

# Trade and economic relations with China

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The European Parliament adopted by 491 votes to 76, with 12 abstentions, a resolution on trade and economic relations with China.

The text adopted in plenary had been tabled by the **EPP-ED** group, pursuant to Article 45(2) of the Parliament's Rules of Procedure, in the form of a proposal for a resolution to replace the proposal for a resolution contained in the report tabled by the Committee on International Trade.

The resolution stresses that EU-China trade has expanded enormously and is the single most important challenge to EU trade relations (the EU's trade deficit with China surpassed EUR 160 billion in 2007). The Parliament considers that trade relations with China should be based on the principles of reciprocity and fair competition and trade, according to the common values of the EU and China and adherence to WTO rules, while taking into account sustainable development, respect for environmental limits and contribution to global goals in the prevention of climate change. 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 should also cover human rights. Noting that the European Union and China are becoming more interdependent and that the complexities and importance of EU-China relations require greater coordination among the Member States and with the Commission, the Parliament is looking forward to an effective and outcome-oriented dialogue with China concerning global challenges. It endorses the strategic partnership between the EU and China and urges the Commission to increase transparency in the negotiation of the Partnership and Cooperation Agreement (PCA) between the European Union and China.

**Cooperation in trade and a greater opening up of reciprocal markets:** the Parliament welcomes the fact that EU exports to China increased in 2007 by 18.7% with a value of EUR 231 billion. However, it believes that today's open trading system could further stimulate economic activity with China through a greater opening up of reciprocal markets. The Parliament therefore calls on all parties to take action in this area.

**China in the global crisis:** the Parliament believes that unprecedented cooperation is needed between the EU and China in order to resolve the current financial and economic crisis. It notes that a major Chinese recovery plan for growth and jobs has been presented to deal with the current economic crisis. However, the Parliament rejects all forms of protectionism and emphasise that the support measures proposed by the Chinese Government have to be temporary and should not distort fair competition.

**Combating protectionism:** along the same lines, the Parliament stresses that protectionism cannot be Europe's response to the growth in EU-China trade relations. On the contrary, it believes that the European Union and the Member States should strive more urgently to make further progress on the Lisbon reform agenda in order to develop and consolidate areas of comparative advantage in the global economy and to foster innovation and vocational training.

**Market access:** the Parliament considers 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. The Parliament recalls 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. It therefore calls 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). The Parliament stresses 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, the Parliament urges 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), the Parliament calls on China to adopt international standards for products and services. It stresses, in particular, the importance of Chinese imports complying with European standards for food and non-food products. However, the plenary strongly condemns the **death sentences** imposed by the Chinese authorities on some of those involved in the contamination of powdered infant formula with melamine. The Parliament also deplors the persistent use of trade-distorting export restrictions, such as export taxes for raw materials, by the Chinese government.

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

The Parliament also calls for greater cooperation between the European **banking and insurance sector** and China, as this sector is particularly penalised when entering the Chinese market. It encourages China to participate fully in the global debate on improving the regulatory and supervisory framework for the financial markets and stresses the importance of Chinese involvement and cooperation with the IMF regarding the development of a global code of conduct for sovereign wealth funds.

**Social and environmental impact of Chinese growth:** the Parliament expresses its 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. It urges China to accept its responsibilities by taking up its global share for reducing greenhouse gas emissions and fighting climate change, while aware of the **shared European responsibility** for the situation, given that a high share of Chinese industrial production is owned by European firms or ordered by European firms and retailers for consumption in Europe. It also recognises that China cannot be expected to ask its population to carry the burden of limiting greenhouse gas emissions without action by the West.

Furthermore, the Parliament stresses 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 it welcomes China's activities in the environmental sector in the context of the preparation of the 2008 Olympic Games, the Parliament is concerned about the persistent use of child labour in China. It calls on China to end this phenomenon and to ratify key International Labour Organisation (ILO) Conventions.

**Intellectual Property Rights (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), the Parliament calls on China to increase its efforts to address the lack of implementation and the enforcement of IPRs. It is particularly concerned about the scale of production of counterfeit and pirated goods inside China, which remains at an alarmingly high level, and calls on the Commission, in cooperation with the Chinese authorities, to continue its fight against counterfeiting. The Parliament is also alarmed by the recent spate of incidents involving **unsafe Chinese products** and in particular by those involving children's toys, food and medicines. It therefore calls on the Commission to reinforce support and coordination with the Chinese authorities in this field.

**Future steps:** the Parliament notes that Chinese society has changed greatly during the last 30 years. It recalls in particular the role of trade and economic relations with the European Union in the evolution of society in China and believes 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, the Parliament believes that further reforms, especially in the environmental and social areas, are needed. It also calls for increased cooperation in the area of research and between universities as well as in terms of space technology (calling for the coexistence of the Compass and Galileo programmes in the interest of global users). Moreover, the Parliament calls for greater business-to-business cooperation through joint training programmes.

**Revitalising the HLM:** the Parliament urges the Commission and the Chinese Government to explore together means of developing a parliamentary dimension to the work of the HLM (EU-China High Level Economic and Trade Dialogue Mechanism), mandated to reach out to the broader stakeholder community and to give a voice to their concerns. At the same time, the plenary welcomes the rapprochement between China and **Taiwan** (which is the EU's 4th largest trade partner in Asia), considered by the Parliament as an economic and commercial entity.

Lastly, the Parliament welcomes the forthcoming EXPO 2010 in Shanghai, which will be a great opportunity for the European business sector in terms of its exposure.