

23 March 1998

"European Union-China Co-operation"

UNICE STATEMENT

**ON THE OCCASION OF THE FIRST EU-CHINA HIGH-LEVEL MEETING
(LONDON, 2 APRIL 1998)**

The first EU-China High Level Meeting will take place in London on 2 April 1998. UNICE welcomes this development which is a new and significant step in the EU-China dialogue. UNICE believes that regular organisation of such meetings will contribute to improving mutual understanding between both partners and will strengthen co-operation in areas of mutual interest.

With that in mind, UNICE specially welcomes the European Commission's new Communication on China ("Building a Comprehensive Partnership with China"), which aims to bring China more fully into the world trading system and to support economic and social reform, and the initiatives proposed to achieve these objectives. They correspond to the business needs of constructive co-operation based on mutual acceptance of the rule of law, market economics and WTO rules. This will make it possible for the Chinese-European business community to take full advantage of the potential for increased trade and investment between Europe and China.

China has made enormous economic progress over the last decade, and it has the potential to take further major strides forward in future, in co-operation with Europe and other parts of the world.

Of particular importance for enhanced trade and investment between the European Union and China is China's accession to WTO. Therefore, UNICE especially greets the recent progress in the negotiations between the Union and China on China's entry into the WTO. UNICE hopes that China's commitment to transparency, national treatment and non-discrimination, to reducing peak tariffs and to dismantling barriers to trade in services will be confirmed in China's offers and that the "guiding principles" for the liberalisation of services as suggested by the European Commission will be implemented by China.

Ahead of the next round of negotiations between the EU and China, UNICE wishes to stress the following areas of special importance to European business in order to improve the conditions for closer economic co-operation with China:

- 1. Rule of law.** Historically the rule of law has been a key element for the successful modernisation of societies worldwide. Only when economic operators can work within a stable set of rules administered in an impartial and predictable manner can they make the long-term commitments necessary to sustained rapid growth. Both parties should therefore co-operate to create a legal and administrative climate of impartiality and predictability.

2. **Trading rights.** In any market economy buyers and sellers must be allowed to associate freely and conclude deals on mutually beneficial terms. Legal requirements to impose intermediaries lead to loss of efficiency and profit for both parties. They should therefore be abolished.
3. **Low tariff levels.** These will stimulate trade and make it easier for both parties to take better advantage of their productive resources.
4. **Elimination of import and export quotas and licences.** The Uruguay Round foresees the elimination of remaining import quotas among WTO member states. Eliminating remaining import and export quotas and licence requirements remains an important step to facilitate China's entry into the WTO and to increase the volume of trade between China and Europe.
5. **Efficient and predictable customs procedures.** These will facilitate close trade links, and will allow international investors to include China in efficient global manufacturing networks. Industry should be closely involved in joint efforts to simplify customs procedures.
6. **Common standards and certification procedures.** These greatly facilitate trade in industrial goods of all kinds. Europe and China should therefore co-operate more closely to harmonise product standards based on the work of ISO and IEC, to eliminate unnecessary duplication of tests and to streamline testing procedures applying the same requirements for product approval to domestic and foreign producers.
7. **Protection of intellectual property rights.** This constitutes an important incentive to produce and market high quality products in new markets. Improved protection of intellectual property rights will particularly stimulate increased production and marketing investments by high-tech companies and lead to a faster rise in the overall technological level.
8. **Government procurement.** Competitive government procurement is an important stimulant to more efficient production and lower government expenditures. Both China and the EU should strive to take advantage of these potential advantages by agreeing on open and competitive procurement by public purchasers.
9. **Efficient services.** In a modern economy, more efficient services are necessary to achieve higher productivity and economic growth. Advanced services available from internationally competitive companies can enhance productivity greatly with limited needs for capital investment. Liberalisation of services is therefore an important component in fostering growth in knowledge-intensive industries, and should be promoted in EU-China relations according to the "eight guiding principles" for China's service offer as suggested by the European Commission in January 1998. These guiding principles for liberalisation of services revolve around the fundamental pillars of
 - (a) transparency and non-discrimination
 - (b) improved market opening, and
 - (c) a sound and neutral regulatory environment to ensure effective access and stability.

10.Promote foreign direct investment. Direct investment supplies a package of not only capital, but more importantly, management and technical skills, which may otherwise not be available. They are therefore an important factor in rising production and productivity. A stable, predictable and non-discriminatory legal and administrative framework, which offers competitive production conditions, is necessary to attract a stable inflow of foreign direct investment. The EU and China should strive to promote a favourable investment climate through a continuous dialogue and through bilateral and multilateral agreements.

For its part, the European Union must intensify its efforts at national and Community levels to make more widely known the opportunities offered by the Chinese market, and prepare companies better to seize them, notably by improving their knowledge of the local culture. This familiarisation must be encouraged from school age onwards and continued in working life.

Conclusion.

UNICE hopes that the above conditions for closer economic co-operation with China will be fully and swiftly implemented in order further to strengthen economic market reforms. UNICE is aware of the significant effort required to accomplish required reforms. It remains ready, in the framework of the enhanced EU-China dialogue, to contribute to initiatives which involve companies.