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## **EU-China Economic Relations in the Early 21st Century**

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### **Abstract**

The European Union (EU) and China are two of the most influential and complex economies globally. The current state of their relationship is marked by a growing trade deficit for the EU with China, along with increasing Chinese investments in Europe's energy, technology, and infrastructure sectors. The EU has expressed dissatisfaction with China's treatment of foreign investors, limited market access for European companies, and government subsidization of domestic companies. Additionally, the EU has raised concerns about China's human rights record and its policies in Hong Kong, Taiwan, and mainland China. The partnership is expected to remain a key focus for the EU's economic outlook as both sides balance economic potential with geopolitical and security considerations. This report aims to identify and explain the primary issues, key areas for improvement, and mutual interests between the EU and China, while also proposing potential solutions to enhance their economic and trade relations. Informative articles, relevant papers, textbooks, and other sources support the discussion. Although the analysis is subjective, a quantitative methodology is also employed. The discussion presents a common interface and provides recommendations for enhancing financial relations, increasing exchange, financial and security relations, participating in and benefiting from two-way engagement, and enhancing EU-China relations.

**Keywords:** EU; China; economic relations; bilateral trade; foreign policy; international relations

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### Introduction

The European Union (EU) is China's largest trading partner, having surpassed the United States in 2020. This trade primarily involves manufactured and mechanical goods (Kong, 2012). However, the United States remains the primary driver of the EU's trade. Between 2009 and 2010, China's trade with the EU increased by 31%, while EU exports to China grew by 38%. Although the Comprehensive Agreement on Investment was finalized on December 31, 2020, the European Parliament has yet to approve the agreement. The EU views this agreement, which opens up China's internal market to EU companies, as "the most ambitious agreement that China has ever concluded" and a significant step toward liberalizing trade with China.

Despite their differences in history and policy, China and the EU are important and mutually beneficial partners (Serpell, 1996). This partnership has grown significantly since the establishment of political relations in 1975, particularly after China acceded to the World Trade Organization (Chambers, 2005). However, in 2020, the EU began to reassess its relationship with China in light of a changing geopolitical landscape, recognizing China as both a valuable partner and a systemic rival in terms of technological leadership and governance models (Krickovic & Zhang, 2020).

After two decades of strategic cooperation, the EU and China are now more assertive in their relationship, balancing economic interests with geopolitical priorities (Krickovic & Zhang, 2020). This study aims to examine the current trade relationship between the EU and China, identify common areas of economic cooperation and barriers between the two countries, and outline potential areas for improvement. Specifically, the study will analyze China's trade patterns with the EU, investigate changes in China's commercial and economic relations with the EU, and determine the factors influencing China's current foreign policy towards the EU.

### Review of Literature

There is an abundance of remote approach reports, diplomatic ties, and Chinese-EU trade connections and relations. However, considering that financial and trade relations are changing day by day, they have not been adequately elucidated. Nonetheless, a few relevant and influential works related to this theme have been examined exceptionally briefly. In this connection, Puślecki (2016) examined the emerging economic challenges faced by the European Union and China. The introduction of technological advancement, particularly in China, the strengthening of financial ties with the European Union, and the advantages that follow from the liberalization of China's foreign exchange policy under the WTO highlight the significance and originality of the investigation. The primary aim of this article is to illustrate the current obstacles that China and the European Union's business ties are facing.

Bodomo (2019) explained the contrasting strategies adopted by China and the European Union (EU) in their engagement with African nations on a sociopolitical, socioeconomic, and sociocultural level between 2000 and 2018. It is argued that China is outpacing Europe in terms of investment in Africa because the EU prefers to impose more conditional ties on

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African nations. Kwok et al. (2018) examined policy suggestions for 2025 based on the interaction between innovation between the EU and China. It was a component of the EU-China 2025 program, coordinated by the China Centre for International Economic Exchanges, Chatham House, Bruegel, and the Chinese University of Hong Kong.

Farnell et al. (2016) discussed the significance of commercial ties between China and the EU during the next ten years. The writers emphasized the politics of EU-China economic relations as well as the US's involvement in these interactions. The writers explore the EU's economic ties, investment, innovation, research, monetary affairs, and collaboration with China's modernizing economy, while also examining how China and the EU regulate commercial and banking systems. Similarly, Choroś Mrozowska (2022) focused on the findings of studies on the impact of the COVID-19 epidemic on trade between China and the EU and between the EU and China. The purpose of the study is to determine if the member states of the European Union have noticed a growth in the value of the normalized revealed comparative advantage index (NRCA) in trade with China in any of the 21 HS sectors. Chebyshev's inequality was utilized to find and pick the most important NRCA observations. The investigation covered the years 2015 to 2020, with the year 2020 receiving special attention because it was then that the COVID-19 pandemic's initial symptoms started to be noticed. Additionally, he pointed out that the NRCA index in 2020 had a flatter distribution than the years previously reviewed (2015–2019), indicating that the majority of the EU states with the largest comparative advantages suffered losses in such advantages.

Another scholar, Karkanis (2018), applied a gravity model to evaluate the variables influencing exports and imports between China and the European Union from 2001 to 2015. The 28 European Union member states are calculated using the two models. A panel data analysis attempts to comprehend the influence of time on trade flows while taking into consideration the ongoing global financial crisis and the dynamic economic integration of the EU. The findings imply that certain European Union member states' isolation and landlocked status are advantageous for bilateral trade flows. Christiansen et al. (2013) found that the EU and China have been acknowledged as strategic allies since 2003, but as of now, they have not given their alliance a genuine strategic component. The relationship between the EU and China still has difficulties, even if there is potential for a tight strategic collaboration. Cooperation between the EU and China has been harder as the border issues that affect their relationship have changed over time. China's development and expanding influence threaten not just Europe's place in the global power structure but also the fundamental character of the continent. If Europe wants to interact with China effectively, it must first interact with itself as a whole. Beijing must now be clear about its relationship with Europe and where it stands within the new international governance systems.

Many books and expositions have been published on China's foreign relations with the EU. Other than that, numerous have endeavored to explain it from a political point of view. A few of them have explained it in economic terms. Analyzing these published materials, we realize that these investigations discussed trade in part; we need to investigate how inner determinants are playing a crucial part in making her remote policy towards China. Thomas

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Kuhn, one of the main scholars associated with the paradigm shift, contends that scientific progress is not a linear process, but rather one concerned with periods of "normal science" punctuated by infrequent "scientific revolutions" in which a new paradigm develops (Kuhn, 1970). Similarly, other prominent scholars have contributed to the shift of paradigm in social science research by proposing new ways of thinking about society and human behaviour.

### Methodology

This proposed study involves an in-depth review, interpretation, and reinterpretation of the subject matter. It relies primarily on secondary evidence and knowledge sources, such as academic articles, books, research papers, and other relevant sources, as well as analytical publications. The study uses both quantitative and qualitative methods to examine the commercial and economic ties between China and the EU. Fundamental components of the quantitative tool, including trade data, are utilized in this descriptive-analytical research.

### Data Presentation

As of 2023, China and the EU are each other's largest trading partners. They have substantial commercial relationships, with China being the larger trading partner of the EU. In 2023, China imported 20% of EU commodities and exported 9% of EU goods (Fedyakina et al., 2022). The European Union is urging China to take action to promote goods from its 27 member countries to rectify the massive trade imbalance. According to traditional Chinese data, China bought \$257.8 billion and exported \$458.5 billion worth of goods to the EU in the first eleven months of the year.

The EU views China as a structural enemy, an economic competitor, and a partnership partner. However, a rising number of irritants have made ties between the EU and China more problematic. China has adopted a more forceful stance externally, including economic pressure, boycotts of European products, and export restrictions on vital raw commodities. At home, it has become less open to the outside world and more oppressive (European Union, 2023).

#### *1. The current EU trade relations with China*

The European Union (EU) and China have extensive and intricate economic ties. China's main trading partner is the US, while the EU is China's second-largest commercial partner. However, the degree of conflict between the two parties has recently increased (Dadush, 2019). In 2020, the EU and China's trade deficit amounted to €152 billion. The bulk of the EU's exports to China are textiles, machinery, and equipment, whereas the majority of its imports from China are machinery, equipment, and transportation (Cabestan, 2012). One of the many trade and investment discussions that have occurred between the EU and China is the EU-China Comprehensive Agreement on Investment (CAI), which was agreed upon in December 2020 but has not yet been finalized.

Significant investments have been made in the economies of both the EU and China. Chinese investments in the EU have reportedly been rising quickly in recent years, with an

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emphasis on infrastructure, technology, and energy, according to the European Commission. Similarly, the EU has been investing heavily in China, particularly in the automotive, aviation, and financial sectors (Gippner and Torney, 2017). The restriction of access for European businesses to the Chinese market, as well as how China treats foreign investors and its governmental subsidies for domestic businesses, have raised worries in Europe (Hanemann and Huotari, 2018). The EU has criticized China's human rights record as well as its policies towards Taiwan and Hong Kong.

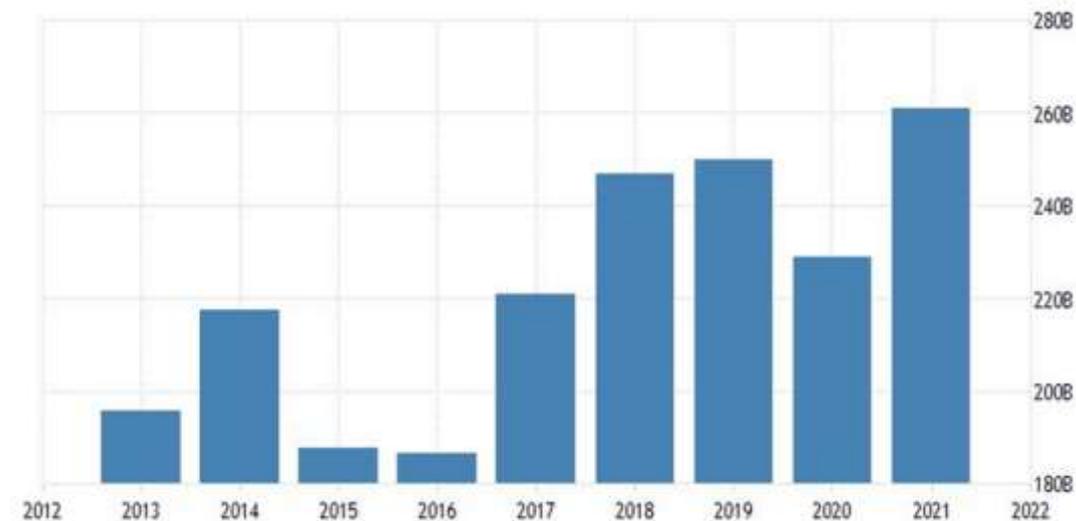
The EU and China's entire economic relationship is complex and multifaceted, with significant possibilities and challenges for both parties. The alliance is probably going to be a major focus of the EU economic strategy in the years to come as both sides try to find a balance between economic promise and geopolitical and security concerns (Christiansen and Maher, 2017). The EU and China finalized the terms of the Comprehensive Understanding on Venture (CAI) on December 30, 2020. This understanding awards EU speculators a more noteworthy level of understanding of China's advertising (Rogelja & Tsimonis, 2020). The CAI has not, however, been confirmed. It has subsequently not entered the drive.

### 1.1 European Union exports to China

EU exports to China totaled US\$260.84 billion in 2021, as reported by the UN's COMTRADE data on global trade. The most recent update to the data, historical chart, and statistics on exports from the European Union to China was made in March 2023 (Trading Economics, 2023a).

**Figure 1**

*European Union Exports to China*



Sources: (Trading Economic, 2023a).

Figure 1 depicts the EU's export levels to China from 2012 to 2022. The data shows that the highest exports were recorded in 2021, reaching 1260 billion euros, while the lowest exports occurred in 2016, totaling over 180 billion euros. This indicates a significant fluctuation in

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export levels over the years. It is noteworthy that despite the challenges posed by the pandemic and geopolitical tensions, the EU-China trade relationship remains robust. It will be interesting to observe how this relationship evolves in the post-pandemic and post-war period (Trading Economics, 2023a).

**Table 1**

*Top 10 Products European Union Exports to China*

Category	Value	Year
Machinery, nuclear reactors, boilers	\$47.79B	2021
Vehicles other than railway, tramway	\$39.53B	2021
Electrical, electronic equipment	\$38.53B	2021
Optical, photo, technical, medical apparatus	\$18.39B	2021
Pharmaceutical products	\$16.44B	2021
Aircraft, spacecraft	\$9.72B	2021
Plastics	\$8.23B	2021
Meat and edible meat offal	\$6.50B	2021
Copper	\$4.38B	2021
Articles of leather, animal gut, harness, travel good	\$3.83B	2021

*Sources: (Trading Economic, 2023a).*

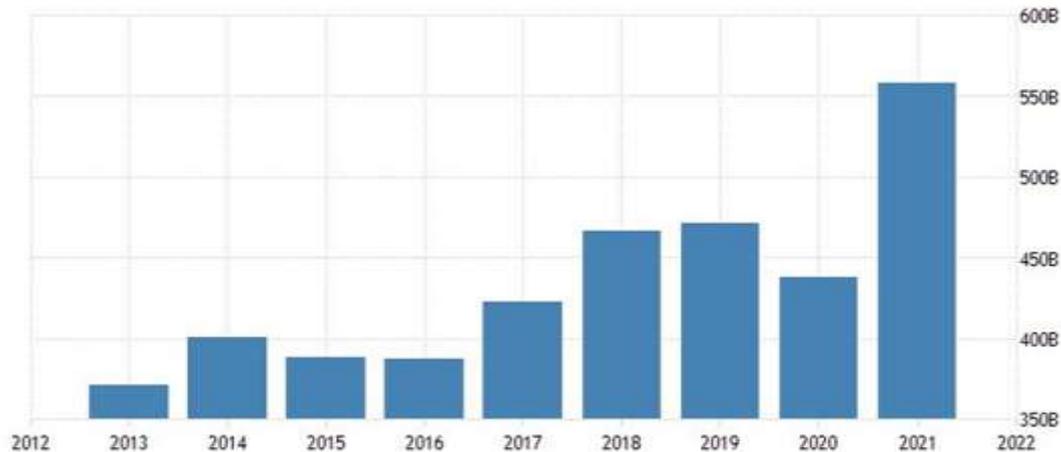
Table 1 shows the top 10 countries' exports in 2021, broken down by their dollar value. The majority of the nation's exports go into the first three categories, which include machinery, vehicles, nuclear reactors, and boilers other than railways and tramways, and electrical and electronic equipment. Optical, photographic, technological, medicinal, pharmaceutical, aircraft, spacecraft, plastics, meat, and edible meat offal, copper, and articles of leather, harness, animal gut, and travel-related items are among the other categories on the list. It is crucial to keep in mind that these rankings and values might differ based on the nation and the historical period being evaluated (Trading Economics, 2023b).

### ***1.2 European Union Imports from China***

The COMTRADE database of the United Nations has information on global trade, and in 2021, the European Union imported products from China valued at \$557.84 billion. The most recent update to the data, historical chart, and statistics for European Union imports from China was made in March 2023 (Trading Economics, 2023b).

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**Figure 2**  
*European Union Imports to China*



Sources: (Trading Economic, 2023b).

Figure 2 refers to the EU imports from China from 2012 to 2021. In this figure, we can see that the highest imports were in 2021, and the lowest was in 2013. In 2021, the import level crossed 550 billion euros, which was very high for that year. In 2013, the import level was around 375 billion euros, which was very low for that year. It seems that the import level has been increasing steadily. Additionally, it appears that the import levels were low in 2013, 2015, and 2016. We also know that the EU-China trade relationship is significant, as both entities are major economic powers in the world (Trading Economics, 2023, b).

**Table 2**  
*Top 10 Products European Union Imports to China*

Category	Value	Year
Electrical, electronic equipment	\$168.95B	2021
Machinery, nuclear reactors, boilers	\$118.34B	2021
Furniture, lighting signs, prefabricated buildings	\$25.12B	2021
Vehicles other than railway, tramway	\$20.89B	2021
Toys, games, sports requisites	\$19.64B	2021
Organic chemicals	\$17.68B	2021
Optical, photo, technical, medical apparatus	\$16.73B	2021
Plastics	\$16.56B	2021
Articles of iron or steel	\$14.25B	2021
Articles of apparel, not knit or crocheted	\$13.28B	2021

Sources: (Trading Economic, 2023, b).

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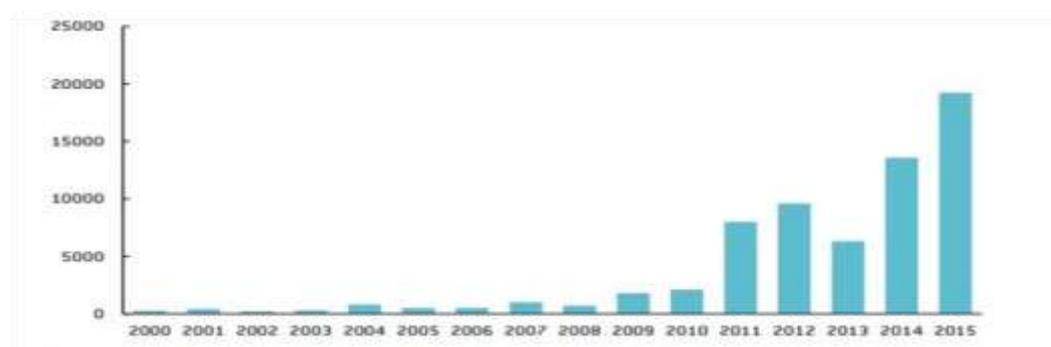
Table 2 shows the value of the top 10 exported products from a country or region in 2021. Electrical and electronic equipment was the highest exported product with a value of \$168.95 billion, followed by machinery, nuclear reactors, and boilers with a value of \$118.34 billion. Furniture, lighting, signs, and prefabricated buildings were the third-highest exported product with a value of \$25.12 billion, and vehicles other than railway and tramways were the fourth-highest with a value of \$20.89 billion. With a value of \$19.64 billion, toys, games, and sports equipment ranked fifth in terms of exports, behind organic chemicals (\$17.68 billion), optical, photo, technical, and medical apparatus (\$16.73 billion), and plastics (\$16.56 billion). Iron or steel goods and clothing that weren't knit or crocheted were the ninth and tenth highest, with respective values of \$14.25 billion and \$13.28 billion (Trading Economics, 2023, b).

### 1.3 China and the EU's investment connection

China is currently the EU's second-biggest commercial partner after the United States, and the EU is China's largest economic partner due to the two countries' growing financial cooperation over the past 30 years. However, relative FDI, particularly China's foreign FDI, has historically been relatively low. While China received 3.5 percent of all FDI from the EU that left the country in 2011, only about 1 percent of all FDI from the EU, including that from Hong Kong, went into the EU. This is relatively low considering the size of the Chinese economy in 2011 compared to the rest of the world. Chinese FDI into the EU has surged, and investors have recently begun to go overseas to coordinate investment. The limiting factor, however, has been the increased accessibility of potential investments since the global financial crisis, even though they are typically less ambitious. Chinese investors have been motivated by diminishing returns on domestic assets. As a result, Chinese FDI into the EU rose sharply to almost €20 billion in 2015. The EU has been one of China's main targets, receiving 41.9% of all investments made by the country in coordinating investment within developed nations. Additionally, Chinese FDI has grown in importance for the EU, accounting for 8% of FDI inflows in 2015. Despite being inconsistent over the past significant period, EU speculative activity in China drastically declined from €20.9 billion in 2013 to €6.9 billion in 2015 (Figures 3 and 4) (García-Herrero and Xu, 2022).

#### Figure 3

*Chinese FDI Transactions in the EU (€ millions)*

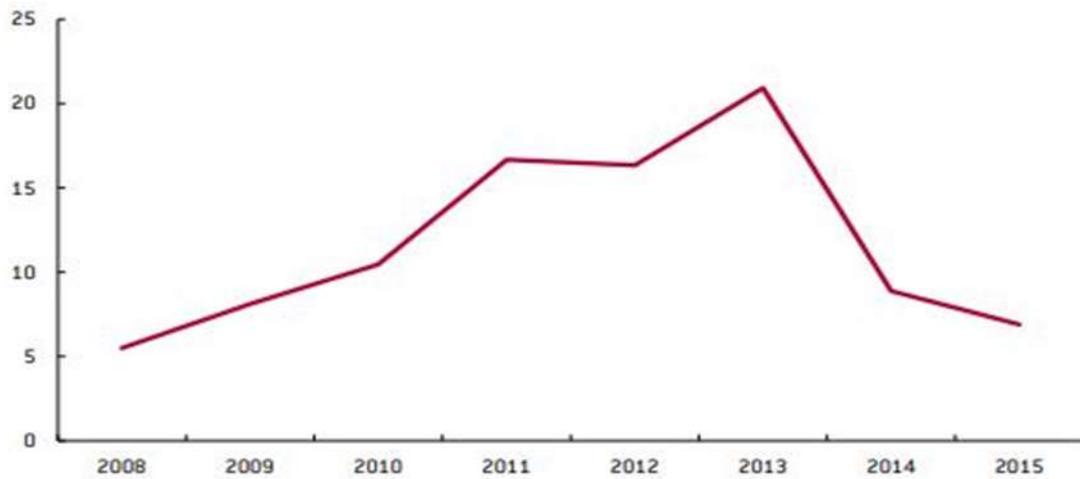


**Sources:** Bruegel based on Hanemann and Huotari (2018).

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Figure 4

*Chinese FDI Transactions in the EU (€ millions)*

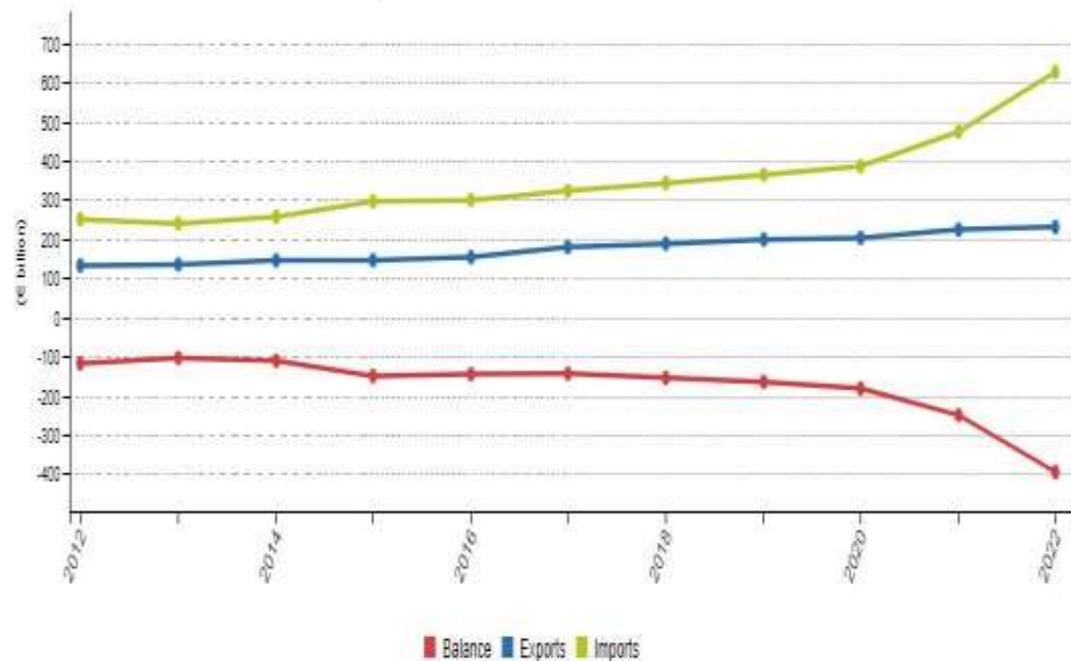


Sources: Bruegel based on Eurostat (2016).

### 1.4 EU trade in goods with China, 2012-2022

Figure 5

*EU Trade in Goods with China, 2012-2022*



Source: Eurostat, (2023a).

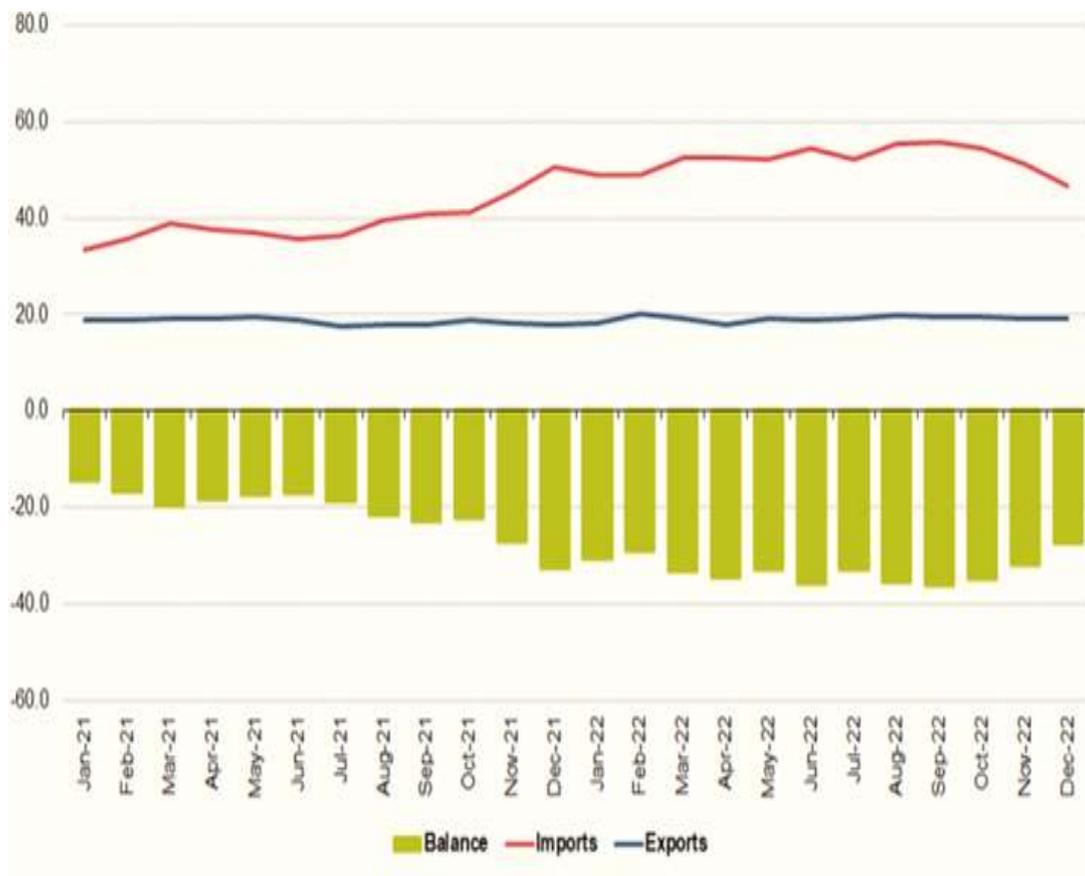
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**Figure 5** gives a visual representation of the cross-border exchange of products between China and the European Union (EU). It assesses the different products that are traded between the two economies as well as the offers that each EU Member State makes (Eurostat, 2023a).

### 1.5 EU trade in goods with China, 2021-2022

**Figure 6**

EU trade in goods with China, 2021-2022 (€ billion, seasonally and working-day adjusted)



**Source:** Eurostat, (2023b).

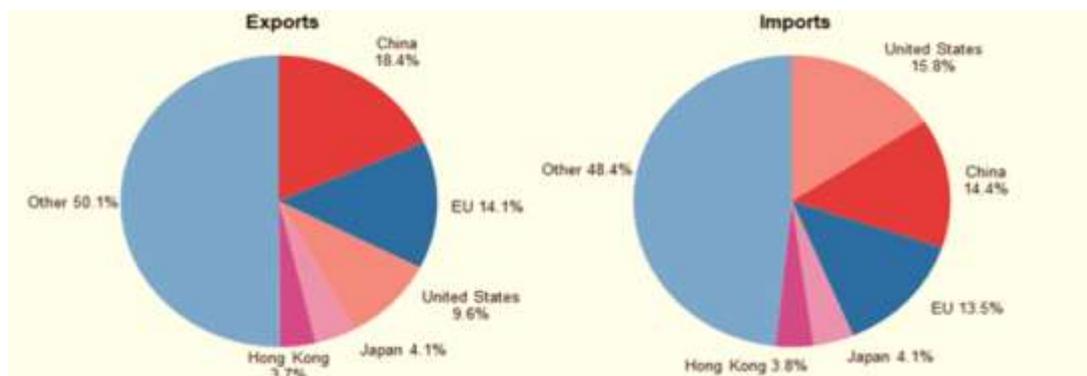
Figure 6 compares despite reaching a low of €17.5 billion in July 2021 and a high of €20.2 billion in February 2022, EU exports to China remained rather steady between January 2021 and December 2022 (€18.9 billion and €19.2 billion, respectively) (Figure 1). In January 2021, imports from China totaled 33.5 billion euros. They had recovered to €46.6 billion by December 2022. In September 2022, its value reaches its peak of €55.5 billion. In January 2021, the currency deficit was €14.6 billion. It peaks at €36.0 billion in September 2022 and then swiftly declines to €27.4 billion in December 2022 (Eurostat, 2023b).

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### 1.6 China among the world's largest traders of goods, 2021

Figure 7

China among the world's largest traders of goods, 2021 (% share of world exports/imports)



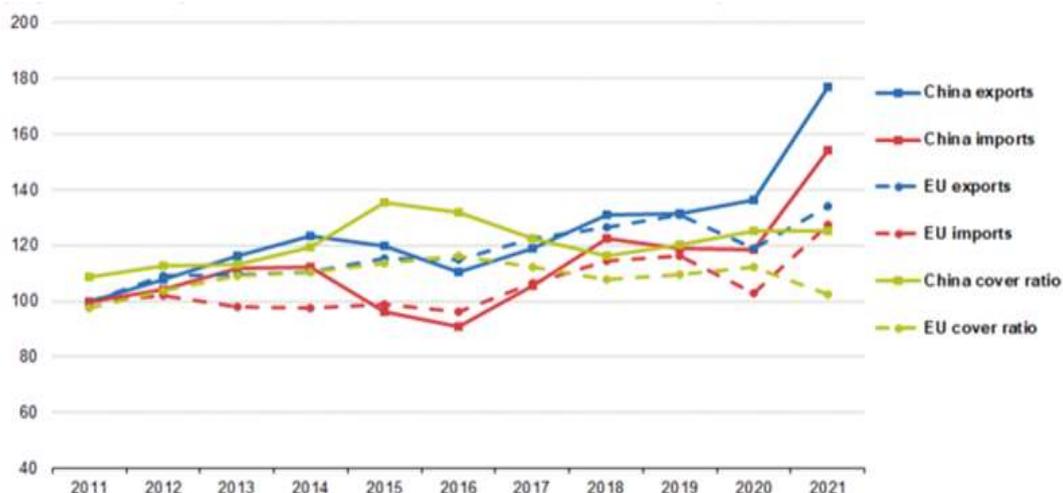
Source: Eurostat, (2023c).

Figure 7 shows the biggest wholesalers of commodities in the world. China was the largest exporter, accounting for \$2.844 trillion or 18.4% of all exports worldwide. The European Union came in second with \$2.181 trillion, accounting for 14.1% of all exports, followed by the United States with \$1.483 trillion, Japan with \$639 trillion, and Hong Kong with \$566 trillion, or 9.6%. The United States (€2 482 billion, 15.8%), the European Union (€2 126 billion, 13.5%), Japan (€650 billion, 4.1%), and Hong Kong (€602 billion, 3.8%) were ahead of China, the second-largest trader in the world (Eurostat, 2023c).

### 1.7 Trade in Goods of the EU and China, 2011-2021

Figure 8

Trade in goods of the EU and China, 2011-2021 (Exports and imports indexed at 100 in 2011, cover ratio in %)



Source: Eurostat, (2023d).

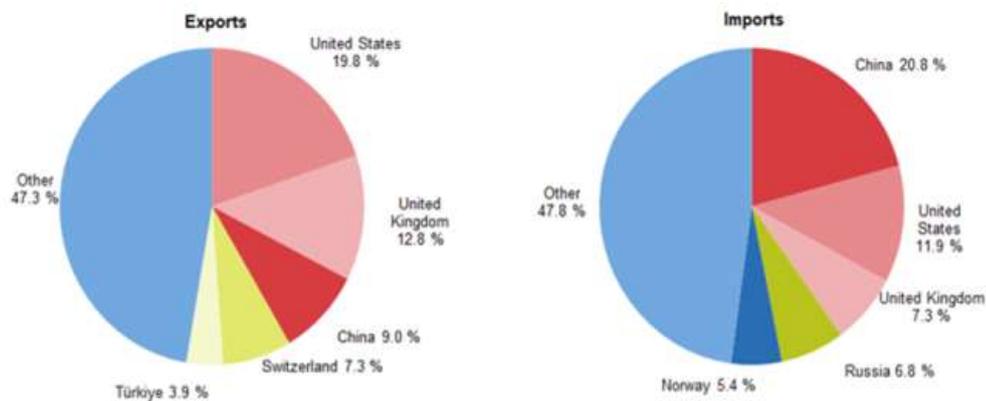
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Figure 8 displays, in terms of imports and exports from the EU and China, the 100 products that were ordered in 2011 and are anticipated to arrive in 2021. The cover % (trades/imports) for this period is also shown. In 2011 (100), EU exports were at their lowest trough; in 2021 (134), they will be at their highest trough. The number of imports entering the EU peaked in 2021 (128) after peaking in 2016 (96). After falling to its lowest point in 2011 (97%) and rising to its highest position in 2016 (116%), the cover percentage for the EU was 103% in 2021. 2011 saw the lowest level of trade with China (100), while 2021 saw the greatest level (177). China's imports decreased the least in 2016 (91) and increased the most in 2021 (154). China's cover percentage ranged from the lowest in 2011 (109%) to the highest in 2015 (135%) and 125% in 2021 (Eurostat, 2023d).

### 1.8 China is one of the EU's top trading partners, according to 2022

**Figure 9**

*EU's Top Trading Partners*



Source: Eurostat, (2023e).

Figure 09 shows in 2022, China will continue to be one of the EU's top trading partners. China came in third place among the EU's goods trading partners in 2022 (9.0%). Table 1 shows the top 10 countries that exported the most in 2021. Switzerland came in second with 7.3%, followed by Turkey with 3.9%, followed by the UK with 12.8%, and the US with 19.8%. It had the largest (20.8%) contribution to EU imports of commodities. The United States (11.9%), Russia (6.8%), the United Kingdom (7.3%), and Norway (5.4%) were next in line (Eurostat, 2023e)

## 2. Barriers to EU-China Economic and Trade Cooperation

Trade is an essential indicator of Europe's standing and performance in the world. The Alliance has excellent coordination with global markets for both the products it procures and the distribution services it provides. The European Union's trade policy serves as one of the fundamental components of its relations with the international community. The EU and China have both overlapping and competitive interfaces. As emerging powers, the requirement to participate and coordinate in essential global initiatives of common interest serves as the foundation of the key organizing principle (Stoker, 1989). The financial

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relationship between the two parties allows them to collaborate for the mutual benefit of the fabric; however, differences in political regimes, beliefs of respectability, and the assessment of relative advantages can lead to difficulties in the respective relationships. This section outlines three areas of commonality between the European Union (EU) and China, demonstrating that, despite their differences and difficulties, both parties are committed to forging a long-term partnership. The economic and commercial relations between the European Union and China are subject to a number of issues, which will be addressed below:

### ***China and the EU's investment connection***

After the United States, China and the EU are now each other's second- and third-largest trading partners as a result of their shared economic growth over the previous 30 years (García-Herrero et al., 2017). However, bilateral FDI has remained mostly muted up until very recently, particularly China's FDI abroad. Only 1% of all FDI coming into the EU in 2011 came from China, whereas 3.5% of all FDI leaving the EU came from China (including that from Hong Kong). This can be viewed as quite low given the size of the Chinese economy in the global economy as of 2011.

### ***Invasion of Ukraine by Russia***

China had troubled relations with Europe when Russia invaded Ukraine in 2022, and the US criticized Beijing and Moscow for not adjusting. An article published in The New York Times on February 25, 2022, claims that throughout three months, the US government corresponded with China regarding Russia's force buildup and begged Beijing to instruct Russia not to invade. Speaking with Russia, Chinese authorities denied the US government's request, stating they did not think an invasion was likely. The New York Times stated on March 2 that Chinese authorities had asked Putin to postpone the infiltration until after China hosts the 2022 Winter Olympics, according to a Western intelligence analysis. The Chinese government office in Washington strongly denied the accusation, calling it a "smear" designed to blame China, according to The Guardian, which cited a person who confirmed the information to Reuters. China was allegedly "struggling to settle on a clear message over Ukraine" because it was "trying to accommodate the hostile" relationship between Russia and Ukraine, according to Richard McGregor (Lam, 2019).

### ***Pandemic COVID-19***

Several EU nations bought test units and lone defensive gear from China during the COVID-19 pandemic; however, it was later found that some of the hardware was insufficient (Hussain et al., 2021). Ursula von der Leyen, the President of the European Chamber, and Josep Borrell, an EU Tall Agent, met with ten MEPs from different parties on April 21, 2020, and requested that they take action against China due to the therapeutic equipment that was deemed defective and China's initial denial of knowledge about the COVID-19 infection. On May 1, 2020, President of the European Commission, Ursula Von der Leyen, announced the funding of coronavirus research. A group of 62 nations agreed to

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support an Australian and EU initiative to have an impartial investigation of the COVID-19 flare-up by May 17, 2020.

### ***People's rights***

39 countries, most of which are EU members, denounced the Chinese government's treatment of ethnic minorities and its restrictions on Hong Kong's liberties in a statement released on October 6, 2020 (Tung, 2021). The use of limited labor by Uyghurs led France to announce in December 2020 that it would impose limits on the proposed Comprehensive Understanding on Venture between China and the European Union. A junior French official will serve as an exchange in January 2021. According to Franck Riester, France "will sign, and the European Union will sign [the speculation understanding] with the provision famous within the content, which is to create supported and ceaseless endeavors for confirmation" of a tradition of the World Employment Organization outlawing confined employment. On March 30, 2022, the Human Rights Observer asked pioneers of the European Union to declare precise agreement responses to the egregious wrongdoings of the Chinese government. The EU and China would hold a virtual summit on April 1. The European Parliament has been an outspoken opponent of the Chinese government's crackdown and has constantly criticized it (Cooley, 2002).

### ***Market access barriers***

European businesses encounter a range of obstacles when trying to join the Chinese market, such as non-tariff barriers, prohibitions on foreign investment, and infringement of intellectual property rights.

### ***Other business***

China still primarily purchases its armaments from Russia, despite the prohibition. In 2007, China requested surveillance aircraft from Israel, but due to pressure from the US, Israel declined to complete the transaction (Fisher, 2008). Despite the embargo, a further US cable that was released claimed that the EU had offered China "guard trades" worth \$400 million in 2003. Later sales for radar technology and other military reviews of submarines were verified.

### ***3. Embargo on the use of weapons***

Due to China's cover-up of the 1989 protests in Tiananmen Square, the EU required China to abide by an arms embargo. China stated its desire to have the restriction lifted, calling it "exceptionally confusing" and a violation of "political separation." China once more requested the removal of the restriction in January 2010.

### ***Internal divides in the EU***

In 2004, a leaked US cable revealed internal differences within the EU about the boycott, notwithstanding agreements. France has rejected the idea of considering the boycott's timing about improvements in China as a condition, stating that "China would not acknowledge

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human rights conditionality." Most of the countries that backed the French were Austria, the Czech Republic, Belgium, Italy, Greece, and the UK. In response to "specific Chinese steps on human rights," Germany, Denmark, Sweden, and the Netherlands wanted to join a lifting of the boycott (Craig, 2004). Everyone agreed on a rule stating that the boycott should be ended if specific criteria were satisfied. Several EU heads of state have disagreed with the prohibition or backed its continuing enforcement. German Chancellor Angela Merkel has previously made it clear that she opposes the abolition of the prohibition, in contrast to her predecessor, Gerhard Schroder. The European Parliament has always opposed lifting the embargo. However, in 2010, Tall Agent Catherine Ashton proposed ideas for easing the embargo, stating that "the current arms ban could be a major obstacle for creating more grounded EU-China cooperation on foreign policy and security things." The Chinese ambassador to the EU, Tune Zhe, agreed and noted that it was pointless to keep the embargo in place.

### **Prospect on Strengthening Cooperation**

Improving China-EU trade relations is a complex issue that requires a multifaceted approach. However, the following sectors might be prioritized for enhancing commercial relations between China and the EU:

EU businesses have expressed concerns about market access barriers in China, such as non-tariff barriers, a lack of transparency in regulations, and forced technology transfers. Addressing these issues could improve the confidence of EU businesses in the Chinese market and encourage more trade (Dadush and Weil, 2021). The EU has expressed concerns about the state subsidies provided to Chinese companies, which it argues give them an unfair advantage in the global market. Addressing this issue and ensuring a level playing field for EU and Chinese companies could improve trade relations. The EU has expressed concerns about intellectual property rights protection in China. Addressing this issue could increase the confidence of EU businesses in investing and trading with China (Yu, 2001).

The EU has also raised concerns about the environmental and labor standards in China. Addressing these issues could improve the reputation of Chinese products in the EU market and encourage more trade (Gugler and Shi, 2009). Increasing communication and collaboration between the EU and China might increase mutual respect and trust and make trade-related problems easier to resolve (Steinfatt, 2020). To balance the commercial relationship and create a win-win scenario for both parties, the EU might also advocate for more reciprocity in trade relations, such as expanding access to EU goods and services in the Chinese market (Jungbluth and Hauschild, 2012).

#### **4. Areas of common interest**

A common understanding of distinctive centers related to the comprehensive progression of a "commonly beneficial relationship based on a common imperative interface" was issued after a joint explanation. Common intrigued progress their financial relations within the early 21st century. The commercial and economic ties between China and the EU have several mutual interests. With new areas of collaboration and rivalry, the mutual interests in

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trade and economic ties between China and the EU have changed and grown in the twenty-first century. Here are some of the key common interests (Freeman, 2022):

The digital economy has enabled the development of new trade and investment prospects between the European Union and China. Both sides have an interest in promoting innovation, expanding digital trade, and addressing issues such as data privacy and cyber security. The EU and China have both made commitments to sustainable development, including reducing carbon emissions, promoting clean energy, and protecting biodiversity. They have an interest in collaborating on initiatives that promote sustainable development, such as green finance and sustainable infrastructure. International collaboration on matters like trade, security, and climate change is something that both the EU and China are interested in advancing. They have a stake in preserving an order based on rules and cooperating to overcome global concerns (Humphrey, 2010). Promoting regional connection and integration is something that both the EU and China are interested in, especially in the Asia-Pacific area. They have collaborated on projects including the Asia-Europe Meeting, the EU-China Connectivity Platform, and the Belt and Road Initiative (Bossuyt and Bolgova, 2020). China and the EU both make significant R&D investments and are interested in working together to advance innovation and technology (Cai, 2023). They have a vested interest in advancing the creation of new technologies and resolving problems like intellectual property rights and technology transfer.

The COVID-19 epidemic has significantly affected the world economy, and both China and the EU are interested in fostering economic stability and recovery. They have worked together on issues including the distribution of vaccines and economic stimulus programs. China and the EU are important trading partners. China's greatest commercial partner is the EU, whereas the EU's second-largest trading partner is China, after the US. With China expecting to grow exports to the EU and the EU seeking better access to Chinese markets, both sides have a strong interest in ensuring free and fair trade (Garcia Herrero, 2019). Foreign investment is something that both China and the EU are very interested in. China receives the foreign investment from the EU, whereas China has become a major investor in Europe (Garcia Herrero, 2019). The EU and China have both committed to reducing greenhouse gas emissions and combating climate change. They have cooperated on several initiatives aimed at reducing carbon emissions, such as the EU-China Partnership on Urbanization. The EU and China are both significant nations in the global IT sector. They have an interest in cooperating on issues related to intellectual property rights, data privacy, and cyber security. The goals and objectives of China's Belt and Road Initiative (BRI) are to increase infrastructural connections among nations in Asia, Africa, and Europe. The EU has an interest in collaborating with China on this initiative to promote economic development and regional integration (Githaiga et al., 2019). Promoting multilateralism and international collaboration is in the interests of both China and the EU (Zhou and Esteban, 2018). They are dedicated to working together to address global concerns and have collaborated on a variety of global topics, such as climate change.

## 5. Suggestions for Improvement

To strengthen the financial relationship between the EU and China, a few steps should be taken to advance the financial relations and facilitate an increase in exchange volume. Taking these steps can significantly accelerate exchange volume and stimulate exchange interactions.

### **European Union and China need to rebalance**

The current global financial crisis has had a significant impact on relations between the European Union and China. China and Europe must change their economic relationship in order to avoid falling into a state of zero-sum competition. Since there is no strong strategic relationship between China and the EU, cooperation must continue through open economic relations based on mutually beneficial business prospects and returns. Ultimately, in contrast to the past of an extremely unstable global financial system, the EU and China are looking for ways to support sustainable growth. Both Europe and China must rebalance their economies in light of the financial crisis and the subsequent financial slowdown (Jouvet and Perthuis, 2013). Both districts will not be able to achieve their full potential without substantial financial restructuring. Europeans do not think they will ever get out of their economic and financial tailspin.

### **The evolving justification for the EU-Sino relationship**

The primary motivation for the collaboration between China and the EU has always been the prospect of mutual financial benefit. The courtship between the two countries was based on the likelihood of interdependence and financial compatibility from the outset. By providing the EU with cash and technology, China has been able to become a supplier of cheap labour and cheap goods to the EU. This department of work has laid the foundation for a strong and rapidly expanding alternative and financial relationship. In 2010, bilateral trade amounted to €395 billion, which is an increase of €4 billion from 1978. Three decades ago, the EU and China had virtually no commerce, but now they have the second-largest monetary cooperation on the planet. The economies of the EU and China have developed significantly in a short period. Alternative relations have grown significantly, particularly since 2002.

### **China's expanding importance in the expansion of commerce with the European Union**

Exchange would increase, and development would advance with further commerce advancements and advanced system ways. It must be highlighted that trade openness is linked to greater incomes and growth and that new strategies for trade cooperation are required in light of the dynamics that are now reshaping global trade. In terms of trade within the wider socioeconomic context, the establishment of global supply chains and the general movement of trade power away from the West and towards Asia are particularly significant trends.

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### **Develop EU-China security relations**

The gap between talk and action that has been so far removed from the EU and China's driven security motivation is due to two main sets of "blocking variables": down to earth, which stems from existing approaches; and standardization, which stems from fundamental differences like a player's role within the universal field. In addition, deterrents to EU-China security participation stem from and are amplified at the EU part-state level. Key part states need regulating and down-to-earth collaboration in their understanding of security arrangements and the role the EU and China play in them, hence extremely complicating any endeavor at bridging the discourse/practice crevice (Govier, 2017).

### **Increase trade relation**

The European Union is the largest trading partner of China, with China surpassing the US in goods trade in 2020. Most of the goods traded in this trade are manufactured and mechanical. Whatever the government, the US continues to be the principal country backing the EU. Between 2009 and 2010, China's exports to the EU surged by 31%, whereas exports from the EU to China increased by 38% over the same period (Pecht, 2006). According to an EU report, the Comprehensive Agreement on Investment transactions ended on December 31, 2020. The European Parliament has not yet given its assent to the deal. The deal is seen as "the most longed understanding that China has ever concluded" and a critical step towards the growth of the Chinese market because it essentially opens up its internal market to EU firms.

### **Boost your science and technology efforts**

The EU and China first teamed up in 1983 with a research and innovation participation program. Now, thanks to Skyline 2020, it's possible for the two countries to work together more closely. Skyline 2020 covers a wide range of topics, like food, agriculture, biotechnology, energy, air transport, sustainable urbanization, information and communication technology, water, well-being, society, polar research, SME Tools, and Space (Herrington et al., 2010).

### **Conclusion**

In the early 21st century, the European Union (EU) and China have maintained complex and varied commercial and economic relations. On the one hand, there has been a considerable increase in trade and investment between the two regions, with China becoming an important economic partner for the EU. The alliance has discussed and dealt with issues about human rights, intellectual property rights, and market access, to mention a few. The EU and China have sound financial thought processes for attempting to cooperate within the common interest and to increase their involvement, given the numerous links that their economies have formed in a relatively short amount of time. According to Lambton (2008), the PRC is the EU's top trading partner, both generally and with the PRC in particular. China has been referred to by the European Union as a "systemic match" ever since Walk 2019 started. At the beginning of 2019, the European Union began referring to China as a

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"partner in cooperation," "partner in negotiations," an "economic rival," and a "systemic rival." However, the European Union has failed to identify what it wants from China since that time. In 2021, trade in manufactured goods in the EU (86%) came in second to trade in primary goods (12%). The two manufactured goods with the highest export percentages were cars and equipment (52% apiece), followed by chemicals (15%) and other manufactured goods (20%). The EU is committed to working with China and its people to promote human rights, protect the rule of law, create a polite society, and offer opportunities for expression, association, and religion.

The EU will use all of its available discretionary tools, both locally and globally, to accomplish this. The EU is still in talks with China as a financial rival, a partner in participation and agreement, and a structural equal. China and the European Union are two of the world's biggest commercial partners. If the EU is serious about developing free economic relations with China, then China needs to uphold intellectual property rights, defend ethical trading practices, and fulfill its obligations under the World Trade Organization (WTO). Since that time, the EU has developed a strong financial and political impetus. In 2022, its total gross domestic product (GDP) was \$16.6 trillion, trailing only the United States (\$26 trillion) and China (\$19 trillion) (Shambaugh and Sandschneider, 2007). Overall, it can be claimed that rivalry and collaboration have coexisted in the commercial and economic relationship between the EU and China. There have been areas of rivalry as well as sectors of collaboration, such as in high-tech businesses and intellectual property rights. Examples of the former include climate change and sustainable development. Looking ahead, a variety of variables are projected to continue influencing trade and economic ties between the EU and China, including geopolitical tensions, economic interdependence, and global trends like technological innovation and climate change. Therefore, it will be crucial that both parties work towards a balanced and mutually beneficial partnership that takes into account the opportunities and difficulties of the 21st century (Grevi, 2009).

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