

11 July 2000

UNICE STATEMENT ON EU-CHINA ECONOMIC RELATIONS

Since China initiated its reform policies, it has emerged as a major economic power in a world characterised by increasing interdependence of economies and globalisation of markets. It has made enormous economic progress over the last twenty years, and has the potential to make equally great strides forward over the coming years, in co-operation with Europe and other parts of the world.

Over the past decade, China has been among the world's fastest growing economies with an average annual growth rate of 7 percent. The World Bank forecasts that it will become one of the top three traders in the world in 2020.

The EU-Chinese economic relationship is of ever-growing importance for European business, with overall trade reaching almost Euro 60 billion in 1998. China is the fourth largest supplier to EU markets with exports of Euro 41.8 billion in 1998 (5.9 percent of total EU imports). It is also one of the largest markets for European exports, with imports from the EU of Euro 17.4 billion in 1998.

With its unprecedented economic development, China has become the second largest recipient of foreign direct investment in the world after the United States. Of the investment flows, the EU represents only a relatively small part which leaves scope for great expansion in the coming years with improvement of the investment framework.

In this context, European business is very pleased that the China-EU agreement on the conditions for China's entry into WTO, which it has strongly supported for years, was finally concluded in Beijing on 19 May 2000. It particularly appreciates the fact that specific EU interests are reflected in this agreement. UNICE considers this agreement a milestone on the road towards:

- deepening of the political and economic relationship between China and the EU;
- further integration of China in the international economy.

Chinese membership of the WTO will boost China's on-going economic and social reforms. It will also enhance the business climate in China through greater predictability, stability and transparency. The central WTO principles of mutual acceptance of the rule of law, a market economy system and the WTO agreements and codes will make it possible for the Chinese and European business communities to take full advantage of the enormous potential for increased trade and investment between Europe and China.

UNICE hopes that China's commitment to transparency, national treatment and non-discrimination, to reducing peak tariffs, non-tariff barriers and to dismantling obstacles to trade in services will be confirmed in China's implementation of the agreement.

UNICE supports the Commission's approach which consists in providing China with technical assistance for implementation of WTO commitments - this assistance covering also partnership and co-operation in capacity-building projects. UNICE also calls for the setting-up of a monitoring mechanism to identify possible difficulties and to determine, at an early stage, appropriate actions to alleviate them and prevent trade disputes from arising.

While the fundamental economic prospects for increased trade and investment between the EU and China are favourable, UNICE stresses in the annex the ten areas of special importance to European business for proper implementation of the WTO regulatory framework and improved conditions for closer economic co-operation with China.

In order to facilitate implementation of the WTO agreements concluded by China with its trading partners, UNICE is keen to strengthen its dialogue with representative Chinese business organisations. Such a dialogue would enable both sides to address issues of common interest and to contribute to building the consensus necessary for launch of a comprehensive new round of WTO negotiations which will benefit China, the EU and the entire world.

IMPLEMENTATION OF CHINA'S WTO COMMITMENTS

TEN EUROPEAN BUSINESS PRIORITIES

- 1. Rule of law.** This is a key element for the successful modernisation of societies world-wide. 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.** The WTO is based on the notion of free trade, where buyers and sellers are 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 and are not compatible with WTO membership.
- 3. Low tariff levels.** The China-EU agreement foresees substantial reductions in tariff levels in China on many products. While tariff reductions may in the short run cause difficulties for individual companies, on a medium and long-term perspective low tariff levels will stimulate trade and increase the efficiency of both the Chinese and European economies, thereby contributing to higher living standards in both China and the EU.
- 4. Elimination of import quotas and licences.** The Uruguay Round, as well as the bilateral agreements enabling China to accede to the WTO, foresee the elimination of remaining import quotas. Eliminating remaining quotas and import licence requirements according to a fixed timetable constitutes an important part of the agreement on China's entry in the WTO and will increase the volume of trade between China and Europe.
- 5. Efficient and predictable customs procedures.** Efficient and predictable customs procedures will facilitate close trade links, and will allow international investors to include China in efficient global manufacturing networks. Industry both in China and in its trading partners should be closely involved in joint efforts to simplify customs procedures.
- 6. Common standards and certification procedures.** Common standards and certification procedures greatly facilitate trade in industrial goods of all kinds. Europe and China should therefore co-operate 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.** The protection of intellectual property rights is 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. As China increases its research-based high-tech production, intellectual property rights will become an increasingly important issue also for Chinese companies.

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 agencies.

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 need for capital investment. Liberalisation of services is therefore an important component in fostering growth in knowledge-intensive industries, and should continue to be promoted in EU - China relations according to the "eight guiding principles" suggested by the European Commission in January 1998 for China's service offer. 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.

Liberalisation implies greater exchange of information and a major role for internet. It is important that progress on this front should not be stifled by excessive restrictions on the internet.

10. Promote foreign direct investment. Foreign direct investment supplies not only capital, but also more importantly, management and technical skills, which are normally not otherwise available. It is 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. China and the EU should strive to promote a favourable investment climate through a continuous dialogue and through bilateral and multilateral agreements.
