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EU, China Trade Talks Need New Framework -Thinktank

MILAN (Dow Jones)--Increasingly hostile trade rhetoric between the European Union and China and the danger of protectionism call for a new framework for trade relations between the two sides if high-level talks continuing this week are to be successful in the long-term, says a new report published Monday.

The E.U. complains that China remains too closed to European investment and business, while the E.U.'s trade deficit with China surged to EUR160 billion last year.

E.U. Trade Commissioner Peter Mandelson, who travels to China for trade talks on April 24 and 25, faces two main challenges before he even gets off the plane, say Iana Dreyer and Fredrik Erixon from Brussels-based trade thinktank ECIPE in a report, "An EU-China trade dialogue: a new policy framework to contain deteriorating trade relations."

To be successful, the high-level talks must address institutional constraints on the European side, and the agenda of the talks must be properly designed, said Erixon.

The E.U. may have to seek a wider mandate from its member states in terms of its jurisdiction if it wants the dialogue with China to succeed, the report says, and may need to seek stronger member state participation directly in the talks.

That's because the E.U. represents 27 member states as a policy body, but cannot clinch separate deals on behalf of E.U. states, nor can it directly control domestic financial or business policy in its member states.

In addition, it must make China understand that the E.U. is a policy body that does not focus on doing specific trade deals (whereas China prefers to clinch a series of small, specific deals), says the report.

The talks, known as the EU-China High-Level Trade and Economic Dialogue, began in 2007 amid E.U. concern about its ballooning trade deficit with China. The talks are modeled after a similar dialogue between the U.S. and China that has resulted in small steps forward to greater economic integration.

The E.U. said Friday that E.U. commission President Jose Manuel Barroso and a group of nine commissioners will meet President Ju Jintao and Prime Minister Wen Jiabao for talks focusing on climate change and sustainable development.

The two sides will launch the "High-Level Economic And Trade Mechanism," which aims to deal with issues including market access, investment, and protection of intellectual property rights, the E.U. said.

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