



EU-China trade-related cooperation: delivering sustainable development?

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Final RESPECT conference, EUI, 18/9 Oct 2021

CEPS contributions to RESPECT

On EU-China Dialogues
As a wider form of Trade Policy

Weinan HU
On the origin & nature of EU-China
Dialogues, a survey

Weinan HU & Jacques Pelkmans
EU/China Trade related Dialogues, a
first assessment
EUI WP/ RSCAS 2020/46

On the green & social pillars of
sustainable development in EU/
China wider Trade Policy

Weinan HU & Jacques Pelkmans
Encouraging social progress in China,
EU/China cooperation on labour rights
& social protection

Jacques Pelkmans
Nudging China to go green, China-EU
cooperation in environment & climate

Final overall report by WH & JP on EU/China Trade Policy & Sustainable Development

Preliminary thought: cooperation instead of hard FTA rules can deliver values

- ‘values’ (like sustainable development) and EU trade policy have become ever more tightly linked, esp. since Lisbon (2009)
- EU’s trade policy reputation is ‘borrowed’ > EU foreign policy is (too) weak
- one wonders whether this coupling is a good idea [see Pelkmans, 2021]
- in RESPECT, however, the EU stance is taken for granted
- One route to pursue values is via WTO/MEAs, plurilaterally and GSP+
- Another route is bilaterally: a FTA and possibly a PCA
- In the EU/China case, no FTA, and PCA negotiations failed (2011)
- ‘sustainable development’ in China regarded as important and urgent
- pol. scientists, economists, lawyers mostly ignore ‘cooperation’
- we show in RESPECT that ‘cooperation’[both green and social] can deliver

Research on EU/China trade & coop'tion on S. D.

- **'green pillar'** = environment & climate
- **'social pillar'** = labour rights & social protection
- 1. observe a gradual EU/China convergence of 'green' indicators ?
- 1. when moving towards a market economy, did China respect labour standards and began its social protection?
- 2. did Chinese 'green' policies show convergence with the EU?
- 2. observe policy convergence over the two decades in labour standards & social protection?
- 3. was EU's pursuit systematic & effective in green policy support?
- 3. was EU's pursuit systematic & effective for 'social' convergence?

What about green POLICY convergence



- Xi Jinping speaks about 'ecological civilisation' in a 'beautiful China'
- This 'Party style' of communicating 'Chinese dreams' is often very hard to trace in actual policies, how credible it is and with what delay
- For at least 1 ½ decades the EU and China have cooperated in green issues, initially tolerating a sharp contrast with a worsening Chinese reality
- If one accepts delays of a decade in Chinese policy-making, let alone in actual implementation, then one discerns improvement (Paris and other)
- A number of reasons are discussed in the (lengthy) paper
- after 2010 & (climate) 2015, convergence set in; 3 hard laws [air, water, soil]
- enforcement (long weak) has radically changed since 2014, which led to huge discoveries of illegal waste/dumping/water taps/fluorocarbons
- BUT when will coal be capped?; CO2 peak by 2030 only; China's brand new carbon pricing soft? Some other GHGs [methane, HFC, N2O] appear to grow at run-away speed; how convincing is China's climate policy really ?

- Between 1994 and today, 7 substantial [some very large] projects / programmes, joint roadmaps/strategic agenda in energy (plus annual meetings, annual conference in energy, etc.)
- Another 10 major activities (several multi-annual and one entirely inside China's admin) on environment and climate (incl. ETS China style and the very successful CDM facilitation)
- Another 'deep' cooperation on forestry and illegal logging since 2009 (linked to FLEG-based wood trading with ASEAN and African countries; China has prohibited illegal logging at home in 2020)
- Annual water platform, 2 High Level Dialogues on Ocean affairs and on Fisheries, another on Law of the Sea and a WP on illegal fishing
- Plus extensive intern./multilateral cooperation in MEAs by EU /China

Could China adhere to FTA SD chapter?



- The answer is : **YES**
- Analysing the 'green' part of the SD chapter of EPA, and ignoring the consultation & enforcement articles (as EU & China have no FTA),
- chapter 16 contains 30 substantive 'green' items under 10 headings
- It is probably the highest 'SD & trade' standard in FTAs in the world
- So, presumably a little too high when it would come to negotiations
- In any case, **at most 5 or 6 items might be difficult for China**
- **But most therefore not, still**, requires true negotiations (like with EGA !)
- Key reasons: [a] as to MEAs: China and the EU converge fully for 12 MEAs
- [b] complemented by a range of existing bilateral commitments
- BUT think about it : **why would China do it if it comes so far w' out FTA ?**

Answers to 3 research questions



- Q 1: EU/China 'green' convergence, as shown by indicators?
- **Beginning of convergence, only after long period of damaging divergence**
> kind of U-curve, with much to go up for the tail-end
- Q 2: EU/China 'green' convergence, as reflected in policies/ strategy?
- After period of 'lipservice' (bilaterally) and typical Chinese 'promises', China (a) pursued **selective green policies** (forestry; renewables, e-vehicles), (b) a later **firming-up of environmental and climate mitigation policies + enforcement**, early signs that indicators follow
- Q. 3: Has EU systematically pursued SD cooperation with China and has this worked as a stimulus for a process of convergence ?
- Yes, **EU active for 25 years, bilaterally and in MEAs**, also intensified and broadened cooperation, and has been most **responsive to requests from China**; for 'values' but also common interest (GHGs, fisheries) and trade

What about 'social' POLICY convergence ?

- Transformation into a market economy (esp. 1990s, with SOEs subjected to hard budget constraints),
- shock for tens of millions of SOE workers, plus intra-China (poor) migrants
- Hasty introduction of fragmented social protection (until 2000)
- Up to 2014, improvement and better implementation, also 'national' [not provincial]
- 5 forms of social protection + Housing Fund; also from public budget
- So, convergence with Europe, but many 'informal' workers are not 'in'
- and re-distributive power weak, esp. for rural migrants (and rural as such)
- On ILO [8] core conventions, China ratified only 4, and few non-core ones
- No evidence on EU-China cooperation about 4 unratified Conventions, until CAI
- Presumably b/c freedom-of-association and collective bargaining conventions both include a fundamental freedom ('right to organise') which implies 'regime change' in China; the other 2 imply penal reform

EU-China social cooperation , overview

- EU has been active and quite effective on many technical aspects
- E.g. social security administration, actuarial techniques, data systems
- social protection upgrading and reforms, fostering a 'national' regime
- COM + Member States provided detailed support on social systems
- On labour standards for workers : one intrusive project on mitigating high risks in mining and chemicals (seems successful) – no more
- Recent social cooperation with ILO and China together, on various
- On HD indicators, China moved up steadily (education a little slower)
- However, large educational gap rural vs. urban (may reduce growth)
- Doubts about elimination of poverty in 2020; guess > still 17 %

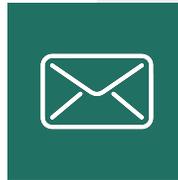
Answers to 3 research questions

- Q. 1 : China's social dimension of its shift to a market economy ?
- Acknowledging the **very radical** shift, China had attention for introducing **social protection, next to none for (int.) labour standards**
- Q. 2 : Observing a process of social policy convergence?
- Considerable policy convergence in social protection (yet, with 65 % informal workers among rural migrants !), but redistributive effects are minimal for rural and higher for urban. Lingering serious social issues include a huge educational gap between rural and urban; and two realities on the poverty gap – no EU/China cooperation on ILO core labour conventions (except fatalities in mining)
- Q.3 : Was EU's pursuit systematic & effective for social convergence?
- EU has been active and stimulating in social protection cooperation, still today, with ILO, but China has been 'silent' on ILO core Conventions, until the draft CAI treaty [but only refers to 2 on forced labour]; looking the other way on [free] collective bargaining, & on freedom of association

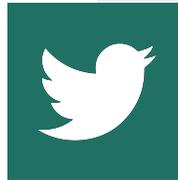
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