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► **To cite this version:**

| Patrick Messerlin, Jinghui Wang. The EU Trade Policy Towards China. 2008. <hal-01066158>

**HAL Id: hal-01066158**

**<https://hal-sciencespo.archives-ouvertes.fr/hal-01066158>**

Submitted on 19 Sep 2014

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## **The EU Trade Policy Towards China<sup>1</sup>**

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February 20, 2008

Designing the European Union (EU) trade policy towards China is a daunting challenge for three reasons. First, China (like the US) has a fully-fledged foreign policy, allowing its trade policy to focus on business issues, but also to be occasionally the continuation of its foreign policy. Europe (that is, the EU and its Member States) has not such a luxury.

Second, trade negotiations are not yet driven by the same dynamics in China and in the EU. Many Chinese firms have not yet developed the same level of efforts than the EU firms for making their case to the trade authorities, and the Chinese press covers less extensively the world news than the EU press. Hence, the Chinese trade authorities still enjoy a large freedom of manoeuvre in trade matters, while China's trading partners have hard time to "mobilize" their potential Chinese allies on issues of common interest.

Last but not least, although Europe will be a "diminishing giant", it will still be larger and richer than China during the next twenty years, bearing more responsibility than China in building sound future bilateral relations (like the US did with Europe fifty years ago, when Europe was hesitating between market economy and central planning, and their associated political regimes). Europe will continue to become richer while China will catch up. But, meanwhile, the EU may have hard times to resist to the temptation of exploiting short-lived advantages "before it is too late", while rising China may be tempted to procrastinate until it could enjoy its full strength.

In such extraordinary times, Europe should choose carefully its objectives, and assess thoroughly the opportunities lost when insisting too long and/or too much on a topic. It

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<sup>1</sup> This policy brief summarizes a longer paper that provides the necessary detailed arguments and references. For more information, contact [patrick.messerlin@sciences-po.fr](mailto:patrick.messerlin@sciences-po.fr) (English version) or [jinghui.wang@sciences-po.fr](mailto:jinghui.wang@sciences-po.fr) (Chinese version). See also <http://gem.sciences-po.fr>.

should pick up objectives beneficial to its long term interests and able to attract the support of Chinese interests – simply because the Chinese economy is already too large to be influenced exclusively from outside.

In short, Europe should exert foresightedness, and not hesitate to behave vis-à-vis China as it would like China to behave vis-à-vis Europe in two decades from now – all the more because, if China’s growth is strong, it is also recent, hence fragile for many years to come. When China will be hard hit by a domestic downturn, Europe has a special responsibility (and strong interests) not to worsen the situation by an inappropriate trade policy.

### **Setting the Scenery: Today and To-morrow**

Europeans are far to realize how ambitious China’s tariff liberalization has been. China cut its average tariff from 60 percent (1985) to less than 10 percent (2006) – it took twice more time for the EU to achieve the same result. Such a pace and magnitude explain, if not justify, today problems in China’s implementation of its trade liberalization.

Getting a sense of China’s economic diversity is crucial for assessing the competitive pressures that China will exert on the EU in the coming decades, and the opportunities that it will offer to EU exporters. Such a sense is provided by the gross national product per capita (in purchasing power parity terms) of the Chinese provinces and of the EU Member States. There are three distinct groups of Chinese provinces – the “Three Chinas”.

The richest Chinese provinces already enjoy a gross domestic product (GDP) per capita higher than, or as high as, the GDP per capita of several EU Member States. (Depending on the PPP estimates used, the number of these richest Chinese provinces vary from 3 to 9, and the number of EU Member States from 5 to 14.) These richest provinces are losing fast their initial comparative advantages based on low wages. Their competitive pressures on the EU economies will be increasingly less based on price competition, and more based on the quality and variety of their products – a competition much more familiar to EU firms.

Meanwhile, these richest Chinese provinces are developing fast a taste for products and services similar to those consumed in Europe. As a result, EU export opportunities to these Chinese provinces will be much less limited to the equipment goods and luxury consumer

products currently exported from a few EU Member States. They will expand to all the types of EU equipment and consumer goods. In short, the recent confrontational stance of the EU Commission occurs at the very wrong time – precisely when China is emerging as a huge potential market for all the EU exporters.

Some of the remaining Chinese provinces are more similar to “developing” economies, and the others to “least-developed” economies. Some of these provinces will follow in the footsteps of the richest provinces at a slower pace. The others may be constrained by long term structural weaknesses, as in any continent-wide economy. They may even be a drag on the Chinese economy and society – adding to the hardship of transitory downturns.

### **Trade in goods**

Until 2004, the EU-China trade relations were shining for three reasons. The EU granted to China the “most-favored-nation” status as soon as in 1985. Second, the EU decided to free ride on the US negotiating leverage during China’s negotiations on its Protocol of accession to the WTO. Last but not least, the EU trade deficit with the world remained modest enough to generate no pressure on EU officials to take action.

#### Entrenched EU sectoral protection

Even during these honeymoon years, the EU kept serious trade barriers on some China’s exports. It initiated twice more antidumping cases per US\$ billion of EU imports against China than against the rest of the world. The complete EU freeze on new antidumping cases from January 2007 to January 2008 was so extreme that it was hardly sustainable. Now that it has ceased, the uncertainty on what will happen remains huge.

Since 2002, the EU has used an additional trade barrier (“safeguard”) against Chinese exports that has proven more damaging than antidumping for several reasons: its wider trade coverage (the 2002 EU safeguard against Chinese steel was equivalent to 10 antidumping cases) its capacity to re-introduce trade barriers banned by the Uruguay Round (the 2005 EU safeguard against a wide range of Chinese textile and clothing products did re-introduce “voluntary export restraints”) its imposition on a retroactive basis (huge amounts of Chinese exports were frozen in Chinese and EU ports, generating an embarrassing “*bra war*” between

outraged European retailers and the EU Commission) and, lastly, its easiness to be extended over time (many Chinese clothing items remain subjected to a “monitoring” until December 2008).

The effects of antidumping and safeguard measures deserve several remarks. Economic analysis shows that, except for a tiny proportion (less 5 percent) such measures amount to plain protection (of course, the same conclusion holds for China’s antidumping cases against EU exporters). Second, such measures rarely protect the intended beneficiaries – workers or producers of the import-competing sectors. Third, they reduce the huge value added generated in the importing country at the pre-manufacturing stage (design of the products, preparation of the manufacturing process) and at the post-manufacturing stage (logistics and marketing). In other words, not only antidumping and safeguard measures do not protect the “old” economy (the manufacturing stage *per se*) but they hit badly the “new” economy (the pre- and post-manufacturing stages). Last but not least, these measures generate unintended but huge rents for intermediaries (traders or politicians) and they favor the pursuit of anti-competitive strategies by complaining firms, vastly magnifying the costs of protection. All this is best illustrated by the recent EU antidumping case against Chinese energy-saving lamps where Philips and Siemens together succeeded to make a mockery of both the antidumping procedures (what is a “domestic” firm) and of the EU energy-saving strategy.

#### The recent focus on the EU-China trade deficit: wrong and misleading

Since June 2007, the Commission has adopted a very confrontational tone on the EU-China trade deficit, reminding the worst Japan-bashing years. Focusing on the EU-China trade deficit from a trade policy perspective is wrong: trade deficits are not a matter of concern for trade officials, but for macroeconomic policy-makers. The trade balance of a country reflects its own savings and investment balance, those of its partners, and the macroeconomic policies influencing these balances. During the last year, such a focus from EU officials has become awkward, with Germany’s trade surplus being even larger than China’s trade surplus.

Simple evidence offers additional insights in the EU-China case. Between 2000 and 2006, the EU27 trade deficit with the world has increased from Euro 142 to 196 billion, but it has remained a relatively stable share of the EU GDP (1.6 to 1.8 percent). And, if the EU-China trade deficit has increased from Euro 49 to 130 billion, the EU trade deficit with the other

countries has decreased from Euro 93 to 66 billion. These two large swings mirror the massive reshaping of the world production and trade flows. In particular, nine large economies (Japan, Korea, Hong Kong, Taiwan, Singapore, Thailand, Malaysia, Indonesia and the US) are selling to the EU products that their firms are now producing in China, and not anymore in their home countries as a decade ago. In short, the only notable difference between 2000 and 2006 is that the EU trade deficit tends to be more concentrated on one country, hardly a source of deep concerns.

The Commission's focus on trade deficit also presents a profoundly misleading view of the EU economy. Between 2000 and 2006, sixteen "old" and "new" EU Member States representing two-third of the EU GDP have exhibited export growth rates to China higher than their import growth rates from China, hence improving their export-import ratios with China. In short, talking about insufficient export growth at the EU level makes little sense.

Last but not least, the eurozone members are divided almost equally between the two groups of EU Member States (those with an improving export-import ratio, and the others) and, as a whole, they have a smaller trade deficit with China (in percentage of their GDP) than the non-eurozone members – two points to keep in mind when examining the exchange rate issue.

#### Talking on exchange rates? An economic and political trap for Europe

Since mid-October 2007, EU officials have breached the official silence prevailing so far on the appropriate exchange rate of the Chinese currency (yuan). Strong and mutually reinforcing economic and political reasons should induce EU officials not to enter these murky waters for several reasons.

First, from an economic perspective, predicting the "right" exchange rate is an impossible mission. Economists disagree hugely on the level of the yuan underevaluation – from zero to nearly 50 percent. Indeed, the inability to predict the "right" exchange rate of a currency is the strongest justification of using market mechanisms for determining exchange rates.

Second, EU officials should refrain from talking about currency changes if they want to remain consistent with the EU internal economic principles. Flexible and fixed (eurozone) exchange rates coexist within the EU. Almost all the EU Member States having a trade

deficit with the other EU Member States exhibit an intra-EU trade deficit much larger than their trade deficit with China. Moreover, out of the 15 eurozone members, nine have a quasi-permanent trade deficit with the other EU Member States since 1995, and five a quasi-permanent trade surplus (only Italy has significantly shifted from a trade surplus to a trade deficit during the period).

Third, EU officials should refrain from talking about currency changes for internal EU political reasons. A few key eurozone members (France, Italy) do not share yet the well-respected tradition of the other eurozone members to let the economy adjusting to market-driven exchange rates. Hence, exchange rates remain a deeply internally divisive issue in the eurozone. Better not to wake up the beast, now that it has been put in a cage.

Fourth, the EU has no political interest in following the current US approach on the exchange rate issue. The euro rise/dollar fall mix implies that a yuan re-evaluation satisfactory to the US interests would not be large enough for the EU. As soon as the US would get the yuan realignment it is looking for, why should it support the EU at the risk of cooling the Chinese growth engine? That would leave the EU alone confronting China. But, contrary to the US, the EU could not balance a tough position on exchange rates with accommodating positions in foreign policy (or vice versa) – simply because the EU has no foreign policy.

Last but not least, the yuan exchange rate is not the only – nor even the main – channel of the corrections required by the current situation. In the interest of all the countries, including the EU and the US, such corrections should be as smooth as possible. Smoothness requires more and deeper changes than mere exchange rate adjustments – namely, an increase in the US saving rate, an increase in the Chinese spending rate, and deep structural reforms in Europe.

#### Relaunching the dialogue: the “small bargain”

There are thus many robust reasons to change the EU trade stance. Relaunching the dialogue could start by tackling a pending, limited but highly sensitive, issue. Since its WTO accession, China has forcefully tried to get the “market economy status” (MES) in antidumping investigations. The MES would give to Chinese firms the same legal treatment than the one granted to almost all the WTO Members. In 1998, the EU made a first step in this direction by granting China the “market economy treatment”, a status close to the MES,

but granted only on a firm by firm basis, and conditionally on restrictive and unpredictable criteria. In 2003, China made a formal request for benefiting from the MES. Since then, the EU has remained silent, increasing frustrations in China which now considers the issue as a matter of national pride. In such a context, EU firms (including those addicted to the use of EU antidumping) and the Commission would be wise to realize that China could retaliate with its own antidumping measures, all the more that the EU is now the largest source of China's imports.

A EU proposal to grant China the MES status would help to relaunch a true dialogue. Such a status would eliminate the most outrageous procedural biases in the EU antidumping cases against Chinese firms, reducing EU antidumping duties, on average from 40 percent to roughly 20 percent (which is roughly the average antidumping duty on alleged dumped imports under the MES). As the EU could argue that granting the MES status consists in a better enforcement of its commitments associated to China's accession to the WTO, it could request, as a *quid pro quo*, a better enforcement by China of some of its Accession Protocol obligations – such as a clarification and/or a better enforcement of China's new tariffs.

### **Looking “behind-the-border”**

The current EU-China trade relations are still ruled by a treaty dating back from 1985, when China was a planned economy, the EU had twelve Member States, and the WTO did not exist. A new China-EU trade agreement is thus much needed, all the more because many issues, such as investment, services or intellectual property rights – the so-called “behind-the-border” agenda – are now part and parcel of modern trade policies.

In September 2006, the EU and China agreed to launch negotiations on a “Partnership and Cooperation Agreement” (PCA). In this context, the EU has tabled a long list of requests for China: stronger intellectual property rights, more open services and government procurement, lower restrictions on investment, lower non-tariff barriers and subsidies, improved norms and standards, better legal enforcement, etc.

This list is too long to be an useful guide for the PCA negotiations. And, it ignores a key difference between trade in goods and the behind-the-border agenda. Implementing liberalization in goods is not costly – dismantling tariffs reduces administrative costs. By



contrast, the behind-the-border agenda requires new regulations that often impose some implementation costs. Taking into account such costs requires from Europe to make a serious effort to prioritize its requests by carefully assessing their net benefits and their capacity to mobilize support in China.

### Intellectual property rights

Despite much improved laws, China's enforcement of intellectual property rights (IPRs, such as patents or copyrights) is still chaotic. It is unrealistic to expect a quick fix of such complex matters in a continent-wide economy.

However, the key reason for curbing the current EU IPRs requests should not be short-term realism, but the following long term basic consideration: IPRs are transitory monopolies granted by governments – on behalf of the current and future consumers – as a price for promoting innovation. They should not be transitory monopolies generating no or tiny innovations. The delicate balance between monopoly and innovation is in constant flux, even in the industrial economies, as illustrated by the hot debates on drugs, audiovisual rights or luxury goods.

That said, many EU firms do operate in China under “reduced” IPRs, compared to those prevailing in their OECD markets. But, they also declare that they do not necessarily bother to register patents in China, either because the IPRs have expired in their country of origin or, more candidly, because “there is nothing secret”. Ultimately, they do operate in China because they value the expected monopoly rents from their IPRs less than the expected benefits from operating in more competitive but large Chinese markets.

There are thus robust economic arguments suggesting that, from a private as well as public perspective, the EU IPRs policy should focus on the few products or services where the net benefits from IPRs are clear enough (generate “serious” enough innovations) to get support from Chinese consumers – leaving the others (from audiovisuals to geographical indications) to the private practices and arbitrages.

Political considerations reinforce this conclusion. Negotiations on IPRs issues are much more conflicting than tariffs. Negotiating tariff cuts shows the EU as a foe of Chinese producers,

but as a friend of Chinese consumers. By contrast, requesting stricter IPRs in China shows the EU as a foe of both Chinese producers and consumers because they hurt some Chinese producers and raise the prices to be paid by the Chinese consumers.

### Services and investment: the “grand bargain”

The share of services in China’s GDP is estimated to 41 percent, that is, 10 and 30 percentage points lower than for developing and industrial countries, respectively. These gaps suggest a huge potential growth for services in China. European requests for more open services in China should thus attract support from Chinese consumers because they boost the prospect of lower prices and/or more varied services. However, though economically and politically sounder, opening services is intrinsically difficult, as illustrated by the still very fragmented European Single Market in services. The best way to overcome these difficulties is to focus on the key aspect of international investment in services. Negotiations on international investment (hereafter, foreign direct investment or FDI) in services have an additional political advantage: as China has both important inward and outward FDI flows, they offer opportunities of mutually beneficial concessions.

### *China’s inward FDI*

China is one of the largest recipient of FDI among the developing countries. But, its FDI stock per capita (or as a GDP percentage) is lower than the developing countries’ average. Such a situation partly reflects China’s recent openness. But, it also confirms the available estimates of barriers on inward FDI in services that suggest Chinese restrictions as among the highest in the world.

Inward FDI in services is thus a particularly attractive topic of negotiations for the EU. But, interestingly, it is also the case for China for three reasons. First, more inward FDI in services would be a large net creator of domestic jobs in China (if only because of the language constraint). Second, it would spur on competition in services which relies on quality and differentiation (services are almost endlessly differentiable) – a kind of competition offering a wide range of strategies to the Chinese services providers facing the competitive pressures of European competitors. Lastly, more varieties in services would stimulate and deepen domestic Chinese consumption (a key determinant of the yuan exchange rate) in sharp

contrast with inward FDI in goods that stimulates Chinese production for exports, hence magnifies trade frictions.

### *China's outward FDI*

The current EU-China relations are made more difficult by the increasingly large China's outward FDI flows which mirror deep macroeconomic imbalances (in particular, high Chinese saving rate and high US consumption rate). Massive inward FDI in China's industrial goods creates China's massive labor-intensive industrial exports which, combined with a very high Chinese domestic saving rate, generate massive reserves of foreign currencies which, until recently, were largely invested in liquid assets. However, since a few years, Chinese reserves are increasingly invested in higher-yielding assets.

China's outward FDI is largely driven by two "sovereign wealth funds" (SWFs, with USD 300 billion in assets together) dominated by Chinese state-owned enterprises (SOEs). The public ownership feature of China's SWFs raises two problems.

The most frequently mentioned problem concerns China's partners where the assets targeted by the SWFs are located. SOE-based SWFs are seen as a threat to two decades of privatizations which have often been hard to decide, and even harder to make successful. They also represent political risks related to China's size and influence (most other SWFs emanate from relatively small countries). In this context, the "unilateral" solutions hastily adopted by China's trading partners are, almost inevitably, doomed to open the door to discriminatory (protectionist) decisions, hence frictions.

SOE-based SWFs raise a second, much less discussed, problem that is a concern for China itself. As any SOE, Chinese SOEs tend to be plagued with deep distortions – public subsidies, managed prices, unaccountable management, non-transparent decisions, political influence, etc. The problems raised by Chinese SOEs from China's perspective can be predicted by looking at those of their close cousins – the EU SOEs. The EU SOEs have a long track record of costly and failed foreign investments (from *Crédit Lyonnais* to *Landesbank Sachsen*) and/or relative disinvestments in domestic markets (*Electricité de France*). Such cases are already occurring in China (the *Blackstone* case). In short, China has a strong interest in solving the problems raised by its SOEs-based SWFs.

There are thus good reasons for both China and the EU to design combined actions ensuring that the SOEs-based SWFs would follow private incentives (upgrading products or technologies, ensuring access to essential natural resources for the firms, etc.) and operate in a transparent manner.

First, each country could improve the situation by working on its own domestic economy. China should privatize its SOEs. The EU should deepen its Single Market: the larger and the more competitive the Single Market will be, the lower the risks of distortions generated by China's SOE-based SWFs will be.

But, as these solutions require time, there is a need for joint actions in the shorter term. The PCA should thus include joint procedures for SWFs operations raising concerns to one of the two sides, with the help of knowledgeable institutions trusted by both sides, such as the Bank of International Settlements or the International Monetary Fund.

#### *Boosting the chances of a “grand bargain”*

The EU has strong interests in getting lower Chinese restrictions on inward FDI in services, particularly in the most protected sectors, such as electricity, banking, or health. Such EU requests are likely to find support in China – from consumers to potential employees in those services – and they could even get some support from China's central and provincial authorities to the extent that they alleviate China's current macroeconomic imbalances.

What are the concessions that the EU could offer to China? Of course, the EU could open more its own services markets. However, such an EU offer may have a limited attraction for China because, in the short or medium term, not many Chinese services providers may benefit from such an opening.

What could then be the additional EU concessions that would boost the chances of a “grand bargain”? First, as suggested above, the EU should propose to establish joint procedures for dealing with the difficult cases of China's outward FDI. Second, it could offer an early and progressive renunciation to the use of the “transitional product-specific safeguard” (section 16 of China's WTO Accession Protocol) which is a pending threat on China's exports, particularly in case of a serious world recession.

Last but not least, the EU and China would derive huge benefits from shaping a WTO-compatible outcome of their PCA negotiations on the behind-the-border agenda. That would be made easier if the WTO negotiations in these matters would adopt a “plurilateral” approach based on “coalitions of the willing” rather than a rigidly multilateral approach.

### Subsidies, Government Procurement, Norms and Standards

The PCA negotiations cannot go very far on subsidies and public procurement. Subsidies cannot be handled meaningfully in a bilateral context. By nature, they require a multilateral framework of negotiations (one cannot subsidize with respect to some markets, and not with respect to other markets). Negotiating on public procurement is hard to do without involving “sub-central” authorities (provinces and towns are often more important in these matters than the central authorities) a source of difficulties for the large countries.

By contrast, norms and standards are likely to be the bread and butter of the EU-China negotiators for a long time to come (as it is still the case within the EU). The last months have witnessed an unpleasant turn in this domain. Unsafe Chinese exports have been rapidly pilloried without comparable tests on competing EU production, nor on the corresponding imported products imported from other countries than China.

First, the PCA should establish a closer cooperation between China’s and EU’s safety bodies, an option similar to the one adopted by the last China-US ministerial meeting. Second, the EU and China should agree that the tests showing unsafe products from the partner should be immediately extended to the competing products coming from domestic or other origins. This rule is the only way to eliminate the risk of using EU norms and standards as a protectionist device.

### **Concluding remark: A truly global approach**

The paper sketches a EU trade policy towards China that is at the opposite of the current confrontational stance adopted by the EU Commission. Such a policy should fulfill three conditions. First, it should keep a clear economic focus. It would not pay to load the Partnership and Cooperation Agreement with political goals which should be the task of the

Europeans at large (governments and civil society) not of the EU trade negotiators. Second, the behind-the-border agenda involves deeply the EU Member States. Hence, the current EU negotiating machinery that relies largely on the Commission is inefficient, and increasingly frustrates EU Member States as well as EU trading partners. It should be improved by allowing a direct participation of the EU Member States' negotiators.

Last but not least, the EU should combine its actions towards China with other players in the world. Mimicking the current US-China “*tête à tête*” would be a frivolous exercise because Europe has not the wide political interests and means of the US. Aligning on the US positions, as *de facto* done by the Commission since late 2007, is not useful for the EU – nor even for the US.

Combining its actions with other players – not only with the US and Japan but also with some medium-size countries (from Australia to Korea to Chile) – is a daunting task. The fact that, beyond many obvious differences, Europe shares some key similarities with China, may be helpful. Europe and China have immensely suffered during the XXth century – from civil wars to costly economic and political mistakes. And, for the decades to come, they will face the same crucial challenge – how to define the best balance between the “central” and “local” powers in so heterogeneous and large economies.

The key benefit from involving medium-size countries – from Australia to Korea to Chile, for instance – is that these countries are often among the best ones in domestic governance. They innovate faster and better in terms of economic regulations. Not only their experiences would be most useful, but they would also be politically easier to be imported by the Chinese interests eager to promote in China the best institutions and regulations that are required by a well-functioning market economy.

As often at critical periods, past can provide inspiration for the future. Nobody could better suit this role than Cordell Hull (US Secretary of State from 1933 to 1944). At a time where such a policy looked foolish, he provided the much needed foresightedness on trade issues by being the architect of today US open trade policy and of the GATT (the WTO predecessor). And he was the US State Secretary who delivered the treaty abolishing the US extra-territorial rights in China, closing the doors on a century and opening the doors to a new century – our century.

### Annex. Affirmations versus facts

The EU-China relations are often subjected to affirmations. What follows confronts a few of them to facts.

Most frequent affirmations	Facts
China's trade policy is "mercantilist".	China has cut its average industrial tariffs from 60% to 10% in twenty years (1985-2006). It took twice more time for Europe to do the same. Today China's average tariff is only three percentage points higher than the EU average tariff.
The fact that Europe exports more to Switzerland than to China reflects China's protection.	Germany exports more to Austria than to Spain. Distance, language, traditions, etc., matter a lot in trade.
China is a huge poor country of 1,2 billion of inhabitants.	Three to nine Chinese provinces (45 to 450 million of inhabitants) have already a GDP per capita higher than, or as high as, the GDP per capita of five to fourteen EU Member States (the estimates mentioned depend on the power purchasing indicator used).
China's trade surplus is "too big". It amounts to US dollars 261.5 billion (December 2006-December 2007).	The German trade surplus amounts to US dollar 268 billion (November 2006-November 2007).
The share of EU imports from China has increased from 8% (2000) to 16% (2006)	The share of EU imports from ten countries, including China, has decreased from 55% (2000) to 48% (2006), reflecting the massive reshuffling of production (hence trade) by nine important trading partners (China excluded) of the EU.
The EU27 exports to China have grown less strongly than the EU27 imports from China (2000-2006).	Sixteen EU Member States (almost two-third of EU GDP, Germany and France being among them) have seen their exports to China growing more strongly than their imports from China (2000-2006).
The Chinese currency (yuan) is under-valued.	Economists come up with a huge range of estimates for the yuan under-evaluation level -- from 0 to 50%. Similarly, they disagree widely on the over-valuation of the euro -- from 5 to 35% (mid-2007 estimates).
The danger is even stronger for the eurozone countries.	Eurozone countries have, on average, a lower trade deficit with China than non-eurozone countries (2000-2006).
China is producing everything.	The share of services in China's GDP (41%) is ten percentage points lower than the corresponding share in developing countries (50-53%) and thirty percentage points lower than the corresponding share in industrialized countries (72%), suggesting huge growth potentials for EU services providers in China.
China is the world magnet for international investment (inward foreign direct investment).	China's inward FDI stock per capita is only average, compared to other developing countries.
Chinese sovereign funds based on state-owned enterprises are a threat for the countries where they will invest.	Outward FDI by EU state-owned enterprises have been a mixed blessing for their home economies.

Note: Space constraint is costly. Hence, see the long version of this paper for detail (<http://gem.sciences-po.fr>)