

Are US and EU trade policies towards China converging?

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Overview

- US and EU trade and investment relations with China: closer than you would think
- Trade policy issues in the US and the EU: different domestic 'needs' for conflict
- Different approaches of the US and the EU: escalation vs. compromise
- A new trend: similar and common approaches?

US/EU trade relations w/ China

US (2011)

	EU27	China
Imports from...	8.4% (2 nd)	9.3% (1 st)
Exports to...	9.2% (2 nd)	3.5% (4 th)
Trade balance	Negative	Negative

EU27 (2012)

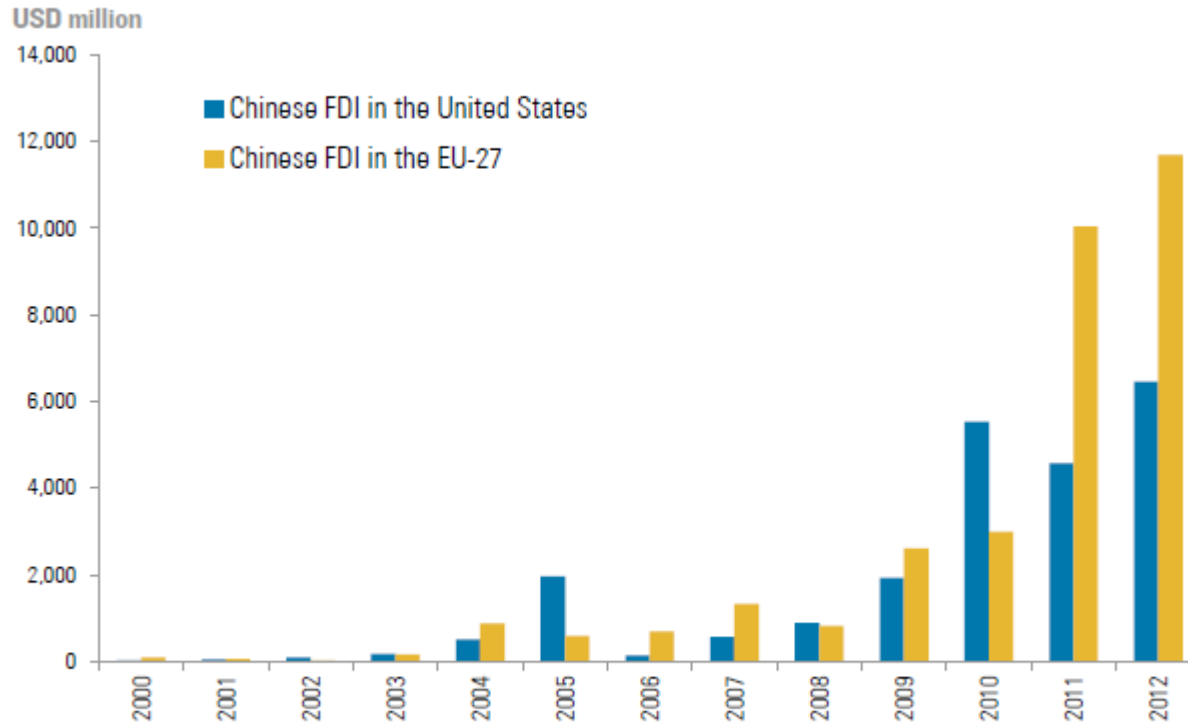
	US	China
Imports from...	11.5% (3 rd)	16.2% (1 st)
Exports to...	17.3% (1 st)	8.5% (2 nd)
Trade balance	Positive	Negative

China (2011)

	EU27	US
Imports from...	6.3% (1 st)	3.6% (4 th)
Exports to...	9.5% (1 st)	8.6% (2 nd)
Trade balance	Positive	Positive

US/EU investment relations w/ China

Figure I: Annual Chinese FDI Flows to the United States and European Union, 2000-2012



Source: Rhodium Group.

US and EU issues with China

- Similarities: trade issues
 - Inward investments from China
 - Chinese currency manipulation
 - Trade and current-account deficits
 - Violations of intellectual property rights
- Differences: non-trade issues
 - US engagement in the Pacific, pivot to Asia
 - Foreign & security policy mix with economic concerns

Different approaches



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THE DEAL **THE BACKGROUND** **THE RISK** **THE SOLUTION**

The sale of wireless and wireline infrastructure with national strategic importance to a foreign company will weaken the security of the United States.

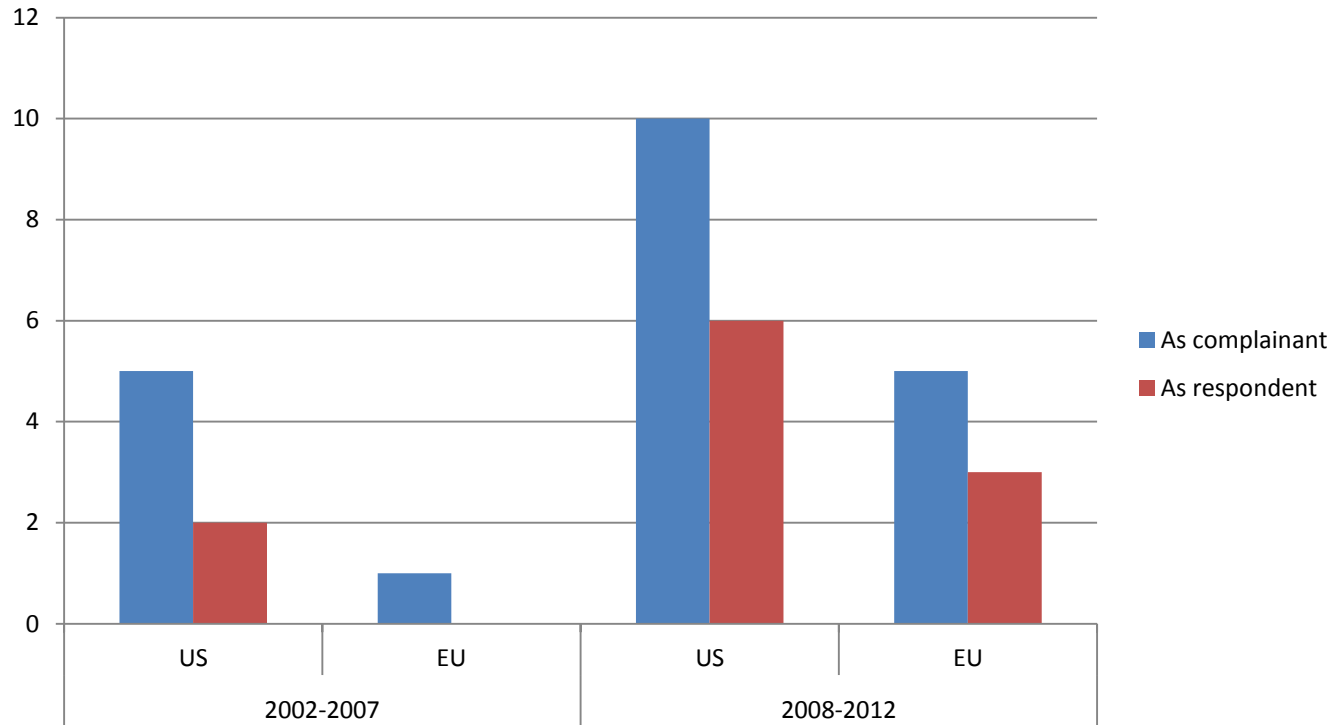


Different approaches (cont'd)

- US: 'escalate to protect'
 - Mixing foreign policy goals with trade concerns – US-China economic relations highly politicized
 - Politicization triggers more conflicts
 - EU: 'compromise to grow'
 - Separation of foreign/security and trade policy – EU-China trade relations de-politicized
 - Commission traditionally in favor of free trade policies and negotiated settlements
- Trade issues are much more politicized in the US due to different domestic 'needs' for conflict

Different approaches (cont'd)

US and EU trade disputes (WTO) w/ China



A new trend?

- The EU becomes more confrontational
 - New demands lead to EU-internal politicization of trade matters and increasing EU reliance on trade defense instruments
 - Escalation of trade disputes
- Shared US/EU concerns, similar approaches
 - Conflict over export restrictions on raw materials, rare earths
 - Parallel regional engagement
- *A common* approach? Regulatory convergence & TTIP
 - Benefits: common standards – also towards 3rd parties
 - Risks: creating new cartels, undermining the WTO?
 - Challenges: How to?

A new trend? (cont'd)

- US and EU share the common goal to turn China into a true market economy & level the playing field for their industries
- As the EU moves towards US-like approaches in its trade relations with China, the US and the EU increasingly choose similar or even common policy options
- Convergence of US and EU trade policies towards China may help transatlantic cooperation efforts (TTIP) and, ultimately, the WTO
- But it may also lead to protectionism, a deterioration of bilateral US/EU-relations with China and, ultimately, a threat to the WTO