



FTA
Foreign Trade Association

Position Paper

Committed to free trade

FTA Position Paper on EU-China Trade Relations

November 2009

FTA Position Paper 2009

FTA POSITION PAPER ON EU–CHINA TRADE RELATIONS

The European Union is China's largest trading partner and China is the EU's second largest trading partner. The EU's imports from China have grown by around 21% per year over the last five years and China is now Europe's biggest source of manufactured goods.

China is the most important supplier of the European importers and retailers comprising FTA membership, and the importance of China as sourcing country is growing considerably every year. This flow of competitively priced goods from China benefits Europeans, by restraining inflation and providing affordable goods to European consumers. European retailers are also progressively penetrating the Chinese market, owing to rising incomes and population density.

The FTA attaches utmost importance to the trade relations with China and believes that China and the EU have a common interest in a stable and internationally agreed framework for trade and investments.

A level playing field for European retailers

The FTA agrees with Commissioner Ashton that many more business opportunities would be created should China's business climate be improved, investment restrictions lifted and a level playing field developed across the board.

European retailers operating in China face unjustified restrictions. For example, European retailers and wholesalers are not allowed to sell tobacco products in their Chinese stores, opposite to the Chinese competitors.

European retailers have experienced difficulties with the Chinese customs: the companies were requested to provide additional documents and certificates that delayed custom clearance. Moreover, there was no legal justification for these requests. Also, European retailers reported that customs practices may be different across the Chinese territory: these practices are not properly harmonised.

Technical criteria not aligned to international standards also discourage importing into China. The implementation of existing international standards should be further encouraged.

The "Buy Chinese" policy, limiting the access of foreign companies to public procurement, contradicts the Chinese government's stance to treat foreign goods fairly with regards to stimulus spending and their calls to other governments to stick to the principle of free trade.

Partnership and Cooperation Agreement

Trade and investment should be at the core of the EU-China bilateral relationship. In the present economic and financial situation, European retailers and importers need more than ever business opportunities to be created for restoring economic confidence.

The current legal framework of the EU-China trade relations is the Trade and Economic Cooperation Agreement, dating back to 1985. The negotiations on a new Partnership and Cooperation Agreement (PCA), designed to include trade and investment related issues including competition and Intellectual Property Rights (IPR), has not progressed as expected.

In order to deliver the common goals and to implement the priorities defined in the Global Europe strategy, the European Commission and Member States should assess the progress achieved and consider the opportunity to use a more appropriate framework agreement for covering international trade issues.

This should include measures for:

- ensuring full implementation of the WTO commitments
- ensuring IPR enforcement supporting China's transition towards a market economy
- promoting the adoption of existing international standards
- securing a level playing field for European retailers in China

Implementation of the WTO commitments

The FTA values the progress made by China in implementing the WTO Commitments. Following WTO accession the Chinese market is more open to retailers, but there are still unsettled issues: for example, establishing wholesale services in China is very challenging, because of the lack of transparency of the relevant regulations. The FTA encourages the European Union to use all monitoring tools – both bilateral and WTO tools – to ensure that these commitments are respected.

Intellectual Property Rights

European retailers appreciated China's progress towards establishing a detailed legal framework for IPR. The FTA also recognized the efforts to align China's laws and procedures to the international standards and for raising awareness on the consequences of piracy. Nevertheless, the scale of the problem is still very significant and IPR infringement has a serious impact on European companies. Counterfeiting is a crime and European retailers are considerably exposed to legal actions for selling counterfeited goods involuntarily. Further support should be provided in order to support China in enforcing relevant laws and regulation.

Market economy status

The "European Commission staff working document" of September 2008 on the progress by the People's Republic of China towards graduation to market economy status in trade defence investigations, recognised that China has now in place almost all legislation which is necessary for granting market economy status and the focus should now shift to the effective implementation of these laws¹.

The FTA encourages the European Commission to make further efforts for supporting China's transition. Market economy status will be automatically granted to China in 2016 under the terms of China's accession to the World Trade Organisation in 2001. Therefore, EU and China have a common interest in streamlining their cooperation and work together towards improving IPR protection, non-discriminatory company law and ensuring a transparent legal environment that would boost investments, thus benefit global trade.

Doha Round

The FTA welcomes the common call by the EU and China for an early and successful conclusion of the Doha Round and their commitment to closer cooperation for keeping trade and investments flowing in the current economic downturn.

We would like to see China playing a more proactive role within the World Trade Organisation. European retailers fully support the position of Commissioner Ashton that trade and investment will lead us out of the current crisis and that a swift conclusion of the Doha Round will help us trade our way out of recession.

EU-China High Level Economic Dialogue

We welcome the EU-China High Level Economic Dialogue that started in 2008 to deepen the cooperation on trade and economic issues between the EU and China. The FTA would encourage the EU to make a result oriented use of that instrument by setting priorities in cooperation with the relevant stakeholders for removing regulatory obstacles and facilitating trade and investment.

European importers have to ensure that the products placed on the European market comply with European safety standards and regulations. As exporters, the FTA Members need China to respect clear and standardised custom procedures.

The FTA encourages an increased cooperation between EU and China under the Customs Cooperation Agreement, for harmonising customs practices and ensuring transparency of the custom clearance process.

¹ On Trade Defense Instruments, see FTA Position paper „The EU Commission reform on TDI- two years on: a re-assessment“ on www.fta-eu.org

Summary and recommendations:

- The FTA calls upon the European Union to place trade and investment at the core of the EU China bilateral relationship
- Considering the lack of progress on the PCA, the FTA calls on the EU and China to consider developing a more appropriate framework agreement to cover trade issues
- China's implementation of WTO commitments should be further encouraged
- The FTA calls upon the EU to support China in fighting counterfeiting, ensuring a transparent and predictable legal framework and a level playing field for European retailers
- The FTA calls upon the EU to further support China towards achieving the market economy status
- The FTA calls upon the EU and China to work together towards an early and successful conclusion of the Doha Round
- The FTA encourages the European Commission to streamline the EU - China High Level Economic Dialogue by setting clear priorities in cooperation with the private sector

For further information about the position paper, please contact:

Flavia Bernardini

flavia.bernardini@fta-eu.org

Direct tel: + 32 2 741 64 03

The FTA is the association for European commerce providing expertise in international trade issues. It is committed to achieving its goal of a true free trade environment. For 30 years, the FTA has supported its members, consisting of national trade associations and companies from all over Europe, through information and lobbying in the European and international arena.

More information on the FTA:

www.fta-eu.org



FTA
Foreign Trade Association

Foreign Trade Association a.i.s.b.l
Av. de Cortenbergh, 168
1000 Brussels
Belgium
Tel: + 32 2 762 05 51
Fax: +32 2 741 75 06
info@fta-eu.org
www.fta-eu.org