

Project Title: EU and US Foreign Economic Policies towards China

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Project runtime: 2019 – 2023

Status: finished

Research questions and objectives

The People Republic of China's stellar economic and political rise is the defining structural change in the international political economy since the end of the Cold War. Its increased economic power resources, the resilience of its non-market economy features, a more authoritarian repression at home and a more assertive policy abroad are trends fundamentally at odds with prevailing expectations in the EU and the US at the start of the new millennium.

Taking this disillusionment in the EU and the USA as its starting point, we plan to analyze the EU's and the US' policy responses in their foreign economic policies. We deal with bilateral trade and investment relations of the EU and the US with China and their attempts to narrow the "reciprocity gap" and to level the playing field. The changes analyzed comprise the reform and the more active use made of trade defense instruments (anti-dumping, anti-subsidy and safeguard rules); regulatory changes on the screening of foreign inbound investments, most importantly regarding critical infrastructure and cutting edge technologies; regulatory changes in government procurement and competition policy; and export restrictions on critical dual use technologies and the disentangling of complex transnational value chains. We also cover bilateral approaches in trade and investment policies and the EU's and the US' use of WTO litigation options as well as multilateral approaches via proposals to update the WTO's rules, e.g. on state subsidies, and to increase their effectiveness to deal with non-market economies. These reactions range from the search for a level playing field in the framework of a liberal international paradigm to outright steps of decoupling from China in critical areas.

The project seeks answers to three key research questions:

1. To what extent did the EU and the US change their foreign economic policies towards China in the 2010 years? Do we observe a paradigmatic change?
2. What accounts for the degree of policy change in the EU and the US, the choice of instruments to deal with China?
3. What accounts for the differences we can observe in that regard between the EU's and the US' response?

Data Type: Qualitative data, economic statistics, interviews

Geographical area: China, EU, USA

Publications:

- GOTTWALD, Jörn-Carsten; SCHILD, Joachim; SCHMIDT, Dirk. Das Ende der Naivität gegenüber China? Die Reform des europäischen Investitionskontrollregimes. In: *integration* 42 (2019) 2: 134-148.
- SCHILD, Joachim; SCHMIDT, Dirk. (2024): *The end of naivety. EU and US foreign economic policy response to China*, Abingdon and New York: Routledge (UACES Contemporary European Union Series)