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## **EU AND CHINA EDGE CLOSER IN TRUMP'S 'AMERICA FIRST' WORLD**

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Chinese and EU leaders will meet in Beijing on Monday (16 July) seeking to preserve the multilateral world order - as Donald Trump's unilateral actions rattle the global trading system and nudge the two economic powerhouses to work more closely together.

The 20th EU-China summit comes at a time when traditional global political alliances are being hastily redrawn, as both China and the EU are entering a trade war with the US after the Trump administration unilaterally introduced tariffs on steel and aluminium, which both China and the EU deem illegal.

As the Trump administration also pulled out of the Paris climate deal and the Iran nuclear agreement - to both of which the EU and China are signatories - Beijing and Brussels find themselves on the same side on several issues, and in disagreement with Washington.

Both EU and Chinese officials sounded confident over recent days that the summit will produce a joint statement, and the launch of a working group on the modernisation of the World Trade Organization (WTO) is expected, which both sides see as a way to reinforce multilateralism.

EU and Chinese leaders are also expected to make a strong joint signal to deliver the Paris climate agreement, accelerate the transition to low-carbon economies, and give renewed backing to the Iran deal.

In Beijing, European Council president Donald Tusk and European Commission president Jean-Claude Juncker will be joined by trade, transportation and investment commissioners Cecilia Malmstrom, Violeta Bulc and Jyrki Katainen.

They will meet with Chinese premier Li Keqiang and also hold talks with President Xi Jinping.

China has been keen to step up its efforts as a global political player and come forward as the defender of the global free trading system ever since US president Donald Trump came into office over a year ago, and want to enlist the EU as an ally in that fight.

### **Send a signal**

"We want to send a signal to the world that China and the EU are good partners in the multilateral trading system and we can do a lot to uphold this multilateral trading system amid the rise of protectionism, we can cooperate in this field, defending the WTO and fight protectionism and

unilateral measures," China's trade counsellor to the EU, Xu Zhengbing told journalists on Thursday (13 July).

EU officials say China wants to have a good summit and thus could be willing to overlook issues that have caused previous irritation for Beijing, such as the EU's anti-dumping policies that have prevented earlier joint statements.

"There is no push from Chinese for us to take sides," said one EU official on condition of anonymity, on the shifting geopolitical context. The official added: "The idea is let's work where together where we can. They [China] also appreciate that we have our concerns."

## **Difficult partner**

China is the EU's second-largest trading partner after the US.

Trade in goods is worth well over €1 trillion a day, with EU exports amounting to €1 trillion and imports to €1.2 trillion in 2017, according to data by the EU commission. European companies invested €180bn in China.

However, the EU has complained of some persisting imbalances and unfair practices the Chinese government have been pursued to give their companies the edge.

"They are not always easy partners," one EU official said.

European officials cite Chinese overcapacity in steel - which is the root cause of the steel global trade imbalances - government subsidies to Chinese companies, the technological transfer, and the lack of a level-playing field facing European companies as major irritants in the relationship.

Twenty percent of European companies in China say they have been forced to share their technologies, and more and more feel less welcomed in China, according to a survey by the European Union Chamber of Commerce in China.

Promised reforms are often slow or never materialise, and EU companies want to see more being done, especially on market access.

EU officials say that European officials also made it clear to their Chinese partners that they share some of the concerns of the US, especially when it comes to technological transfer.

## **Access**

China and the EU have been negotiating a bilateral investment agreement since 2013, and the two sides will present their market access offers as part of the negotiations.

While EU officials say a lot needs to be done before greater access to Chinese markets can materialise, and before they ensure that European companies get the same treatment as local firms, but that the new impetus in talks is a result of the shifting geopolitics.

EU officials have been pushing for China to take a more active role in defending the WTO, and with the looming trade war Beijing has stepped up efforts.

The EU is interested in safeguarding what it sees as the multilateral system that secured prosperity and peace since World War II, while China has realised that it is this system that gives it a political platform and gives a boost to its political standing.

"We have reached a tipping point, and it became evident they [the Chinese] have to safeguard the system that was to their benefit," the EU official said.

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