Christoph Herrmann
Jörg Philipp Terhechte
Editors

2012

European Yearbook of International Economic Law

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Christoph Herrmann • Jörg Philipp Terhechte
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Editorial

"All good things go by three", the saying goes. As editors, we hope, firstly that readers will consider EYIEL to be "a good thing", and secondly that EYIEL will not go by after this third volume.

Like volume two, Part I of EYIEL 3 (2012) focuses on two topics we considered to be of particular relevance for International Economic Law: 10 years of membership of the People's Republic of China (PRC) in the WTO; and Global Energy Markets and their legal regulation under International Economic Law.

China's accession to the WTO marked a milestone in the development of the WTO as a truly global institution, for many reasons. It expanded its territorial reach significantly and it brought the economy, which will pretty soon – presumably – not only be the world's largest exporter but also the largest economy in the world, under the disciplines of the world trade regime. Whether the relationship between the traditional and remaining trade powers, in particular the US and the EU, on the one hand, and the PRC on the other hand will develop smoothly or will become more bumpy with tensions rising, remains to be seen. It will be a dominant factor for the overall development of International Economic Law at any rate. The contributions in Part I devoted to China's tenth WTO birthday shed light on different aspects of China's membership and of its trading relations – and conflicts – with other major WTO members, and they treat the problems from different perspectives.

Energy is one of the sources of life which is absolutely indispensable and at the same time potentially devastating. Long before the nuclear catastrophe of Fukujima and the re-assessment of nuclear energy, it was already clear that the regionally asymmetric availability of energy sources and their similarly asymmetric consumption patterns bring about particular difficulties for the regulation of trade in energy. The second thematic focus of Part I tries to give an overview of the quite diverse regulatory approaches being used to deal with energy trade, globally in the WTO, bi- or tri-regionally in the Energy Charter Treaty, regionally in the newly established Energy Community of the Balcan and – of course – in the European Union. It clearly demonstrates that the regulation of international energy markets touches upon much more than just trade restrictions, namely investment protection, transfer of technology, competition law and network regulation.

The contributions in Part II deal with dispute resolution developments under NAFTA, with the Rule of Law in the regional integration process in sub-Saharan Africa and with the trends in the recent trade agreement practice of the European Union. The institutional reports in Part III treat the activities of the G8/G20, dispute settlement practice of the WTO, the WTO Doha negotiations, the new IMF financial structure and – as a novelty – the activities of the World Customs Organization (WCO). Customs law is the legitimate mother of International Economic Law but is often neglected by its offspring. We are very happy to re-unite “the family” by covering the WCO in the Institutions’ Part of EYIEL.

The publication calendar of EYIEL allows directing the attention already to the next volume. Vol. 4 (2013) will focus mainly on Global Competition law. With Vol. 4, Markus Krajewski will join us and complement the then editorial team with his particular competencies in the fields of WTO law, competition law and regulation of services of general interest.

Again, we would like to express our gratefulness to a great number of people without whom EYIEL could never be published. Firstly, we thank our reliable and cooperative contributors. EYIEL is first and foremost their work! Secondly, we are thankful for the support by our Editorial Advisory Board’s members. Dr. Brigitte Reschke of Springer was the extremely professional and supportive contact at the publisher we have got used to over the last years. Finally, we thank our academic and student assistant teams at the Universities of Passau and Hamburg respectively for their professional handling of the manuscripts. A particular gratitude goes to Christoph’s secretary, Ms. Liane Dobler for the formatting of most of EYIEL Vol. 3 (2012). All remaining omissions and errors are – of course – our sole editorial responsibility. We can only hope for having minimised their number.

Passau/Hamburg

Christoph Herrmann
Jörg Philipp Terhechte

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Part I
Topics

China–EU Trade Relations: A View from Brussels

Mauro Petriccione and Adeline Hinderer

Introduction

China's trading relationship with the EU and Western economies has evolved dramatically since Deng Xiaoping initiated reforms in China more than 30 years ago, from a situation in which almost nothing was traded to the establishment of a major trading relationship with the EU as well as the US. This rapid growth in trade has been observed since the beginning of the 1980s. In 1980, China was only the 22nd largest source for EU imports and the 25th largest destination for EU exports.[1] In 2004, the EU surpassed Japan and the US to become China's largest trading partner. It is now also the EU's first source of imports and its fastest growing export market, and is widely predicted to become soon the EU's first trading partner altogether. China also drew much attention worldwide by surpassing Germany as the world's largest exporter in value in 2009 and Japan as the second largest national economy in 2010 after the US (or the third economy in the world counting the EU as one). Significant developments have taken place since China acceded to the WTO in 2001, after 15 years of negotiations. The WTO accession was seen as historic and the result of strong political will in China and its key trading partners. It did generate hope that China would follow a path of further reforms and progress towards a rules based economy firmly anchored in the multilateral system.

[1] At that time the EU had 15 Member States.

Disclaimer: This article reflects the views of its authors only, and in no way can be taken to represent the position of the European Commission. It attempts to sketch out a view – perhaps a very subjective one – of trade relations between Europe and China and how these are rooted in China's own economic policies. The article does not attempt to explain the vastly more complex political and strategic relationship between the European Union and China.

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Ten years later, while a number of substantial reforms have taken place, many of the expectations – probably at least somewhat excessive – formed in the West at the time of accession remain unmet. In a number of sectors, the Chinese leadership has shown little appetite for liberalisation beyond what it considers it has accepted as a result of its WTO commitments. And following the financial crisis, China seems more than ever determined to follow its own development path and economic model, at its own pace, regardless of the West's views and pressure. As a result, trade and economic irritants regularly make headlines and cast a cloud on the relationships between China and its trading partners, notably the EU, the US and Japan. Recent examples include China's policies on 'indigenous innovation' and raw materials as well as difficulties encountered by Western operators to access the Chinese market in sectors ranging from wind power to information technology.

Yet, regardless of bilateral tensions, the EU's engagement with China in multilateral and plurilateral settings has become more than ever an obvious necessity, as no major global economic challenge can be resolved today without China's involvement. In the WTO context, China is now systematically included in all configurations tasked with finding possible compromises, such as the so-called G7 that emerged in 2008 as a core group of Members with a shared interest in finding a deal that could then be presented to the wider membership. China has also been an active participant in the G20, which emerged as a key platform for discussions on international economic and financial issues in the wake of the financial crisis. Although the status of the G20 and its relationship with global institutions such as the IMF and the UN remain unclear, it is a potentially promising avenue for international economic governance and Beijing's overall engagement in the G20 is an encouraging signal that this may indeed be the right format for macroeconomic coordination and shaping of global economic rules in the future, which is of key importance for the EU. At the same time, interrogations remain as to Beijing's readiness to assume responsibilities commensurate with China's growing weight in the global economy.

Other trends are likely to shape relationships with China over the coming years, including China's increased role as an outward investor as envisioned by its 'Go Global' policy. In 2009 China was the world's fifth largest outward investor[2] and indications pointing towards increased Chinese investment in Europe (bond but also non bond-investment) are another key element to factor in when looking at the EU–China relationship in the coming years.

The picture becomes even more complex if one takes political and geopolitical aspects into account. It is worth mentioning briefly that political considerations have often been entangled with economic and trade aspects in the development of the relationship between China and its partners. For instance, tensions over what China has labelled its 'core interests' (Tibet, Taiwan in particular) have at times

[2] Sauvant/Davies, What will an appreciation of China's currency do to inward and outward FDI?, Issues in International Investment, Vale Columbia Centre on Sustainable International Investment, January 2011.

generated trade tensions with the EU or with some EU Member States. Likewise, the EU's 'arms embargo' towards China is regularly quoted by China as a major irritant in the bilateral relationship, whose removal would contribute to better ties, including in the economic sphere. The same applies to the US, although the US–China relationship also comprises a military and security dimension that is much less present in the EU–China relationship. More generally, US military involvement in the region, the US pledge to defend Taiwan against aggression, its stated interest in the peaceful resolution of territorial disputes over the South China Sea, and its stance towards North Korea have been colliding with what many analysts perceive as a more assertive stance of China towards its neighbours. For instance, the territorial dimension and geographic proximity is an important factor for the relationship between China and Japan – in addition to historic grievances and mistrust. The relationships between China and India and other South East Asian neighbours also encompass multiple economic and political dimensions, making for both conflicting and converging interests: despite growing trade and investment ties, uncertainties and tensions remain, due notably to territorial disputes, concerns over Chinese competition and hegemony across the region, relationships and alliances with other parts of the world, etc.

Another noteworthy development for the economic relationship between China and its partners is the evolution of China's ties with Hong Kong and Taiwan. These two economies have greatly contributed to Mainland China's economic transformation, providing capital at a time when China needed it (and Western investors where still shy) and, even more importantly, technology and know-how, as well as access to global financial and trade circuits. Close cultural ties facilitated this process, as did the prospect of Hong Kong's 're-absorption' and – somewhat paradoxically – the complex Taiwan-Mainland China relationship, since the strengthening of economic ties was largely seen by Beijing as a tool to demonstrate the benefits of reunification and by Taipei as an insurance policy against rash moves by Beijing. These relationships have now evolved, but remain strong: economic ties have been reinforced with the 2003 Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA), in particular its provisions facilitating access to the Chinese market for Hong Kong services suppliers, as well as various measures to allow Hong Kong banks to undertake operations in RMB. Despite Shanghai's ambitions to become a leading financial centre, Hong Kong will remain for years to come China's key international financial centre and a main source of investment to Mainland China – in addition to being a model and the study ground for the impact and benefits of reforms and liberalisation and the internationalisation of the RMB.[3] Cross-Strait *rapprochement* led to the signature of the China-Taiwan Economic Cooperation

[3] Chen/Peng, "The Potential of the Renminbi as an International Currency", China Economic Issues, November 2007; Speech by Martin Wheatley, Chief Executive Officer of the Securities and Futures Commission at the Fourth Annual Conference of the Hong Kong Investment Funds Association, October 2010, available at: http://www.sfc.hk/sfc/doc/EN/speeches/speeches/10/Martin_20101004.pdf.

Framework Agreement (ECFA) in June 2010, a significant development that would have been unthinkable a few years before. ECFA and the related ongoing economic cooperation in a range of areas may lead to increased competitiveness resulting from the fostering of bilateral investment, technology transfer to the mainland and closer integration of the Chinese and Taiwanese economies.

The evolution of relationships between China and its neighbours will undoubtedly also impact the relationship between China and the West, and in particular the US–China but also the EU–China relationship. Some analysts believe it will even "shape our next decade".[4] And the future of the region will be influenced both by the increasing integration between the economies of these Asian countries and by conflicting national interests between the three local powers – China, India and Japan.

Against this background, to understand better the foundations and the evolution of the economic relationship between China and the EU, including some of the difficulties and misunderstandings that have emerged over the past years, we first examine the rationale for China's economic objectives and the contradictions in the EU and China's attitudes and policies towards each other. We then review China's economic policies, especially those that have a major influence on the business climate in China, and pause on the possible emergence of a 'rule of law with Chinese characteristics', before offering thoughts on convergence and conflicts between Western and Chinese interests. The conclusion looks at possible ways forward and lessons that could be drawn for the EU's economic and trade policy vis-à-vis China in the coming years.

China's Economic Objectives: Development or Hegemony?

China's 11th Five-Year Plan first outlined 'scientific development' and the construction of a 'harmonious society' as national objectives, and the 12th Five-Year Plan continues in the same vein. The Chinese leadership has frequently underlined some of the implications for China's relations with the world: China does not aim at world dominance, whether in the economic or geopolitical sense, and its priority is its economic development and its impact on welfare and employment of the Chinese people. These are, in turn, the key to the stability of the country (and of the CPC leadership), as well as, indirectly, to its territorial integrity. In this perspective, economic growth, through the modernisation of the economy, is of paramount importance, but as a means to an end. The end is the development of China and the welfare of its citizen. This 'growth *uber alles*' scenario finds its roots in Deng Xiaoping's revolution, the factual acknowledgment that Mao's Communist doctrine had not delivered this outcome, and the advent of a far reaching pragmatism, exemplified by Deng's aphorisms that "it doesn't matter if a cat is black or

[4] Emmot, Rivals – How the power struggle between China, India and Japan will shape our next decade, 2008–2009.

white, so long as it catches mice", and that "poverty is not socialism; to be rich is glorious". This scenario has obviously benign implications for the rest of the world, and it is not surprising that it is a recurrent theme in the rhetorical armoury of Chinese leaders and officials.[5] Regardless of any other aim the Chinese leadership may have, those objectives in themselves are genuine, are being pursued with great energy and are working. China's poverty rate is expected to fall to around 5% of the population by 2015,[6] and there are now 420 million Chinese in the nine Eastern provinces having a *per capita* income on a par with some EU Member States. However, there is an alternative scenario that many in the West have begun to fear: China does not aim at world dominance – yet, but in 2050? China's national power and the projection of power are evolving, and not always in a comfortable direction,[7] in particular for China's neighbours: world domination maybe not, but regional hegemony? Western and Chinese analysts alike debate whether Deng's "lying low" advice is still appropriate, but one usually forgets to listen to the entirety of Deng's words: "Keep a cool head and maintain a low profile. Never take the lead – but aim to do something big". China is certainly doing "something big", and its motivations are bound to be complex. Nor would it be wise to underestimate more profound philosophical differences between China and the West. Alongside the desire for economic development for its own sake, China is also motivated by a desire for economic emancipation – with strong echoes of the Unequal Treaties and of the political and economic troubles of the post-Imperial era – and by a complex attraction to/rejection of Western models. The US, in particular, more than Europe, appears as much of a Western benchmark as China would (implicitly) admit. This is so for a number of reasons, whose undertones are positive or negative, and sometimes frankly ambiguous: the US involvement in East Asia, and in China in particular, since before WWII; the Taiwan question; the legacy of the Cold War; but also the fact that, much as China appreciates Europe's economy and technological base, the US remains today the only national power combining military, geopolitical, economic and technological reach worth aspiring to if a country aspires to world status.

Finally, it would be a mistake to underestimate the perception in China that the West is naturally critical, if not clearly distrustful of China because of its regime, as well as – why not – its growing power. In the more radical version of this view, strongly reminiscent of Cold War rivalry, the West – and the US in particular – is not prepared to accept competition from China, and either does little to help, or

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[5] For recent examples, see Chinese Vice-Premier Li Keqiang's speech in Davos emphasising that China's development is peaceful and that peace is "the essence of China's 5,000-year culture and the ideal constantly pursued by the Chinese nation" or Li Keqiang's editorial "The world should not fear a growing China", Financial Times, 10th January, 2011.

[6] Millenium Goals Development Report 2010, http://www.un.org/millenniumgoals/pdf/MDG%20Report%202010%20En%20r15%20-low%20res%2020100615%20-.pdf.

[7] Glaser, Ensuring that China Rises Peacefully, Clingendael Asia Forum Publication, December 2010.

even actively undermines China's "peaceful rise". However, even those who do not subscribe to this view are often persuaded that the West applies a double standard.[8] This perception, which the Chinese find profoundly irritating, is often compounded by Western contradictory attitudes: for instance, at the same time wanting China to exert global responsibilities that match its economic development, yet also very wary of China using all the attributes of a major power (developments of its military, economic diplomacy in Africa, etc.).

China, Europe, 'Double Standards' and Other Contradictions

These contradictory attitudes also increasingly pervade European attitudes to China. A very pertinent example in the economic field concerns technology transfers. There is a growing perception in Europe that Chinese firms copy and 'steal' technology[9]; that this is unfair; and that Chinese firms should really acquire the technologies they want on commercial terms. Likewise, inadequate intellectual property protection, including in respect of patents, continues to be a major problem for European firms who invest in China or licence their technologies there.[10] In fact, the problem of patent protection in China is not limited to insufficient enforcement of otherwise adequate or at least sufficient rules: there are worrying indications that China may be moving towards a system of patent protection that would not be entirely in line with international practices and would be aimed primarily, instead, at the 'absorption' of foreign technologies and at encouraging 'indigenous innovation', as well as tolerating or facilitating technology 'theft'.[11] This not only fosters insecurity in European investors, leading them not to deploy their best technologies in China,

[8] See for instance Pei, outlining the far more sceptical and distrustful prisms the West applies to China because of its authoritarian regime, "What China needs to learn", The Diplomat, 1st October, 2010, and "Why the West should not demonise China", Financial Times, 25th November, 2010.

[9] The debate is clearly reminiscent of that about Japan until the 1980s. As to China today, only 22% of European businesses feel that the enforcement of IPR laws and regulations is adequate, and 48% consider local protectionism to be one of the key risks for their business in China (European Chamber Business Confidence Survey, EU Chamber of Commerce in China in partnership with Roland Berger, 2010). A number of policies and legislation aimed at maximising disclosure of technical developments by foreigners inside China contribute to these perceptions, for instance: joint venture requirements in a number of industrial and high tech sectors; local content requirements, which were in place for the wind-turbine sector notably (70% domestic content); requirements to file payments first in China to increase the number of locally owned IPRs; regulation on Commercial Encryption that requires disclosure of source codes for certain IT products, etc.

[10] The issue of intellectual property rights (IPRs) protection and its enforcement is dealt with in greater detail in section V.

[11] The OECD in a report on China's IP environment noted that "national pride often gives legitimacy to behaviours that are at the border of IP laws", OECD report TAD/TC/WP(2010)12/ANN/FINAL.

but it also gives strength to those voices that argue that European firms should be actively discouraged from transferring technology to China. Yet, European firms are China's most important source of technology transfer[12] and, even though for some companies the technology and intellectual property risk in China is indeed too high to take, the economic attraction of a presence in the Chinese market means that most of them are unlikely to stay away, even if European public authorities had the means and the inclination to suggest that they should do so. Europeans, therefore, feel that they have the high moral ground on the question of technology transfer to China: we do contribute, more than anyone else, to China's technological development, and we are not repaid with the kind of fair and safe legal and administrative environment that we believe is the essential condition for innovators to flourish and be justly rewarded. However, a growing number of Chinese firms are coming of age, especially in the information technology sector, but also in mature industries like motor vehicles, and appear to be acting on the basis of commercial considerations: flush with cash from China stellar economic growth performance, as well as with access to easy and low cost finance (largely because of the policies of state-owned banks and the scarcity of suitable investment instruments in China) they go abroad and buy the technologies they need, on the market and at market prices. Better than that, they buy the firms who have that technology: executives at Geely (the Chinese automaker) are reported to have quipped that Geely does not need an R&D centre after its acquisition of Volvo. This also raises more than passing concerns in Europe – just like the Japanese acquisition spree in the 1980s did. Is our economy in danger of being hollowed out? At present these are isolated cases, but surely they are destined to multiply? Is it fair that companies that have grown rich on unfair trade – too cheap labour; too cheap financing by state-owned banks; state-owned firms need not reward shareholders, etc. – buy our technologies, take them back to China and use them to compete with us even more effectively, including on third markets, as well as in Europe and in China?[13] Again, reality is more complex, and more complicated: at least some Chinese firms are successful because they have the right recipe and

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The transfer of patents or patent applications to foreigners requires registration and approval before being valid, both by the State Intellectual Property Office (SIPO) and the Ministries of Science and Technology (MOST) and of Commerce (MofCOM) (Art 10 Patent Law). Foreigners are encouraged to file first in China (Art. 20 Patent Law) and need approval if they want to file first abroad; approval requires full disclosure of their invention to SIPO and related ministries for each industry.

[12] MofCOM, China-EU Economic and Trade Cooperation is Increasingly Enhanced, 10th May, 2010. see http://english.mofcom.gov.cn/article/newsrelease/significantnews/201005/20100506910123.html.

[13] Such concerns can be found in a number of recent articles and opinion pieces touching upon Chinese investments in Europe. See for instance comments relayed by Vice President Tajani in the article "Europa fürchtet Technikklau aus China", Handelsblatt, 27th December, 2010 or "Les emplettes européennes de la Chine", L'Expansion, December 2010, as well as the article co-signed by Ministers from Poland, Germany, Spain, Portugal, Italy and France in Le Monde and Il Sole 24 Ore, "L'Europe doit défendre ses intérêts tout en restant fidèle à son ouverture au monde", Le Monde, 9th February, 2011.

they may also invest in Europe to stay. Issues related to subsidies, cheap financing, state ownership, are real concerns, and cannot be ignored by Europe or China. At the same time, it is hard for the Chinese not to feel that double standards are being applied to them.

In parallel, China's own attitude and behaviour towards the outside world, and the West in particular, are equally riddled with contradictions and a degree of duality, if not outright double standards. Two examples of such dualities are what one could call the 'Great Power vs. Developing Country complex', and the 'Multi-polar World vs. Middle Kingdom syndrome'. Of course, these two labels cover a number of factors that interact with each other in many ways, and are often exacerbated by the rhetorical needs of any given occasion. This notwithstanding, the resulting picture is one of deep-seated uncertainty as to where exactly China is today, where it is – or where it ought to be – going, and how it should relate to the rest of the world. This uncertainty may at times be a healthy anchor to the very complex reality of today's China, for both China itself and its foreign partners. Yet, if mishandled, it equally has the potential to seriously damage China's relations with the world.

To begin with, to say that China is still a developing country may not be very popular among the growing ranks of those who feel threatened by its economic reach but remains nevertheless partly true. On the one hand, it is striking that China accounts for nearly all the world's reduction in poverty, reached its Millennium Development Goal of halving poverty compared to 1990 14 years ahead of the 2015 target date,[14] with some analysts predicting that China could nearly eradicate extreme poverty by 2015.[15] On the other hand, the overall level of wealth of most ordinary Chinese remains well below developed countries' standards. China is usually ranked halfway in various GDP *per capita* rankings[16] but this doesn't account for growing income inequalities and large disparities between the various provinces: nine Eastern provinces on a par with developed countries, nine provinces with a GDP *per capita* comparable to lower middle-income countries and thirteen provinces with less than USD 1,000 GDP *per capita*.

China's economic growth rates ranged between 8.3 and 14.2% over the last decade, and were still above 9% in 2008 and 2009,[17] in the middle of the worst

[14] Chen/Ravallion, "The developing world is poorer than we thought, but no less successful in the fight against poverty", World Bank, August 2008.

[15] Chandy/Gertz, Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015, The Brookings Institution, January 2011.

[16] IMF World Economic Outlook database, October 2010 update. China was ranked 93 out of 181 countries in terms of GDP per capita at purchasing power parity. Other sources such as World Bank and CIA World Fact Book have different rankings, for instance the CIA Worldfactbook ranks China 127 out of 229 countries in February 2010, see www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html.

[17] GDP variation at constant prices, IMF World Economic Outlook database, visited in February 2010. Looking at quarter-to-quarter growth rates however, the economy slowed almost to a halt at the end of 2008 and the beginning of 2009 and rebounded sharply after. See Naughton, "The Turning Point: First Steps toward a Post-Crisis Economy", China Leadership Monitor, N°31.

economic crisis since the Great Depression, thanks in no small part to a massive economic stimulus package and lending by state-owned banks. Nor are Chinese leaders slow to point out how China's financial resources have propped up the US economy at the height of the recent financial crisis, or that they are ready to support the Euro.[18]

It is not surprising, therefore, to hear growing objections to China still being a beneficiary of trade preferences under the EU's Generalised System of Preferences (GSP), or to the fact that Europe still has a budget for development assistance, albeit shrinking,[19] for a country that possesses nuclear weapons and can put an astronaut in orbit. Nor should China be surprised at the impatience of many of its partners as to the increasingly slow and erratic pace of implementation of legal and economic reform even though it is generally acknowledged that China's record in drafting new laws and regulations is one of continuous improvement, in terms of identification of objectives, increasing opportunities for consultation of stakeholders and the general public, quality of the legislative work, especially if confronted with the enormity of the task of transformation of the Chinese society in the past three decades. As it is often the case, implementation is by far the weaker side, in terms of administrative resources devoted to it, of uniformity across provinces, of ability of the judicial system to cope with legislative innovation (for instance, in the intellectual property field). China usually ascribes its struggle with implementation of modern laws and regulations to the extraordinary speed of this modernisation, and pleads its status as a developing country to ask its partners for more patience. While the point is undoubtedly valid, China should hardly be surprised that the equation "China is a developing country, hence it cannot be held to the same standards as a developed country, or not yet at least; but China is still a Great Power and its standards of behaviour are as good as anyone else's" does not necessarily carry the day.

China is also a staunch champion of a multi-polar world. Partly, this has historical and geopolitical roots. Already after the 1911 revolution, 'balance of power'

[18] See for instance (1) Chinese President Hu Jintao at Summer Davos 2010: "At a time of negative economic growth for major developed countries, the fast economic stabilization and rapid economic growth of China and other major developing countries greatly boosted international confidence in overcoming the financial crisis and provided a strong impetus to the world economic growth", http://www.china-embassy.org/eng/zt/768675/xw/t752077.htm; (2) Premier Wen Jiabao's pledge to support the Euro and buy Greek bonds on his October 2010 European visit. "China's Premier, Wen Jiabao, pledges support to the Euro", http://www.guardian.co.uk/world/2010/oct/04/china-wen-jiabao-euro. Similar support to the Euro and promises to buy Spanish bonds were made by Vice Premier Li Keqiang during his January 2011 trip to Spain; (3) Vice Premier Wang Qishan at the 3rd EU-China High Level Economic and Trade Dialogue also said his nation had taken "concrete action" to help the European Union with its debt problems, http://www.bloomberg.com/news/2010-12-21/euro-rises-as-china-s-wang-pledges-to-help-eu-with-debt-crisis-yen-gains.html.

[19] €128 m was set aside for the Multiannual Indicative Programme (MIP) for 2007–2010. In the MIP for 2011–2013, the amount is €45 m, with more emphasis on the poorer provinces in Middle and Western China and a focus on two areas: 1) support to reforms in areas covered by sectoral dialogues; 2) assistance related to environment, energy, and climate change.

politics appeared as the only way in which China could escape the isolation – and the failures – of the late Imperial era, find its place in the world, and resist Japanese hegemonic ambitions in Asia. After the Communist revolution, and especially after the break with the Soviet Union, again, a multi-polar world felt a much safer place for China. Today, after the end of the Cold War and of the Soviet Union, and faced with the prospect of the US as the single dominant superpower, multi-polarity remains the safest choice for China. This is true in the economic sphere too. In the 1980s and 1990s the choice of GATT and then WTO membership, which became a true national priority for China and was pursued with great determination, was motivated by China's economic vulnerability. Trade with and investment from the West was perceived as taking place on the West's terms, and China felt that its fledgling export economy could be exploited, or simply shut down, for either economic or other reasons – although perceptions in the West differed dramatically. More recently, it is the vulnerability to an interdependent global economy that motivates China multi-polar and multilateral choice. Given that the same applies to Europe, albeit as a result from different historical roots, and that even in the US the recurrent isolationist or unilateralist temptations permeating segments of society and the political apparatus remain a minority view, China and Europe, and the West more generally, ought to be on the same page in maintaining and strengthening multilateral economic governance.

Yet, one could be forgiven for thinking that the legacy of the Middle Kingdom still permeates China's attitudes to the rest of the World. This is perhaps more palpable in the economic sphere, given the astounding economic success of modern China. China's efforts to modernise its economy have long ceased to be the by-product of the need to attract Western investment – if they ever truly were so – and have acquired the same aims as everywhere else: a stable economy, the elimination of poverty, the welfare of citizens, a sustainable economy, national prestige, etc. The switch from dismantling soviet-style regulation to re-regulating the economy along modern lines poses two distinct challenges to the Chinese leadership. The first one is how to reconcile a modern market economy with the kind of highly discretionary political control that the Chinese regime is not prepared to abandon. The second – very relevant to the 'Middle Kingdom syndrome' – relates to the model to be followed for this regulation. No Western model provides a complete answer, or one that can be readily and easily adapted to China's reality, and neither do international norms, where they exist. Like their counterparts in Europe, the US or Japan, Chinese regulators and policy-makers borrow, copy, adapt, transform and sometimes subvert foreign models. This trend is of course far from linear, especially given the magnitude of the task and the speed at which change is taking place. Yet, there is a growing perception in Western business and economic policy circles that China is slowly but steadily moving towards an alternative model of economic regulation and that China is less concerned with integration and compatibility with the standards in its main foreign markets (as one would expect), and more inspired by economic nationalism: China's economic performance should benefit – or should be made to benefit – primarily the Chinese themselves, and this means essentially Chinese firms. Observers also note with concern how nationalism as