

1.1 EU Trade and Enlargement

Trade policy and agreement

Trading policies are generally initiated by the European Commission, who formulate legislative or funding proposals. The Council of Ministers - comprised of members states of the EU - and the European Parliament must then approve or reject the formulated proposal based on *ordinary legislative procedure*¹ in order for the European Commission to proceed carrying out the policies (Mix 2013:18). The legislation is then handed over to the relevant directorates-general responsible for trade, one of four executive subdivisions of the Commission², who coordinate the implementations by including the necessary external dimensions (ibid.). The trade agreements themselves are negotiated by the Commission on behalf of the EU, but in close contact with the Council and Parliament; before commencing trade it must request authorization from the Council (EU 2013a). This process involves a row of preparative measures such as a public consultation on the content and assessing the impact for the actors involved (EU 2013b). Once negotiations on trade agreement are in place, the Commission presents it to the Council and Parliament, when these two bodies formally approve the deal is ready for ratification (EU 2013a).

Trade agreement funding?

The examination questionnaire pertains to the funding making capable certain foreign policy instruments, however making trade agreements is not quite as resource heavy as humanitarian aid, research innovation or public health issues. Assuming however a bare necessity of salaries and exhaustive amounts of paperwork, I will shortly outline some features of the EU revenue systems.

EU maintains itself based on four 'own resource' incomes. *Agriculture levies* and *customs duties* are acquired respectively from agriculture imports and customs tariffs on imports from outside the EU. *Value Added Tax* (VAT) is a tax rate apprehended from EU citizens, which varies from country to country to correlate with their GNI³ (Gross National Income). The *GNI-based own resource* was instated as a regulatory income source, covering the discrepancy between the other forms of income and the total expenditure (Hix 2005:276), though according to Wikipedia it now makes up over 60% of the income⁴. There are of course additionally some relatively small income sources from reimbursements, interest rates from banks and on unpaid loans, etc.

Efficacy of trade agreements

There is no doubt that EU is an enormous trade bloc, which – according to their own statistics – make up one-sixth of global merchandise trade when excluding internal trades between EU nations, and it is the largest trade partner for US, China, Russia, Brazil, India and a multitude of regional groupings (Mix 2013:18). Disregarding the strictly economic gains associated with this, the expansive global ties of the EU are interesting because its international influence is associated with its economic bonds. It is a non-aggressive way to promote its values practically all over the world, by cultivating the interdependency associated with trade ties. This aspect will implicitly be further elaborated on under 1.2 "IR Theory and EU trade agreements".

¹ A consultive procedure whereby Parliament is asked for its stance on proposed legislations before it makes it way to the council (EU 2013f)

² The other three being Humanitarian aid, development, and enlargement (Mix 2013:18).

³ Formerly GNP. Changed according to ESA95.

⁴ http://en.wikipedia.org/wiki/Budget_of_the_European_Union#Revenues_and_expenditure

Brenton and Manchin (2003) also find that some aspects of EUs economic relations are not unproblematic; while important to EU foreign policy are relations to certain countries in the Balkans region, these ties are not as effective as they could be because of the nature of administrative rules associated with the EU trade agreements. They show this by way of analyzing the GSP scheme, which gives certain countries preferences in trading relations, and find that only a third of the imports in 1999 eligible for these preference actually used them because of the administrative trouble and costs associated with doing so, particularly in regards to *rules of origin*. So although the EU are effectively trading and influencing nations at all corners of the world, there may be need for stricter monitoring of the effects of agreements and a greater adaptability to circumstances such as these where the practical effect of the implementation of the legislation are underwhelming.

EU Enlargement Policy

Before going into the membership negotiations, a country interested in accession must fulfill the Copenhagen criteria; roughly these include promoting democracy and human rights, a functioning market economy, and adhering to political and economic aims (EU 2013c). If there is unanimous agreement among the members of the EU Council with the framework or mandate toward the applicant country, they can proceed to the intergovernmental conference which is a dialogue "*between ministers and ambassadors of the EU governments and the candidate country*" (EU 2013d). First the candidate country is screened in accordance with 35 chapters spanning political, legal and technical fields to estimate their compliance with EU demands; they can then either proceed to negotiating positions or it can be required of them that they first meet certain demands (ibid.). Negotiations last until every single member involved in the process is satisfied with the candidate across all 35 chapters. The accession treaty then has to be supported, signed and ratified by all relevant bodies (ibid.).

Funding and assistance

The EU's 'own resources' described under 'Trade agreement funding?' are still applicable here, but it may be relevant to quickly mention the IPA (Instrument for Pre-accession Assistance) as a substantial amount of resources are distributed towards this effort. The IPA has as its goal to favorably progress pre-accession nations and general regional development in 5 key areas (EU 2013e):

- 1) Transition assistance and institution building to support the transition to democratic market economies.
- 2) Cross-border cooperation between both the pre-accession nations and the EU member states in order to establish economic and cultural ties.
- 3) Regional development and the technical assistance associated with establishing "*transport, environment and economic cohesion*".
- 4) Human resources development to promote good working conditions, low unemployment rates and favorable social conditions.
- 5) Rural development for agricultural establishment in concordance with EU legislation.

Approximately 11.5 billion euro has been budgeted towards these purposes over the previous half decade (ibid.).

Enlargement benefits and issues

Much like trade agreements the enlargement ensures non-invasive ways of promoting the norms pertaining to the core of the original development of the EU. Not only does it prevent aggression by establishing mutual bonds through institutions, but sets the stage for cultivating international economic conditions and (at least what the EU believes to be) good governance (Mix 2013:20). By creating an attractive environment to potential member states, it effectively spreads its democratic forms of government, law and way of life into the far reaches of Europe. In the end it has proven to be a very noticeable transformative power insofar as being a catalyst for social and political reforms (ibid.:20).

However, the recent expansion from 15 to 27 members in 2004 and 2007 respectively has diminished the member nations' citizens' enthusiasm for further expansion. Particularly as the EU grows, it seems to increase in proverbial distance from the populations at large – they feel their democratic power swindle, as the decision-making processes move further and further away from them and disappears into a web of bureaucratic institutions. The ENP (European Neighbourhood Policy) may provide a way to circumvent the issues associated with raw expansion, but the attractiveness of the policy may dwindle if the incentive of future membership falters (ibid.:21).

1.2 IR theory and EU trade agreements

The realist-liberalist divide is an interesting one in the field of international politics. In the realist worldview politics take precedence over economics, because the states and state relationships are the major players on the field – states thus pursue power even at the expense of economic gains (Hix 2005:376). Meanwhile liberals assess economics as a primary driving force for cooperation and peace, with politics and power being secondary, liberals thus find that when individual economic gains drive politics it is favorable to adopt free trade principles and reap the benefits that come with such trade⁵ (ibid.). This means that depending on the stance one takes, the driving force behind EU Foreign Policy will either be geopolitical (realist) or economic (liberal):

“While liberal theory predicts that EU external economic policies will determine how the EU acts in foreign and security policies, realist theory predicts the opposite.” (Hix 2005:377)

The aforementioned external trade agreements of the EU effectively serve to promote EU economic interests in a global market economy, which manifested itself as three distinct kinds of policy in regards to external economic relations; common external trade policies, bilateral and multilateral trade agreements, and cooperative efforts with developing countries (ibid.).

The former refers to the CCP (Common Commercial Policy) which is intimately connected to liberal thinking, because it attempts to influence international trade by reducing or removing restrictions or barriers in the economic ties between nations. This thinking is also why instrumental measures such as common external tariffs and import quotas, among others, were constituted (ibid.:381). Meanwhile the bi- and multilateral trade agreements reflect certain desires of the EU; the EEA allows free market trade with EU-eligible countries that chose not to enter into the union, and the mutual recognition of product standards with US and Canada could be basis for trade agreements with NAFTA (North American Free Trade Area)(ibid.:385). Regarding the latter, Hix accuses the EU’s external economic actions of being inconsistent; while the EU is promoting liberalization of trade they still subsidy agricultural exports under CAP (Common Agricultural Policy), rendering developing countries poorly able to sustain production under the global market prizes set by leading agricultural nations (ibid.:387).

One would be hard pressed to accuse the economic trade arrangements of EU of being a strictly realist undertaking, which is perhaps not so peculiar seeing as realists do not care particularly for international institutions, as self-interested states can (and will) ignore international agreements if they stand to gain in power from it. Either way, the liberalist way of thinking seems to saturate the EU’s economic policy undertakings insofar as economic interests have taken primacy over security (ibid.:404). However, were one to look at foreign and security policies, the realist approach may start to look more enticing as far as explanatory power goes given the diverse historical and cultural roots of the member countries which makes it hard to reconcile their differences and act in a unified manner (ibid.:405). This dichotomous conclusion in turn shows the nature of the liberalist and realist frameworks: they are *ideal types*⁶ which persist because they correspond to equally dichotomous aspects of actors in decision-making institutions and processes.

⁵ This is not to say they promote complete *laissez faire* conditions; governments are necessary to oversee the procurement of public goods.

⁶ In the Weberian sense

2.1 Characteristics of China's political system

China's political system may at first glance seem fairly straight-forward, as the hierarchical and authoritarian structure can appear as a fairly traditional top-down form of government. However, the sheer size of China and the lack of a formalized internal political structure manifests itself in such a way, that the Chinese political system allows for aristocratic elites, clouding of decision-making processes, and corruption. Meanwhile, established authorities can be hard to get rid of as political ties take *de facto* precedence over a vague and conceptual formal foundation. This however has not lead to a stagnant government; the increasing external pressure combined with the CCP's desire to stay in power, has actually caused it to be a very malleable size ready to make incremental compromises with other political actors (Martin 2010). What follows is a general outline of the institutions in the Chinese political landscape and some of the problems associated with them, in order to give an idea of how the above characteristics come about as a function of underlying problems in the Chinese political structure.

The two main overarching institutions in Chinese politics are the CCP⁷ and the state government structure, although these intertwine at different vertical levels, state functions are subordinated to the Party. Insofar as policy-making goes, the uppermost circles of the Party consists of the Politburo and its standing committee (ibid.:3). However, even at the centre of establishing policy, the Party cannot always dictate the implementation thereof because of the influence of bureaucratic and peripheral political actors (ibid.:1). Indeed, the politburo is a very unwieldy and fickle size, which not only varies in its amount of members but also do not meet regularly and is speculated to only really be involved in core issues (ibid.:3). The politburo and senior Party officials are chosen by the NPC (National People's Congress), which is legally the be-all and end-all of Chinese political power, but because the NPC consists of almost 3000 members who meet for two weeks annually, their actual power is often concluded dismissible (ibid.:9). Historically, the annual meeting has been accused of simply reinforcing decisions made prior to the congress meeting by senior Party members (ibid.).

Under the Politburo are the PSC (Politburo Standing Committee) and the Secretariat. The PSC are effectively a political elite with whom a significant amount of the practical power over China resides. It is also home to a distinct ideological split, which could be very crudely put at the distinction between capitalist ("elitist") and socialist ("populist") thinking (ibid.:5). The Secretariat is not a likewise decision-making entity but is responsible for executing the wishes of the Politburo and its committee (ibid.). The actual implementation of policies of the Party and Government structure however are far from flawless; the distance from the central state structure to all branches of government through China is a noticeable one.

"China officially has 34 provincial-level governments; over 300 prefecture-level governments; nearly 3,000 county-level governments; and over 40,000 township-level governments." (Martin 2010:15)

⁷ The Chinese Communist Party has been the ruling party since the abolition of the Republic of China in 1949.

Although they are all technically subjugated to their superordinate in the hierarchic structure, they are allowed some autonomy, since – as one could imagine – otherwise the central state would have to decide on issues spanning the entirety of China, a task that would queue up an insurmountable amount of work. However, many cases involving corruption are directed at officials at the municipal and county level, illustrating issues accompanying this structure (ibid.).

Embedded in all aforementioned bodies (and many more not described here) are leaders with a particular relation to each other; there is an internal and informal sort of ladder, not corresponding with official state positions, but based on personal history, such as “*experience, seniority, personal connections, degree of expertise, and, to some extent, their association with past ‘successful’ policies*” (Martin 2010:10). Not only that, but some of these actors also appear in several places throughout the political structure, complicating the entire process by adding intricate and florid relations across all levels and forms of political life. Similarly problematic are the so-called ‘princelings’ whose entry into positions of power are through personal ties with senior members of different political institutions (ibid.14). By obtaining their privileged positions through circumvention of formal procedures, they are practically reinstating aristocratic principles and maintaining ideological elites.

A last noticeable characteristic of the Chinese political system is their aggressive stance on differing political views; while it may often merely result in fines or other minor penalties for regular citizens, it can in extreme cases manifest itself in military action such as was the case with Tiananmen Square Massacre of 1989. These incidents actively dissuade Chinese citizens from engaging too heavily in political discussions out of fear of repercussions, but also instill a general dissatisfaction with the political system. This has led to increasing demands from both the private sector and the academic community; while the growing media coverage brings issues to light and citizens become better informed so does the demand for a more clear-cut political structure absent of corruption and aristocratic elites (ibid.:1). The ability of the CCP to stay in power, however, cannot exclusively be attributed to its stance on alternative social movements and authoritarian elites; it has proven to be very adaptable and in increasingly succumbing to different external pressures it has also shown what one *could* call its ‘democratic’ aspect.

2.2 Social Welfare in China through the lens of Easton

Before proceeding I will shortly outline features of Easton's model which I find relevant in order to constrict the scope in concordance with the limited space afforded here.

First of all there are demands. Demands emerge out of context and will vary from culture to culture, some cultures may value material goods and privacy, while others may prefer harmony or sharing at the expense of ownership (Easton 1957:388). Sometimes the demand arises within the political system itself, but for the present purposes we are dealing with external demands from a populace in the process of change. Important to keep in mind is the fact that not all wants and needs of people embedded in larger populations escalate to the level of political issues. Insofar as China goes, it is important to consider the geography of the people with common issues, their status, and the channels in which they go about discussing the issue.

In order to process these demands into policies there needs to be support both from within and outside of the system. Support encapsulates not only observable acts corresponding with the belief in one or other ideal, but also the belief *per se* because of how it relates to attitudes and predispositions⁸ (ibid.:390-391). The support spans across three domains: The political community, the regime, and the government (ibid.:391-392). The community at large here is of particular interest because the Chinese system is not a democracy where bad decisions can mean risking voters changing to other parties, but neither can the CCP risk alienating the entirety of the Chinese population.

This creates a fine line between demand, output and support; generally if the output of the system is satisfactoral to the larger part of the population then the system is also likely to see the continued support for the current political body to solve future demands. In China however, not all groups are equally organized or have equal means for vocalization of their demands through proper channels because of how in particular social welfare issues are most prominent in rural areas (Ye 2011:692). This creates a discrepancy between output and support, because it is technically possible to suppress the dispersed, underprivileged rural populations while catering to upper- and middle-classes. This also works in conjunction with Confucian values, which inherently assume inequality between people, and that work would be commensurably rewarded, thereby planting an immanent dissuasion in individuals from seeking government aid (Sander, et al. 2010:12).

Under Hu Jintao's presidency since 2003 there has been an increased focus on including the less fortunate parts of the population – the rural residents, the unemployed, etc. – under social welfare systems in the name of a "Harmonious Society" (ibid.:10). The implementation of such has proved no easy task though, as the OASS system is provided on a separate basis in rural areas - as opposed to engulfing China in its entirety in a unified welfare system – it reinforces the problems arising from distinction between rural and central areas (Ye 2011:692). Furthermore, the output of a system will not always correlate with the intention of the policy invoked for a given purpose. In the light of the numerous branches of partially autonomous governments responsible for the implementation of policies described in the previous section, it is important to make a distinction between the intentions, decisions and actions of the central Party and state government and the actual output the decided policies result in.

⁸ Which is to say that a belief can cause one to *not* act, if it is in a way which is opposite to or detrimental to the ideological paradigm one is currently invested in.

China's flourishing economic situation is obviously demographically discriminating, and as the rising middle class becomes more and more demanding it runs the risk of drowning out the dispersed, underprivileged populations. This leaves the rural areas to 'fend for themselves' as they rely heavily on the family to provide their welfare, both due to Confucian values as well as their noted absence of government action (Sander et al. 2010:15). Meanwhile, the middle classes are getting more and more comfortable with their newfound situation and while they are doing well, the widespread nepotism makes it hard for rural people to fight their way out of their situation. Not only that, but the *Hukou* System⁹ makes it impossible to work outside of authorized areas which are literally divided into 'rural' and 'urban' categories resulting in further segregation (ibid.:3).

So how then, given the pessimism of much of the literature (Ye 2011, Manning 2011, Sander et al. 2010), can we legitimize the apparent continued support for the CCP in accordance with Easton's model? One could of course criticize the model for only being applicable to democratic societies, but entertaining the notion that it is universally true, the reasons I have given thus far are: the continued ability of the party to adapt to changing demands, the actions against alternative democratic rallying and the lack of proper channels for the lower classes to organize and vocalize the issue.

Rounding off, I would like to add to that the important role of media, which are becoming ever-increasingly impossible to suppress. TV, newspapers and the internet more and more frequently divide their attention to the current social problems in china, which not only makes apparent the problems associated with the current social welfare system to the population at large, but also increases the relevancy of issuing policies in response to the demand on the political agenda.

⁹ A system which is used to strictly control the amount of people able to migrate to the cities from rural areas.

Literature:

- Brenton**, Paul & Manchin, Miriam (2003): *"Making EU Trade Agreements Work: The Role of Rules of Origin"* Blackwell Publishing Ltd.
- Easton**, David (1957): *"An Approach to the Analysis of Political Systems"*, Cambridge University Press.
- EU/ European union** (2013a): *"What is trade policy?"*, European Commission.
- Located 8/11-2013: <http://ec.europa.eu/trade/policy/policy-making/>
- EU/ European union** (2013b): *"Trade negotiations step by step"*, European Commission.
- Located 8/11-2013: http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149616.pdf
- EU/ European union** (2013c): *"Conditions for membership"*, European Commission.
- Located 8/11-2013: http://ec.europa.eu/enlargement/policy/conditions-membership/index_en.htm
- EU/ European union** (2013d): *"Steps towards joining"*, European Commission.
- Located 8/11-2013: http://ec.europa.eu/enlargement/policy/steps-towards-joining/index_en.htm
- EU/ European union** (2013e): *"Overview - Instrument for Pre-accession Assistance"*, European Commission.
- Located 8/11-2013: <http://ec.europa.eu/enlargement/instruments/overview/>
- EU/ European union** (2013f): *"Legislative powers"*, European Commission.
- Located 8/11-2013: <http://www.europarl.europa.eu/aboutparliament/en/0081f4b3c7/Law-making-procedures-in-detail.html>
- Hix**, Simon (2005): *"The Political System of the European Union"*, Palgrave Macmillian.
- Manning**, Nick (2011): *"The Reform of Health Policy in China – Left Behind in the Race to Industrialize?"*, Blackwell Publishing Ltd.
- Martin**, Michael F. (2010): *"Understanding China's Political System"*, Congressional Research Service.
- Mix**, Derek E. (2013): *"The European Union: Foreign and Security Policy"*, Congressional Research Service.
- Sander**, Anne, Schmitt, Christopher & Kuhnle, Stein (2010): *"Towards a Chinese welfare state? Tagging the concept of social security in China"*, ISSA.
- Ye**, Lin (2010): *"Demographic Transition, Developmentalism and Social Security in China"*, Blackwell Publishing Ltd.