

Competition and Partnership

A policy for EU-China trade and investment

Executive Summary

24 October 2006

China is the single most important challenge for EU trade policy. EU-China trade has increased dramatically in the past few years, doubling between 2000 and 2005. Europe is China's largest export market; China is Europe's largest source of imports. This trade policy paper addresses the economic and competitive challenges that flow from this change and the responses the EU should adopt in the area of trade and investment. It is part of the broader partnership with China and the approach set out by the Commission in its Communication on relations with China: "*Closer Partners, Growing Responsibilities*".

The EU's open market has been a large contributor to China's export-led growth. The EU has also benefited from the growth of the Chinese market: EU exports to China have more than doubled in the past five years. Competitively priced Chinese products have helped keep inflation and interest rates in Europe lower. European companies have gained from their investments in China. But competition from China has raised serious challenges for Europe in some important manufacturing sectors.

If we strike the right balance, there is ample scope for a continued mutually beneficial trade partnership between Europe and China. Political leaders on both sides should continue to argue for open economic engagement. Europe should continue to offer open and fair access to China's exports and to adjust to the competitive challenge, while pursuing policies to support those bearing the burden of economic adjustment at home. China itself should reciprocate by strengthening its commitment to economic openness and market reform. It should strengthen legal protection for foreign companies and the enforcement of this protection and reject anti-competitive trading practices and policies.

In pursuing this relationship the European Commission will strongly defend openness in European trade with China. But it will also seek to ensure that China meets its WTO obligations and continues to liberalise access to its goods, services, investment and public procurement markets. It will seek the end of forced technology transfers for European investors and imposed export requirements. The EU will seek tougher protection of the legal rights of EU companies, especially in the area of intellectual property and urge China to end the unfair subsidisation or protection of strategic industries. It will seek to ensure that these issues are taken forward within the overall process of dialogue and co-operation between Europe and China and are clearly and comprehensively covered in the new Partnership and Cooperation Agreement including the updating of the 1985 Trade and Co-operation Agreement. To assist European businesses in China, the Commission will oversee the establishment of new commercial resources in China and Europe to support European business and promote language learning.