by President at the 12th EU-China Business Summit." Last accessed 21 June 2020. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_17_1526.

European Commission. 2017*b*. "State of the Union 2017 - Trade Package: European Commission proposes framework for screening of foreign direct investments." Last accessed 18 May 2020. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/IP_17_3183.

European Commission. 2018*a*. “Concept Paper: WTO modernisation Introduction to future EU proposals.” Last accessed 16 July 2020. Retrieved from: http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157331.pdf.

European Commission. 2018*b*. “Introduction to Trade Defence Policy.” Last accessed 18 July 2020. Retrieved from: https://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_151014.pdf.

European Commission. 2018*c*. “"Meeting Minutes of the 3rd Chairs’s Meeting of EU-China Connectivity Platform ."” Last accessed 20 June 2020. Retrieved from: https://ec.europa.eu/transport/sites/transport/files/2018-07-13-chairs-meeting.pdf.

European Commission. 2018*d*. “Report on the EU Customs Enforcement of Intellectual Property Rights.” Last accessed 19 June 2020. Retrieved from: https://ec.europa.eu/taxation_customs/sites/taxation/files/2019-ipr-report.pdf.

European Commission. 2019*a*. “China-EU International Trade in Statistics.” Last accessed 23 June 2020. Retrieved from: https://ec.europa.eu/eurostat/statisticsexplained/index.php/ChinaEU___international_trade_in_goods_statistics#EU_and_China_in_world_trade_in_goods.

European Commission. 2019*b*. “EU and China.” Last accessed 26 June 2020 Retrieved from: https://ec.europa.eu/trade/policy/countries-and-regions/countries/china/.

European Commission. 2019*c*. “EU-China – A Strategic Outlook.” Last accessed 19 June 2020. Retrieved from: https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf.

European Commission. 2019*d*. “EU Position in World Trade.” Last accessed 25 June 2020. Retrieved from: https://ec.europa.eu/trade/policy/eu-position-in-world-trade/.

European Commission. 2019*e*. “Introduction to Trade Defence Policy.” Last accessed 18 April 2020. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/IP_19_1850.

European Commission. 2020*a*. “EU-China Summit: Defending EU interests and values in a complex and vital partnership.” Last accessed 10 July 2020. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1159.

European Commission. 2020*b*. “International Trade in Goods.” Last accessed 19 June 2020. Retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods.

European Commission. 2020*c*. “Keynote address by Commissioner Phil Hogan at the Centre for European Reform.” Last accessed 12 April 2020. Retrieved from: https://ec.europa.eu/commission/commissioners/2019-2024/hogan/announcements/keynote-address-commissioner-phil-hogan-centre-european-reform_en.

European Commission. 2020*d*. “President Ursula VON DER LEYEN on her phone call with the Prime Minister of China LI Keqiang.” Last accessed 11 July 2020. Retrieved from: https://audiovisual.ec.europa.eu/en/topnews/M-004589.

European Council. 2003. “Sixth China - EU Summit - Joint Press Statement.” Last accessed 11 June 2020. Retrieved from: https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/77802.pdf.

European Council. 2015*a*. “"EU-China Summit joint statement: the way forward after forty years of EU-China cooperation.” Last accessed 19 June 2020. Retrieved from: https://www.consilium.europa.eu/media/23732/150629-eu-china-summit-joint-statement-final.pdf.

European Council. 2015*b*. “Joint Statement of the 17th EU-China Summit.” Last accessed 18 June 2020. Retrieved from: https://www.consilium.europa.eu/en/press/press-releases/2015/06/29/eu-china-statement/.

European Council. 2016. “On Protection Against Dumped Imports from Countries not Members of the European Union.” Last accessed 19 April 2020. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1036&from=EN.

European Council. 2019. “EU-China Summit Joint statement Brussels.” Last accessed 4 July 2020. Retrieved from: https://www.consilium.europa.eu/media/23732/150629-eu-china-summit-joint-statement-final.pdf.

European Parliament Think Thank. 2019. “EU-China Trade and Investment Relations in Challenging Times.” Last accessed 25 June 2020. Retrieved from: https://www.bruegel.org/wp-content/uploads/2020/06/EXPO_STU2020603492_EN.pdf.

Eurostat. 2019*a*. “Globalisation Patterns in Trade and Investment.” Last accessed 16 May 2020. Retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Globalisation_patterns_in_trade_and_investment_-_introduction.

Eurostat. 2019*b*. “World trade in services.” Last accessed 24 June 2020. Retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=World_trade_in_services&oldid=452146#International_trade_in_services_.E2.80.94_by_service_category.

Farnell, John, and Paul Irwin Crookes. 2016. *The Politics of EU–China Economic Relations: An Uneasy Partnership*. London: Palgrave Macmillan.

Fortune. 2017. “Fortune Global 500.” Last accessed 19 July 2020. Retrieved from: https://fortune.com/global500/2017/search/.

Gan, Nectar. 2015. “China wants Britain in a united European Union, Xi Jinping tells David Cameron.” Last accessed 24 June 2020. Retrieved from: https://www.scmp.com/news/china/policies-politics/article/1871455/chinas-president-xi-jinping-tells-britains-pm-david.

Geeraerts, Gustaaf. 2013. "EU-China Relations." In *The Palgrave Handbook of EU–Asia Relations*, ed. Thomas Christiansen, Emil Kirchner, and Philomena Murray. London: Palgrave Macmillan pp. 492–505.

Godement, François, and Abigaël Vasselier. 2017. CHINA AT THE GATES: A NEW POWER AUDIT OF EU-CHINA RELATIONS. Technical report European Council on Foreign Relations.

Godement, François, Jonas Parello-Plesner, and Alice Richard. 2011. "The Scramble for Europe." Last accessed 12 May 2020. Retrieved from: https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/119779.pdf.

Goulard, Sebastien. 2020. "The Impact of the US–China Trade War on the European Union." *Global Journal of Emerging Market Economies* 12(1): 56–68.

Hamman, Christopher. 2020. "Donations of Huawei's Coronavirus Masks Will Not Affect Canada and France's 5G Decision." Last accessed 9 July 2020. Retrieved from: https://www.fr24news.com/a/2020/04/donations-of-huaweis-coronavirus-masks-will-not-affect-canada-and-frances-5g-decision.html.

Hanemann, Thilo, and Mikko Huotari. 2018. EU-China FDI: Working Towards Reciprocity In Investment Relations. Technical report Merics and Rhodium Group.

Hanemann, Thilo, Mikko Huotari, and Agatha Kratz. 2019. Chinese FDI In Europe: 2018 Trends and Impact Of New Screening Policies. Technical report Merics.

Hecq, Lucile. 2018. The Chinese Foreign Direct Investment in the European Union and the attractiveness of the geographical European Regions. Master's thesis Louvain School of Management Belgium: .

Hillman, Jonathan, and Maesea McCalpin. 2019. "Will China's '16+1' Format Divide Europe?" Last accessed 18 July 2020. Retrieved from: https://www.csis.org/analysis/will-chinas-161-format-divide-europe.

Hillman, Jonathan, title = How Big Is China's Belt and Road? 2018. Last accessed 19 May 2020. Retrieved from: https://www.csis.org/analysis/how-big-chinas-belt-and-roa.

Horowitz, Jason. 2019. "A Forgotten Italian Port Could Become a Chinese Gateway to Europe." Last accessed 22 June 2020. Retrieved from: https://www.nytimes.com/2019/03/18/world/europe/italy-trieste-china-belt-road.html.

Hsu, Sara. 2016. "Rejecting China's Market Economy Status Could Have Huge Implications For U.S.-China Trade." Last accessed 19 April 2020. Retrieved from: https://www.forbes.com/sites/sarahsu/2017/12/04/u-s-rejection-of-china-market-economy-status-will-damage-trade-relations/#61dc08b95406.

Jing, Men. 2018. "China's Belt and Road Initiative and Its Opportunities and Challenges To EU–China Relations." In *Deepening The EU–China Partnership In An Unstable World Bridging Institutional And Ideational Differences*, ed. Mario Telo, Ding Chun, and Xiatong Zhang. London: Routledge pp. 55–65.

Jingkun, Li, Chen Zhao, Lei Zhang, Hui Cao, and Zhang Haiyang. 2017. "China-EU Political Relations." In *China-EU Relations Reassessing the China-EU Comprehensive Strategic Partnership*, ed. Hong Zhou. Springer pp. 35–68.

Johnson, Keith. 2020. "Europe Is the New Front in Trump's Trade War." Last accessed 1 July 2020. Retrieved from: https://foreignpolicy.com/2020/01/23/europe-new-front-trump-trade-war-davos-wef/.

Kapur, Harish. 1986. *China and the EEC: the New Connection*. Dordrecht: Martinus Nijhoff Publishers.

Kapur, Harish. 1990. *Distant Neighbours: China and Europe*. London: Pinter Publishers.

Ke, Zhao. 2018. "China–EU Financial Cooperation and The Asian Infrastructure Investment Bank from Trade Partners to Global Investment Partners." In *Deepening The EU–China Partnership In An Unstable World Bridging Institutional And Ideational Differences*, ed. Mario Telo, Ding Chun, and Xiatong Zhang. London: Routledge pp. 165–172.

Kissinger, Henry. 2011. *On China*. New York: The Penguin Press.

Kwan, Chi Hung. 2017. "The Rapid Advancement of Chinese Private Enterprises as Revealed by the Fortune Global 500." Last accessed 19 July 2020. Retrieved from: https://www.rieti.go.jp/en/china/17090401.html.

Marlowe, Lara. 2020. "Europe's relationship with China is now one of mistrust and hostility." Last accessed 9 July 2020. Retrieved from: https://www.irishtimes.com/news/world/europe/europe-s-relationship-with-china-is-now-one-of-mistrust-and-hostility-1.4242000.

McBride, James, and Andrew Chatzky. 2019. "Is 'Made in China 2025' a Threat to Global Trade?" Last accessed 10 April 2020. Retrieved from: https://www.cfr.org/backgrounder/made-china-2025-threat-global-trade.

Merics. 2020. "CEurope's position in the US-China trade conflict: It's the exports, stupid." Last accessed 3 July 2020. Retrieved from: https://merics.org/en/analysis/europes-position-us-china-trade-conflict-its-exports-stupid.

Meunier, Sophie, and Kalypso Nicolaidis. 2011. "The European Union as a Trade Power." In *International Relations and the European Union*, ed. Hong Zhou. Oxford: Oxford University Press pp. 276–294.

Ministry of Foregin Affairs of the People's Republic of China. 2014. "The Five Principles of Peaceful Coexistence." Last accessed 17 May 2020 Retrieved from: https://https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zwjg_665342/zwbd_665378/t1179045.shtml.

National Development and Reform Commission. 2016. "The 13th Five-Year Plan For Economic and Social Development of the People's Republic of Chına." Last accessed 11 June 2020. Retrieved from: https://en.ndrc.gov.cn/policyrelease_8233/201612/P020191101482242850325.pdf.

Nedumpara, James J., and Archana Subramanian. 2018. "China's Long March to Market Economy Status: An Analysis of China's WTO Protocol of Accession and Member Practices." In *Non-market Economies in the Global Trading System The Special Case of China*, ed. Weihuan Zhou, and James J. Nedumpara. Singapore: Springer pp. 13–64.

Nicolas, François. 2009. "Chinese Direct Investment in Europe: Facts and Fallacies." Last accessed 16 June 2020. Retrieved from: https://www.chathamhouse.org/sites/default/files/public/Research/International%20Economics/0609ch_odi.pdf.

OECD. 2019*a*. "FDI flows." Last accessed 19 June 2020. Retrieved from: https://data.oecd.org/fdi/fdi-flows.htm.

OECD. 2019*b*. "Foreign Direct Investment Regulatory Restrictiveness Index." Last accessed 16 May 2020. Retrieved from: https://goingdigital.oecd.org/en/indicator/74/.

OECD. 2020. "OECD Economic Outlook." Last accessed 9 July 2020. Retrieved from: https://www.oecd.org/economic-outlook/.

Oktay, Fatih. 2016. *Çin Ekonomi ve Politika: Yeni Büyük Güç ve Değişen Dünya Dengeleri*. İstanbul: Türkiye İş Bankası Kültür Yayınları.

Oltermann, Philip. 2015. "British EU referendum: when, what and who? Answers to the key questions." Last accessed 22 June 2020. Retrieved from: https://www.theguardian.com/politics/2015/may/26/british-eu-referendum-when-what-who-answers-to-key-questions-brexit.

Pan, Zhongqi. 2012. *Conceptual Gaps in China–EU Relations: Global Governance, Human Rights and Strategic Partnerships*. London: Palgrave Macmillan.

Politico. 2020. "Huawei joins China's Big Tech donation spree in Europe." Last accessed 9 July 2020. Retrieved from: https://www.politico.eu/article/huawei-joins-chinas-big-tech-donation-spree-in-europe/.

Puccio, Laura. 2015. "Granting Market Economy Status to China: An analysis of WTO law and of selected WTO members' policy." Last accessed 25 April 2020. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1036&from=EN.

Reiterer, Michael. 2013. "The Role of 'Strategic Partnerships' in the EU's Relations with Asia." In *The Palgrave Handbook of EU–Asia Relations,*, ed. Philomena Murray, Emil Kirchner, and Thomas Christiansen. London: Palgrave Macmillan pp. 75–91.

Ren, Bing, Hao Liang, and Ying Zheng. 2012. "An Institutional Perspective and the Role of the State for Chinese FDI." In *Chinese International Investments*, ed. Ilan Alon, Marc Fetscherin, and Philippe Gugler. London: Palgrave Macmillan pp. 11–38.

Riley, Charles. 2017. "Chinese President Xi Jinping: No one can win a trade war." Last accessed 3 July 2020. Retrieved from: https://money.cnn.com/2017/01/17/news/economy/china-xi-jinping-world-economic-forum-davos/.

Rolland, Nadège. 2015. "China's New Silk Road." Last accessed 19 April 2020. Retrieved from: https://www.nbr.org/publication/chinas-new-silk-road/.

Sarah, Invernizzi. 2006. "China - EU Economic and Trade Relations." *Politico* pp. 294 – 307.

Seaman, John. 2020. "COVID-19 and Europe-China relations: a country-level analysis." *Special Report. European Think-Tank Network on China. French Institute of International Relations* .

Seaman, John, Mikko Huotari, and Miguel Otero-Iglesias. 2017. Chinese Investment in Europe A Country-Level Approach. Technical Report 1 French Institute of International Relations.

Shambaugh, David. 2004. "China and Europe: The emerging axis." *Current History* 103(674): 243–248.

Smith, Elliot. 2019. "Two European countries could be the big winners from the US-China trade war, Barclays says." Last accessed 4 July 2020. Retrieved from: https://www.cnbc.com/2019/06/18/two-european-counties-big-winners-from-the-us-china-trade-war.html.

Snyder, Francis. 2001. "The Origins of the "Nonmarket Economy" : Ideas, Pluralism and Power in EC Antidumping Law about China." *European Law Journal* 7(12): 369 – 424.

Summers, Tim. 2017. "Brexit: Implications for EU–China Relations." *Chatham House: Royal Institute of International Affairs* .

Tavernise, Sabrina. 2002. "U.S Decides to Recognize Russia as Market Economy." Last accessed 19 April 2020. Retrieved from: https://www.nytimes.com/2002/06/07/business/us-decides-to-recognizerussia-as-market-economy.html.

Telò, Mario, Zhan Xiaotong, and Ding Chun. 2018. *DEEPENING THE EU–CHINA PARTNERSHIP IN AN UNSTABLE WORLD Bridging Institutional and Ideational Differences*. London: Routledge.

The Observatory of Economic Complexity. 2020. "China." Last accessed 23 June 2020. Retrieved from: https://oec.world/en/profile/country/chn/.

The State Council of People's Republic of China. 2017. "Li Keqiang, "Full text of Premier speech at 12th China-EU business summit." Last accessed 19 April 2020. Retrieved from: http://english.www.gov.cn/premier/speeches/2017/06/03/content_281475675506182.htm.

The State Council the People's Republic of China. 2015*a*. "Full text: Action plan on the Belt and Road Initiative." Last accessed 19 April 2020. Retrieved from: http://english.www.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm.

The State Council The People's Republic of China. 2015*b*. "'Made in China 2025' Plan Issued." Last accessed 18 July 2020. Retrieved from: http://english.www.gov.cn/policies/latest_releases/2015/05/19/content_281475110703534.htm.

Thilo, Hanemann, Mikko Huotari, and Agatha Kratz. 2019. "Chinese FDI in Europe: 2018 Trends and Impact of New Screening Policies." *Paper on China, Merics* 6(03): 2019.

Ting, Wai. 2018. "EU-China Relations After Brexit." In *The Implications of Brexit For East Asia*. Springer pp. 91–112.

Vasconcelos, Álvaro de. 2010. "A Strategy for EU Foreign Policy." Last accessed 12 June 2020 Retrieved from: https://www.iss.europa.eu/content/strategy-eu-foreign-policy.

Walker, Andrew. 2018. "Is the European Union a 'protectionist racket'?" Last accessed 19 April 2020. Retrieved from: https://www.bbc.com/news/business-44291103.

Wang, Yanlai. 2003. *China's Economic Development and Democratization*. Routledge: The Penguin Press.

World Bank. 2018. "Tariff rate, applied, simple mean, all products." Last accessed 24 June 2020. Retrieved from: https://data.worldbank.org/indicator/TM.TAX.MRCH.SM.AR.ZS?locations=EU-CN.

World Bank. 2019*a*. "Foreign Direct Investment." Last accessed 12 April 2020. Retrieved from: https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD.

World Bank. 2019*b*. "GDP (current US dollar) - China." Last accessed 13 July 2020. Retrieved from: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN.

World Bank. 2019*c*. "GDP (GDP, PPP - China, EU, US." Last accessed 13 July 2020. Retrieved from: https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?locations=CN-EU-US.

World Bank. 2019*d*. "GDP growth - China." Last accessed 12 May 2020. Retrieved from: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2019&locations=CN&start=1961&view=chart.

World Bank. 2019*e*. "Tarrif Rate - China." Last accessed 24 June 2020. Retrieved from: https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?locations=CN.

World Bank. 2019*f*. "Total reserves (includes current US dollar) - China, European Union, United States." Last accessed 13 July 2020. Retrieved from: https://data.worldbank.org/indicator/FI.RES.TOTL.CD?end=2019&locations=CN-EU-US&start=2019&view=bar.

Wouters, Jan, and Matthieu Burnay. 2012. "China and the European Union in the World Trade Organization: Living Apart Together?" In *China, the European Union and Global Governance*, ed. Jan Wouters. Edward Elgar Publishing.

Xiatong, Zhang. 2018. “Linkage power: How the EU and China managed their economic and trade relationship (1975–2016).” In *Deepening The EU–China Partnership In An Unstable World Bridging Institutional And Ideational Differences*, ed. Mario Telo, Ding Chun, and Xiatong Zhang. London: Routledge pp. 55–65.

Xin, Chen. 2017. “China-EU Economic and Trade Relations.” In *China-EU Relations Reassessing the China - EU Comprehensive Strategic Partnership*, ed. Hong Zhou. Springer pp. 69–93.

Xing, Li. 2019. “"China’s Pursuit of the “One Belt One Road”Initiative: A New World Order with Chinese Characteristics?".” In *Mapping China’s "One Belt and One Road" Initiative*, ed. Li Xing. Cham: Palgrave Macmillian pp. 1–28.

Yağcı, Mustafa, and Caner Bakır. 2019. *Çin Bilmecesi: Çin’in Ekonomik Yükselişi, Uluslarası İlişkilerde Dönüşüm ve Türkiye*. İstanbul: Koç Üniversitesi Yayınları.

Yilmaz, Bahri. 2020*a*. China-EU Trade Relations: Is China an Economic Partner, Competitor or Rival? Koç university-tusiad economic research forum working papers Koc University-TUSIAD Economic Research Forum.

Yilmaz, Bahri. 2020*b*. EU-China Bilateral Investment Relations: How Can the European Union Deal with the Chinese Investment Offensive? Working paper no:2007 Koc University-TUSIAD Economic Research Forum.

Ying, Pen. 2017. “China says new EU anti-dumping methodology "misleading.” Last accessed 19 April 2020. Retrieved from: http://www.xinhuanet.com/english/2017-12/21/c_136843130.htm.

Zhimin, Chen, and John Armstrong. 2010. “China’s relations with Europe: Towards a ‘normal’relationship?” In *A Handbook of China’s International Relations*, ed. Shaun Breslin. Routledge pp. 156–165.

Zhou, Weihuan Zhou, and James J. Nedumpara. 2018. “Introduction: Non-market Economies in the Global Trading System—The Special Case of China.” In *Non-market Economies in the Global Trading System The Special Case of China*, ed. Weihuan Zhou, and James J. Nedumpara. Singapore: Springer pp. 1–12.