

EU STATEMENT
Fourth Trade Policy Review of China
12 and 14 June 2012

Thank you, Mr. Chairman,

I would first like to extend a warm welcome to the delegation of China, led by Assistant Minister, H.E. Mr. Yu. Allow me also to thank the WTO Secretariat and the Government of China for their comprehensive reports and the discussant, H.E. Mr. Steffen Smidt (Denmark), for his valuable remarks that contributed to today's review.

Mr. Chairman,

This is the fourth multilateral review of China since joining the WTO more than 10 years ago. Being part of the multilateral rules-based trading system has contributed greatly to China's development, including to its transformation from an emerging economy to the global economic power it has become today: China is the world's largest export nation, and is expected to become the world's largest national economy in the next 5 to 10 years.

However, important challenges remain, and China must now take the next step: increase its internal consumption, rely less on exports, and open its economy more, especially to services and foreign investment. Judging from China's 12th Five year Plan, China's government is fully aware of this need to accelerate the rebalancing of its economy. The EU therefore very much hopes that China's leaders will engage in a second wave of sweeping reforms in services and investment that will pave the way to continue the country's growth trajectory also in the second decade after its WTO accession.

For the EU, China is our second trade partner, and our economies are growing more interdependent by the day. The EU and China are important partners also in the WTO, actively seeking solutions for the current impasse of the DDA negotiations. In this context, the EU would like to particularly acknowledge China's constructive role in the on-going trade facilitation negotiations and encourage it to be even more involved to make sure we take full advantage of the development gains of these negotiations.

Mr. Chairman,

Having made these more general observations, I would like now to draw attention to our analysis of the Secretariat's Report. The EU regrets to note that,

despite some incremental progress in certain sectors, most of our concerns highlighted during the last review in 2010 are still pertinent today – and some have even become more acute.

Our main concern is related to lack of transparency, which makes China's trade and investment policies – in the words of Secretariat's report – "opaque and complex". While we acknowledge China's efforts, including its increased use of public consultations, more needs to be done still to make key WTO principles like transparency and non-discrimination a norm in China's legislative system. In this respect we would like to recall that China committed upon accession to make all laws, regulations and other measures pertaining to or affecting trade in goods or services available in one or more WTO languages. However, more than 10 years after accession this remains the exception. Undertaking efforts to uphold this translation commitment would greatly contribute towards closing this transparency gap.

We also call upon China to honour its notification commitments in particular in the area of subsidies. Subsidies and other assistance by the Chinese government can lead to a distortion of international competition and are an increasing source of friction. We share the explicit concern expressed in the Secretariat's report regarding the lack of information provided by Chinese authorities on its subsidies. The EU stands ready to help China and engage in an exchange of practices, but we would like to again underscore the need to work towards full cooperation and transparency. We also share the remark in the Secretariat report's that "despite all the reforms, state-owned enterprises still tend to benefit from lower cost of and better access to capital than non-public-sector enterprises". We therefore urge China to increase its efforts to ensure a level playing field amongst market operators, regardless of their ownership structure or origin.

In the same vein, the level playing field concerning export financing for foreign companies competing with Chinese players – very often state owned or state controlled - both in China, in third markets, and in Europe must be preserved. Also here, more transparency would be an important first step towards agreeing a set of international guidelines.

Mr Chairman,

Many comments that the EU and other Members are raising today also relate to domestic behind the border measures. Despite the impressive progress China has made, significant challenges remain for foreign operators to realise the benefits of many of the commitments that China has *de jure* implemented.

For instance, too often China's technical requirements diverge from international standards or add specific and cumbersome procedures. The report notes that only 46% of the more than 20 000 national standards in force in China are adopted from international or advanced foreign standards. Furthermore, in some areas, the participation of foreign and foreign-invested companies to standard-setting work is still restricted. The EU therefore encourages China to increase the number of national standards fully aligned to international standards and ensure the broader involvement of foreign companies in standardization. China should also take steps to simplify its conformity assessment and regulatory approval procedures, which are often unnecessarily burdensome and lengthy compared to the international norm. The China Compulsory Certification scheme (CCC) remains a major obstacle to foreign firms due to its "one-size fits all" approach.

The Secretariat's report notes that China has adopted a few measures to facilitate the foreign investment and we encourage it to continue to do so. However, restrictions in the so-called investment catalogue continue to limit the access of foreign companies to key sectors of the economy, while high capital requirements, branching restrictions, or cumbersome or non-transparent licensing requirements reduce or effectively prevent market access in several services sectors.

Despite significant efforts, IPR infringement in China—including violations of copyrights, trademarks, patents, and trade secrets—remains a central area of EU's concern. There are also difficulties in prosecuting criminal and civil IPR cases. Forced technology transfer also remains an outstanding issue. The EU continues to encourage China to create a truly innovation-conducive environment in which its IPR enforcement regime is duly enhanced, at all levels of government.

In government procurement, particular concerns over the review period have been China's so-called 'indigenous innovation' scheme and the 'Buy Chinese' provisions, recently reiterated by the Chinese Ministry of Finance – measures that run counter to what is expected from a country that is formally engaged in GPA accession negotiations. The EU remains convinced that China's accession to the GPA would indeed constitute a "win-win" outcome for all concerned and thus encourages China to submit an improved GPA market access offer soon. We welcome the recent suspension of legislation linking public procurement to indigenous innovation policy and keenly await this legislative change taking effect on the ground.

While we acknowledge China's true commitment to resist protectionism during the global economic crisis, its export restrictions, such as duties and quotas, are

an exception. These trade restricting measures, especially on raw materials, have also been reflected in the recent G20 report on trade and investment measures. As all countries are interdependent and relying on the free supply of raw materials the EU invites China to eliminate its export restrictions.

Finally, the EU would like to seize the opportunity of this Trade Policy Review to convey a clear message on the need to preserve and uphold the rights of all WTO members and operators alike. Observing this principle includes for instance refraining from pressurising foreign companies against participating in TDI proceedings. It also means for all Members to use transparency exercises like the TPR here today to express respectful but factual critique as a normal part of the deliberations.

Mr. Chairman,

DG Lamy, in his statement made in December 2011 marking China's 10th years of WTO Membership, stated: "China has been and should remain important for the WTO. The WTO has been and should remain important for China." Indeed, China has greatly benefitted from joining the multilateral trading system. As a result, it shoulders a great responsibility to other countries, particularly developing ones, to comply fully with international rules. With its acquired size and clout, it should lead by example.

I thank you and the delegation of China for your kind attention. On behalf of the EU, I wish China a successful review.
