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NEW POLICY BRIEF:

Mercantilist Misconceptions: A Détente Strategy for EU-China Relations

In [a new policy brief](#) Fredrik Erixon asks: what should be the strategy for EU-China trade and economic relations in the next few years? This paper argues that both sides need to go back to the drawing board. They need to develop much better cooperative approaches that later could mature into new policy cooperation. Till that happens, the current form of EU-China relations should as much as possible establish strategies to avoid new conflicts. This is a strategy for détente.

It is two powers in transition that meet when leaders of the European Union and China gather in Brussels this week for the 15th EU-China Summit. The current Beijing leadership will soon step down – from their party positions in October and from the government next year. Xi Jinping and Li Keqiang will most likely take helm as President and Prime Minister, respectively.

Less evident, perhaps, the leadership of European Union is also in transition. But it is a transition not about people but the character of European cooperation and the authority it commands. The Eurozone crisis has exacerbated institutional problems and controversies in the EU construct and wrecked the notion of the EU's as a convergent economy with shared economic and commercial interests. A group of four presidents of EU institutions has been tasked to work up an institutional remedy. More boldly, the President of the European Commission, José Manuel Barroso, has just thrown down the gauntlet of creating a more federalist union.

It is a scene that conforms to common prejudices about European and Chinese politics. While European policy often is believed to evolve at a glacial pace – through perennial and complicated treaty changes regulating what the EU can and cannot do – many observers look to Beijing in revolutionary spirits, thinking that shifts at the top will have profound consequences for China's political direction. Even if there are some grains of truth in these narratives it seems safe to say that we do not know neither how Chinese politics will be affected by its transition nor where the EU will end up after the crisis and a new period of institutional change.

Both the EU and China suffer from mercantilist misconceptions that guide how they look at trade and commercial policy. Even if there is a growing understanding in China that greater

weight will have to be given to other factors than investment and export in its growth model, its foreign economic policy remains under the spell of mercantilism. The crisis in Europe has promoted mercantilist notions and there is an increasing tendency in the European Union to use confrontational approaches to expand foreign sales. This is especially true of the EU's approach to China.

Consequently, now does not seem to be a good time for the EU and China to reset their economic and commercial policy relation and fashion a new and much-needed cooperative approach. The relation between the EU and China will rather continue to be a source of frictions in the next few years. It will likely grow to become more charged than it is today, with risks of profound policy clashes.

[Download the policy brief here](#)

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