



*** Check against delivery ***

21 September 2009

JOINT EVENT BY

BUSINESSEUROPE / EUROPEAN UNION CHAMBER OF COMMERCE IN CHINA (EUCCC) / EU-CHINA BUSINESS ASSOCIATION (EUCBA):

STATE OF EU BUSINESS IN CHINA: TRENDS AND CHALLENGES 2009/2010

BRUSSELS, 22 SEPTEMBER 2009, 15H30-18H00

Opening address by Philippe de Buck, BUSINESSEUROPE Director General

Dear Commissioner Ashton,
Dear President Wuttke of the European Union Chamber of Commerce in China,
Dear Chairman Philips of the EU-China Business Association,
Ladies and Gentlemen,

It has become a very good annual tradition that we welcome in Brussels our friends from the **European Union Chamber of Commerce in China** for the presentation on the state of EU business in China. It is always very interesting and rewarding for us to hear from the business people on the ground their assessment of the conditions for companies in China. I would also like to thank our colleagues from the **EU-China Business Association** who are co-organisers of the event.

Today we are honoured by the presence of **Catherine Ashton**, the EU Trade Commissioner. We highly appreciate the openness and interest of the Trade Commissioner toward the business community on China-related questions. We have seen this for instance during the meeting of the High-Level Economic Dialogue in May and in relation to the Commissioner's very recent visit to China. I very much look forward to discussing today the outcome of those meetings and the best way forward for stronger EU-China ties.

Ladies and Gentlemen,
Be it China or the European Union – we're all facing difficult economic times! The global **financial and economic crisis** has affected us severely. And we are not yet out of the woods.

In our recently published **Economic Outlook** we are predicting a growth rate of just 0.7% in 2010 for the EU. This is of course positive compared to the economic slump of -3,9% for 2009. Emerging economies, especially in Asia, have weathered the global



storm relatively well thus far and export order books of European companies have started to improve again. China's growth rates remain positive, although we have also seen its annual growth rates decline by up to one third.

Improvements in national, European and global confidence indicators suggest that the recession might be drawing to a close. However, it is still too early to give the "all clear". The recovery remains fragile.

BUSINESSEUROPE has been supportive of government **stimulus plans** to cushion some of the negative effects of the crisis. What we have not supported, however, was the fact that some of these plans were applied in a protectionist manner. I am referring here to the '**Buy China**' provisions. Despite Chinese claims that this new policy will not discriminate against foreign companies, the new obligations go far beyond what is required by national legislation. The case of Chinese wind farms has shown that despite recent statements by the Chinese Government intended to reassure foreign investors, the measure continues to be applied in such a way as to discriminate against non-Chinese companies.

This new policy sends a very negative signal. We are deeply concerned that these new provisions could also have a domino effect on protectionism globally. This would undermine China's and the EU's strategy to **fight protectionism internationally**. In addition, this new policy will hinder the timely accession of China to the WTO Government Procurement Agreement.

BUSINESSEUROPE appreciates the Commission's attempts to clarify the new "Buy China" implementation provisions. Commissioner, I am sure that this issue has also been discussed during your visit to China and I am looking forward to hearing your assessment of the situation. European companies need legal certainty about their rights on Chinese procurement markets.

Recently, BUSINESSEUROPE has also undertaken a review of its priorities on China. Although there has been some progress in some areas over the last years, the list of problems has not grown shorter.

There are many areas where EU-China trade relations can be substantially enhanced. Let me focus on a few of them.

First, promote market access and improve investment conditions:

- European companies have a strong interest in expanding their businesses on the Chinese market. Unfortunately they often face **market access** hurdles which effectively hamper their development. Establishing a stable, predictable, reliable and transparent Chinese legal and administrative framework is therefore crucial for fostering investment and smooth business development.
- We also need a workable solution to the problem of **forced technology transfer**. These harmful practices go far beyond the duty of mere certification procedures for foreign products.



- The **services sector** also remains heavily regulated, with burdensome capital and joint venture requirements acting as deterrents to entering the Chinese market.

Second, ensure compliance of international commitments and responsibilities:

- China has been a **WTO member** for about eight years now. This has been very positive and beneficial, both for China and the whole WTO membership. Although China has made encouraging economic reforms, a number of **outstanding issues** need to be addressed, ranging from non-tariff barriers, a lack of transparency or abuse of dominant position particularly in the energy sector. We are furthermore highly worried that a part of China's competitiveness is based on WTO-incompatible subsidy schemes.
- Key traders like the EU and China have to set the example in respecting the rules. This is in particular key to effectively fight protectionism and get the **Doha round** to a successful conclusion!
- Another issue I would like to highlight is **Chinese Compulsory Certification**. This especially burdensome, lengthy, expensive and non-transparent obligation affects a broad range of industries, ranging from electronics to automotive and machinery.

Third, ensure effective enforcement of intellectual property rights:

- The scale of the production of **counterfeit and pirated goods** inside China remains at an alarmingly high level. In 2008, 54% of all counterfeit goods seized at EU borders came from China! We acknowledge that China is currently reviewing some key legislation in this field – which needs to be pursued. China should step up its efforts to ensure the strict and effective enforcement of intellectual property rights.
- In addition, given the global dimension of counterfeiting and piracy, it is important that China and the EU cooperate on this problem bilaterally and at multilateral level.

As a fourth point, encourage adjustment of the Chinese currency to market forces:

- The pegging of the Chinese currency to the US dollar was very instrumental to promote Chinese exports and China as an investment destination. However, it has also contributed to current global **trade and account imbalances** which played a non-negligible role in the ongoing financial crisis.
- A more flexible currency regime is essential for a **rebalancing of the Chinese economy**, reducing its reliance on exports and encouraging domestic demand. Allowing for a further appreciation of the Chinese currency is not only in China's interest but will also contribute to a balanced recovery of the global economy.



Finally, there is a strong need to secure non-discriminatory access to raw materials:

- China is today the world's third largest importer of **raw materials**, a natural consequence of its strong industrial development. We accept this. What we cannot accept, however, is that the free operation of market forces in respect of supply and prices of raw materials and energy is distorted by Chinese governmental measures for the benefit of Chinese producers.
- An increasing resort to **export restrictions or export taxes** has been among the mushrooming practices. This is a very serious problem for Europe's diverse and interdependent industries. The EU and China must find prompt and effective solutions to ensure fair competitive conditions on international markets.

In the opening of my speech I have mentioned the **EU-China High-Level Economic Dialogue**, to which BUSINESSEUROPE attaches great importance. This structured dialogue allows us to jointly elaborate solutions to eliminate numerous obstacles we are still facing in our bilateral trade. Therefore we count on both the EU and China to incorporate in its bilateral work programme all the issues I have highlighted. I am very confident that the Commission is willing to do so. BUSINESSEUROPE will always be happy to support these objectives.

The financial crisis is one of the major current issues, energy and climate change another. I do not want to come to an end without saying something on this. "**Can Copenhagen show a way out?**" will be the title of a high-level conference BUSINESSEUROPE organises on 28 October 2009. We are very happy that a representative of the Chinese business community will also be present among the political and business leaders.

As we speak, all involved parties are working hard to negotiate a successful international climate change agreement in Copenhagen. European companies support action to **combat climate change** and are committed to doing their share. The same applies for Chinese companies which are also active in light of the ambitious measures the Chinese government is implementing in terms of renewable energy and energy efficiency.

For BUSINESSEUROPE, there are four points which are essential for a successful outcome in Copenhagen:

- Mobilise **all major economies** to reduce emissions as soon as possible. We need to find solutions to reduce emissions globally. The EU has already committed itself to binding reductions. Japan has announced the same. But the International Energy Agency predicts that 97% of emission increase between now and 2030 will come from non-OECD countries. Therefore we need emerging economies, and especially China to be a committed partner in reducing emissions as soon as possible.



- Establish a level playing field for industry throughout the world: we must **avoid carbon leakage**, as this will cost growth and jobs locally and will harm the climate globally. Therefore industrial sectors, which manufacture similar products should have comparable emission targets worldwide.
- Strengthen global market mechanisms to reduce emissions: we believe that the so-called **Kyoto mechanisms** (“Clean Development Mechanism” and “Joint Implementation”) must be reformed and strengthened. They are an important first step towards a global carbon market.
- Finally ensure all cost-efficient climate technologies are deployed and developed: a lot of commercially available technologies exist already, in particular **energy efficiency products** for the residential sector. Up to 70% of emission reductions required until 2030 can be met with existing or near-commercial technologies.

Ladies and gentlemen, I look forward to an interesting afternoon with very informative presentations and I hope lively discussions. I thank you for your attention and would now like to pass the floor to Commissioner Ashton.
