

Mr José Manuel Barroso
President
European Commission
rue de la loi 2000
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Brussels, 12 July 2005

THE PRESIDENT

Dear President,

Market Economy Status (MES) for China

In view of your upcoming visit to China, I want on behalf of UNICE to express the hope that you will be able to establish the basis for a strategic partnership with this important country. There are already close and increasing economic links between the EU and China but also tremendous opportunities for increased cooperation. UNICE believes that this cooperation should be developed on sound and fair basis in line with expectations of the two main actors in trade and international investment in the XXI st century.

There is one issue I would however like you to be firm on and this concerns the issue of China's Market Economy Status. While recognising China's significant progress in its transition towards a market economy and China's continuing efforts to pursue its reform process, UNICE does not support moves to grant MES for China at this time. UNICE's position is based on the three following main reasons:

First, for European companies, the rules and practices of a proper functioning of a market economy are still not fully implemented in China. Companies consider in particular that the Chinese government still holds an influence which largely distorts market conditions and companies' decisions. UNICE has identified six priority areas where China should make further progress before MES is granted: financial sector reform, company law and international accounting standards, government intervention in the market, freedom to trade, fiscal instruments providing unfair advantages to Chinese operators, enforcement of basic legal principles in areas of concern to companies (IPR, standardisation or certifications, services).

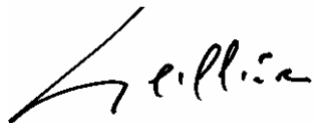
Second, as a recognition of the progress achieved and to support the transition underway in China, the EU Anti-Dumping Regulation already provides for Chinese companies that demonstrate that they operate under market economy conditions to be treated in the same way as their counterparts in other market economies.

Third, the EU decision to grant MES to China should be based on a thorough and impartial assessment of the business environment in China and the fulfilment of the objective conditions that the EU has clearly spelt out for any country to graduate to MES. As we have already mentioned it in the past, if the EU wants to show leadership on the international trade scene, it should adhere to clear trade policy principles in the way it handles its trade policy. Any other approach would send a negative signal to all our trade partners.

At a moment when some EU businesses are hit by Chinese unfair trade practices, UNICE agrees with Commissioner Mandelson's reported comments on MES in the Financial Times of 7 July 2005 which reflect European business assessment. It is, of course, necessary to continue the process of assessing progress against the EU's objective criteria and this is best done through the EU-China Working Group on Market Economy Status.

We count on you, President, to support this position and are at your disposal should you need additional information.

Yours sincerely,



Ernest-Antoine Seillière