

# Trade and economic relations with China

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The Committee on International Trade adopted the own initiative report by Corien **WORTMANN-KOOL** (EPP-ED, NL) on Trade and Economic Relations with China, noting that bilateral trade between China and the EU, which had a trade deficit with China of over EUR 160 billion in 2007, remains imbalanced. According to MEPs, Europe's trade relations with China should be based on the principles of reciprocity, sustainable development, respect for environmental limits, contribution to global goals in the prevention of climate change, fair competition and trade, according to our common values and adherence to WTO rules. However, the development of trade relations with China must go hand in hand with the development of a genuine, fruitful and effective **political dialogue**, which also covers human rights. That is why the Commission is called upon to insist on the strengthening of the Human Rights Clause in negotiations with China about a renewed Partnership and Cooperation Agreement (PCA).

**Cooperation in trade:** MEPs welcome the fact that EU exports to China increased in 2007 by 18.7%, with a value of EUR 231 billion. They also believe that today's open trading system could stimulate economic activity between China and developing countries to the possible benefit of both sides and could be an unprecedented opportunity for economic growth and for their integration into the world economy. However, trade policies must be consistent with development objectives and poverty reduction. MEPs therefore encourage the Commission to pursue openness in EU trade with China and call on the Union and the Member States to offer open and fair access to China's exports. China should reciprocate by strengthening its commitment to economic openness and market reform.

**China in the global crisis:** MEPs stress that unprecedented cooperation is needed between the EU and China in order to resolve the current financial and economic crisis. They note that a major Chinese recovery plan for growth and jobs has been presented to deal with the current economic crisis. However, they emphasise that the support measures have to be temporary and should not distort fair competition.

**Market access:** MEPs consider that, since joining the WTO, a growing number of industrial sectors in China have been opened to foreign investors. At the same time, some sectors are restricted (or prevented) from accessing foreign investment. MEPs recall that, in China, protectionist practices, excessive bureaucracy, the undervaluing of the Renminbi, subsidies in various forms and the lack of a proper and agreed level of enforcement of intellectual property rights (IPRs) hinder full market access for many EU companies. MEPs therefore call on China to further open its markets for goods and services and to continue with economic reforms in order to establish a stable, predictable and transparent legal framework for EU companies, especially for small and medium sized enterprises (SMEs). MEPs stress that further opening of the Chinese market access will provide opportunities for EU companies in numerous areas such as, machinery manufacture, chemicals, the automotive sector, pharmaceuticals and Information and Communication Technologies (ICTs), Clean Development Mechanism (CDM) projects, agriculture, construction and in financial, insurance, telecommunications and retail services. Moreover, MEPs urge China to play an active role in the WTO, commensurate with its economic and trading importance, in order to foster the sound development of global trade within a strong and transparent framework of rules.

**Non tariff barriers (NTBs):** recalling that NTBs represent a major obstacle for EU companies in China (and vice-versa), MEPs call on China to adopt international standards for products and services. They stress, in particular, **the importance of Chinese imports complying with European standards for food and non-food products**. MEPs also deplore the persistent use of trade-distorting export restrictions such as export taxes for raw materials by the Chinese government. They therefore call on the Commission to insist on the removal of all existing export restrictions in all bilateral negotiations with China.

Among the other main areas of cooperation outlined in the resolution, MEPs stress the need to promote trade in **environmentally friendly** goods and services, the growth of investment in sustainable projects that contribute to a reduction in carbon emissions. They also call on the parties concerned to strengthen their cooperation in terms of the environment and renewable energy.

Moreover, MEPs call for greater cooperation between the European **banking and insurance sector** and China, as this sector is particularly penalised when entering the Chinese market. They also encourage China to participate fully in the global debate on improving the regulatory and supervisory framework for the financial markets.

**Social and environmental impact of Chinese growth:** MEPs express their serious concern about the high levels of pollution caused by China's industry and its growing consumption of natural resources, in particular those obtained from unsustainable source. They urge China to accept its responsibilities by taking up its global share for reducing greenhouse gas emissions and fighting climate change. They also stress that the recent years of high economic growth in China have not benefited all segments of the Chinese population and that the social gap between the rich and the poor has never been as significant as now. While they welcome China's activities in the environmental sector in the context of the preparation of the 2008 Olympic Games, MEPs are concerned about the persistent use of child labour in China. They call on China to end this phenomenon and to ratify key International Labour Organisation (ILO) Conventions.

**IPRs and counterfeiting:** given the growing scale of production of pirated goods (60% of the counterfeit goods seized by the customs authorities of the EU are produced in China), MEPs call on China to increase its efforts to address the lack of implementation and the enforcement of IPRs. They are particularly concerned about the scale of production of counterfeit and pirated goods inside China, which remains at an alarmingly high level, and call on the Commission, in cooperation with the Chinese authorities, to continue its fight against counterfeiting. MEPs are also alarmed by the recent spate of incidents involving **unsafe Chinese products** and in particular by those involving children's toys, food and medicines. They welcome the Chinese Government's determination to tackle this problem and call on the Commission to reinforce support and coordination with the Chinese authorities in this field.

**Future steps:** MEPs note that Chinese society has changed greatly during the last 30 years. They recall in particular the role of trade and economic relations with the European Union in the evolution of society in China. They believe that "change through trade" is a way to aid China's transformation towards being an open and democratic society benefiting all sections of society. While regretting that the intensification of bilateral relations has not gone hand in hand with substantial progress with regard to the human rights dialogue, MEPs believe that further reforms, especially in the environmental and social areas, are needed. MEPs also call for increased cooperation in the area of research and between universities as well as in terms of space technology (the Chinese Compass system and Galileo programme). Moreover, they call for greater business-to-business cooperation through joint training programmes.

Lastly, MEPs regret the decision of the Chinese authorities to postpone the 11th EU-China Summit and expect the summit to be rescheduled soon? They welcome in particular the EXPO 2010 in Shanghai, which will be a great opportunity for the European business sector in terms of its exposure.