

## **EU and China make progress on new High Level Trade Mechanism - Beijing, 25 February 2008**

**In a series of meetings over the weekend in Beijing, EU Trade Commissioner Peter Mandelson and new Chinese Minister of Commerce Mr. Chen Deming made progress on the establishment of the new EU-China High Level Economic and Trade Mechanism. They exchanged views on how the mechanism should work, with a goal of launching it in April of this year. They also discussed a number of issues in EU-China trade, as well as the current status of global trade talks.**

Speaking following his meetings with Minister Chen, Commissioner Mandelson said: "We have laid the foundations for a constructive and strong personal relationship, and provided the basis to advance a positive EU-China trade agenda. The High Level Mechanism is not a quick-fix – it will map out the long term strategic direction of our economic and trade relationship, and help smooth out issues we encounter along the way."

During the meetings, Mandelson and Chen exchanged views on how the mechanism should work. Discussions revolved around three key questions - what should be included in the agenda, how the mechanism will help arbitrate disagreements, and what the timescale would be for first results. Mandelson and Chen tasked their respective services with taking the preparations forward in a businesslike and brisk manner in order to create a work programme, with the prospect of a launch of the mechanism in April.

Mandelson is in Beijing until Tuesday. Aside from the meetings with Minister Chen, he will meet with Mr Lou Jiwei, Chairman of the Chinese sovereign wealth fund CIC (China Investment Corporation) and Mr. Zhu Yunlai, Chairman of China International Capital Corporation (CIIC), to discuss investment issues. He will also continue his regular dialogue with European business representatives from the European Union Chamber of Commerce in China.

### **EU-China Trade**

The EU is strongly committed to China's success. The High Level Mechanism is only one of a number of dialogues between the EU and China focused on the successful integration of China into the global trading system and the machinery of global governance and the management of the environmental, social and economic impact of China's growth

Europe's imports from China have grown by around 27% per year for the last five years. In 2006, the EU imported €191 billion worth of goods from China. China is Europe's biggest source of manufactured imports. Two decades ago China and Europe traded almost nothing. At the same time, China is Europe's fastest growing export market. Europe exported €63 billion worth of goods to China in 2006. Exports from the EU to China grew by 100% between 2002 and 2006. Although a large consumer market is developing in China, the EU still exports more to the 7.5 million people who live in Switzerland than the 1.3 billion people who live in China.

Europe's trade deficit with China is growing at €17 billion every year. In 2006 it was €131 billion euros. In 2007 it is likely to be about €170 billion euros. The trade deficit is focussed in office and telecom equipment, textiles and light manufacturing. Although imports from China have surged, Asia's share of total EU imports has increased only very moderately by 10% over the last decade as there has been a shift within the economies of Asia to focus production in China. But the deficit still reflects the considerable problems EU businesses have accessing the Chinese market.