

“Tensions In Eu-China Trade Relations: The Impact Of China's Competitive Advantage In Strategic Industries”

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Abstract

This article reviews trade tensions between the European Union (EU) and China triggered by China's dominance in strategic industries. In the face of an increasingly tense situation, careful policy analysis is needed to proactively manage the complex relationship with China. This research aims to highlight the root causes behind trade conflicts, as well as identify strategies for managing tensions wisely while encouraging mutually beneficial economic cooperation. With a cross-disciplinary approach, this research proposes a framework to reduce the risk of escalation of trade conflicts between the EU and China. Through emphasizing the importance of rigorous policy analysis and innovative solutions, this article highlights the urgency of appropriate policies to maintain domestic economic stability and balanced international relations in the face of challenges from China's economic dominance.

Keywords: EU-China Trade War, EU-China Tensions, EU-China Relations, International Economy

INTRODUCTION

In the ever-changing global economic landscape, trade tensions between the European Union (EU) and China have become a major focus of international attention. As China's production capabilities increase in strategic sectors at lower prices, as highlighted by Jens Eskelund, president of the EU Chamber of Commerce in China, in several reliable news reports such as CNBC and Antara News, concerns arise about the escalation of trade conflicts that has the potential to disrupt global economic stability. Meanwhile, the statement by Chinese Foreign Minister Wang Yi, who expressed his hope for smooth China-EU relations, highlighted the complexity of this bilateral relationship. However, the differences of opinion expressed in official statements from both sides indicate the existence of uncertainties and tensions that complicate their trading dynamics. In this context, this research aims to explore an in-depth understanding of the root causes behind trade tensions between the EU and China, as well as to identify strategies that can manage trade conflicts wisely while promoting mutually beneficial economic cooperation. Through an interdisciplinary approach that includes policy analysis, international economics, and diplomacy, this research seeks to construct a framework that can help minimize the risk of escalating trade conflicts between these two major economic powers (Evelyn, 2024), (Arbar, 2024), (Xinhua, 2024).

Thus, this research not only focuses on factual analysis of existing trade conflicts, but also explores innovative solutions that can have a positive impact in building more stable relations between the EU and China, as well as promoting the sustainability of a harmonious global economy.

This research also attempts to formulate evidence-based policy recommendations to manage the trade conflict between the EU and China wisely, while promoting mutually beneficial economic cooperation and maintaining the stability of international relations.

RESEARCH METHODS

The research approach used is divided into several stages using a descriptive qualitative approach including:

- 1. Literature Study:** Literature study is a technique used to look for ideas or references in a study. This approach involves investigating pre-existing written sources in an attempt to solve existing problems. Alternatively, the term literature study is also often referred to as library study (Salmaa, 2023). Researchers will conduct an in-depth analysis of academic literature and trusted sources of information, including journal articles, research reports, and government publications related to trade tensions between the EU and China. The main focus will be given to understanding the root causes and dynamics of bilateral trade.
- 2. Policy Analysis:** Examining the trade policies that have been implemented by the EU and China, and their impact on bilateral trade relations. This will include an evaluation of tariff policies, subsidies and other trade barriers that can affect trade dynamics between the two parties. Policy analysis provides a way to understand why and how governments implement certain policies and their impacts. Three main approaches to policy analysis are outlined: (i) The traditional approach aims to identify the best solution by conducting an objective analysis of the various existing alternatives. (ii) The mainstream approach focuses on the interactions between policy actors in the policy-making process. (iii) Interpretive approaches explore the social construction of problems and the ways in which policies reflect these representations. Policy analysis is able to increase understanding of changes in the dynamic global economic landscape, including trade tensions between the European Union (EU) and China, as well as predicting policies that will be implemented or rejected. The information resulting from this analysis can provide guidance for practitioners in carrying out advocacy (Browne et al., 2019)

RESULTS AND DISCUSSION

1. Discussion of Literature Studies

a. EU and China Coronavirus Crisis

Before entering trade tensions between the EU and China in 2024, previously in 2020 research was carried out on tensions between the EU and China, including the case of the corona virus crisis. The coronavirus crisis has highlighted many of the tensions in relations between the European Union and the People's Republic of China (PRC)/China. Although some see China's economic recovery as a key factor in Europe's recovery, this situation will also strengthen European countries' dependence on state-led development models, which will likely reduce their willingness to achieve equality in international competition and increase rivalry with the

United States . A policy document states that the European Union must be cautious in its dependence on China and take a firm stance in ongoing negotiations, including on the Comprehensive Investment Agreement. In addition, the European Union should strengthen its capacity to counter economic distortions caused by China's economic practices and step up efforts to protect itself from the negative impact of geo-economic competition between China and the US (Redeker & Stahl, 2020)

b. European Union-China Relations

China began to pay attention to European economic integration and the European Economic Community (EEC) at first. In the early 1970s, academics in Beijing studied it, almost simultaneously with the rapprochement with the United States. Official relations began in 1975. During the first phase of economic reform in the 1980s, China established good relations with separate European countries, especially France, Germany, and the United Kingdom. However, in the 1990s, with increasingly close political and economic integration following the Maastricht Treaty in 1993, China realized that the European Union had become a significant international power. This was followed by the establishment of formal EU relations through the EU-China Trade and Cooperation Agreement in 1985. However, in 2001, a senior EU official admitted in a meeting with China that internal conflicts between EU member states had confused Chinese policymakers. An example is the competition between European airlines to secure deals with China.

Their initial reaction was to recognize that the huge trade between the European Union and China, as well as the huge investment into China, could not be ignored. They stressed the importance of China improving overall political ties by granting VIP status to visiting EU representatives, such as former trade commissioners Chris Patten, Peter Mandelson and the president of the EU Commission. The 2003 China-EU summit even discussed 'strategic relations'. However, in 2004 and 2005, the situation began to worsen. The EU Commission's initial attempt to lift the arms embargo on China following the Tiananmen Square incident came to an abrupt halt when the United States intervened. Even though the embargo was more symbolic and irrelevant, its impact proved to be long-lasting. The Bush administration's ability to coerce the European Union is demonstrating dominant force to China. In Robert Kagan's study of power, the European Union is seen as an entity rich in soft diplomatic power and culture, but lacking significant military power (Crossick, Stanley, Brown, 2009).

c. Spatial-Relational Analysis of EU-China Relations

From research (Levy & Révész, 2022). As a case study, they looked at discussions about China's COVID-19 vaccine in Germany and Hungary in 2020 and 2021. They chose these two countries because they represent the two ends of Weissenbacher's main typology, with Germany falling in the core group and Hungary falling in the semi-group. the periphery of the European Union. Although they recognize significant differences between countries in the core and semi-periphery groups, they do not aim to reduce these differences. However, they see a connection between the relative positions of these two countries and the way they formulate their policies regarding the Chinese vaccine, which they believe could lead to more in-depth

research in the future. The recent discourse on China's vaccine for COVID-19 was selected because it shows the significant differences in attitudes of European Union countries towards China in that year. Before they discuss the two cases, they provide background on the COVID-19 vaccine. China, Germany and the US were among the first countries to announce they had experts working on different types of vaccines. Ultimately, Russia was the first to introduce its vaccine with the catchy name, Sputnik V, in August 2020. Shortly after, other countries also introduced their vaccines, including China in late 2020. In May 2020, President Xi Jinping announced at a World Health Assembly meeting that China considers its COVID-19 vaccine a "global public good." China's COVID-19 vaccines, primarily Sinopharm and to a lesser extent CoronaVac (manufactured by Sinovac) and Convidecia (manufactured by CanSinoBiologics). The starting point for this research is their observation of politicians and policy advisors who have pressed for a unified China policy in the EU, which has not yet materialized. They open a new perspective on this phenomenon by not only demanding unity among EU member states in their China policies, but also suggesting taking a step back and taking a closer look at why EU member states have such different views on China in the first place. By showing differences in COVID-19 vaccination discourse in Germany, a core EU country, and Hungary, a semi-periphery EU country, they provide a picture of the spatial-political divide within the EU. They argue that a comprehensive reformulation of the EU's China policy is needed taking into account the fundamental differences in perspectives and needs in each member country. They found that the "European dependency school" approach, which maps the position of EU member states along core, semi-periphery and periphery divisions, could be used. They use the case of how political and media elites dealt with COVID-19 vaccination discourse in Germany and Hungary to illustrate a typical split in views between core and semi-periphery countries.

d. Dynamic Changes In EU-China Relations

In the future, conflict situations or even political crises could result in price spikes or shortages of certain goods, potentially harming the European population. In the event of a military conflict in East Asia, European companies could be isolated from the Chinese market. Although China's economy remains growing and open, European companies may still be unable to compete in China, third markets, or even in the EU. If Beijing manages to gain greater influence in global institutions and norms, this could impact the development of the internet and artificial intelligence (AI) around the world. On a wide range of global issues and threats, from climate change to pandemic preparedness or AI, China's involvement and cooperation or lack thereof will be crucial. From cooperation, competition, to confrontation, these are just a few examples that show how important China's role is, even in Europe.

Overall, this research highlights the dynamic changes in relations between the EU and China, emphasizing the EU's shift towards a more assertive stance due to the lack of an integrated long-term strategy. Although the EU has adopted various policies and instruments, including risk mitigation efforts, challenges remain due to the lack of consensus and a clear geopolitical vision for the future direction of the relationship. This research emphasizes the importance of

developing a coherent and stable long-term strategy to direct EU actions and policies proactively, rather than reactively. By addressing these gaps and improving strategic planning, the EU can better manage its complex relationship with China and play a role in effectively shaping the global order (Brinza et al., 2024).

2. Policy Analysis

The results of the literature study above present several important aspects that can become the basis for policy analysis regarding relations between the European Union and China:

- a. Reducing Dependence on China's Development Model:** The coronavirus pandemic has exposed European countries' dependence on China's development model. The impact could reduce Europe's willingness to achieve equality in global competition and strengthen rivalry with the United States. Therefore, the European Union must increase its capacity to address economic distortions that may arise as a result of China's economic practices.
- b. Commitment in Negotiations:** The policy document suggests the need for the European Union to display a firm stance in negotiations with China, including in the context of the Comprehensive Investment Agreement. This shows the importance for the European Union to strengthen its position in economic relations with China and protect itself from the negative impact of geo-economic competition between China and the US.
- c. Long-Term Strategy Building:** Although the European Union has implemented various policies regarding China, challenges still remain due to the lack of consensus and a clear geopolitical vision. Therefore, it is important for the European Union to develop a consistent and stable long-term strategy to proactively direct actions and policies. In this way, the European Union can manage its complex relationship with China more effectively and play a role in effectively shaping the global order.

From the points above, researchers took three policy approaches to carry out policy analysis, namely the Three main approaches to policy analysis are described: (i) Traditional approach, (ii) Mainstream approach, and (iii) Interpretive approach.

1. Traditional Methods: Reducing Dependence on the Chinese Development Model

Traditional strategies for dealing with dependence on the Chinese development model may include a series of steps as follows:

- **Diversification of Economic Resources:** European countries can take steps to reduce dependence on China's development model by developing further cooperation with countries outside China's territory. This includes increasing trade and investment with alternative trading partners as well as encouraging innovation and development in economic sectors that can reduce dependence on China.
- **Regional Collaboration and Alliances:** The European Union could strengthen its regional cooperation with other European countries to face the challenges caused by dependence on China's development model. This includes establishing closer partnerships in economic

policy, technology exchanges, and infrastructure development that can reduce dependence on China.

- **Encouragement for Internal Reform:** The European Union could provide incentives for internal reform in member states aimed at increasing economic resilience and reducing dependence on imports from China. This may involve encouraging industry to increase domestic production, strengthening strategic sectors, and improving overall economic efficiency.
- **Development of an Alternative Trading System:** The European Union could consider developing an alternative trading system that is not completely dependent on China. This includes expanding trade networks with countries that have different or more balanced development models as well as promoting broader regional economic cooperation outside China's territory.

2. Mainstream Method: Strategic Collaboration with China

The European Union could adopt a strategic collaboration approach to strengthen its economic ties with China. Concrete steps include:

- **Strengthening Economic Partnership with China:** The European Union could choose to increase its economic partnership with China in response to existing dependencies. This includes increasing joint investment in strategic sectors, promoting freer trade, and establishing a framework that facilitates closer economic cooperation between the European Union and China.
- **Cooperation in Innovation and Technology:** This key strategy also involves deeper cooperation in the field of innovation and technology between the European Union and China. This helps the European Union gain access to China's technological resources and knowledge, while providing opportunities for China to access markets and resources in the European Union.
- **Economic Diplomacy and Structured Dialogue:** The European Union could adopt a more proactive economic diplomacy approach with China, including structured dialogue to discuss relevant economic issues and strengthen bilateral cooperation. This may include the establishment of a regular consultation mechanism between the EU and China to facilitate information exchange and policy coordination.
- **Increased Market Openness:** The European Union can send a positive signal to China by increasing market openness to Chinese products and investments. These steps can help build trust with China and encourage closer economic cooperation between the two sides.

3. Interpretative Approach: A Deeper Understanding of EU-China Relations

In dealing with the relationship between the European Union (EU) and China, the Interpretative approach emphasizes a deeper understanding of the political, cultural and economic dynamics that shape their interactions. By focusing on interpreting meaning and context, this approach aims to enrich insight into the complexity of the relationship between

these two entities. The following are concrete steps that the European Union can take against China using an Interpretative approach:

- **Political Analysis:** The European Union is required to carefully explore the political views and strategic interests held by China, especially regarding global and regional issues. This involves a deep understanding of how China's interpretation of sovereignty, foreign policy, and the concept of power influences the dynamics of the relationship between the two sides. By understanding this, the European Union can design a more effective approach in strengthening political cooperation with China, including through more intense diplomatic dialogue and mutual understanding.
- **Cultural Analysis:** The European Union should deepen understanding of the values, norms and cultural identities that shape China's characteristics. This involves careful analysis of cultural differences, views on human rights, and attitudes toward democracy. With a deeper understanding of Chinese culture, the European Union can strengthen cultural dialogue, promote broader cultural exchanges, and build more solid relations based on mutual respect and understanding.
- **Economic Analysis:** The European Union needs to carefully understand how China interprets economic issues such as trade, investment and development. This includes understanding China's views on economic interdependence, trade fairness, as well as the impact of economic development on social and environmental aspects. With a deeper understanding of China's economic perspective, the European Union can design more flexible and sustainable trade and investment policies.

3. Results

The results of this article show that there are trade tensions between the European Union (EU) and China which are caused by China's ability to produce strategic industries at lower costs. The effect of China's competitive advantage in this strategic industry is to disrupt markets and trigger a protectionist reaction from the EU. The European Union feels it is important to protect its strategic industries from unfair competition with China, so it implements protectionist policies to safeguard its domestic economic and industrial interests.

Explanation:

1. **China's Competitive Advantage:** China has the capability to produce strategic industrial goods at lower costs than other countries, including the European Union. This makes Chinese products more competitive in the global market.
2. **Market Disruption:** China's competitive advantage in strategic industries could disrupt the global market balance by creating an imbalance in competition. Cheaper Chinese products could threaten the viability of domestic industries in other countries, including the European Union.
3. **Protectionist Response from the European Union:** To protect its strategic industries and domestic economic interests, the European Union reacted to China's competitive advantage

by implementing protectionist policies. These measures may include trade restrictions, imposing import tariffs, or providing subsidies to domestic industries to maintain their competitiveness.

Thus, the impact of China's competitive advantage in strategic industries fuels trade tensions between the European Union and China, and forces the EU to take protectionist measures to safeguard its domestic economic and industrial interests.

CONCLUSION

Based on the article presented, it is concluded that relations between the European Union (EU) and China are experiencing tension in the context of trade and COVID-19 vaccine policy. The EU is faced with the challenge of managing economic dependence on China while maintaining its position in global competition with the United States. Therefore, a consistent and stable long-term strategy is needed to proactively direct actions and policies so that the EU can better manage its complex relationship with China.

In-depth policy analysis is also needed to understand the changing global economic landscape and identify innovative solutions to build more stable relations between the two parties and maintain overall global economic stability. From the results and content of the article regarding trade tensions between the EU and China due to China's competitive advantage in strategic industries, it can be concluded that:

1. China's competitive advantage in strategic industries has disrupted global markets and triggered a protectionist response from the EU to protect domestic economic interests.
2. Trade tensions between the EU and China highlight the need to develop a consistent and stable long-term strategy to proactively manage the complex relationship with China.
3. In-depth policy analysis is needed to understand the trade conflict between the EU and China, and formulate innovative solutions to promote mutually beneficial economic cooperation and maintain the stability of international relations.

Thus, this article emphasizes the importance for the EU to face the challenge of China's competitive advantage wisely through appropriate policies to maintain domestic economic stability and harmonious international relations.

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