

Brussels, 21 December 2010

## Third meeting of the EU-China High Level Economic and Trade Dialogue (HED) in Beijing

***The EU and China held their third High Level Economic and Trade Dialogue (HED) on 20 and 21 December in Beijing. The overarching theme of the meeting was how the EU and China can address challenges and create opportunities through open economies and cooperation.***

As the global economy is gaining a more solid foothold coming out of the international crisis, the EU and China met in the HED3 to push for more balanced trade, increased business opportunities and further economic cooperation. A broad and ambitious agenda with a range of economic and trade issues confirmed the strong political commitment to making the HED a forum for strategic discussion that sets directions for the future while producing regular and concrete results.

Among the issues discussed were: the international economy and ways forward for the two economies; competition issues; trade and investment; innovation; and customs cooperation.

On the EU-side the HED is co-chaired by EU Commission Vice-President Joaquín Almunia, Commissioner for Economic and Monetary Affairs Olli Rehn, and Trade Commissioner Karel De Gucht; and on the Chinese side by Vice Premier Wang Qishan. Further members of the EU delegation were Taxation and Customs Commissioner Algirdas Šemeta, Director General Heinz Zourek, and Deputy Director-General Antti Peltomäki. The Chinese delegation consisted of 11 Ministers and Vice-ministers.

The High Level Economic and Trade Dialogue complement numerous dialogues between the EU and China. The HED is an ongoing process to drive the bilateral economic relationship forward, and it provides a forum for resolving frictions that may arise. The HED also allows for discussions to coordinate efforts regarding global trade and economic issues. The HED held its first meeting in Beijing on 25 April 2008.

The economic relationship between the EU and China has developed extraordinarily fast. Two decades ago, China and Europe traded almost nothing. Today, we form the second biggest economic relationship in world.

## Participants

**Joaquín Almunia  
(Co-Chair)**

Vice President  
and European  
Commissioner for  
*Competition Policy*



**Karel De Gucht  
(Co-Chair)**  
EU Commissioner  
for *Trade*



**Olli Rehn  
(Co-Chair)**

EU Commissioner  
for *Economic and  
Monetary Affairs*



**Algirdas Šemeta**  
EU Commissioner  
for *Taxation and  
Customs Union*



Director General for Enterprise and Industry **Heinz Zourek**  
Deputy Director-General for Information Society **Antti Peltomaki**

**Chair: Vice Premier WANG Qishan**

Minister of Commerce **CHEN Deming**  
Minister of General Administration of Customs

**SHENG Guangzu**

Vice Chairman, National Development and  
Reform Commission (NRDC) **LIU Tenan**

Vice Minister for Science and Technology

**WANG Weizhong**

Vice Minister of Industry and Information  
Technology **YANG Xueshan**

Vice Minister of Finance **Zhu Guangyao**

Vice Minister of State Administration for Industry  
and Commerce, **Zhong Youping**

Vice Minister of General Administration of Quality  
Supervision, Inspection and Quarantine (AQSIQ)

**ZHU Guangyao**

Commissioner, State Intellectual Property Office,  
**Tian Lipu**

Vice Chairman, China Banking Regulatory  
Commission, **Wang Zhaoxing**

Administrator, State Administration of Foreign  
Exchange, **Yi Gang**

## **General exchange on key themes**

The EU and China welcomed the open, forward-looking, and strategic exchanges at the High Level Economic and Trade Dialogue that have significantly furthered EU-China cooperation in a broad range of economic and trade areas with the overall aim of deepening a strategic partnership for the future, at the same time constructively dealing with a number of specific issues between the two economies.

### **The macro-economic situation**

During the discussions both sides stressed the contribution of their current policies to a sustainable and solid recovery. The EU highlighted its efforts in terms of fiscal consolidation, and structural reform in the context of the EU 2020 strategy. China presented the main objectives of the 12<sup>th</sup> five year plan that mainly aims at rebalancing economic growth, at making private consumption a stronger engine of growth and at reducing savings through stronger social safety nets and improved financial intermediation. Discussion also underlined the strong commitment to furthering the G20 process, including the Seoul Action Plan, with a view to enhancing the stability of financial markets, and the mutual support for reforms of the IMF.

### **Trade and investment cooperation**

Discussions reaffirmed a strong commitment to open trade and investment as essentials to moving past the economic crisis. In particular, both sides stressed the need for an extra push in the WTO negotiations in the Doha Development Round to facilitate a rapid completion of endgame negotiations, and a conclusion of the Round in 2011. Discussions addressed the need to work towards a more balanced trade relationship, including through well-enforced intellectual property rights and strong patent systems. The HED also focused on the untapped investment potential between the two economies and noted the progress on discussions on how to further this. Following the HED, the two sides remain hopeful that the political guidance offered by the HED will allow for further progress towards recommendations on the potential for opening investment negotiations.

### **Competition**

Discussions addressed how policies on competition can affect international trade and investment relations, and explored avenues for working together to achieve greater convergence in the area of competition policy at global level (creating "level playing field conditions"). In particular, one aspect of this was how the role of a policy on public spending can act as a tool to overcome the economic crisis. Both sides welcome the further positive developments in the field of competition policy, also as a result of the Competition Policy Dialogue and technical cooperation. They wish to expand the cooperation, including by involving all relevant competition enforcement agencies on both sides.

### **Innovation**

Both sides note that innovation is a driving force behind economic growth and development. They stressed their mutual interest in fostering research, development and innovation, and that it was essential to create a favourable environment to promote innovation and protection of intellectual rights to ensure favourable economic and regulatory conditions.

## **Customs**

Discussions highlighted the significant progress in the developing EU-China customs cooperation in particular enforcement of intellectual property rights, supply chain security, the fight against fraud and statistical cooperation

## **Focused discussions on specific issues**

### **The current macro-economic situation**

Discussions in particular centred on the EU2020 strategy and China's upcoming five year plan:

- The EU and China re-emphasised their determination to implement the Action Plan adopted at the G20 summit in Seoul for promoting strong, sustainable and balanced economic growth, including through the adoption of indicative guidelines aimed at addressing global imbalances.
- They reiterated the commitments to undertake macroeconomic policies, including fiscal consolidation where necessary, to ensure ongoing recovery and sustainable growth and enhance the sustainability of financial markets.
- The EU presented its strategy to increase its growth potential (EU 2020), while implementing fiscal consolidation. China introduced its strategy to contribute to a rebalancing of its economy, through far-reaching reforms encompassed in the new five year plan.

### **Competition**

Discussions highlighted the positive contribution from competition policies to economic growth and recovery. The two sides discussed ways to further enhance and deepen existing cooperation in the competition policy field.

- The EU and China will explore intensifying the existing successful cooperation in merger control, and work towards stepping up cooperation activities between the EU and the Chinese authorities responsible for competition enforcement in other important areas such as abuse of dominance and cartels.
- The EU underlined, in line with the declarations of the G20 leaders, the importance of enhancing transparency regarding state interventions into the economy that could have a negative impact on trade and investment, in particular subsidies, including fiscal policy and support measures to the financial sector.
- The discussion highlighted the positive role of public spending to correct market failures and to incentivize companies to contribute to the achievement of public policy objectives, such as regional development, environmental protection etc. The EU warned against the dangers of uncontrolled subsidisation, which could undermine further trade liberalisation.

The HED will follow up on these issues.

### **Trade and investment**

The discussions reaffirmed the EU's and China's strong commitment to open trade, to furthering investment between the two economies:

- The EU and China welcomed the report from the investment taskforce to the HED as a positive step forward. The two sides agreed to step up their investment talks and move forward on exploring the potential for opening negotiations of an investment agreement. This will include regular high-level contacts. They aim for recommendations for next steps by the next EU-China Joint Committee with a view to concluding their evaluation as soon as possible in 2011.

- They stressed the need for exploring options to facilitate a rapid completion of end-game negotiations in the Doha Development Round aiming for a conclusion in 2011.
- The EU stressed the importance of access to raw materials and undistorted world markets, since it remains essential for international and Chinese businesses to compete on a level playing field. Discussions focussed particularly on rare earths that are essential components in many high tech and renewable technologies.
- China confirmed it would undertake a public consultation on the so-called investment catalogue that specifies investment conditions for foreign investment in China. The catalogue is presently being revised by the Chinese authorities.
- The EU and China agreed to aim to intensify the negotiations on a bilateral agreement on geographical indications negotiations in the early months of 2011.
- The two sides agreed to hold a first meeting in the EU-China High Tech Working Group on the basis of an agreed memorandum of understanding with a view to furthering trade in high tech products.
- With regards to China's Government Procurement Agreement (GPA) accession process, China agreed to submit a second and improved offer in 2011.
- Discussions also brought up China's government procurement framework, as ensuring equal treatment and non-discriminatory requirements are important in all sectors, including in the wind industry. China has indicated that it will not discriminate between products manufactured in China by foreign-invested enterprises and those manufactured by Chinese domestic enterprises.
- The EU also raised its concerns with regards to distortions of competition resulting from the use of Chinese export credits and guarantees.
- The EU brought up the registration of cosmetics for which there is an ongoing dialogue with SFDA with a view to eliminating possible backlog in applications.
- The EU underlined its wish to be consulted on the draft legislation on computer reservations systems which is expected to be published in the near future.

The HED will follow up on these issues and the EU-China Joint Committee will review progress.

### **Intellectual property rights**

The discussions underlined the importance of well-enforced intellectual property rights as a key component for continued economic development and innovation.

- Both sides agreed to strengthen their co-operation with regards to the protection and enforcement of intellectual property rights.
- The EU welcomed China's enforcement campaign regarding intellectual property rights and support's China's endeavours to address counterfeiting and piracy, including on the internet
- The EU and China both stressed the importance of patent systems which underpins economic developments in both economies as well as in the broader global economy. Their discussions in particular focused on patent quality and patent protection. Both sides agreed to intensify their cooperation in this area and requested the EU-China IPR Task Force to speed up its work on patent quality.
- How to accelerate ongoing joint work on legalisation and notarisation requirement was also discussed.
- Discussions also welcomed important progress made under the framework of the IPR2 program and both sides hope to continue close IPR cooperation in the future.

The HED will follow up on these issues and the EU-China Joint Committee will review progress on IPR enforcement and in the IPR Task Force.

### **Innovation**

Discussions focused on mutual interests in fostering research, development, and innovation.

- The EU and China welcomed the recent dialogue in the China-EU Dialogue on Information Technology, Telecommunication and Informatization. This allowed for discussions on how the EU and China can cooperate to ensure better convergence of regulatory approaches and avoid creating trade barriers.
- The EU proposed to strengthen and deepen the EU-China dialogue on information and communication technology products (ICT) and include all relevant actors involved in the development, implementation and enforcement of regulatory policy in this field.
- The EU stressed the importance of creating a predictable and transparent standardisation regulatory framework and of adopting a more flexible, risk-based approach to conformity assessment in order to foster economic growth and innovation.
- The EU and China discussed ways to streamline the Chinese Compulsory Certification system to alleviate unnecessary burdens. China confirmed it will pursue its initiatives to improve and facilitate the testing and certification procedures.
- In the area of energy and energy efficiency, both sides agreed to further exchanges and cooperation in particular in the area of energy efficiency in the building sector. The EU side stressed the importance of working on the basis of compatible standards and technical regulations on the basis of international standards, including in areas such as smart grid and electric cars. The discussions underlined the positive role of international and compatible standards for the fast market introductions of innovative, energy efficient technologies.
- Discussions also focused on China's indigenous innovation policy. They agreed not to treat products and services based where their patents are registered. China and the EU will not adopt or maintain measures that make the location of the development or ownership of intellectual property a direct or indirect condition for eligibility for government procurement preferences.

The HED will follow up on this issue.

### **Customs cooperation**

Discussions highlighted the EU-China IPR (intellectual property rights) Customs Enforcement Action Plan as an example of good and mutually beneficial cooperation in the field of intellectual property rights. The parties agreed to expedite its full implementation. The Smart and Secure Trade Lanes pilot project was cited as an example of where EU-China cooperation is in the lead on supply chain security and trade facilitation. The parties will share experiences on good customs practices and modernising customs procedures, in order to facilitate trade.

- Commissioner Šemeta and Minister Sheng signed an extended EU-China Action Plan on IPR customs enforcement which will act as an important customs cooperation instrument in particular on IPR enforcement, supply chain security, the fight against fraud and statistical cooperation.
- The two sides also endorsed of the Strategic Framework for Cooperation which provides an effective structure to facilitate and secure trade under the EU-China Customs Agreement.

- The two sides discussed statistical cooperation with a view to enhance possibilities of acting against fraud and IPR violations.

The HED will follow up on these issues.

## **Background**

### **The EU-China High Level Economic and Trade Dialogue**

The High Level Economic and Trade Dialogue was launched in the November 2007 EU-China Summit by President Barroso and Premier Wen, signalling the agreement to address the imbalance in bilateral trade flows between the EU and China. The 2007 EU-China Summit Joint Statement states that the Dialogue will: "*discuss strategies in EU-China trade, investment and economic cooperation and coordinate bilateral projects, studies and develop plans in priority sectors. It will cover issues affecting the trade imbalance, including inter alia effective market access, intellectual property rights, environment, high technology and energy in order to find concrete means to increase trade in a balanced way.*" The HED is of strategic and forward-looking nature.

The broad remit of the HED covers, among others, the following issues:

#### **1. The multilateral global trading system**

In particular, the HED will focus on the role of EU-China economic and trade relations in the wider framework of the global trading system.

#### **2. Strategic bilateral trade and trade-related issues**

These will include market access for goods and services, and consumer protection. At the 2007 EU-China Summit the two sides agreed on the need to work towards more balanced trade flows. While recognizing that part of the imbalance is caused by global economic factors, the HED can deliver results to unlock new business opportunities. The HED will look at ways to enhance cooperation in addressing technical and regulatory barriers to trade. This will cover issues ranging from product standards to restrictions on service providers.

#### **3. Investment issues**

This will include strategic discussions on the bilateral investment issues including both portfolio investments and specific sectors. Focus will be on open investment environment and conditions in the respective markets and will look closely at investment restrictions, ownership caps, and local partner restrictions in order to enable greater investment flows in both directions.

#### **4. Innovation, including IPR, and technology**

For innovation, research and creativity to prosper, both the legal and the practical environment need to encourage those areas. The effective protection and enforcement of Intellectual Property Rights is key for both the EU and China, and necessary for China's efforts to transform its economy. China has made efforts to set up the right legal framework for this. The HED will focus on ways to improve effectiveness of this framework, benchmark progress, enhance customs co-operation and foster technology transfer through better intellectual property protection. In the short term, concrete steps are needed to enhance the efficiency and effectiveness of the judicial process, ensure royalty payments, and guarantee effective IPR enforcement in China in retail and wholesale markets and elsewhere.

## **5. EU-China economic cooperation**

This will include close coordination on energy, sustainable development, including environmental and social pillars and regulatory and sectoral policy issues, transportation, and cross cutting issues such as better regulation.

### **The EU-China economic and trade relationship**

In 2010, China is the world's largest exporter, and the world's second largest national economy. China now accounts for about 11% of world trade in goods. Bilateral trade has gone from €4 billion in 1978 to €296 billion in 2009. The EU-China partnership builds on a solid and fast developing economic relationship.

The EU continues to be China's main export market. In 2009 the EU imported €215 billion worth of goods from China.

At the same time, China is Europe's fastest growing export market. The EU exported €82 billion worth of goods to China in 2009; up by 4% compared to 2008. Exports from the EU to China grew by approximately €30 billion between 2005 and 2009. EU exports up to China by the end of August 2010 were almost 40% up (year-on-year) amounting € 72,5 billion. Still, the absolute level of EU exports remains below the potential that this relationship would justify.

European companies are deeply integrated in Asian and Chinese production chains. More than half of China's exports are currently produced by foreign invested enterprises (processing trade). Neighbouring Asian companies in Japan, Taiwan, Hong-Kong and South Korea play a major role in this process.

The EU runs a deficit with China on trade in goods which was €133 billion in 2009 (down from € 169 billion in 2008). Through better market access, European exporters should be well placed to increasingly sell their quality products on the rapidly expanding Chinese consumer market.

Europe runs a surplus on trade in services with China of €5.0 billion in 2009 (up from €4.9 billion in 2008).

Also investment flows show vast untapped potential. European companies invested €5.3 billion in China in 2009 (up from €4.7 billion in 2008). China invested €0.3 billion in 2009 (compared to a net disinvestment of €1.8 billion in Europe in 2008). This is respectively less than 3% and 1% of both sides' total investment outflow.

### **For further information**

On the EU's trade relations with China

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/china/>

### **Contacts**

John Clancy +32 2 29 53773

john.clancy@ec.europa.eu

Antonie Kerwien +32 2 29 72686

antonie.kerwien@ec.europa.eu