



Trade Defence and China: Taking a Careful Decision

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Ladies and gentlemen,

Thanks for coming today to discuss the next steps for EU trade defence procedures in the context of China.

I have met many of you over the past year. I have listened to your various views and positions and most importantly, I have heard you.

I'm pleased that so many of you are here today. And I'm pleased that you are such a diverse group:

- We have representatives of different European industries and trade unions.
- We have government representatives from within the EU and from outside, including from China itself.
- And we have many legal experts as well.

The reason I'm pleased you are all here is because we need your help.

This is, ultimately, a decision for the European Union as a whole.

But in our system, only the European Commission can propose new legislation.

And one of the major questions on this issue is whether or not to propose anything at all.

If we decided to make a proposal, then this would become a matter for the EU's legislator - the Parliament and the Council.

In any case your opinion matters and this is why we are here today.

The Commission is carrying out a full impact assessment. An in-depth economic analysis will be at the core of that assessment.

A public consultation is under way and I hope you find the time to send in your response by the 20th of April.

This stakeholder meeting today will serve to enhance the Commission's understanding of all the implications of the decision we have to make. But today's meeting is the one time where all sides of the debate will be heard together. So it will be crucial to shaping our thinking. And I very much look forward to hearing all the different views.

But I would like to say a few words of introduction before we get to that.

Let me start by giving you three points of context.

First, let's remember the scale of EU-China relationship.

China is the European Union's second largest exporting market. 3 million jobs in Europe depend on our sales of goods and services in the Chinese market.

And it's the fourth largest destination for our foreign direct investment with €127bn in EU investment stocks.

From China's perspective the relationship with the EU is as vital. The EU is China's largest trading partner and export destination, with over 300 billion in exports in 2014. The EU is also a fast growing destination for China's foreign direct investment.

This scale means the stakes are high, whatever choice we make. And all participants to this debate should bear that in mind.

Second, we must also all acknowledge that the nature of China's economic model causes problems for European firms, both those operating in China and those operating here in Europe and in the global markets.

The current problems in Europe's steel industry caused by excess capacity are just an example.

There are additional ways China's approach creates an uneven playing field, whether through the financial system or subsidies or discriminatory approach to regulation. The distortions in the Chinese economic governance model are numerous and widespread.

That's why the EU has for many years urged the Chinese government to become more of a regulator than a participant in its economy. And this is why we have supported China's efforts with economic reforms.

Indeed, we would not be discussing here today if China's reforms had delivered.

Third, because of this, we are not deciding on whether or not China is a market economy. That is clearly not the case today.

What we are talking about are the expiry of certain provisions in China's WTO accession protocol and the EU anti-dumping law and procedures. And more specifically, how to calculate dumping in investigations concerning China after 11 December 2016.

I say that to make sure that we all understand the substance and implications of the decision we have to make.

So, what are our options? In broad terms, there are three.

First, we do nothing. We leave the legislation as it is. We go on calculating dumping for China as we do today.

Second we change the method of calculation. The list of non-market economy countries is today part of our regulation. We may opt to remove China from the list, without further conditions.

Third, we change the method of calculation and accompany this with other changes to the legislation. This would seek to ensure that in future we would be able to capture the numerous other distortions on the Chinese market in our trade defence investigations.

The work of the Commission's impact assessment is to understand the full scale and consequences these three broad options.

We are not there yet, but let me share some first impressions.

The most important thing I see is that none of these options is cost free.

Many of you I know believe that the first option is the best.

Why would we do anything that might weaken our trade defence system?

I can see that argument and I know how deeply it is felt...

... especially by the many steelworkers who came out in force on the streets of Brussels on a cold rainy Monday last month.

But I think it's important that everyone understands that doing nothing would not be the end of the story.

We are here because of the text of China's protocol of accession to the WTO.

And while there may be many views on what that text says, there is no doubt that some of its provisions will expire at the end of year. And there is even less doubt about the interpretation China gives to this.

Let's be clear. Doing nothing would initiate disputes at the WTO and beyond, with unknown outcomes. It will create uncertainty, and uncertainty has costs – at least investment and financial costs. And it may well create new and serious frictions in our bilateral relationship with China, impossible to measure in economic terms.

That could have serious human and economic consequences here in Europe.

But even if it did not go that far, doing nothing would still mean handing over our democratic European choice to a WTO panel in Geneva to decide instead. Would it not be better to design our trade defence system ourselves?

As to the second option - simply removing China from the list - there has already been an intense public discussion of its alleged consequences.

But what has not been discussed is the potential positive impact of cheaper components and raw materials for EU firms. We need a full analysis of those benefits before we make any decision.

And there has been very little discussion at all of the third option I have outlined. Many of you will have dismissed it out of hand.

But I think it's something we all need to look at carefully. For instance, are you all aware that the law already allows us not to use distorted prices or costs? And this doesn't depend

on whether a country is on the non-market economy list. Is that not the core of what we are worried about after all?

These are the kinds of questions we need to answer in the impact assessment.

Ladies and gentlemen,

Before I finish allow me to reiterate: The Commission has not made any decision yet.

We owe it to everyone who might be impacted one way or another to make sure that the decision will be a well-informed one.

It's a complex issue. And a complex decision. But let me reassure you on our underlying approach:

The Commission wants an EU trade policy that creates a level playing field and opportunities for workers, consumers and entrepreneurs. As the world's largest trading economy, the best way to do that is by opening markets around the world and keeping our own open as well.

We do that by negotiating trade agreements. If we want those deals to be effective we must also respect them ourselves. That's why the rule of law is therefore a fundamental principle of our approach. It must apply in this case.

But there is no inconsistency between a policy of openness and maintaining a strong and effective trade defence system.

In fact, trade defence is essential when you choose to be as open as the European Union.

Because we can't ask our workers or entrepreneurs to compete against unfair trading practices. We need to be able to take effective action at EU level when that action is needed.

It's on that basis that we will be making our decision in the coming months.

I hope our discussion today will help to do that.

Thank you.