

ABSTRACT

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EU-China trade relations: What lessons can be learned from the textile dispute?

Trade relations between the EU and China are becoming increasingly important, as China's growing competitiveness and strengthened role in the world economy is posing a challenge to the EU, not least in the light of its growing trade deficit. The sector where this challenge has become most immediately apparent is textiles and clothing. This formally highly regulated sector has become fully liberalised since 2005, which has led to a surge in exports from China and a displacement of developing country suppliers. It caused the EU to invoke safeguard measures provided by China's WTO entry agreement, which eventually led to an escalation of the situation when millions of Chinese garments got blocked at European ports.

This work provides an in-depth analysis of the root causes of the textile dispute, starting with the effects of the Multi-Fibre-Agreement, the delayed implementation of its phase-out, the specificities of China's WTO accession terms and China's outstanding competitiveness in the textile sector. Since European countries' industries are very differently affected by Chinese competition, there is no single European interest. This has made it extremely difficult for the European Commission to reconcile the divergent interests and partially explains its poor handling of the affair. Subsequently, the footwear affair is analysed, which is a direct follow-up from the textiles problem and shows that the rift between EU Member States as to how to respond to the challenge posed by China's competitiveness is growing. The footwear affair is the recent of the long saga of EU anti-dumping actions against China and has led to a souring of relations since the legality of the action is challenged by the Chinese side and might lead to retaliatory action.

It is argued that the divergences between Member States put the EU in a difficult position to act vis-à-vis a growing China, whose competitiveness would require a more concerted response. Moreover, it is shown that the problems the EU occurred with the surge in textile imports are entirely self-made, since the chance to gradually adjust to the liberalisation was missed. Imposing safeguards and anti-dumping cannot be the solution and involves risks, as the disaster of the textiles and the negative reactions from the Chinese side to the anti-dumping duties show. Moreover, in succumbing to "protectionist" demands, the EU can be accused of double-standards. It is vocal in its demands for China to fully liberalise, to improve market access for foreign companies and to lower tariffs, while shielding its own market to protect certain industries, as in the case of the textiles and footwear. The EU needs to look for innovative ways to remain competitive in the world economy while engaging in sound policies to help those negatively affected by trade liberalisation.