EU-China Economic Relations: Interactions and Barriers

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Abstract

EU-China economic interactions became more and more frequent in the past decades, nowadays EU and China are main trade partner for each other. This paper analyzed EU-China economic interactions from three dimensions: bilateral governmental interactions, trade and investment flows as well as barriers to trade and investment. Findings show that EU-China close relationship is particularly based on goods trade especially on intra-industrial trade of manufacturing industrial products, and trade imbalance is arising from trade in Machinery and Transport Equipment and Other Manufactured Goods (e.g., Clothing and clothing accessories); This paper also found that there exist a myriad of trade and investment barriers to EU-China interactions, including both tariff and non-tariff obstacles. Therefore, this paper argued that if EU and China want to handle the trade imbalance efficiently, they must improve composition of trade in goods, while essentially, it requires lessening or eliminating EU-China trade barriers which hampered trade composition improvement.

Key words: *EU-China Relations, Trade, Trade Barriers, FDI*

JEL codes: *F13; F59;*

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1. Introduction

China's development in the past decades has caused fierce attention from all over the world. As a country who has more than 1.3 billion population, its annual average economic growth is over 10% (real GDP growth) in the past 30 years, from 1980s to 2000s. Undoubtedly, China's economic boom particularly gains from his Reform and Opening-up policies starting in the end of 1970s. In the third plenary session of 11th central committee of CCP held in 1978, Chinese government decided to quit the idea

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of "economy subject to politics" and transformed to reform the economic system as well as to open the "Country's Gate" to the world, since then, promoting economy development became the core task of government. Opening-up policy firstly applied to eastern coastal regions in 1980s and then enlarged to entire country in the early of 1990s, yet CCP proposed to give up Planned Economic System partially and try to build Socialist Market Economic System in 1992. Easily government and enterprises found that China hold strong advantage of labor force comparative with other countries, thus export-oriented strategy became the prior tactic of economic development under the condition of insufficient domestic demand.

Finally, exports became one of the three driven factors (consume, investment and export) of China's economic growth in the past decades. Proportion of total exports and imports to GDP and of total exports to GDP were just 12.54% and 5.97% in 1980, and then they increased to 29.78% and 15.99% in 1990, and 39.58% and 20.80% in 2000. In 2006, these two proportions reached the highest points, 65.17% and 35.87%. Since the global financial crisis exploding in 2007, China's exports trade was affected significantly by the global economic crisis, the proportion of total exports and imports to GDP and proportion of total exports to GDP reduced in recent years, but they still stood at 50.28% and 26.68% in 2010. Moreover, government also launched many preferential policies, such as income tax exemption or reduction, for attracting foreign capitals to invest in China. Actual utilized FDI was only $3.49bn in 1990, and increased to $40.72bn in 2000, it reached $105.74bn in 2010[1]. These facts adequately proved that international economic and trade interactions are exactly very important to China's economic development.

Nowadays China has been the second exports economy and third imports economy in the world. And, as the largest exporter and importer in the world, EU has been an important export destination and source of imports and FDI of China. By March 2004, European Union (EU) became the largest trade partner of China and China turn to the second largest trade partner of EU (Dai, 2006). Actually, Since European Economic Community (EEC) and China established diplomatic relations in 1975, EU-China economic and trade relations became more and more close. EU commission stated EU-China relations as "Closer Partner, Growing Responsibilities", although competition from China especially in some manufacturing sectors raised serious challenges (EU Commission, 2006). However, China's huge market is

[1]All data in this paragraph come from or calculated based on the data from National Bureau of Statistics of China.(2011). *China Statistical Yearbook 2011*. Beijing: China Statistics Press.

undoubtedly an attractiveness to European companies, trading with China can create jobs and promote EU's economic growth, competition from China can impel European companies to manage cost and reinforce their comparative advantages, for example on technology and innovation capability, this implies EU actually can not only keep competitiveness but also gain a lot from trading with China. Based on the same logic perspective, evidently China also can gain from trading with EU including investment and technology transfers. Therefore, it is uncontroversial to conclude that EU-China economic and trade interactions are a progress of reciprocity and mutual benefit.

Nevertheless, one of the preconditions for EU and China maximizing benefits from trade and economic partnership is that both sides must open their market and ensure fair competition (Lorca-Susino, 2006), namely must reduce exchange cost as far as possible. But in fact, there exist a myriad of trade barriers between EU and China, especially non-tariff obstacles, which are main factors of high EU-China economic exchange cost. China's market is not open entirely, and also it is reported that protectionism is on the rise in Europe (Ashton, 2009). Generally China is treated as manufacturing economy based on the competitive advantage of cheap labor and land (Dai, 2006), this advantage makes China can produce merchandises with much more lower cost, and at the same time, Chinese government also support export through subsidy, exchange regulation and some other policies, yet some industries are still not open to foreign investment. EU sets some barriers to trade and investment, and also keeps some restriction on sensitive products, the main instruments are technical barrier to trade (TBT) and anti-dumping measures (Brülhart & Matthews, 2007).

This paper will briefly investigate the overview of EU-China economic relations through introducing the status quo and barriers of EU-China trade and investment. The first section will introduce the bilateral governmental interactions, the second section will analyzes the status quo of EU-China trade and investment, and it will mainly focus on the industrial structure of EU-China trade. The third section will discuss various trade and investment barriers to EU-China through some cases. And the final part is the conclusions and remarks.

2. EU-China Bilateral Governmental Interactions

China and EEC established diplomatic relations in 1975, and in 1985, EEC and China launched the first trade and economic cooperation agreement, "Agreement on Trade and Economic Cooperation Between European Economic Community and the People's Republic of China", which involved trade cooperation and economic cooperation, and also established EC-China Joint Committee to manage the cooperation relationship (Council of EC & Government of P. R. China, 1985). Trade cooperation targets on creating favorable conditions for bilateral trade and grants each other most-favored nation treatment, such as lower customs duties and charges, simplifying regulation, procedures and formalities, and so on. This bilateral agreement continues to be the main legal framework of EU-China trade and economic relations (Griese, 2006), and it is updated on 9th EU-China Summit held in Helsinki in 2006. After 1985 agreement, the scale of EU-China trade increased sharply especially in 1990s[2]. In terms of statistical data, EU's exports to China was only €1.9bn and just ranked No.24 in EU's exports partners in 1980, exports value increased to €5.8bn and China ranked No.13 in 1990. While in 1998, the value increased to €17.4bn, and China became the fourth largest exports trade partner. On the imports side, value of EU's imports from China was only €2.0bn and China ranked No.22 in EU's imports partners in 1980, then imports value increased to €10.4bn and China rose to No.5. In 1998, EU's imports from China reached €42.0bn and China became the third largest imports trade partner of EU[3].

Table 1. **EU-China Key Governmental Interactions**

Year	Actions
1975	➢ Established diplomatic relations between China and EEC.
1985	➢ Agreement on Trade and Economic Cooperation between European Economic Community and the People's Republic of China.
1998	➢ EU-China Summit (annually, the 14th Summit was held in Feb. 2012). ➢ EU Communication [COM(1998)181] : Building a comprehensive partnership with China.
2001	➢ EU Communication [COM(2001)265 final]: further enhancement of engagement with China; China is both part of the problem and the solution to all major issues of international and regional concern. ➢ Established a Comprehensive Partnership formally coming with the China's WTO accession.
2003	➢ Comprehensive Strategic Partnership. ➢ EU Commission [COM(2003)533final]: A maturing partnership-shared interests and

[2]Trade between EU and China grew slowly in the latter half of the 1980s due to the political instability.
[3]Data in this paragraph is from European Communities.(2002). *External and Intra-European Union Trade-Statistical Yearbook: Data 1958-2001*. Luxembourg: Office for Official Publications of the European Communities, p.30-31.

	challenges in EU-China relations.
2006	➢ On 9th EU-China Summit (Helsinki), decided to start negotiation on a PCA (EU-China Partnership & Cooperation Agreement), PCA will cover both political and economic dimension of EU-China relations. ➢ And, also involve an upgrade of Trade and Economic Cooperation Agreement launched in 1985.
2008	➢ High Level Economic and Trade Dialogue (HED, annually, 1st meeting was held on 25 April in Beijing). ➢ HED provides a tool to address issues of mutual concern in the areas of investment, market access and intellectual property rights protection, as well as other issues related to trade.

Source: Author's depiction.

In 1990s, China's economy reform and development reflected new changes, especially China started to transform from a centrally-planned and largely closed economy towards an increasingly market-driven economy after 1992, in when CCP proposed and tried to build Socialist Market Economic System (EU Commission, 1998). EU commission stated that, on the one hand, China has made considerable efforts to reform and develop market economy as well as became more and more responsible in foreign policy. On the other hand, EU also worried about whether China can continue to reform in post-Deng Xiaoping era and handle the shock from Asian financial crisis exploded in 1997. Thus EU think it is necessary to amend its approach to China based on new assessments (Smith & Xie, 2010), and then EU commission launched a new approach named "Building a Comprehensive Partnership with China" in March 1998[4]. The new policy mainly aimed EU-China partnership at engaging China further in the international community through an upgraded political dialogue, supporting China's transition to an open society, and integrating China further in the world economy by promoting China more fully into the world trading system and supporting China's economic and social reform (EU Commission, 1998). Yet On 2 April 1998, the 1st EU-China Summit was held in London and it was pinned down as an interaction and communication mechanism which is held annually. This summit built an efficient plate for discussing bilateral political and economic interactions as well as some other joint concerns.

On 15 May 2001, EU published updated policies "Strategy Towards China:

[4]Actually, in July, 1995, European Commission published its first Communication "A Long-term Policy for China-Europe Relations" which made a detail policy framework and measures involving all dimensions such as political, trade, investment, economic cooperation, science and technology cooperation, and so on(EU Commission, 1995). Moreover, the agreement on scientific and technological cooperation of EU-China was signed in the end of this year.

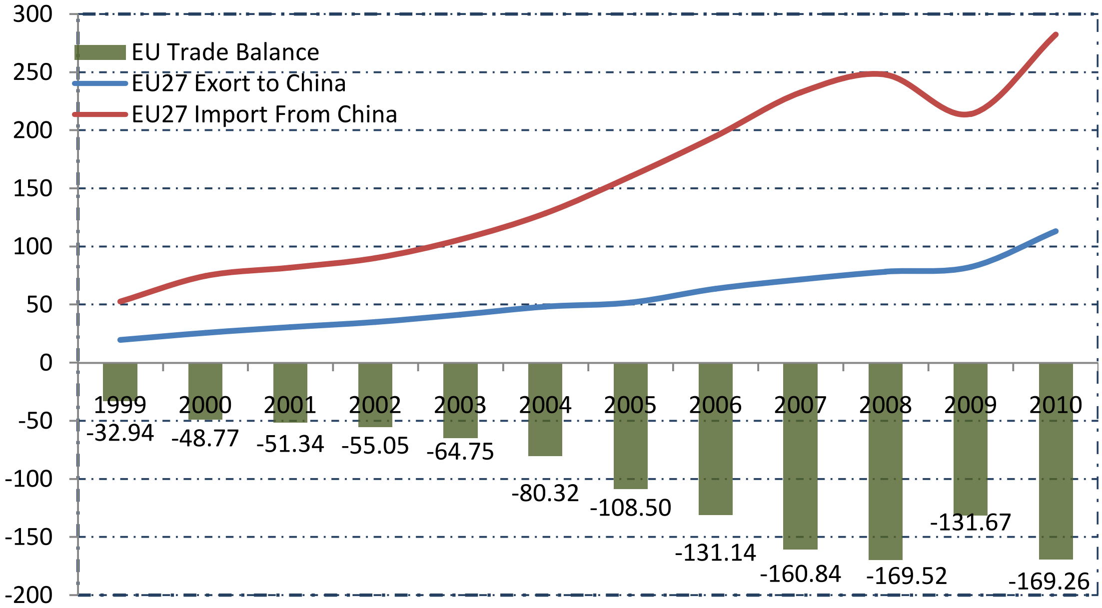
Implementation of the 1998 Communication and Future Steps for a More Effective EU Policy” in consideration of China’s forthcoming accession to WTO(EU Commission, 2001). Obviously, this strategy included two parts, the first one was to evaluate the implementation outcomes of building comprehensive partnership with China, and the second one is to supplement policies based on new situation. Coming with China’s accession to WTO on 11 December 2001, the comprehensive partnership was established formally. After two years, EU Commission published the policy paper “A maturing partnership-shared interests and challenges in EU-China relations”, which stated that “EU and China have an ever-greater interest to work together as strategic partner to safeguard and promote sustainable development, peace and stability”(EU Commission, 2003). This approach especially focuses on support sectoral cooperation through strengthening or launching sectoral dialogues. On 9th EU-China Summit (Helsinki, 9 September, 2006), EU and China decided to start open negotiation on a PCA (EU-China Partnership & Cooperation Agreement), PCA will cover both political and economic dimension of EU-China relations, 9th EU-China Summit also involved an upgrade of “Trade and Economic Cooperation Agreement” launched in 1985. In 2008, EU-China 1st High Level Economic and Trade Dialogue(HED) was held in Beijing, it was claimed that HED provides a tool to address issues of mutual concern in the areas of investment, market access and intellectual property rights protection, as well as other issues related to trade.

3. EU-China Trade and Investment Interactions

3.1 EU-China Goods Trade Flows

Following previous rough discussion of the evolution of EU-China interactions, both EU and China treat each other as an important economic partner, and they are attempting to build a high level partnership through frequent and stable negotiation or dialogue mechanism. Frequent dialogues and political interactions played a significant role on EU-China trade relations. As mentioned previously, China has been the No.1 export partner and No.2 import partner of EU, trade scale enlarged over 4 times in the past ten years, obviously both EU and China gained a lot of benefits from bilateral trading. In 1999, EU-27 exported €19.66bn goods to China and imported €52.60bn goods from China. While by 2010, EU’s exports to China increased to €113.25bn, and imports from China rose to €282.51bn.

Figure1. **EU-China Goods Trade Trends(Billion Euro, 1999-2010)**



Source: EUROSTAT.

However, as the largest trading partner of China, EU has been troubled by the huge trade deficit with China in a long time. After China accession to WTO, EU cancelled many imports limitation in terms of the principle of WTO, and then imports from China increased sharply due to China's advantages of production cost. As a result, EU's trade deficit with China rose by a large margin, from only €32.94bn in 1999 to €169.26bn in 2010(Table 1). In terms of a rough product classification, notably EU's trade deficit with China is particularly contributed by Machinery, Transport Equipment and other manufactured products(e.g. textile, clothing, iron and steel, etc.), balances of other goods trade, except food, drinks and tobacco, are positive. In 2000, deficit created by the trade of Machinery and Transport Equipment and Other Manufactured Goods were €11.21bn and €35.78bn respectively, by 2010, they reached €75.37bn and €99.81bn. Summed these two industries, total deficit was €175.18bn (Table 2). By a specific classification of industries, main contributors to 2010 EU's trade deficit with China are (Appendix Table 2): Telecommunication, sound, TV, video (€35.77bn); Office machines and Computers (€39.21bn); Electrical machinery (€29.36bn); Clothing and clothing accessories (€30.11bn); and other miscellaneous manufactured articles (€23.38bn).

Table 2. **Product Breakdown of EU Trade in Goods with China (Billion Euro)**

Industries	EU Export to China			EU Import from China			Balance		
	2000	2005	2010	2000	2005	2010	2000	2005	2010
Food, Drinks and Tobacco	0.439	0.797	2.239	1.525	2.267	4.004	-1.086	-1.47	-1.765
Raw Materials	1.417	3.297	7.702	1.571	2.411	2.690	-0.154	0.886	5.012
Energy Products	0.162	0.064	0.742	0.402	0.731	0.304	-0.24	-0.667	0.438
Chemicals	2.421	5.180	12.661	2.805	5.178	11.014	-0.384	0.002	1.647
Machinery and Transport Equipment	16.528	31.002	69.612	27.739	75.082	144.989	-11.211	-44.08	-75.377
Other Manufactured Goods	4.285	10.268	18.510	40.066	74.052	118.317	-35.781	-63.784	-99.807
Non-classifying Goods	0.611	1.217	1.806	0.524	0.606	1.213	0.807	0.611	0.593
Total	25.863	51.825	113.272	74.632	160.327	282.531	-48.769	-108.502	-169.259

Source: EU Trade Yearbook 2011(EUSTAT, 2011).

Moreover, EU-China trade is mainly based on the intra-industrial trade of some manufacturing industrial products, i.e. Machinery and Transport Equipment as well as Other Manufactured Goods. Actually, both China and EU have comparative advantages on these products. Statistical data showed that share of Chemicals, Manufactured goods classified by material, Machinery and Transport Equipment and Miscellaneous Manufactured Articles in total exports of EU-27 reached 83% in 2010, of which Machinery and Transport Equipment shared 42.4%, and share of those products of China reached 94.61%, of which Machinery and Transport Equipment shared 49.13%(Appendix Table 1). From the perspective of EU-China goods trade, it also can be found that EU and China export and import manufacturing industrial products from each other. In 2010, EU-27 exported €69.61bn Machinery and Transport Equipment to China, which accounted for 61.45% in total exports to China. And China exported €144.99bn Machinery and Transport Equipment to EU, which accounted for 51.32% in total exports to EU. Sum up Machinery and Transport Equipment and Other Manufactured Goods, EU-27 exported €88.12bn to China, the share reached 77.80%, and China exported €263.31 to EU, the share reached 93.20% in 2010. Imports products of EU and China from each other reflected the same status(Table 2). To some extent, these evidences exactly proved that, as the same as world trade trends which have been proved by Krugman's New Trade Theory, EU-China trade takes place particularly on intra-industries. This conclusion is also proved by Beneyto et al.(2011: p.17), whose analysis used a quantitative method based on EU's member state trade with China, calculation showed Intra-Industrial Global Trade Index with China of selected EU member states increased dramatically from 1995 to 2009.

3.2 EU-China Services Trade and Capital Flows

Other dimensions related to economic relations are services trade and capital mobility. Comparative with trade in goods, scale of services trade and FDI flows between EU and China are much smaller. In 2010, EU-China commercial services export trade was only €22.3bn and the balance was positive. FDI flows from EU to China was €6.5bn in 2009, only accounting for 5.39% of China's total inward FDI, yet accumulative value was €63.6bn, sharing 6.71% of total values. China's inward FDI are mainly from abroad Chinese countries or regions, over half of FDI are from Hong Kong, Taiwan and Singapore, and their total shares reached 54.81% in 2009. Some free ports, for example, British Virgin Islands (BVI), are also the main source of China's FDI, in 2009, 12.01% of China's inward FDI are from BVI[5]. Actually, BVI has many companies which is built by Chinese businessman or institutions, it is said that more than 25% of companies registered in BVI are related to China. Some Mainland Chinese are willing to register companies in international free ports, because it is easy to register and also can get benefit from tax avoidance, and then, if they go back to invest in China, they can enjoy the preferential policy of supporting FDI (income tax exemption or reduction, as for investing in industries which is in the official encourage list, income tax will be exempted in the first three years and half income tax will be levied in the subsequent two years). Anyway, goods trade is the leading role of EU-China economic and trade relations rather than capital mobility and services trade.

Table 3. **EU-China Economic and Trade Indicators (Billion Euro)**

Dimensions		EU27 to China			China to EU27			Balance		
		2008	2009	2010	2008	2009	2010	2008	2009	2010
Trade in Goods		78.4	82.4	113.3	247.9	214.1	282.5	-169.5	-131.8	-169.3
Trade in services		20.2	19.1	22.3	15.2	13.6	16.3	5.0	5.4	6.0
FDI	Flows	6.9	6.5	7.1	-0.4	0.1	0.7	6.9	6.5	6.4
	Stocks	54.7	63.6	75.1	5.6	5.6	6.7	49.1	57.9	68.4

[5]Proportion of China's FDI composition in this paragraph are calculated by author based on the data from Ministry of Commerce of China.(2010). *China Commercial Yearbook 2010*. Beijing: China Commerce and Trade Press.

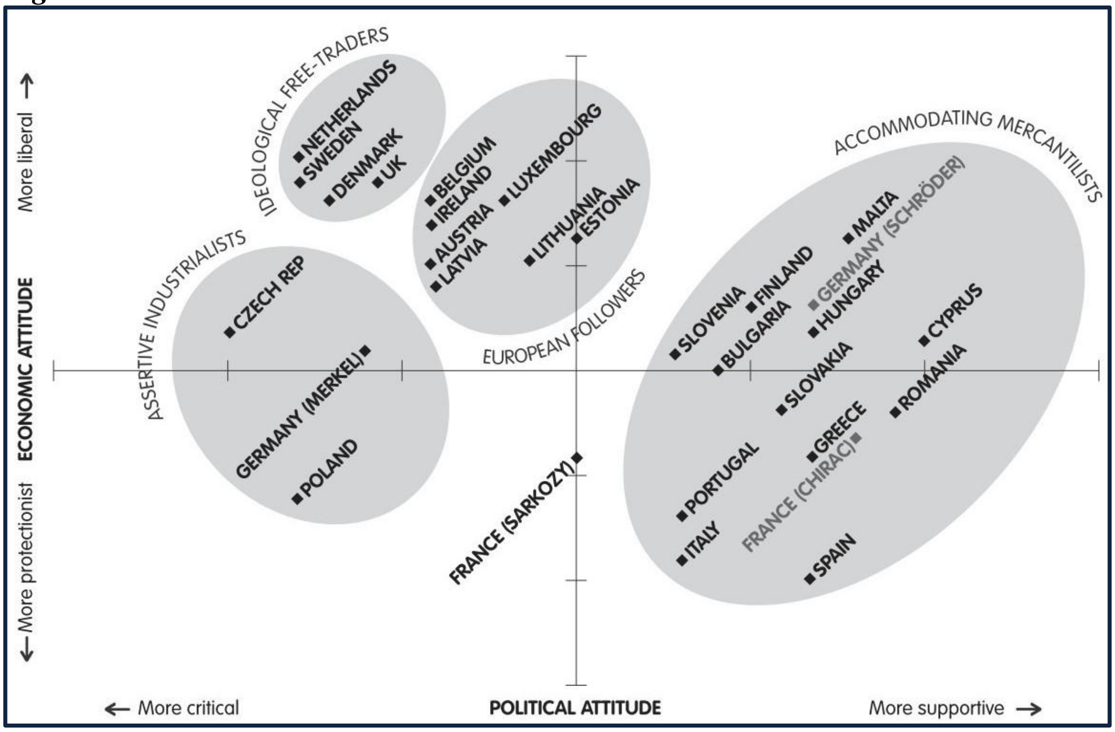
Notes: Services is commercial services; Source: EUROSTAT (NewCronos).

4. Trade and Investment Barriers between EU and China

4.1 Attitude Determines Action

China's market is important to EU's products, and EU also would like to gain deserved benefits from the economic boom of China, thus general speaking, EU's attitude of economic interactions to China tends to be more liberal. But in fact, EU's decision is based on the common actions of member states, those states who play a leading role was the common decision maker to a great extent.

Figure 2. **EU Member States Attitudes to China**



Sources: Fox & Godement (2009, p.4).

EU member states can be divided into four types in term of their attitudes to China (Fox & Godement, 2009: p.4): Type-A is assertive industrialists, such as Czech, Poland and Germany. These kinds of countries tend to pressure China on both economic and politic dimensions, and support using protective measures to threaten China's trade barriers; Type-B is called ideological free-traders, representative countries like Netherlands, Sweden Denmark and UK. They tend to pressure China on politics in order to promote China reduce barriers rather than restrict trade directly, and they also claim that EU should focus on the point of benefiting from China's growth rather than being threatened by Chinese cheap products; Type-C is accommodating mercantilists which are the largest group, including such as Finland, Italy, Spain, Greece, Romania and so on. They claim that keeping good political relationship with China will create commercial benefits, so economic considerations must dominate the relationships, but they also treat protective measures as an useful tool. The last type is European followers, they don't consider the relationship with China to be the core of their foreign policies and are not willing to take part in actively in the debate of issues that China is not a key EU priority. So this type of states prefers to follow EU's policies rather than lead policies decision. In terms of the idea of Fox and Godement(2009), most of EU active member states held an attitude of maintaining political dialogue and treating protective measures as an useful trade instrument. Therefore, if more conservative states play a leading role in the process of decision making, the common external trade policy could be more protective especially facing a huge trade deficit with China. Actually, EU maintains common protective measures against external countries including both tariffs and non-tariff barriers (Mullally, O'Brien & Stephenson, 2005: p.8).

China is perhaps the best case of openness and growth in the past decades due to its positive reform on economic system, pricing mechanism and trade system, especially China government implemented a strong policies to support export in order to develop economy (Lardy, 2003). EU's huge market is very attractive to Chinese products, China wants to maximize its benefits from EU's market, and at the same time, to protect its domestic industries as well. Fox and Godement(2009) concluded China's approach to EU in order to achieve its goals as

> *"To secure these goals, China has developed three basic tactics in its approach to the EU. First, it takes advantage of the mismatch between its own centrally controlled systems and the EU's open market and government to exploit opportunities in Europe while protecting its own economy with industrial policies, restricted access and opaque procedures. Second, China channels EU pressure on specific issues by accepting formal dialogues and then turning them into inconclusive talking shops. Third, China exploits the divisions between Member States."*
>
> *----John Fox & François Godement (2009, p.8)*

Notably China's attitude to EU is unambiguous, it treats EU as an important export market and wants to gain more from trading or investing with EU. But meanwhile, it also tries to keep its comparative advantages through making use of various promoting or protective measures. Specially, China emphasizes its identity of being a underdeveloped country and being a market economy country in order to enjoy the preferential supports from EU as well as promote EU to eliminate those restrictions specially exerting on central-controlled economy country.

Therefore, it is not surprising if there exist some strong trade barriers including both tariff and non-tariff between EU and China. Upcoming discussions will focus on obvious main obstacles to EU-China bilateral trade and investment, i.e. tariff barriers, non-tariff barriers and investment barriers (Table 4). Discussion will not describe or evaluate their effect on EU-China economic interactions, but prove that these barriers indeed exist and cannot be ignored.

Table 4. **Trade and Investment Barriers Between EU and China**

Types	EU Actions on China's Goods/Capital	China Actions on EU Goods/Capital
Tariff Barriers	◆ Discriminatory Duties ◆ Anti-dumping Duties ◆ Anti-subsidy Duties	◆ Relatively higher tariffs rate(under WTO rules) ◆ Anti-dumping Duties (e.g. on potato starch starting in February 2007; on X-Ray security equipment starting in Jan. 2011)
Nontariff Barriers	◆ Technical Barriers: Green or environmental protection standards (e.g. Foods, Textile, electronic equipment such as Freezer, Air-conditions) ◆ Export Restrictions(especially on Hi-tech products in order to keep intellectual property and keep advantages in the future) ◆ Arms sale ban (due to political considerations) ◆ Dumping ◆ Subsidies (especially on agricultural products) ◆ Anti-dumping investigations ◆ Anti-subsidy investigations	◆ Subsidies and Exports Tax Rebates ◆ Quotas and License Regulation ◆ Non-transparent Trade Rules ◆ Exchange regulation ◆ Anti-dumping investigations ◆ Anti-subsidy investigations (on potato starch in 2011, this is the first time to do an anti-subsidy investigation on EU products) ◆ Dumping (especially currency dumping and social dumping)
Capital Mobility Barriers	◆ Foreign Investment Restrictions and National Security Review on foreign investors' merger actions. [e.g. U.K. (*Enterprise Act 2002, Chapter 2*), France(*Article 30 of Law No. 2004-1343*, Dec. 2004) and Germany (*German Foreign Trade Act*, 2009)]	◆ Foreign Investment Regulation (Guidance Catalogue, Regulations) and National Security Review on foreign investors merger actions (launched *in Feb. 2011*) ◆ Non-transparent regulations

Source: Author's depiction.

4.2 Tariff Barriers

Coming with globalization trends, every country has realized the importance of free trading, both developed and developing countries have been reducing their import tariff rate recent decades, thus the importance of tariff barriers has declined or it is not a key obstacle to free trading in the future. In terms of a measurement, EU-15 average tariff rate on import goods from external countries was 1.54% by 2002 (Global Britain, 2004). Towards to China's import tariff rate, China actually began to reduce after implementing opening-up policy and it dropped sharply in 1990s in order to access to WTO, the average import tariff rate stood at a very high level, more than 50% in 1982, it reduced to 40% in 1993, and then dropped to 15.3% in 2001(Lardy, 2003; SCIO,2011). After accession to WTO, China continued to reduce the tariff rate according to the commitment, average tariff rate decreased to 9.9% in 2005 and 9.8% in 2010(SCIO, 2011).

Therefore, Ashton (2009) argued that trade and investment barriers between EU and China are not those arising from tariffs already, but those caused by non-tariffs fields, such as various rules and standards. However, it seems inaccurate to claim that there are no tariff barriers to EU-China trading. In fact, tariff is still treated as a useful instrument by both EU and China. Generally EU imposes a higher tariff on products, especially on basic goods (such as foods and textile, which developing country have an advantage) from developing countries than on products from developed countries. Mullally, O'Brien & Stephenson(2005) found that rich countries(GDP per capita is more than £15000 a year) just faced an average 1.6% tariff imposed by EU, middle income countries were imposed an average 2.9% tariff, while poor countries(GDP per capita is less than £5000 a year) were imposed an highest tariff rate, 5% on average. Imposing discriminatory duties on products from different income countries implies China is suffering a higher trade defense from EU than other rich countries.

A frequently-used approach of EU to China is to levy anti-dumping duties on products importing from China. Taking the anti-dumping duty on China's ceramic tiles as an example, after one year investigation(from April 2009 to March 2010), EU decided to impose a provisional anti-dumping duty on imports of ceramic tiles originating in China, this highest duty rate reached 73%(EU Commission, 2011a). On 12 September, EU published a definitive anti-dumping duty rate, the highest one reached 69.7% (EU Council, 2011a). EU stated that China's ceramic tiles products exactly sold as a lower price in EU than that in China domestic market and products of EU's companies and finally injured EU's related industries. Nevertheless, a research report stated that export prices from China are highly differentiated and most of Chinese exporters sold at a higher price than those companies of many EU member states, and China's products only shared 6.5% in EU market, while EU producers shared 90%, thus EU's anti-dumping measures are inappropriate (Kasteng, 2012).

As for anti-subsidy duties EU imposing on China's products, there are some cases too. On 6 May 2011, EU commission published the first anti-subsidy tariffs against imports from China after 15 months investigation, EU stated that Chinese government subsidized coated fine paper industry by giving cheap loans, cheap land and some preferential tax policies which are illegal under WTO rules, then EU decided to impose anti-subsidy duties on coated fine paper from China with duties ranging from 4% to 12%(EU Council, 2011b). At the same time, EU also decided to impose anti-dumping duties on coated fine paper with duties ranging from 20% to 39.1% (EU Council, 2011c). This implies that EU imposes both anti-dumping and anti-subsidy duties on the same product (coated fine paper) imported from China. Of course, EU's action caused a protest from China, Chinese government argued that imposing both anti-dumping and anti-subsidy duties on the same product is a double remedial behavior to EU industry and it goes against the WTO rules.

As a response to EU's actions, Chinese government launched some anti-dumping and anti-subsidy measures on EU's products and has begun to impose anti-dumping duties and anti-subsidy duties on some products imported from EU as well. For example, on 6 February 2007, China started to impose anti-dumping duties on potato starch imported from EU with duration of 5 years. China decided to recheck and still levy anti-dumping duties during rechecking period; And on 23 January 2011, Chinese government decided to impose anti-dumping duties on X-Ray security equipment imported from EU with duties ranging from 33.5% to 71.8%. On 16 September 2011, China decided to impose anti-subsidy duty on potato starch from EU after with a duty ranging between 7.5% to 12.4%, it is also the first time to impose anti-subsidy duty on EU product, and in fact, on 19 April 2011, China has began to impose anti-dumping duty on the same product from EU with duty ranging from 12.6% to 56.7%. Moreover, as mentioned previously, China's import tariff rate is still higher relatively, although it will continue to decrease in terms of the commitment to WTO rules, it is also can be treated as a tariff barriers to trading.

In sum, although there are some other kind of anti-dumping measures, such as warranting deposit, price commitment during the investigation, some rules and standards, EU and China governments still treat imposing duties as an important remedial measure and exert on goods trade frequently in order to protect domestic industries or as a reaction to anti-dumping or anti-subsidy measures from opposite side. Therefore, tariffs, including normal duty as well as anti-dumping and anti-subsidy duties are still the barrier to EU-China trade, which exactly cause profit loss of consumers as the conclusion has been proved by classical trade theory.

4.3 Non-Tariff Barriers

Non-tariff barriers refer to the barriers such as import quotas, subsidies, rules, standards and regulations, which a country or a region who uses a common external trade policy used in order to protect domestic industries, Non-tariff barrier has been a most preferable and popular measure used by governments in modern world. Naturally, EU and China government also prefer to exert non-tariff barriers on each other's trade and investment.

Subsidy measure is mainly exploited by EU on agriculture through the framework of Common Agricultural Policy (CAP). CAP targets to promote European agriculture sector development more productive and stable through some support measures such as direct payment, market price intervention, production quotas and so on. EU budgets a lot annually for supporting and protecting agricultural development. For example, it is embraces approximately 90% of EU's agricultural output, and about half of EU's budget was paid to agriculture sector in 2001(Wickman, 2003: p.3), and about 46% and 47% of all community expenditure in 2005 and 2006(National Audit Office, 2008). OECD's report indicated that 35% of EU farmers' revenue was from government's subsidies in 2003, while the figure of Australian and New Zealand were only 5%(von Reppert-Bismarch, 2004). In terms of the new framework, CAP spending share of total EU budget will decreased to 32% in 2013(EUROPA, 2007). Although CAP expenditure reflected a descending trend, it doesn't imply that the direct subsidy measure will be forgone. According to "CAP towards 2020", direct payment will still be used to support agriculture producers who, EU argued, "face very economic and natural conditions across the EU which advocates for an equitable distribution of direct aids"(EU Commission, 2010). CAP subsidies to farmers caused negative effect to EU consumers as well as foreign countries. EU consumers have to pay 80%-100% more for food than those in free-market regime, and because of the high import tariff and export subsidies of EU, agriculture sector of developing countries also was shocked obviously(Wickman, 2003: p.3). Some studies argued that

CAP subsidies actually failed to protect farmers' income which fell 70% between 1995 and 2000, and the main beneficiaries were input suppliers and big landowners (Mullally, O'Brien & Stephenson, 2005: p.11).

Another frequently-used non-tariff measure by EU is technical barriers to trade (TBT), which targets mainly are based on the requirement, for example, for health, safety, environmental, consumer protection. TBT includes two types according to makers, the one is imposed by government, and the other one is imposed by non-governmental organizations (Brenton, Sheehy & Vancauteren, 2001; Brülhart & Matthews, 2007), here it just discusses the former type of TBT exploited by EU. EU commission and council published many directives or standards in recent years, they are mainly related to health, safety and environment concerns. For example, "Registration, Evaluation, Authorisation and Restriction of Chemicals" (REACH), which was launched in 2006, provides the framework for chemical industry with a purpose of protecting environment and human health, it implies that all foreign exporters have to comply with the technical standards as well as register and test according to a certain procedure. Although REACH regulation of EU is good for protecting human health and environment, it may cause some negative impact on third countries trading with EU in short term if they cannot find corresponding solutions, for instance, it would increase export costs of third countries' enterprises, and also may hit related industries of third countries especially developing countries whose technical level and test conditions are very poor. Therefore, if there is no deferential treatment for different countries, the negative impact of REACH on developing countries would much stronger than those on developed countries.

Table 5. **Recent Directives of EU Technical Barriers to Trade**

Codes	Subjects
DIRECTIVE 2000/53/EC	"On End-of Life **Vehicles**": Prohibits the use of lead, mercury, cadmium or hexavalent chromium in materials and components of vehicles.
DIRECTIVE 2002/95/EC	"On the Restriction of the Use of Certain Hazardous Substances in **Electrical and Electronic Equipment**"
EN 13869:2002	"**Lighters**—Child-resistance for Lighters—Safety Requirements and Test Methods"
DIRECTIVE 2004/108/EC	"On the Approximation of the Laws of the Member States Relating to **Electromagnetic Compatibility** and Repealing Directive 89/336/EEC"
DIRECTIVE 2005/32/EC	"Establishing a Framework for the Setting of Ecodesign Requirements for **Energy-using Products** and Amending Council Directive 92/42/EEC and Directives 96/57/EC and 2000/55/EC of the European Parliament and of the Council"
DIRECTIVE 2005/84/EC	"Amending for the 22nd Time Council Directive 76/769/EEC on the Approximation of the Laws, Regulations and Administrative Provisions of the Member States Relating to Restrictions on the Marketing and Use of

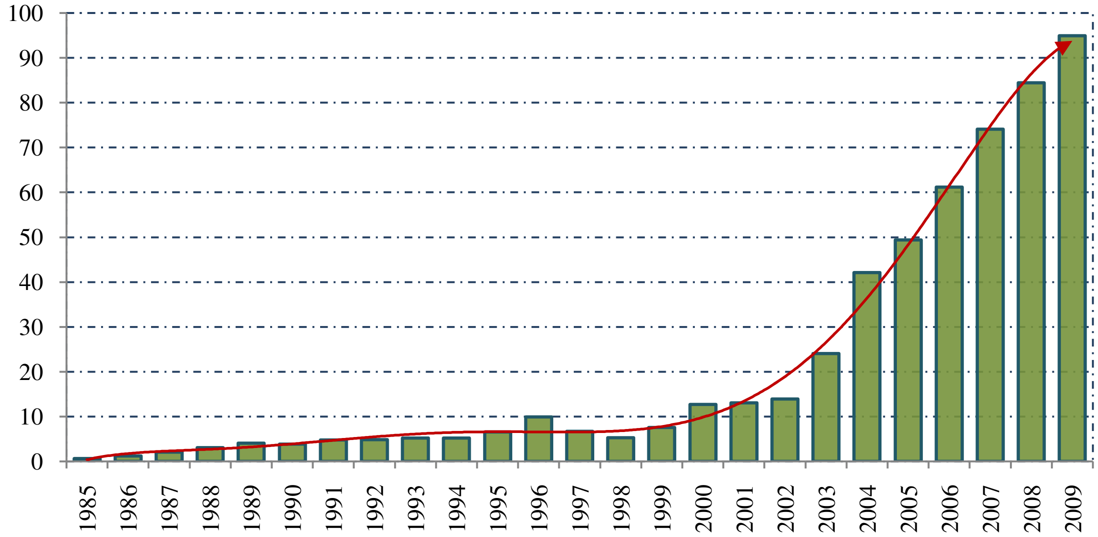
	Certain Dangerous Substances and Preparations (**Phthalates in Toys and Childcare Articles**)”
REGULATION(EC) No 1907/2006	“Concerning the **Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)**, Establishing a European Chemicals Agency, Amending Directive 1999/45/EC and Repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC”

Notes: these directives or standards are often amended and updated according to current status, here updated versions are not listed; Source: Collected by Author.

EU’s export restriction is a long-term barrier to trading with China, it particularly embodies in hi-tech export restriction and arm sale embargo. EU Council launched its first export regulation measures on dual-use items and technology in 2000(EU Council, 2000a, 2000b, 2000c), the controlled-dual-use goods list covered ten categories(EU Council, 2000a), i.e. Nuclear Materials, Facilities and Equipment(C0), Materials, Chemicals, “Microorganisms” & “Toxins” (C1), Materials Processing(C2), Electronics(Category 3), Computers(C4), Telecommunications and “Information Security”(C5), Sensors and Lasers(C6), Navigation and Avionics(C7), Marine(C8), Propulsion as well as Space Vehicles and Related Equipment(C9). For every main category, it is further divided into five sub-type, i.e. System, Equipment and Components(A), Test, Inspection and Production Equipment(B), Materials(C), Software(D) as well as Technology(E). EU’s aim of exports regulation is to keep their intellectual property and keep comparative advantages on technology in the future, while it is not conducive to developing countries who really need import advanced technology to develop their industries since the export regulation measure are totally on high and new technology products. Comparative with technology exports control, EU’s considerations of arm sale embargo against China is based on political issues. EU arms embargo against China started in 1989 as a response to Chinese pro-democracy movement. EU stated that there still exist human rights abuse and security threatens nowadays, thus the arm embargo continues to be maintained. However, recent years EU member states have began to discuss whether embargo should be ended, but they confront serious pressures from US and Japan (van der Putten, 2009).

As regards China, it has a long tradition of supporting domestic industries development, this is reflected in various five-year plans, including Five-year Plan of national economic and social development, Five-year Plan of sectoral development as well as Five-year Plan of various industries. China’s central and local governments tend to pay subsidies in order to reduce the financial costs of enterprises, for example, if some high and new technology industries are in the encouraging category of government, central and local budget will arrange corresponding special subsidies to enterprises, scope embodies such as loan interest subsidy, technology update and innovation subsidy, talent subsidy and so on. Specially, China government built a export tax rebate(ETR) system in 1985 in order to boost exports trade, which includes VAT(Value Added Tax) drawback and consumption tax drawback. Total value of ETR grew very fast after accession to WTO due to the export growth, figure was about \$7.57bn in 1999, and increased to \$94.96bn in 2009. ETR rate has been adjusted several times and current ranging is between 5% to 17%, the most recent adjustment was made in 2009 taking into global financial crisis shock account, which increased the rebate rate of some products such as TV transmitting equipment and sewing machine (rose to 17%), some agricultural processing products and electromechanical products(rose to 15%), Corn starch and alcohol(rose to 5%).

Figure 3. **China's Exports Tax Rebates(Billion US Dollars, 1985-2009)**



Notes: transforming Renminbi to US dollar based on period average exchange rate; Source: exports tax rebates value derived from *Finance Yearbook of China 2010*(Ministry of Finance, 2010), exchange rate derived from *China Statistical Yearbook 2011*(National Bureau of Statistics, 2011).

Except for some observable subsidies, there are also some hidden subsidizing actions which can create positive effect on export indirectly. Here picking a recent case as a example for discussion (Box 1), in April 2012, South Korea company, SAMSUNG decided to build production base of Nand Flash, it will produce core processor for iPhone and iPad. There are three alternative regions who want to obtain this project since it can create jobs as well as GDP. Finally this project landed in Xi'an, Shanxi Province due to the local government's exciting supportive policies. Supportive policies included not only direct investment subsidy and income tax exemption, but also free land provision and operating cost subsidies. Yet local government committed to build required transportation access to the plant. Actually, the production of this project is just the sub-unit of iPhone and iPad, while the final products will be produced by another assembly foundry of APPLE INC., FOXCONN which will locate in Chengdu, Sichuan province(Chengdu is a city close to Xi'an, Chengdu local government also provides abundant supportive policies to the project). After FOXCONN's production base in Chengdu comes into work, it will produce 2/3 of iPad in the world, it implies most of these products will be exported to extra-China countries. Undoubtedly, local government's support to export-oriented industrial investment, in fact, forms a indirect subsidy to China's exports.

Box 1. **Case of Chinese Local Government Actions for Attracting Investment**

In April 2012, SAMSUNG decided to invest a Nand Flash(core processor for iPhone 4S and iPad2) Project in Xi'an, Shanxi Province, China. the total investment is over \$30bn (about RMB200bn), it will create lots of outputs and employments.

What did the local government do in order to get this project? Why SAMSUNG decided to land in Xi'an but not other tow alternative places, Beijing and Chongqing?

Followings are the policies of Xi'an municipal government to SAMSUNG:

- **Financial subsidies to SAMSUNG:** 30% subsidies of total investment;
- **Preferential Income Tax policies:** 10 years exemption and 10 years half reduction;
- **Required Land and Plant Buildings:** Free land; Plant Buildings will be built by government;
- **Auxiliary policies:** RMB0.5bn subsidies per year for the cost of water, power, afforesting and logistics; government will be responsible for highway and metro access to plant.

This decision of Xi'an caused significant critiques from Chinese people, because it spends too much public resources on this project. Similar decision happens frequently in China, local governments always provide strong support in order to attract investment including FDI.

Take SAMSUNG project as an example, this project will produce the core processor of iPhone and iPad. At the same time, FOXCONN(contracted with APPLE INC.) has decided to build a plant in Chengdu, Sichuan Province(produce iPad; total investment is over \$10bn), this plant will produce 2/3 of iPad in the world. Chinese cannot buy all of them, it implies 2/3 of iPad consumers in the world whose iPad are Made in China. So, there is no doubt that such kind of subsidies will indirectly create positive effect on China's export trade. (Sources: Integrated by author in terms of information published by Chinese local government and newspapers.)

Quotas and Certification regulation are also the traditional non-tariff instruments used by Chinese government. China set a Quota & License Administrative Bureau attaching to Ministry of Commerce to manage trade quotas and licensed affairs. Quotas and license covers both export and import trade, for example, quotas of raw materials exports and of wool as well as wool top imports, license of partial steels exports and of food processing and packaging equipment. Some of China's export restriction through quotas and license especially on material products caused protests from other import countries. For example, in 2009, EU, US and Mexico appealed to WTO on China's license regulation to some raw material products such as bauxite, coke, spar, magnesium, manganese, silicon metal and zinc, finally WTO confirmed that these license actions violated the WTO rules. In January 2011, WTO confirmed Chinese quotas and export duties on some raw materials products are illegal as well (EU Commission, 2012).

Yet China's exchange regulation creates import and export effect. China's exchange rate system is Managed Floating Rate System, which make Chinese government can intervene in exchange market if it is required. Therefore, Renminbi can maintain a higher value to exchange US dollar through governmental controlling, it implies value of Renminbi is much lower than that of other currencies, which will promote exports and restrict imports. Chinese enterprises and government benefit from the Managed Floating Rate System directly, but it is not conducive to other countries exporters. So, exchange regulation is always criticized, and other countries have been pressuring Chinese government to lessen regulation and let Renminbi appreciating. Transparency is also one of the main principles according to WTO provisions. Non-transparency laws and regulations can create trade barriers especially to imports. After accession to WTO, China have made a big efforts to reform and improve its administrative transparency in terms of its commitment to WTO, for example, publishing regulations, establishing Sanitary and Phytosanitary Measure(SPS) system, as well as related laws and standards(Biuković, 2010). However, some research stated that there still exist some non-transparency regulations especially in the sector of industry investment (Kraft, 2010; EU Commission, 2011b, 2012).

Additionally, here it treats anti-dumping and anti-subsidy investigations corresponding to dumping and subsidy as the non-tariff barriers to trade as well. Actually, dumping is always created by some supportive policies such as various subsidies and tax exemption which finally reduced the production cost of enterprises. EU's agricultural policies and China's industrial policies or exchange regulation make their products can sale much cheaper in abroad. As a response to dumping, both EU and China start to exploit anti-dumping and anti-subsidy investigations on each other's products. If they confirm that a certain product exists dumping and impose duties on this product, then imposing anti-dumping or anti-subsidy duties further become tariff barriers. Anti-dumping and anti-subsidy investigation can be treated as non-tariff barriers too, government can pressure on exporters through investigations even if dumping action may not true. Moreover, they also may be used as retaliatory measures. For example, as discussed previously, EU started its anti-subsidy investigation on coated fine paper from China in the early of 2010 and finally decided to impose anti-subsidy duties On 6 May 2011(EU Council, 2011b), which is the first time that EU impose anti-subsidy duties on Chinese product. Subsequently, on 30 August 2010, China government started the first anti-subsidy investigation on potato starch from EU and finally decided to impose anti-subsidy duty on 16 September 2011. It is worth noting that EU impose both anti-dumping duty and anti-subsidy duty on the same product, at the beginning, Chinese government argued that it violated the WTO rules, while finally China government started to impose both anti-dumping and anti-subsidy duties on the same product as well. These interactions indicated that China's action could be a retaliatory response to EU's action. In 2012, EU launched anti-subsidy investigations on several products from China and also caused the protest from Chinese government, if EU finally confirms to impose, probably China will respond as the same actions.

4.4 Investment Barriers

Cross-border investment has developed rapidly in the past decades. In order to promote capital flowing across board, developed countries, who have a strong advantage on capital, have been making considerable efforts to prevent developing countries from foreign invest investment(FDI) restrictions. Actually, from the historical perspective, now-developed countries systematically restricted foreign investment for protecting domestic industries through various measures, such as limits on ownerships, technology transfer, local procurement, mergers and acquisitions regulations and so on. Only when domestic industries got strong and competitive enough, now-developed countries started to lessen their regulation on FDI(Chang, 2004). Therefore, generally developing countries have stronger restrictions on foreign investment than developed countries.

However, developed countries still restricted FDI in some sensitive sectors in terms of their concerns of national safety or public interest. EU member states mainly exert reviews on some merger and acquisition (M&A) related to national safety or public interest, namely they tend to intervene in FDI market through the National

Security Review Mechanism. For example, On 9 December 2004, France enacted "Law 2004-1343", which stated that if foreign investors want to merge or purchase some enterprises of sensitive industries related to public order, public safety, national defense, arms and explosive, it requires the authorization of government and also there are corresponding financial penalties for non-compliance with regulations. Sensitive sectors include 11 sectors in terms of the specified list in Decree 2005-1739, for example, gambling and casinos, private security, security of information technology products and systems, cryptology equipment and some sectors related to national defense. In the spring of 2009, German enacted the updated Foreign Trade Act, it empowered Federal Ministry of Economics and Technology right to review and prohibit purchases of domestic company by foreign investors if purchase poses threats to public order and security. Yet United Kingdom exerts reviews on those M&A on industries related to national safety, media diversity and financial system stability by foreign investors in terms of the "Enterprise Act" launched in 2002 and the explanatory memorandum Order launched in 2008.

Except for National Security Review on M&A of foreign investors, there are also some restrictions on single sectors in EU member states (GAO, 2008). For example, in France, foreign investment in banking and insurance must be approved by French banking and insurance regulators, and some sectors such as atomic energy, coal mines, railway passenger transport are not open to FDI. In German, inland waterways, employment services, lottery industries are mainly monopolized by public sectors.

Table 6. Selected Foreign Investment Restriction Measures of EU member state and China

Country	Laws and Regulations	Objectives
France	Law 2004-1343, Decree 2005-1739	public order, public safety, national defense
Germany	German Foreign Trade Act 2009	Public order, public security
Netherlands	Financial Supervision Act 2006	Competition, financial market oversight
United Kingdom	Enterprise Act of 2002 & Order 2008	Public interest(National Safety, Media Diversity, Financial System Stability), control of classified and sensitive technology
China	Regulations for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors(2009 Revision); National Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors(Launched in February 2011); Catalogue of Industries for Guiding Foreign Investment (2011 Revision); Catalogue of Priority Industries for Foreign Investment in Central and Western China (2008 Revision)	National economic security; Protection of critical industries; Develop local priority industries; Purchase of famous trademarks or traditional Chinese brands;

Source: Modified from GAO(2008, p.8) and Kern(2008, p.34-38).

Comparative with European countries, China exerts much stronger restrictions on FDI. As a developing country, Chinese government tries to protect and boost its domestic industries development through supportive policies. For example, Chinese central government laid down Catalogue of Industries for Guiding Foreign Investment in order to channel foreign capitals and Catalogue of Priority Industries for Foreign Investment in Central and Western China in order to develop competitive industries locating in backward regions. According to the current catalogue(2011 revision), only parts of industries are open to foreign investors, and some of these open industries are restricted in building joint venture or cooperative enterprise with Chinese investors. China also built and launched a National Security Review System in February 2011, which stated that it requires to be vetted by government if the M&A by foreign investors is related to national security.

5. Conclusions and Remarks

In terms of analysis above all, this paper finds that: EU and China are main trade partner for each other, and bilateral economic and trade relation are more and more closer; and the close relationship is particularly based on the intra-industrial trade of manufacturing industrial products, especially machinery and transport equipment products. Trade in services and FDI flows just a small part of EU-China economic exchanges; However, from the EU perspective, manufacturing industrial products export to China is much less than those import from China, and it is the chief contributor of EU's trade deficit with China; So, if EU and China want to handle the huge trade deficit, they must improve Composition of Trade as far as possible.

This paper also find that there still exist a myriad of obstacles to EU-China trade and investment interactions, especially non-tariff obstacles such as various subsidies, trade and investment restrictions, technical barriers and so on. China's market is not open entirely, and also it is reported that protectionism is on the rise in Europe (Ashton, 2009). Undoubtedly these barriers are key factors of causing EU's huge trade deficits with China, thus lessening or eliminating trade barriers between EU and China can promote trade development and adjusting composition of trade. But, it requires joint efforts, mutual trust, frequent interaction and cooperation.

However, above analysis is just a rough introduction of EU-China economic and trade relations ("Economic Partnership"), it didn't introduce the "Economic

Competition" between EU and China. Actually, according to the arguments of EU commission, relations between EU and China are Competition and Partnership (EU Commission, 2006), which is not only in economic fields but also in political and social fields. Another topic is that this paper just focused on the bilateral relations at the supranational level, while in fact, as argued by Dai(2006), relations between EU and China involves not only bilateral relations at supranational level(EU-China) but also bilateral relations at member state level(relation between EU's every member state and China). Thus if one wants to understanding EU-China economic and trade relations completely, it is necessary to consider the performance arising from the second type of bilateral relations.

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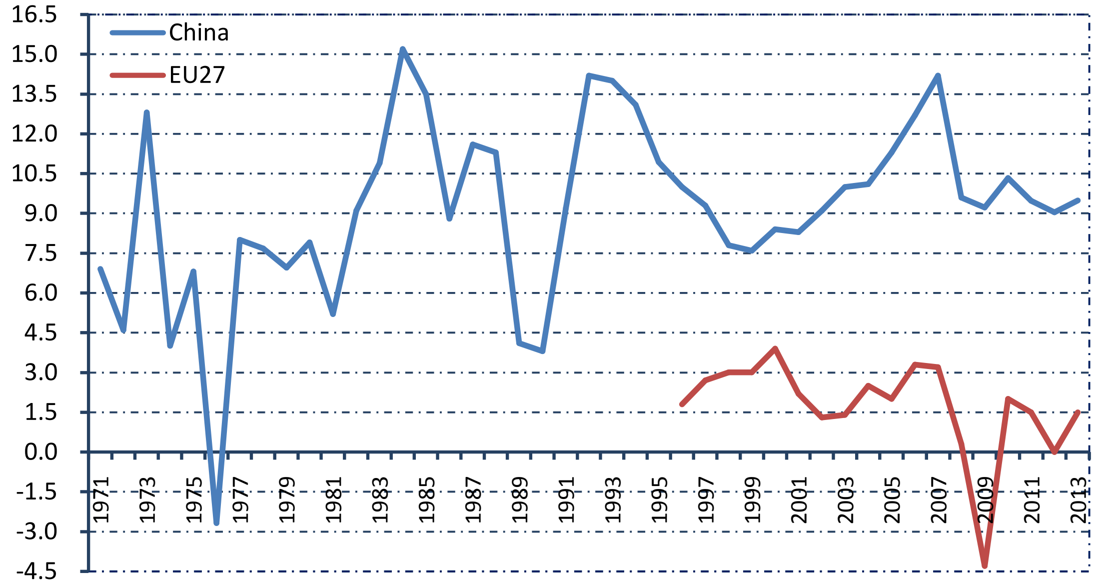
Appendix

Appendix Figure 1. Real GDP Growth Rate of China and EU (1971-2013)



Notes: Forecasted Value From 2011 to 2013.
Sources: China's real GDP growth rate data is from *World Economic Outlook(WEO) Data* provided by IMF; EU's real GDP growth rate data is from *Eurostat*.

***Appendix Table 1.* Industrial Structure of EU & China External Trade in Goods**

Industries(SITC)	EU27				China	
	Exports		Imports		Exports	Imports
	2000	2010	2000	2010	2009	2009
Food and live animals	4	4.1	4.9	4.9	2.71	1.47
Beverages and tobacco	1.6	1.6	0.6	0.5	0.14	0.19
Crude materials, except fuels	1.8	2.6	4.7	4.3	0.68	14.00
Energy products	3.4	5.6	16.2	25.4	1.70	12.33
Oil, fats and waxes	0.3	0.2	0.3	0.4	0.03	0.76
Chemicals	14.0	17.4	7.1	9.1	5.16	11.15
Manufactured goods classified by material	14.3	12.8	11.2	10.5	15.38	10.71
Machinery and transport equipment	46.3	42.4	37.4	29.5	49.13	40.57
Miscellaneous manufactured articles	12.1	10.4	14.0	13.6	24.94	8.47
Products not classified elsewhere	2.4	2.9	1.6	1.9	0.14	0.33

Source: EU Trade Yearbook 2011(EUSTAT, 2011); China Commercial Yearbook(Ministry of Commerce of China, 2010).

Appendix Table 2. **EU Products of which China is one of the top10 Trade Partners(2010, Million Euro,%)**

	Industrial Classification	Exports to China			Imports from China			Balance
		Value	Share	China's Rank	Value	Share	China's Rank	
Foods Products	Miscellaneous edible products and preparations	364	4.8	5	NT	NT	NT	
	Beverages	808	4.4	7	NT	NT	NT	
	Fish, crustaceans, mollusks	NT	NT	NT	1,526	8.9	2	
	Vegetables and fruit	NT	NT	NT	1,440	6.9	3	
	Feeding stuff for animals	NT	NT	NT	130	1.5	6	
Raw Materials	Oil seeds and oleaginous fruits	NT	NT	NT	255	3.9	7	
	Cork and wood	248	5.9	7	274	5.4	5	-26
	Textile fibers and their wastes	396	13.3	2	NT	NT	NT	
	Crude fertilizers	4024	29.4	1	NT	NT	NT	
	Crude animal and vegetable materials, n.e.s.	236	5.8	4	NT	NT	NT	
Fuel Products.	Coal, coke and briquettes	NT	NT	NT	112	0.7	9	
Chemicals	Organic chemicals	2618	6.1	4	3841	11.6	3	-1223
	Inorganic chemicals	NT	NT	NT	1052	8.9	3	
	Medicinal and pharmaceutical products	2944	3.1	7	2463	5.1	3	481
	Plastics in primary forms	2722	12.1	2	440	3.8	7	2282
	Chemical materials and products, n.e.s.	1555	6.8	3	NT	NT	NT	
Machinery and Equipment	Power generating machinery and equipment	5806	9.5	2	2823	8.1	3	2983
	Machinery specialized for particular ind.	10289	14.4	1	2270	13.5	4	8019
	General industry machinery and equipment	11935	13.2	2	9620	26.9	1	2315
	Telecommunication, sound, TV, video	1740	4.7	7	37510	50.1	1	-35770
	Office machines and computers	1073	4.5	8	40280	54.2	1	-39207
	of which computer equipment	311	2.7	10	27676	70	1	-27365
	Electrical machinery	10699	12.9	2	40062	38.5	1	-29363
	of which valves, transistors etc.	2002	13.4	2	16691	38.5	1	-14689
Transport Equipment	Road vehicles	17552	13.7	2	3873	8.3	4	13679
	of which passenger cars etc.	12184	16	2	482	2.2	8	11702
	Aircraft, spacecraft etc.	5012	11.9	2	119	0.4	7	4893
	Ships, boats etc.	NT	NT	NT	7555	33.3	1	
Other Manufactured Goods	Textile yarn, fabrics and related products	NT	NT	NT	6602	32.5	1	
	Paper, paperboard and articles thereof	724	3.7	6	NT	NT	NT	
	Non-metallic mineral manufactures	1355	4.3	7	5007	19.9	1	-3652
	Iron and steel	1992	5.7	4	3150	12	3	-1158
	Non-ferrous metals	2437	12.2	2	1737	4.7	7	700
	Manufactures of metals	2191	6.7	4	10743	41.3	1	-8552
	Clothing and clothing accessories	407	2.4	10	30513	45.6	1	-30106
	Professional, scientific, controlling material	4216	10.5	2	3015	10.2	3	1201
	Miscellaneous manufactured articles	1712	3.6	6	25092	45.1	1	-23380

Notes: NT represents China is not one of the top 10 partners of EU; Sources: EU Trade Yearbook 2011(EUSTAT, 2011).