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CONTEMPORARY ECONOMIC RELATIONS BETWEEN CHINA AND EUROPEAN UNION

ABSTRACT

This paper will discuss the economic relations between the European Union and the People's Republic of China. The introductory part will make an insight into the position of China in the contemporary global economy.

The following part of the paper will analyse China-EU trade relations. The topics included will be a general overview of these relations since their establishing in 1975 as well as the European Union's attitude towards the Chinese WTO membership. The Sino-EU partnership and competition will also be described and it will be followed by an overview of the Sino-EU High Level Economic and Trade Dialogue (HED). The concluding topics in this part of the paper will include Sino-EU trade flows, perceived obstacles to trade and investment as well as recent trade disputes between two trading partners.

The third part of the paper will deal with Sino-EU investment flows (with an emphasis on Chinese investments in EU member states). After the introductory remarks concerning the EU investments originating from China, the paper will shed light on particular EU member states which are preferred for Chinese investment as well as the industries in which Chinese companies are willing to invest. The concluding part of this paper will offer possible development of relations between the EU and China in the near future.

Key words: People's Republic of China, European Union, economic relations, trade relations, investment flows..

1. CHINA IN THE GLOBAL ECONOMY

As of 2010, China accounted for 21% of the global population, 9.5% of global GDP and 9% of trade in goods and services.[2]

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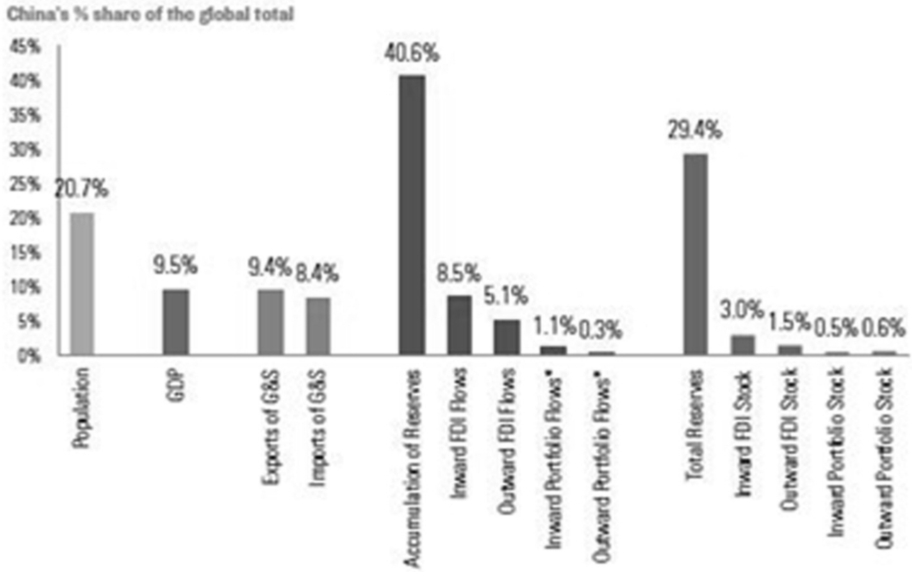
2 Thilo Hanemann, Daniel H. *Invests in Europe,* Rhodium Group, June 2012, p. 14.



Source: Thilo Hanemann, Daniel H. Rosen, *China Invests in Europe*, Rhodium Group, June 2012, p. 15.

Foreign trade was one of the drivers behind China's economic growth. China's trade volume stood at 20.6 billion dollars in 1978; as a result of successful reforms and opening of Chinese economy to the world, the trade volume exceeded 2.1 trillion dollars in 2007 (the third largest trade volume in the world in 2007),[3] and kept rising when in 2012 China took over USA as the world's leading trade nation (with trade volume estimated at 3.87 trillion dollars).[4] It is easy to notice that China's trade volume had increased by 187 times between 1978 and 2012. China also met requirements set by its accession to WTO regarding the RMB business in China – foreign-invested banks have been allowed to participate since 11 December 2006. Also, in addition to reduction of general import tariffs on industrial products (from 15.3% in 2001 to 9.8% in January 2008), China conducted liberalisation of its service sectors in order to enable them to withstand foreign competition.

On the other hand, China's outward direct investment in 2010 totalled approximately 300 billion dollars (only around 1.5% of the global total). China

3 Liu Saili, *The External Economic Relations of China and the Global Implications*, in: Liu Saili, Zhou Lin (ed.), *China's External Economic Relations*, Enrich Professional Publishing, 2013, p. 12.

4 Garry White, *China trade now bigger than US*, The Telegraph, 10 February 2013, http://www.telegraph.co.uk/finance/economics/9860518/China-trade-now-bigger-than-US.html (Internet: 24 January 2013)

owned more hard assets than other emerging countries (such as India (92 billion dollars) or Brazil (181 billion dollars)), but still much less than other large economies (three times less than Japan's assets, and 16 times less than 4.8 trillion dollars of US assets).[5] In 2007, China's share in global ODI reached only 1% but increased to 3% in 2008 and 5% in 2010 (making China fifth biggest outward investor, after USA, Germany, France and Hong Kong). In addition, China's ODI was the only ODI of a BRIC country that didn't plummet during the global financial crisis.[6] According to an estimate made by Thilo Hanemann and Daniel H. Rosen of Rhodium Group in 2012, if China was to follow the typical pattern of an emerging economy, its annual ODI would reach 1-2 trillion dollars by 2020.[7]

2. SINO-EU TRADE RELATIONS

Economic relations between China and EU were established in 1975, with the establishing of diplomatic relations. The annual bilateral trade between two sides took off from a very low level, around 2 billion US dollars.[8] China commenced its gradual reforms and open-up in 1978, which (in addition to subsequent EU expansions) led to a rapid increase and flourishing of economic ties.

In year 2010, China has been the world's leading exporter, as well as second largest economy; China's share in world trade in goods had at the same time been estimated at around 11%[9] (an increase compared to the 9% share in 2008-2009). The EU trade policy sees China as the most important challenge, since the EU-China trade flow saw a dramatic increase in the previous years; in 2010, China was the second most important trade partner of EU (after USA) as well as the leading exporter to EU, while the EU is China's most important trade partner. The EU-China bilateral trade in 2009 totalled 296 billion euros[10] (a slight decrease compared to the 326 billion euros in 2008). The trade volume between two sides continued to grow in the following years, when China became the most important trade partner of EU; it exceeded 430 billion euros in 2012.

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5 Thilo Hanemann, Daniel H. Rosen, *China Invests in Europe,* op. cit., p. 14.

6 Ibid, p. 15.

7 Ibid, p. 13.

8 Fan Ying, *Economic Relations between China and the European Union*, in: Liu Saili, Zhou Lin (ed.), *China's External Economic Relations*, Enrich Professional Publishing, 2013, p. 140.

9 European Commission, *Third meeting of the EU-China High Level Economic and Trade Dialogue (HED) in Beijing*, Brussels, 21 December 2010, Internet: June 11, 2011, http://trade.ec.europa.eu/doclib/docs/2010/december/tradoc_147155.pdf, p. 8.

10 Ibid, p. 8.

The open market of EU has been a substantial contribution to the Chinese growth, a growth based on export. In addition, the growth of Chinese market was a benefit to the EU; the EU strongly advocates open trade relations with China. However, the EU is attempting to persuade China to conduct its trade in an honest and fair fashion, to respect the intellectual property rights, and to meet the requirements stemming from the World Trade Organisation membership.

2.1. China in World Trade Organisation

Chinese accession to the WTO had received a strong support from the EU, since the EU saw that the WTO without China would not be truly universal trade organisation. The formal accession to the WTO (in December 2001) was a major step in China's integration into the world economic order.[11] After becoming a WTO member, China had taken measures that have led to the improved access of European companies to the Chinese market. The import duties, as well as non-custom barriers, have been reduced dramatically and irrevocably. Despite the fact that China has done a lot to meet the requests of the WTO membership, some major problems still exist. In order to express concerns over certain segments of China's trade policy, the EU can refer to the WTO's Trade Policy Overview.

2.2. Partnership and competition

According to its 2006 partnership and competition strategy towards China, the European Commission has accepted fierce Chinese competition as long as China conducts the trade in a fair manner. This strategy included the launch of the negotiations for the Partnership and Cooperation Treaty[12] (the negotiations were started in January 2007). These negotiations were seen as an opportunity for additional improvement of the framework for bilateral trade and investments; they also represent a follow-up to the Trade and Economic Cooperation Treaty, concluded in 1985 between European Community and China.

2.3. Sino-EU High Level Economic and Trade Dialogue

High Level Economic and Trade Dialogue (HED) between China and EU had been initiated in Beijing in April 2008. It is aimed at enhancing the communication between the European Commission (in 2008, the European Commission was headed

11 European Commission, *China*, Internet: June 11, 2011, http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/

12 Ibid.

by Jose Manuel Baroso) and the State Council of China (which was in 2008 headed by then Premier Wen Jiabao). The discussion topics of HED include issues of strategic importance to the trade and economic relations between EU and China; HED also generates impetus for the progress in dialogue. This dialogue is a means for discussion of mutually important issues, such as the investment, market access and intellectual property rights, as well as other trade related issues.

The third HED meeting was held in Beijing 20-21 December 2010. It dealt with trade and investment issues ranging from Doha development round, access to raw materials and (as stressed by EU delegation) rare earths, Chinese catalogue of investment, the first meeting of European-Chinese High Technology Working Group (for trade in high technology goods) to Chinese government's procurement network and EU delegation's concern over the difficulties in competition (caused, according to the explanation provided, by Chinese export loans and guarantees). Another guided discussion concerned the intellectual property rights protection (especially concerning the quality and protection of patents, through Joint IPR Protection Unit).[13]

The fourth HED meeting was held in Brussels on 24 October 2013.[14, 15] European Union delegation was headed by Olli Rehn, Vice-President of the European Commission and member of the Commission responsible for Economic and Monetary Affairs and the Euro, and Karel de Gucht, European Commissioner for Trade; Chinese delegation was led by Vice-Premier Ma Kai and included several Ministers. According to the statements made by Rehn and De Gucht, discussions included a very broad range of topics:

- Macro-economic policy coordination during global economic crisis (with regular discussions on economic policies at different levels, and with participation of Chinese National Development and Reform Commission, Central Bank and the Ministry of Finance)
- Strengthening the European economic and monetary union, and establishing the European Banking Union
- Chinese reforms, aimed at sustaining rapid, but more balanced, economic growth in the future. Chinese growth model will need to rely more on rising consumer demand and a higher quality of investment and growth. A central part of this

13 European Commission, 2010, op. cit., p. 5.

14 European Commission, *Olli Rehn statement at Fourth EU-China High Level Economic and Trade Dialogue (HED)*, SPEECH/13/854, Brussels, 24 October 2013, p. 2.

15 European Commission, *Karel De Gucht statement at Fourth EU-China High Level Economic and Trade Dialogue (HED)*, SPEECH/13/854, Brussels, 24 October 2013, p. 3.

adjustment will be reforms to the financial system, to improve the allocation of credit and to reduce the risk of speculative bubbles

- Chinese reforms in energy sector, the financial system, and measures to address overcapacity
- World Trade Organization (WTO)
- Intellectual property
- Company financing
- Public procurement
- Management of trade frictions
- Innovation, challenges of urbanisation and Green Growth
- Negotiations on EU-China investment agreement. The agreement should have the following aims: improvement of the protection of EU investments in China as well as Chinese investments in Europe, and improvement of access to Chinese market by reducing barriers to investing
- Improvement of cooperation at the multilateral level (in light of the forthcoming 9th WTO Ministerial Conference in Bali).

2.4. Trade flows

From the perspective of the European export, China is the fastest growing market. In 2008, the EU export of goods to China reached 78.4 billion euros, a 9% increase compared to 2007. From 2004 until 2008, EU exports to China have seen an increase of 65%. On the other hand, in service trade with China EU enjoyed a 5.7 billion euro surplus in 2008 (compared to the 3.9 billion euro surplus in 2007). This amount is still about 30 times lower than the EU deficit in trade in goods with China, which in 2008 reached 169 billion euro.[16]

Between 2004 and 2008, the EU imports from China experienced an average annual growth of 18%; in 2008 alone, the EU has imported 248 billion euros worth of Chinese goods. While China today holds the leading position in goods export to EU, only two decades ago the trade flow between European countries and China was negligible.

In 2010, the EU goods export to China has reached 113.1 billion euros (a 38% increase compared to 2009). On the other hand, the value of goods imported from China to EU reached 281.9 billion euros (a 31% increase compared to 2009). This resulted in a 168.8 billion euros deficit on the EU side. When it comes to trade in services, the 2009

16 European Commission, "*EU-China trade in facts and figures*", Internet: June 11, 2011, http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/375&type=HTML.

EU service export to China stood at 18 billion euros, while the EU service import from China amounted to 13 billion euros; therefore, the EU trade surplus in services with China in 2009 was five billion euros. In 2010 this surplus was reduced to four billion euros (service export was 20 billion euros, while the service import 16 billion euros).[17] In 2012, according to data provided by European Commission, bilateral trade volume reached 433.7 billion euros; the trade balance was 146.1 billion euros, with deficit on EU side. In this period, China continued to be the leading trade partner of EU,[18] a status also maintained in first 10 months of 2013, when the trade volume exceeded 330 billion euros.[19] Also worth of mentioning is the fact that as of October 2013, the daily trade volume between two sides amounted to one billion euros.[20]

The trade deficit with China exists in telecommunication, textiles as well as iron and steel. More than 50% of the value of Chinese export in 2010 was delivered by companies with foreign investment. The trade deficit itself is a result of a major change in economies of Asian countries, which have tried to concentrate the production process in China (the most prominent such companies come from Japan, Hong Kong, South Korea and Taiwan).[21] Although the exports from China have seen a significant rise, the Asian share in overall EU imports has remained more or less the same (only 10% in the previous decade).[22] The deficit is however still the result of some difficulties the European companies are facing on the Chinese market.

China has been the most frequent target of antidumping investigations conducted by the EU. In 2009, the Chinese export to EU faced 50 currently active antidumping measures, aimed at correction of unfair trade practice.[23] However, these measures only impact 1% of imports from China.

2.5. Obstacles to trade and investment

As it was mentioned before, the EU is using the regular Trade Policy Overview (published by the WTO) to express its concern over certain segments of Chinese trade

17 European Commission, *China – Main Trade Indicators*, Brussels, 08 June 2011, Internet: June 11, 2011, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf, p. 1.

18 European Commission Directorate-General for Trade, *European Union, Trade in goods with* , 2013, p. 2.

19 Backgrounder: *China-EU trade volume*, CCTV, 21 November 2013, Internet: 24 January 2014, http://english.cntv.cn/program/bizasia/20131121/102299.shtml

20 European Commission Directorate-General for Trade, *Facts and figures on EU-China trade*, October 2013, Internet: 24 January 2014, trade.ec.europa.eu/doclib/html/144591.htm

21 European Commission, 2010, op. cit., p. 8.

22 "*EU-China trade in facts and figures*", ibid.

23 Ibid.

policy. In addition to inappropriate intellectual property rights protection, conducting of industrial policy that could mean discrimination against foreign companies (especially in automobile industry), as well as the obstacles the companies doing business in service sector face, a major objection is raised on the issue of access to raw materials.

One of the major problems the European companies are facing in China is the insufficient protection of intellectual property rights. Out of ten European companies doing business in China, seven have claimed to have been victims of the violation of intellectual property rights.[24] According to the 2007 estimate, made by the European-based companies, the breach of intellectual property rights has reduced by 20% their expected income on the Chinese market. As for the confiscation of counterfeit goods on EU customs in year 2007, almost 60% of these goods were made in China.

European companies from the service sector are having a very hard time breaking through to the Chinese market. China has signed treaties on the opening of this market, but out of 22 thousand telecommunication licences awarded since 2001, only twelve have been awarded to foreign companies. In addition, some constraints on investment and property rights are still in power in China (in sectors such as banking, construction, express mail service or telecommunications).

As for the difficulties that foreign legal companies are facing in the Chinese market, these companies are not allowed to employ Chinese jurists, nor are their employees allowed to pass the exams necessary for obtaining Chinese qualifications. In a similar way, the Chinese public procurement market is hardly available to foreign operators, as well as Chinese companies with foreign ownership rights.

2.6. Recent trade disputes

In May 2011 there was a danger of an outbreak of trade war between EU and China. The European Commission decided to introduce customs on imports of fine paper (the paper used for publishing magazines and catalogues) from China.[25] According to the statement made by the spokesman of the Chinese Chamber of Commerce, Yao Jian, the decision of introducing antidumping duties on fine paper is violating the rules of World Trade Organisation; therefore, moves in order to protect the interests of Chinese companies have been announced.

This was the first time that the European Commission took measures against the Chinese government export subsidies. These subsidies were seen by European producers as the source of unfair advantage for Chinese companies in the

24 Ibid.

25 Andrew Willis, "*Paper tariffs spark EU-China 'trade war*'", EUObserver, 16 May 2011, Internet: June 11, 2011, http://euobserver.com/884/32336

international markets. In the opinion of the Commission, the main subsidy to the Chinese paper producers are said to be cheap loans from the state-owned banks; the mentioned custom duties were to be applied within next five years. According to John Clancy, the spokesman of Trade Commission, these measures were aimed at establishing efficient and fair trade conditions in the European market.

On the other hand, the experts have believed that a series of Chinese countermeasures that was to ensue could lead to the worsening of trade relations between two sides. According to the statement given by Hosuk Lee Makiyama from the European Centre for International Political Economy, China had plenty of possibilities for retaliation in a similar way – indeed, China soon afterwards introduced custom duties on potato starch made in EU, with a potential of more similar cases ensuing.

Years 2012 and 2013 saw one of the biggest trade disputes in the history of Sino-EU trade relations, a dispute that once again brought EU and China on the verge of a trade war. Dispute concerning the Chinese export of solar panels on EU market broke out in September 2012 when the European Commission, after complaints lodged by the EU solar panel industry, initiated investigation for the antidumping case, and continued in November 2012 when the European Commission initiated investigation for the anti-subsidy case.[26] According to the findings of the two investigations, Chinese companies were selling solar panels in Europe at far below their normal market prices and were receiving illegal subsidies; this, according to the findings, caused significant harm to EU solar panel producers.

On 5 June 2013, the Commission imposed provisional measures in the anti-dumping case, averaging 47.7%. However, a majority of Chinese solar panel exporters decided to cooperate with the investigations. They agreed to offer a minimum price (in order to avoid additional solar panel tariffs of total estimated worth of 21 billion euros[27] that were due to enter force on 6 August 2013), an offer that was accepted by the Commission on 2 August 2013. According to the final decision, those Chinese exporters of solar panels who cooperated with the investigations were to be allowed to export solar panels to the EU market under 47.7% tariff rate, with a validity period of two years starting from 6 December 2013; finally introduced tariffs were to be applied only to those Chinese exporters who did abide by the agreement made.

26 European Commission, *EU imposes definitive measures on Chinese solar panels, confirms undertaking with Chinese solar panel exporters*, IP/13/1190, Brussels, 2 December 2013, p. 1.

27 CNBC, *China, EU settle biggest-ever trade dispute*, 27 July 2013, Internet: 19 January 2014, http://www.cnbc.com/id/100918759

3. CHINESE INVESTMENT IN EU

Among the world's recipients of FDI, European Union has been the leader for two decades; an accumulated inbound FDI of EU member states in 2010 stood, according to Eurostat data, at 11.8 trillion dollars (which is more than one-third of world's total). However, only one-third of this investment originated from countries outside of EU; US was the leading non-EU investor with 15% of investment. On the other hand, the share of Asian countries in EU's inbound FDI stood at around 4%, and the leading three economies were Japan, Singapore and Hong Kong. The data regarding Chinese ODI in Europe differs according to the institution (8.9 billion dollars according to Eurostat versus 12.5 billion dollars according to Chinese Ministry of Commerce),[28] but this figure is still minute compared to the total FDI attracted by EU members.

Another method of collecting data on Chinese ODI in EU was created by Thilo Hanemann and Daniel H. Rosen, the so-called "Rhodium method". This method dealt with acquisitions and greenfield projects by Chinese-owned companies in EU-27 valuable more than one million dollars. For the period 2000-2011, these authors have recorded 573 transactions worth 21 billion dollars (more than 15 billion euros) in total – less than 10 deals totally worth less than 100 million dollars (73.5 million euros) annually before 2004, 50 deals worth around 800 million dollars (590 million euros) annually between 2004 and 2008, and 100 deals worth 3 billion dollars (2.2 billion euros) annually in 2009 and 2010; the FDI for 2011 included 54 greenfield investments and 37 acquisitions worth almost 10 billion dollars (7.3 billion euros).[29] As impressive as these figures may be, they still represented only about 4% of total FDI allocated in EU in 2011.

3.1. EU members preferred by Chinese investment

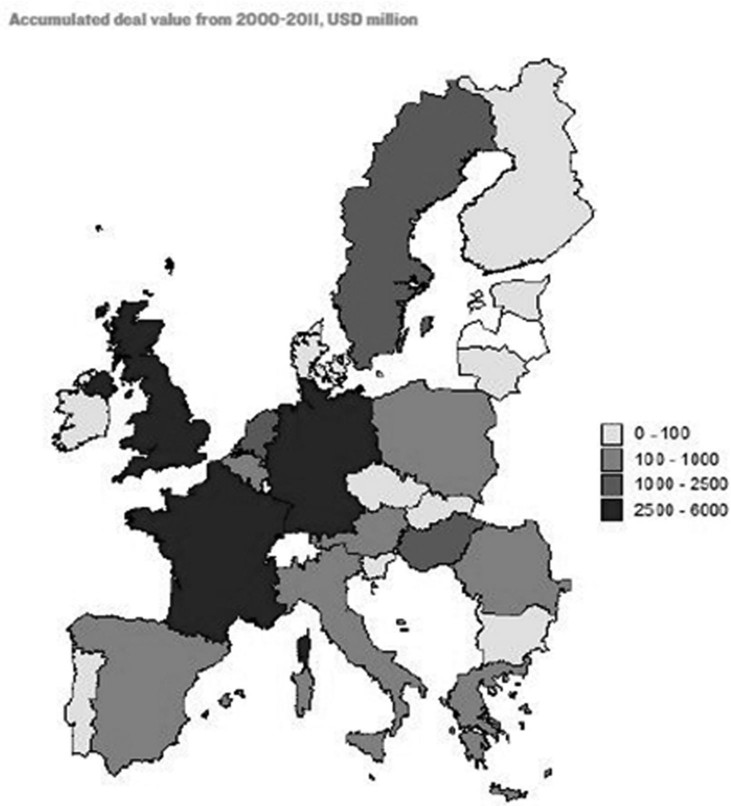
Major part of Chinese ODI in EU heads for "old Europe" – of total investment attracted between 2000 and 2011, around 85% ended up in EU-15. In this period, top three destinations included France, the United Kingdom and Germany (in that order); French economy took the lead in this period, with 70 deals of total worth of 5.7 billion dollars (4.2 billion euros); the 3.2 billion dollar (2.35 billion euro) investment in Gas de France, made by China Investment Corporation, accounts for almost 66 percent of this value.[30] Second most popular EU destination for Chinese ODI was UK after seeing 95 deals of aggregate worth of 3.7 billion dollars, or 2.7

28 Thilo Hanemann, Daniel H. Rosen, *China Invests in Europe,* op. cit., p. 32.

29 Ibid, p. 35.

30 Ibid, p. 36.

billion euros (in following sectors: automobiles, banking, real estate, and especially, mining firms with assets in Africa, Latin America and Central Asia). Germany is the third largest recipient of Chinese ODI among EU members, whose 146 deals (otherwise more than one-third of all European deals) were worth 2.5 billion dollars, or 1.8 billion euros; they also cover the most diverse sectors, from machinery to telecommunications and consumer goods.



Chinese ODI in the EU-27, 2000-2011, in USD million; source: Hanemann, Rosen, *China Invests in EU*, June 2012, p. 37.

According to the picture, Hungary and Greece have high position on the list of Chinese ODI recipients after receiving one large-scale Chinese investment each – chemical sector of Hungary saw the 1.9 billion dollar (1.39 billion euro) agreement, selling Borsodchem to Yantai Wanhua Poliuretanes, while COSCO corporation achieved a long-term lease agreement in the Greek port of Piraeus (including the modernisation of container terminal), worth 700 million dollars (510 million euros).[31] Another high ranking country is Sweden – Volvo Cars was bought by Geely, a deal worth 1.5 billion dollars (1.1 billion euros). On the other hand, Spain and Ireland have seen little Chinese investment due to the fact that the significant increase in Chinese ODI in Europe coincided with economic hardship.

3.2. Industries targeted by Chinese companies

The same motives that drive other foreign investors to European markets also drive Chinese investors; they include product sales in the world's largest single market, expansion of global production chains, as well as access to European technology, brands and human talent.

China's investment in the EU-27 by industry, 2000-2011, in USD million

USD million and number of deals

	Sector	Value (USD mn)			Number of Projects		
		Greenfield	M&A	TOTAL	Greenfield	M&A	TOTAL
1	Chemicals, Plastics & Rubber	126	3,505	3,631	13	9	22
2	Utility and Sanitary Services	0	3,259	3,259	0	1	1
3	Automotive OEM & Components	655	1,961	2,616	23	12	35
4	Coal, Oil & Gas	18	1,603	1,621	4	7	11
5	Communications Equip. & Services	1,180	177	1,357	95	5	100
6	Transportation Services	784	546	1,329	9	7	16
7	Metals Mining & Processing	25	1,200	1,225	13	14	27
8	Consumer Electronics	187	983	1,170	33	9	42
9	Industrial Machinery & Equipment	495	499	993	34	23	57
10	Food, Tobacco & Beverages	110	570	679	10	9	19
11	Financial Services & Insurance	495	31	526	26	2	28
12	Real Estate	146	340	486	4	1	5
13	Pharmaceuticals	21	280	300	4	3	7
14	Electronic Equip. & Components	133	152	285	22	5	27
15	Software & IT Services	256	13	269	21	5	26
16	Aerospace, Space & Defense	79	174	253	7	4	11
17	Textiles & Apparel	137	96	233	8	4	12
18	Alternative/Renewable Energy	145	84	229	45	7	52
19	Healthcare & Medical Devices	30	63	93	9	2	11
20	Paper, Printing & Packaging	74	0	74	2	1	3
21	Leisure & Entertainment*	48	0	48	3	0	3
22	Other Transport Equipment	31	15	46	4	1	5
23	Business Services	43	1	44	13	2	15
24	Minerals Mining & Processing	1	42	43	1	2	3
25	Semiconductors	18	17	35	4.0	3	7
26	Biotechnology	24	10	34	6	2	8
27	Consumer Products & Services	28	0	28	9	1	10
28	Furniture & Wood Products	0	27	27	0	3	3
29	Engines & Turbines	14	4	18	2	1	3
30	Construction Services	6	0	6	4	0	4
	Total	5,306	15,650	20,957	428	145	573

Source: Hanemann, Rosen, *China Invests in EU*, June 2012, p. 37.

31 Ibid, p. 38.

According to the above table, Chinese investments in EU are spread across a large number of sectors, whether in manufacturing or in services. Of these sectors, nine have registered investments exceeding one billion dollars. At least one large-scale (by value) acquisition was seen in the dominant industries; they include utilities (China Investment Corporation – Gas de France), chemicals (Wanhua – Borsodchem), automotive (Geely – Volvo) and coal, oil and gas (Sinochem – Emerald).

Extractive industries are generally the focus of China's ODI, but European market is not interesting to Chinese investors due to natural resources. Chinese investment in fossil fuel assets in EU (amounting to 2.6 billion dollars, or 1.9 billion euros, from 2000 to 2011) was motivated by the fact that majority of companies doing business in resource exploitation, even if their operations are located outside of Europe, have their headquarters in London. Notable transactions include Emerald Energy (taken over by Sinochem Resources in 2009, a deal worth 877 million dollars, or 644 million euros), Caledon Resources (acquired by Guangdong Rising in 2011, a deal worth 406 million dollars or 298 million euros), as well as African Minerals (investment by China Railway Minerals in 2010, a deal worth 256 million dollars, or 188 million euros).[32] What did see a significant increase in previous period was the investment by Chinese manufacturing firms, with a view to accessing European technology and innovation (which would allow adding value to the products). Such examples include acquisitions of firms in industrial machinery (Beijing No. 1 Machine Tool – Coburg Waldrich), auto parts (BAIC – Weigl), general aviation (AVIC-FACC), renewable energy (Goldwind – Vensys) as well as chemicals and plastics (Chongqing Light Industry – Saargummi).[33] Chinese manufacturers have also established research and development centres throughout Europe, in order to benefit from Europe's human talent and infrastructure.

Activities of Chinese investors in EU service sector have evolved from investments aimed at facilitating trade towards an array of different activities – early features of Chinese presence in Europe were investments (especially greenfield investments) in small-scale representative offices and sales operations. The greatest number of such investments landed in Germany and other big markets. Another asset that caught the eye of Chinese investors was local trade-facilitating infrastructure and logistics operations (with examples in COSCO and its investments in ports of Naples, Piraeus and Antwerp, as well as LinkGlobal Logistics' purchase of an airport in Parchim, Germany).[34] In addition, export-facilitating investments are expected to evolve towards more sophisticated operations, such as branding and

32 Ibid, p. 41.

33 Ibid, p. 42.

34 Ibid, p. 43.

after-sales services (such an example is Huawei), with assistance from Chinese banks and their European offices.

4. CONCLUSION

Ever since they were established in 1975, the trade relations between China and EU were seen as an opportunity for both sides to benefit. Chinese economy has flourished due to foreign trade and investment (with EU being one of the important FDI sources and an increasingly important trade partner); at the same time, availability of Chinese goods and services in common EU market meant that consumers from EU member states were able to gain access to high-quality goods at a price lower than competition (thus improving their living standards). Although China and EU have common interests, the economic relations between them have not been without frictions; the leadership of both sides have treated them with great attention, due to the fact that China is a leading trading partner of EU. However, all of these disputes had been resolved in a peaceful and mutually benefiting way, in order to prevent greater distortions in relations. Even in the future, the huge Chinese market will be a valuable opportunity for European economies to recover from financial crisis; on the other hand, access to European technology, know-how and human potential will be important for successful Chinese development in years to come. At the same time, China will be ready to contribute and support (through financial aid) the financial stability of EU member states, thus securing its undisturbed access to European common market.

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SAVREMENI EKONOSMKI ODNOSI IZMEĐU KINE I EVROPSKE UNIJE

APSTRAKT

U članku će biti reči o ekonomskim odnosima između Evropske unije i Narodne Republike Kine. U uvodnom delu biće dat uvid u položaj Kine u savremenoj globalnoj privredi.

U sledećem delu biće analizirani trgovinski odnosi između EU i Kine. Obuhvaćene teme predstavljaju opšti pregled ovih odnosa od njihovog uspostvljanja 1975, kao i stav Evropske unije prema članstvu Kine u STO. Takođe će biti opisano partnerstvo i konkurenicja između Kine i EU, nakon čega će biti dat pregled Ekonomskog i trgovinskog dijalogu na visokom nivou između ove organizacije i Kine. Poslednje teme u ovom delu članka su trgovinski tokovi između Kine i EU, uočene prepreke za trgovinu i ulaganje, kao i nedavni sporovi između dva trgovinska partnera.

U trećem delu rada biće reči o investicionom tokovima između Kine i EU (sa naglaskom na kineske investicije u državama članicama EU). Nakon uvodnih napomena koje se tiču kineskih investicija u EU, biće bačeno svetlo na određene države članice EU koje su najpoželjnije za kineska ulaganja kao i grane industrije u koje kineske kompanije žele da investiraju. U završnom delu članka autor će se baviti potencijalnim razvojem odnosa između EU i Kine u bliskoj budućnosti.

Ključne reči: Narodna Republika Kina, Evropska unija, ekonomski odnosi, trgovinski odnosi, investicioni tokovi.