

EU statement on 5th Trade Policy Review of China, 01/07/14

Statement by Ambassador Angelos Pangratis on behalf of the European Union

I would first like to extend a warm welcome to the delegation of China, led by Minister WANG Shouwen. Allow me also to thank the WTO Secretariat and the Government of China, Ambassador Yu and his team and for their good work on their reports and the discussant, Ambassador. Mr. Joakim Reiter, for his introductory remarks to today's review.

China is a key player in the multilateral trading system. Often China is the most important trade partner for the Members gathered today, which means that China's actions have a direct impact on our economic growth and on our citizens' lives. For the EU, China is the second biggest trading partner, and in fact the first source of its imports.

Mme Chair, China's own experience as a WTO Member could be considered the best advertisement for economic opening in a rules-based multilateral framework. China's ascent to becoming the world's largest trader has brought with it astonishing results in terms of growth, and development. But reaping benefits from the multilateral trading system, brings with it increased responsibilities towards the WTO and its Members.

China states in its report, I quote, "to have fully honoured its extensive commitments of the WTO accession." However, from, the EU's point of view, there is still much room for improvement as concerns China's obligation. Let me start with Transparency:

Transparency on Members' policies is essential for the good functioning of the WTO and for the TPR we are just participating in. In its Accession Protocol, China committed to publish in a single official journal all laws, regulations and other measures both at central and sub central level pertaining to or affecting trade in goods, services, IPR or foreign exchange control. However, in several parts of its report, the Secretariat has raised concerns about its inability to conduct the review because China either had not published relevant trade-related measures or had not made translations of them available in one or more WTO languages. The fact that the Secretariat has not been able to obtain key documents is striking. The EU considers that this key Accession commitment has not been fulfilled and recommends that China promptly remedies this situation. It is also important that China takes all measures to ensure that stakeholders are consulted on new policy or draft legislation, in conformity with China's commitments, with sufficient time for them to react.

Notifications are also a key element of transparency among WTO members. The EU calls on China to promptly improve its record. Worth



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stressing that the Secretariat highlights deficiencies in the notification of subsidies and considers the system of operation and of provision of incentives for the State-Owned Enterprises as very unclear. Given the important role the government plays in the Chinese economy, the need for China to comply with its obligations is all the greater. Gaps are also reported in the SPS and TBT fields.

Consistent implementation of legislation at all levels would certainly be improved if there was more transparency at all levels. Economic actors report a recurrent problem which consists in legislation being implemented in an inconsistent or contradictory manner at the local, provincial or national level. In this regard, let me take the example of the SPS area. The fragmentation of the responsibilities among the several agencies that are in charge, the lack of updated and transparent information on temporary bans that are applied to importers without any notification and the lack of science-based evidence for certain measures that are imposed are all elements that constitute serious barriers to trade.

Regarding of the business climate, the EU considers that several elements would improve the situation:

First, easier access to the judicial system is needed for foreign operators as well as enhanced independence of the judicial system. Obviously, the quality and independence of the judicial system, both at central and local level, is of critical importance to all operators and would also benefit Chinese businessmen.

Second, competition enforcement, if applied equally to all entities, would help achieve a level playing field among the private and state-owned entities.

Regarding Foreign Direct Investment, market opening and the removal of the discriminatory barriers that still apply to a good number of economic activities would help China to attract more FDI. The EU looks forward to more ambitious opening on investment and services in the Shanghai Free Trade Zone and generally more opening across the country.

FDI attraction is also contingent upon adequate protection of Intellectual Property Rights. This is true in particular but not solely in the field of new technologies which are important for the sustainable development model that China wishes to promote. In this regard, the EU commends the ongoing efforts carried out by China but considers that there are still significant obstacles that impede trade and investment, in particular the issue of forced technology transfer and inadequate protection of trade secrets.

Madame Chair, the EU in its advanced questions has addressed all the issues I have just mentioned. Of course the EU is fully aware of the real development challenges that China is facing and which are well described in the Government report. The EU commends China for its determination to carry out challenging reforms, and encourages China to continue its economic opening, promoting transparency, and sustainability of its economic development.

China is a genuine supporter of the multilateral trading system and the EU trusts that China will positively contribute to the adoption of the post Bali work programme. In this regard, we welcome China's recent notification of its Category A commitments under the TFA. We also note that, regarding ITA, China states in its report that "it is willing to jointly work with other parties to push the negotiation towards the right direction, with a view to finding a solution and reaching an agreement at an early date". The EU hopes that such commitment will translate soon into a Chinese constructive attitude which would pave the way to a positive outcome of this important negotiation. The EU is ready to work with China and other partners on a strong and balanced result of these important multilateral and plurilateral processes.

On behalf of the EU, I wish China a successful 5th Trade Policy Review.

