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- Technology
- Markets
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- Opinion
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## EU to Get Tougher on China Trade

Strategy Shift Aims to Quell Protectionist Sentiment, Strengthen Hand at Table

By JOHN W. MILLER  
 October 24, 2006; Page A8

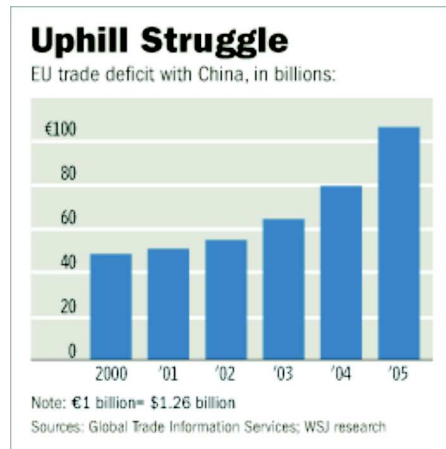
BRUSSELS -- The European Union is due to unveil a plan today that charts a tougher approach to China as its trade deficit with the Asian giant soars.

The change in strategy is driven by the desire to quell protectionist sentiment at home and strengthen Europe's hand when it renegotiates a trade agreement with China, European officials say.

Until now, Europe has opened its markets to Chinese imports but made few modifications to a trade relationship last outlined in a deal with Beijing struck more than 20 years ago.

The plan, to be announced today by the European Commission, the EU's executive body, is aimed at persuading Beijing to open more markets, crack down on technology theft and allow its currency to strengthen. If Beijing doesn't comply, the EU would take action to protect its own interests, including the imposition of new antidumping duties, according to EU documents that summarize the commission's plan. The EU already has punitive antidumping tariffs on imports of Chinese shoes and more than 30 other goods.

"China needs to demonstrate its commitment to open markets, fair competition and responsible leadership," the documents say. The EU will increase pressure on Beijing to let its currency appreciate, according to the documents. That could help reduce the size of the trade deficit by making Chinese imports more expensive to buy in the EU.



The EU's trade deficit with China ballooned to €106.8 billion (\$134.77 billion) last year from €48.6 billion in 2000. That is starting to approach the scale of the U.S. trade deficit with China, which in 2005 was above \$200 billion. The scale of Chinese imports to the EU and the perceived threat to EU jobs have until recent years been much

smaller than in the U.S., where fears about China's manufacturing strength have driven U.S. policy for years. The EU's plan of tougher language toward China mirrors that of the U.S.

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Chinese officials say the EU would be making a mistake to try to penalize it over the trade deficit. "China's been making a lot of efforts" in areas such as tackling counterfeiting and intellectual-copyright theft, said Shaoxin Wang, spokesman for the Chinese mission to the EU.

EU officials say trade with China has helped the EU by tempering inflation and boosting the profits of European companies, such as retail titans [Carrefour SA](#) and [Tesco PLC](#), which rely on cheap Chinese imports to boost sales. But the rise of imports has begun to stir protectionist fears in EU countries with high labor costs.

A surge in imports of manufactured goods such as shoes, laptops and cellphones is behind the EU's trade deficit with China. EU imports of Chinese shoes have more than doubled since 2000, to €4.8 billion from €2 billion, hurting shoe producers in countries like Italy. Imports of electronic goods have risen to €37.3 billion from €15.9 billion over the same period.

The commission hopes the strategy will eventually lead to a reciprocal relationship by creating opportunities in China, most likely in service industries such as insurance, consulting, law and banking.

The EU is due next year to renegotiate its 1985 partnership agreement with China, which includes trade. If the stalled talks on a global trade deal, known as the Doha round, fail to revive, EU officials say they may seek an additional trade accord with China.

"There is a bargain to be struck in which Europe commits to maintaining its own the face of the toughest competition, and China acts to ensure that that competit EU businesses get a fair shot in the Chinese market," the EU background papers

European business lobbies such as Unice, which represents 2.2 million business don't get a fair deal with China. For example, car companies aren't allowed to ov subsidiaries in China, and must partner with a Chinese company. Car makers say high customs duties to buy parts from local suppliers, rather than import their o U.S. and Canada have a joint case pending at the World Trade Organization dem the tariffs.

The EU today also will ask about progress on China's commitment to fully liber sector by the end of this year. Because of regulatory restrictions, Unice says, Eur just 2% of the market for Chinese banking services, despite having strong compe

Analysts say the EU should move carefully on any threats to bring more antidun doesn't cooperate. "Getting tough with China is a dangerous game," says David l Centre for European Policy Studies in Brussels, adding that China could freeze i markets and strike deals with other players instead.

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