Prospects for trade relations between the European Union and China

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The European Parliament adopted the resolution based on an own-initiative report drafted by Caroline **LUCAS** (Greens/EFA, UK) on prospects for trade relations between the EU and China. (Please see the document dated 29/08/2005.) Parliament stated thattrade relations between the EU and China are at the heart of the debate on globalisation, and illustrate all the expectations and contradictions connected with it.

WTO: Parliament welcomed China's timely implementation of some of its WTO obligations, but called for further dialogue to enable China to rapidly address the many outstanding areas of concern to EU industry, particularly in the fields of Intellectual Property Rights enforcement, national treatment, transparency and environmental, social and health standards. In the light of the numerous instances of inadequate implementation or application by China of its WTO obligations, Parliament called on the Commission to offer European companies its support in this connection, providing them with effective backing. The EU must seek to establish trade links with China in a spirit of cooperation and complementarity, while ensuring that each can maintain and develop their industrial, agricultural and service sectors harmoniously in order to ensure the best possible living standards for all their inhabitants. On pirating and counterfeiting of European products and brands by Chinese industries, Parliament took the view that this was a serious violation of international trade rules, and called on the Commission to take the appropriate measures to protect the intellectual property of European companies. China was asked to guarantee the same conditions to all its trading partners and not to put up bureaucratic barriers to trade. Given its importance in international trade, China was also asked to bring greater influence to bear in the context of the Doha Development Agenda through its role as a link to third world countries, and thus to contribute to a successful outcome of the next Doha Round in Hong Kong.

International competitive effects: Parliament welcomed the Memorandum of Understanding of 10 June 2005 between the Commission and the Chinese Government on the limitation of Chinese textile exports. It expressed concern that the way in which the Memorandum of Understanding was initially implemented caused serious disruption to some European retailers. It urged the Commission to meet the growing unease of developing countries about the effects on their markets of Chinese textile exports by urgently conducting a country-by-country assessment of the full impact of the quota phase-out. The Council and the Commission must recognise that the challenges currently being experienced by the textile, clothing and footwear sectors, and will soon be experienced by other sectors such as the bicycle, automobile, machinery and iron and steel industries, are systemic in nature. A longer-term strategy for EU industry must be developed in order to address the challenges, such as the current imbalances it is experiencing with China, posed not just to EU and developing country jobs, but also to existing assumptions about the winners and losers from globalisation. Parliament called on the Commission to monitor the extent to which Chinese competition is affecting EU industry, as well as on trends in the quantity and sectoral composition of out-sourcing from the EU. It also noted that the increase in the volume of Chinese textile exports to the EU has been accompanied by a sharp fall in the value of those products, by as much as 60% of their purchase value, without European consumers having significantly benefited. The Commission was asked to investigate whether there have been any agreements between importers and/or major distributors and to ensure transparency in the price formation process. Parliament went on to note that manufactured products represent practically 75% of world trade in goods and services, while the manufacturing sector only accounts for around 20% of world GDP. Relocations essentially concern manufactured products with no great added value and these industrial changes primarily affect the most vulnerable and least qualified workers, and hence those least able to adapt. Parliament called for strong social solidarity to be shown with such workers, not least in the form of

greater investment in their training and retraining, in order to redirect them towards jobs in sectors in which Europe is still a world leader.

Social and Environmental Impacts: Parliament noted that China has managed to extricate over 300 million of its citizens from poverty in 20 years, but around one quarter of the rural population in China still live in extreme poverty. Chinese income inequalities are among the fastest growing in the world. Parliament expressed deep concern at the lack of workers" rights in China, the very low level of wages and the increasing number of industrial accidents due to inadequate health and safety regulations. It urged China to ratify the key Conventions of the International Labour Organization, particularly Convention 87 on Freedom of Association and Protection of the Right to Organise, and 98 on Collective Bargaining, and to abolish the State monopoly on the formation of trade unions provided for in China's legislation. It called on China to take steps to combat all forms of present-day slavery, child labour and exploitation and above all exploitation of women at work, so as to ensure that workers' fundamental rights are respected and so as to put an end to social dumping.Parliament was also seriously concerned about the high levels of pollution caused by China's industries and the growing consumption of natural resources such as timber from unsustainable sources. It welcomed recent signs that China is taking serious measures to protect the environment. Because of China's size, its large-scale adoption of sustainable technologies and practices could have a positive global impact, lowering costs and spurring other nations to follow suit. Parliament was concerned that the enormous economic growth in China is leading not only to environmental pollution but also to scarcity of resources and rising commodity prices on the world market. It welcomed the Commission's initiative to tackle imports of illegal timber and wood products from countries including China by its proposed Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT). However, the negotiation of partnership agreements with countries on a voluntary basis would not address the problem sufficiently.

Existing projects, governance: Parliament recognised that many of China's environmental problems stem not from lack of laws but from lack of law enforcement, and therefore calls on the Commission to make capacity building at the local level an important focus of cooperation projects.

Education: Parliament called on the Commission to agree with the Chinese Government to stimulate mutual learning and student exchange. The Commission was also urged to create more Chinese-language schools throughout the EU with the possibility of scholarships or funds for EU students interested in learning Chinese.

Political Dialogue: Parliament regretted that China's rapid economic development has not been accompanied by progress in political and civil rights for the population. The official human rights dialogue in which the EU and China have engaged since 1997 in parallel with their growing trade and economic relations has not been successful. There is a need for a different approach including the establishment of an effective policy of human rights conditionality with regard to the EU's general trading policy with China.Arms embargo: This embargo was imposed on China by the EU and the US (and others) as a direct result of the Chinese authorities' brutal suppression of the democratic demonstrations in Tiananmen Square in June 1989. Parliament deemed it inappropriate for the EU to lift the embargo at this juncture.