

P7_TA(2012)0218

EU and China: unbalanced trade?

European Parliament resolution of 23 May 2012 on EU and China: Unbalanced Trade? (2010/2301(INI))

The European Parliament,

- having regard to Articles 2, 3, 6 and 21 of the Treaty on European Union,
- having regard to Articles 153, 191, 207 and 218 of the Treaty on the Functioning of the European Union,
- having regard to Articles 12, 21, 28, 29, 31 and 32 of the Charter of Fundamental Rights of the European Union,
- having regard to the Protocol on the Accession of the People's Republic of China to the World Trade Organization of 23 November 2001,
- having regard to its resolution of 5 February 2009¹, and the report by its External Policies Directorate-General of July 2011, on trade and economic relations with China,
- having regard to the joint statement on the occasion of the 13th EU-China Summit held in Brussels on 6 October 2010,
- having regard to the Commission Communication entitled 'Trade, Growth and World Affairs – Trade Policy as a core component of the EU's 2020 strategy' (COM(2010)0612) and the European Parliament resolution of 27 September 2011 on a new trade policy for Europe under the Europe 2020 strategy²,
- having regard to its resolution of 19 February 2008 on the EU's strategy to deliver market access for European companies³,
- having regard to Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community and the Commission Communication of 6 December 2006 entitled 'Global Europe: Europe's trade defence instruments in a changing global economy',
- having regard to the Commission Communication entitled 'A Single Market for Intellectual Property Rights' of 24 May 2011, the proposal for a regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights (COM(2011)0285), the Commission report of 14 July 2011 on EU customs enforcement of intellectual property rights and the European Parliament resolution of 18 December 2008 on the impact of counterfeiting on international trade ,
- having regard to the WTO report of 5 July 2011 on China's export measures on various raw

¹ OJ C 67 E, 18.3.2010, p. 132.

² Texts adopted, P7_TA(2011)0412.

³ OJ C 184 E, 6.8.2009, p. 16.

- materials and the European Parliament resolution of 13 September 2011 on an effective raw materials strategy for Europe¹,
- having regard to its resolution of 13 December 2011 on trade and investment barriers²,
 - having regard to its resolution of 6 April 2011 on the future European international investment policy³,
 - having regard to its resolutions of 25 November 2010 on corporate social responsibility in international trade agreements⁴, on human rights and social and environmental standards in international trade agreements⁵ and on international trade policy in the context of climate change imperatives⁶,
 - having regard to its resolution of 24 April 2008 entitled ‘Towards a reform of the World Trade Organization’⁷ and its resolution of 14 September 2011 on the state of play of the negotiations on the Doha Development Agenda⁸,
 - having regard to the Commission Communication to the Council and the European Parliament entitled ‘EU – China: Closer partners, growing responsibilities’ (COM(2006)0631) and its accompanying policy paper ‘Competition and Partnership – A policy for EU-China trade and investment’ (COM(2006)0632),
 - having regard to its resolution of 5 February 2009 on enhancing the role of European SMEs in international trade⁹,
 - having regard to the European Council conclusions of 23 October 2011, and the final declaration of the G20 Summit in Cannes on 4 November 2011 entitled ‘Building our common future: renewed collective action for the benefit of all’,
 - having regard to the Chinese Government’s White Paper of 23 December 2010 on China-Africa economic and trade cooperation,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade and the opinions of the Committee on Development, the Committee on Employment and Social Affairs, the Committee on Industry, Research and Energy and the Committee on the Internal Market and Consumer Protection (A7-0141/2012),
- A. whereas China joined the WTO in 2001 and has subsequently become the world’s leading exporter of goods, accounting for 10,36 % of exports in 2010 and the world’s second largest economic power;

¹ Texts adopted, P7_TA(2011)0364.

² Texts adopted, P7_TA(2011)0565.

³ Texts adopted, P7_TA(2011)0141.

⁴ OJ C 99 E, 3.4.2012, p. 101.

⁵ OJ C 99 E, 3.4.2012, p. 31.

⁶ OJ C 99 E, 3.4.2012, p. 94.

⁷ OJ C 259 E, 29.10.2009, p. 77.

⁸ Texts adopted, P7_TA(2011)0380.

⁹ OJ C 67 E, 18.3.2010, p. 101.

- B. whereas the EU is the top destination for Chinese exports, which rose by 39,5 % between 2009 and 2010, and whereas China is the EU's second-largest trading partner;
- C. whereas the EU has replaced Japan as China's largest source of import; whereas growing Chinese imports have been crucial for the recent economic performance of export-oriented EU member states like Germany;
- D. whereas the increased development of its economy and its accession to the WTO entail not only substantial benefits but also a greater responsibility for China to play a full and positive role in the global economic order, in particular in the International Monetary Fund (IMF) and the World Bank Group;
- E. Whereas bilateral trade relations have developed considerably since the signature of the EU-China cooperation agreement in 1985, and it is therefore essential that this agreement is brought into line with the current economic situation; whereas the European Commission adopted its major policy strategy on China in 2006 and, under this framework, entered in January 2007 into negotiations on a comprehensive Partnership and Cooperation Agreement with the aim to further improve relations between the EU and China in the fields of trade and investment;
- F. whereas trade between EU and China has been growing rapidly and continuously in the last three decades, reaching a peak amount of total trade of EUR 395 billion in 2010, and whereas the imbalance in bilateral trade has been in China's favour since 1997, this trade deficit amounted to EUR 168,8 billion in 2010 compared to EUR 49 billion in 2000; while the value added to Chinese exports is very limited once the value of components imported from the EU and elsewhere is discounted; whereas foreign companies established in China account for nearly 85 % of all export trade deriving from assembly operations;
- G. whereas foreign investment by the EU in China in 2010 amounted to EUR 4,9 billion and foreign investment by China in the EU in the same year amounted to EUR 0,9 billion;
- H. whereas the divergent social, economic, and democratic models in China and in the EU, as well as their respective demographics and natural resources, play a large role in the trade imbalances between the two regions;
- I. whereas the challenge posed by China is more industrial than commercial, and requires Europe to implement an ambitious Europe-wide industrial policy, given that purely national approaches do not permit a cohesive Community approach towards China;
- J. whereas the shift of production of numerous consumer goods to China has eliminated many jobs in the European Union; whereas this shift was also accompanied by drastic price reductions which made many of these consumer goods affordable for European Union low-income households, and has contributed to a relatively low inflation environment;
- K. whereas the participants of the last United Nations Climate Change Conference in Durban did not reach a binding agreement, and whereas the commitments made by some countries to reduce their greenhouse gas emissions are not sufficient, given the urgency to limit the increase in temperatures to two degrees during the 21st century if the climate change agenda is to be met;
- L. whereas economic growth in Europe is estimated to be much weaker than the growth in

China, which is expected to reach around 9 % in 2012;

- M. whereas the type of internal economic imbalances that are affecting the European economies are growing in the Chinese economy as well, not least in the real estate sector, as exemplified by the recent housing bubble;
- N. Whereas the impact of the EU Common Commercial Policy is sometimes undermined by the diverging national interests pursued by Member States towards China;
- O. whereas the social costs of the current economic crisis are high; whereas the employment rate in the EU has dropped by 1,8 % and, consequently, 9,6 % of the economically active population (23 million people) are unemployed, the youth unemployment rate is 21 %, prospects for employment levels to recover remain uncertain and 17 % of EU citizens risk falling into poverty;
- P. whereas China, having acceded to the WTO in 2001, should respect WTO rules by liberalising its trade and opening its market; whereas so far its efforts in this regard have not been satisfactory by any means;
- Q. whereas China's accession to the Agreement on Government Procurement (GPA) should be eased through a broadening of the scope of the GPA's rules by means of a revision, as agreed at the last WTO Ministerial Conference on 15 December 2011;
- R. whereas the efforts of European enterprises to access the Chinese market are hindered by the Chinese Government's interventionist industrial policies, the inadequate protection of intellectual property, a system of rules that is as ambiguous in substance as in its application, and by other non-tariff and technical barriers to trade;
- S. whereas the undervaluation of the yuan continues to create artificial trade advantages for China, and whereas G20 member countries have promised to facilitate greater exchange rate flexibility;
- T. whereas in 2010, over 103 million items of goods, valued in total to EUR 1,11 billion, were seized at the EU's external borders on suspicion of infringing intellectual property rights (IPR); whereas China is the country of origin for 85 % of these goods; whereas an important feature of intellectual property protection is the correct enforcement of existing laws and international commitments, including statutes on penalties; whereas such goods are frequently produced in facilities that also produce legitimately labelled goods, and are often produced in disregard of both labour law and health and safety requirements and thus pose a danger to consumers and, in the case of chemicals, to the wider environment;
- U. whereas China, in accordance with its 12th five-year plan, some goals of which are similar to goals presented in the EU 2020 Strategy, is to develop the strategic sectors of energy, construction and transport, and will have major needs in the service sector; whereas this could provide new investment opportunities for European businesses and for enhanced co-operation;

Improving market access

1. Calls on the Commission to apply the principle of reciprocity to the EU's common trade policy with developed and emerging countries such as China, in order to restore fair

competition and to ensure a more level playing field.

2. Welcomes the strengthening of economic relations between the European Union and China; calls on the EU and on China to pursue a relationship of partnership and mutual benefits rather than engage in fierce competition and confrontation;
3. Notes that the Chinese economy does not fulfil the criteria of a market economy as defined by the WTO; calls on the Commission to cooperate with the Chinese Government in order to eliminate all remaining obstacles by 2016, when market economy status is supposed to be granted China by the WTO; emphasises that this status should only be accorded prior to this date if China has fulfilled all criteria; asks the EU to carry out regular assessments in the form of annual reports on China's compliance with the obligations included in its protocol on accession to the WTO;
4. While recognising that the objective conditions for China qualifying for market economy status are unlikely to be met in the near future, calls on the Commission to submit, by the end of 2012, a proposal to the European Parliament on the measures to be taken by the Commission before such status is recognised by the EU;
5. Regrets the existence of numerous tariff and non-tariff barriers to the Chinese market, such as certain forms of discrimination against foreign operators, particularly in the banking, insurance and telecommunications sectors, and the complexity of the tariff structure and technical barriers to trade, such as the lack of transparency in technical rules and conformity assessment procedures as well as in the Chinese Compulsory Certification System (CCC); regrets that China, contrary to the provisions of the WTO Agreement on Subsidies and Countervailing Measures (ASCM), does not systematically give notification of specific subsidies;
6. Points out that China has established very considerable trade advantages for itself in relation to the EU through targeted state subsidies, using a great variety of legal constructs; urges China to bring its state subsidy programmes into line with relevant WTO law; further calls on the Commission to reform the anti-subsidy regulation in order for the EU to be able to respond effectively to the considerable challenges presented by China;
7. Notes that China deplores the existence of trade barriers to the European market, such as the EU's significant agricultural subsidies for European farmers, the complex system of agricultural tariffs, the technical obstacles to trade and the barriers erected to block third country investments in certain Member States;
8. Is concerned by the unreliability of the judicial system, which fails to enforce contractual obligations, and by the lack of transparency and uniformity in applying the regulatory regime governing investments;
9. Is concerned by the lack of predictability and publicity in connection with the technical rules and standards applicable to products, particularly in relation to certification, creating significant trade barriers for businesses exporting to China;
10. Calls on China to adopt international standards for products and services so as to promote increased trade between China and other countries; welcomes the fact that China is increasing its involvement in international standard-setting bodies, and believes that it must be encouraged to do so through reciprocated EU involvement in the bodies which lay down

Chinese standards; stresses the importance of compliance by Chinese imports with European standards for food and non-food products;

11. Is concerned by the fact that foreign businesses face difficulties in accessing Chinese public procurement, which stands in contrast to the fact that access to European public procurement is guaranteed; is concerned by the possibly unfair terms of competition that apply whereby, in particular, disguised state aid allows Chinese businesses to make markedly better offers than their European competitors; welcomes the revision – and broadened scope – of the Agreement on Government Procurement (GPA) that was agreed on during the last WTO Ministerial Conference on 15 December 2011, and the commitments made by China on that occasion, even though they are still insufficient; encourages, therefore, China to offer to join the agreement on terms comparable with those of other parties to the Agreement, in line with its commitment in its protocol on accession to the WTO; calls on the Commission rapidly to develop, if possible in 2012, a European instrument to ensure reciprocity as regards openness in public procurement markets; considers that it is also crucial to reinforce instruments aimed at encouraging, coordinating and supporting market access for European SMEs on priority markets such as China;
12. Notes that the export credits granted by the Chinese authorities and banks promote trade distortions; calls on China, therefore, to comply with the OECD Arrangement on Guidelines for Officially Supported Export Credits; calls on the Commission to support OECD efforts to involve China in this Arrangement; in addition, encourages China to become a signatory to the OECD Anti-Bribery Convention;
13. Points out that the main form in which foreign companies are allowed to set up in China is through joint ventures – a mechanism which is very restrictive and too often associated with strategic technology transfers that may favour the competitive development of China to the detriment of European industry in fields in which the EU is at the forefront; is convinced that further openness by China on the joint venture mechanism, combined with better protection of intellectual property rights (IPR), would benefit both sides, and would favour greater access for European businesses to the Chinese market;
14. Calls on the EU, in the event of China engaging in illegal trade practices, to make wherever use necessary of such trade defence instruments as are consistent with WTO rules, such as anti-dumping, anti-subsidy and safeguard measures, and to also make greater use of the WTO dispute settlement mechanism in order to ensure a level playing field for EU-China trade; is concerned by China's increasing use of anti-dumping measures targeting EU exports as well as price dumping measures and state subsidies; invites, therefore, China to ensure that its anti-dumping measures are consistent with WTO rules;

Defending the interests of European industry

15. Deplores the inadequate protection of IPR in China, and regrets the lack of specific means available to European businesses, and particularly SMEs, to counter IPR infringements effectively; welcomes the Commission's decision to propose a review of the directive on the enforcement of IPR; calls on the Commission and Member States to defend IPR better in all multilateral organisations where China is a member (the WTO, the World Health Organisation (WHO) and the World Intellectual Property Organisation (WIPO)); wants China to continue to transpose into its national legislation current international law on the protection of IPR and, more specifically, to combat counterfeiting and piracy, and urges the Chinese authorities to ensure enforcement, especially at a regional level; regrets that China

has not taken part in the negotiations on the Anti-Counterfeiting Trade Agreement (ACTA); urges the Commission and the Member States to step up customs cooperation in the EU and with third countries, particularly with China, on the seizure of counterfeit goods, and to simplify customs procedures; asks the Commission and the Member States to cooperate more closely with third countries on copyright issues and licensing;

16. Is convinced that better protection of intellectual property rights and effective implementation of related rules in China would greatly promote the EU's and other foreign investors' objective of investing, sharing new technological capabilities and updating existing technologies in that country;
17. Notes that China produces 97 % of the rare earths used in the world and calls on it to guarantee its trading partners sustainable production methods and fair market access; calls on the Commission to pay particular attention to any potential restrictions by China on the export of its raw materials; recalls in this context the WTO ruling against China of 5 July 2011, upheld on appeal, for having placed restrictions on the export of certain raw materials; calls on the Commission to develop a European strategy for the proper management of raw materials, involving increased energy efficiency, recycling, more efficient use of resources and the development of industrial cooperation in the green economy growth and innovation sectors; calls for negotiations aimed at adopting common rules and principles on trade in raw materials, thereby creating a framework for the use of export restrictions at the WTO as well at the G20, as this issue mainly concerns industrialised countries and China;
18. Urges the Commission to negotiate an ambitious and balanced EU-China investment agreement that seeks to create better environment for EU investors in China, and to guarantee transparency regarding governance of Chinese companies which invest within the EU whilst increasing the level of reciprocal capital flows; calls on the Council to elaborate its mandate for a future investment agreement with China, taking fully into account Parliament's views and positions, as set out in the resolution of 6 April 2011 on the future European international investment policy;
19. Welcomes the inauguration of the EU Centre for European Union Small and Medium Enterprises (EU SME Centre) in Beijing in November 2010, which opened its door to SMEs in March 2011 and which provides competences on helping European SMEs to overcome the challenges they face when operating on the Chinese market, in particular at their early stages of business development; welcomes also that the Centre seeks areas of opportunities for EU SMEs in China and helps them with the Chinese regulatory environment;
20. Stresses the importance of business-to-business cooperation, and the setting up of partnerships between Chinese universities and EU companies, in order to enhance innovation in China; calls on the advantages offered by the EU Market Access Database which contains information for EU businesses on market access conditions, such as import tariffs, product requirements, trade barriers, formalities and documents and statistics; welcomes the activity of the European Chamber of Commerce in China;
21. Believes that the setting up, by the Commission, of a mechanism for exchanging information on intergovernmental agreements between Member States and third countries in the field of trade with China will facilitate a coherent approach to China;

Alleviating currency competition

22. Points out that China holds sovereign debt of Member States in the eurozone; stresses that this fact has taken on a new political dimension as a result of the serious debt problems within the eurozone; calls on the Commission to start discussions with the European Central Bank (ECB) and Member States on the creation of a coordinated system to identify which parties hold sovereign debt; is concerned that the EU's negotiating capabilities in trade negotiations with China are being undermined by the latter's contribution to the financial stabilisation of the eurozone;
23. Emphasises that the alleged undervaluation and non-convertibility of the yuan might give Chinese exports an unfair competitive advantage, as China holds one-third of the world's foreign exchange reserves; calls for the international financial regulations applicable to – and the macroeconomic coordination between – G20 countries to be strengthened, as economic stability and global trade would otherwise be at risk; calls on China to allow the yuan to appreciate to reach an appropriate exchange rate; points out that it is laid down in the European Treaties that the EU can, in the case of unsustainable global monetary imbalances, adopt an exchange rate policy;
24. Calls on the Commission to encourage China to liberalise its current accounts; calls on the Commission to present evidence on how the fixed exchange rate regime damages EU competitiveness and, having done that, to consider appropriate priorities for action;

Towards a new institutional framework for EU-China trade relations

25. Calls on the Member States, using appropriate monitoring mechanisms, to ensure that foreign enterprises operating in the EU respect all legislation in force in the Single Market, including social and environmental standards, ensure the protection of patents and contribute to efforts promoting the sustainability of employment when they purchase European businesses or set up subsidiaries in the EU; asks the Commission and Member States to set up a body entrusted with the ex ante evaluation of foreign strategic investment, along the lines of the Committee on Foreign Investment in the United States (CFIUS), in order to obtain a clear picture of businesses operating and investing in the territory of the EU, and to report to the parliament on a regular basis;
26. Calls on the EU to act within all appropriate international organisations, such as the WHO, the International Labour Organization (ILO) and the United Nations (UN), in order to initiate a process of reform geared at including binding social, environmental and health standards into the rules on the organisation of trade governed by the WTO;
27. Deplores the fragmented and uncoordinated institutional framework of the EU-China trade relations; calls on the Commission urgently to revise the bilateral relations organisational chart, to pursue better coordination and to eliminate the redundancies at the level of the countless working groups, dialogues and other formal – and informal – bodies active in this area; calls on the Member States, individual regions and municipalities to coordinate better their own China policies, and to take urgent steps towards reaching an operational consensus that further common EU objectives;
28. Asks the EU to develop a strategy to avoid compulsory technology transfers; seeks, in this respect, the rapid conclusion of the enhanced cooperation procedure for the Community Patent;

29. Demands strict compliance with European rules and standards for all goods in circulation on the internal market, and calls on the Commission promptly to propose a scenario in line with WTO rules for the gradual introduction of a trade conditionality mechanism and/or a set of border adjustment measures for goods originating in third countries that do not comply with these standards;

Assessing China's global role

30. Emphasises China's growing influence in the theatre of international trade; calls on the EU, therefore, to remain vigilant concerning the political, economic, social and environmental impact of increasing Chinese investment in developing countries, particularly in Africa and Latin America;
31. Reaffirms the need for Chinese investments in Latin America and Africa, particularly in Special Economic Zones (SEZ), to contribute to the economic development of the countries concerned, and to the development of local production chains through the use of local labour;
32. Is concerned that some European companies invest in China mainly because of the low cost of production caused by lower social, environmental and human rights standards; strongly recommends that the Commission and the Member States promote effective corporate social responsibility (CSR) practices by European companies in China, and encourage the dissemination and publicity of best practices of CSR initiatives; furthermore, requests that the Commission assesses how CSR provisions could be included in the future EU-China investment agreement;
33. Considers that seeing Chinese engagement in developing countries as unfair competition, and pursuing a conflictual, response will be unproductive for , above all, the developing countries themselves; emphasises that, in the best interests of developing countries as well as of broader global competition and growth, EU enterprises and actors seeking to compete with China in trade and economic relations with developing countries should work to present offers that are the most attractive in terms of long-term sustainability and benefit, including environmental, social, human rights and governance aspects;
34. Draws attention to the fact that China is the world's largest emitter of greenhouse gases; calls on the EU to propose within international organisations that ecological aspects and climate change targets should be included in discussions relating to international trade; considers that China's economic strength and its capacity to foster technological innovation should be used in support of the global fight against climate change;
35. Considers that the efforts made by the Chinese authorities concerning certain basic rights in China, particularly social and labour rights, do not go far enough; encourages, therefore, the EU and China to develop a closer and more responsible strategic dialogue based on mutual understanding;

Reinforcing the EU to cope with global competition

36. Calls on the EU to develop an ambitious common industrial policy based on research and innovation that benefits from innovative financing arrangements such as project bonds and that supports the development of SMEs, particularly via access to public procurement, in order to maintain its competitiveness vis-à-vis new major players in industry and research;

calls on the EU to enhance the value of European production by providing better quality information to consumers, particularly through the adoption of the regulation on origin marking ('made-in') of products imported into the EU.

37. Urges the EU to strengthen its economic, budgetary, fiscal and political governance to give it a credible and weighty voice on the international stage; calls on the Council and the Commission to speak with one voice in order to prevent partnerships and bilateral agreements weakening the EU position; urges the Commission to cooperate closely with Member states when defining their commercial policies and their policies towards China; demands that the EU implements a long-term strategy with regard to China, ensuring the operational coordination both between the EU institutions and between the EU and the Member States;
38. Emphasises the need to adopt a balanced approach towards China; calls on the Commission and Member States to build up extensive cooperation with China in areas of joint research such as product safety and human health, and to establish further scientific, technological and cultural exchanges;
39. Many trade issues with China concern regulatory quality and implementation in various areas of policy, including industrial policy, environmental policy, crisis measures, financial stability and consumer protection; calls for such cases to be resolved through increased bilateral co-operation or dispute settlement in the WTO;

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40. Instructs its President to forward this resolution to the Council and the Commission.