



## Strengthening EU-China trade relations

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**Speech by European Commissioner for Trade Cecilia Malmström**

*EU-China Business Summit*

Premier Li Keqiang, Presidents, Minister Zhong Shan, honoured guests,

It's a pleasure to be here.

The last time I spoke to this forum we were in Beijing, last July.

We have seen many changes in the world since then.

Yet the central message, on the value of trade and the importance of open markets, is still the same. I share the President's feelings about President Xi's strong message to the World Economic Forum in Davos. I agree we should not surrender to protectionism: it is a risk to Europe and a risk to the world.

So I eagerly wait for President Xi's call to translate into action and make trade and investment more open, free and fair.

Today I'd like to briefly set out a number of ways how that could be achieved.

The rules-based multilateral system, with the World Trade Organisation at its centre, is today often questioned.

Yet it is that system which ensures trade is fair, and open.

We should maintain and strengthen our shared commitment to it.

It is in our common interest.

This December, the World Trade Organisation holds a Ministerial Conference. I hope it will be a success, with ambitious negotiated outcomes.

And I hope China will be able to step up to its leadership role: join and work with us, to achieve a successful result.

Second, a robust environmental goods agreement would show how trade, competitiveness and the environment can all work together.

I hope China shares our commitment to an ambitious agreement. And that we can resume the talks suspended last December.

Third, open procurement markets mean governments can offer better services, for less money.

So I also hope China will be able to accede to the WTO Government Procurement Agreement; as per the commitment in China's accession protocol to the WTO.

Fourth, I would like to see China be more open to European investment; just as Europe is now open to Chinese investors.

EU companies continue to face barriers. According to the most recent business survey, nearly half of EU firms said it got harder to conduct business in China last year. As a consequence, EU investment in China is at its lowest level in years while Chinese investment in the EU reaches record levels.

This imbalance may be due to the lack of level playing field; EU businesses want rules applied equally.

Reciprocity should be the guiding principle of our relations. Our ongoing negotiations on an investment agreement are a constructive means to rebalance the situation and expand trade and investment.

We are committed to a modern investment agreement at the level of two large economies. An investment agreement between the EU and China would send a powerful signal to the world, at a time when there are other voices calling for protectionism and new barriers.

An agreement on investment would also help delivering on the promise made at the Third Plenum in 2013, to give the market a more decisive role in the economy and reduce state intervention. The investment agreement would send a positive signal to the world on the path of future economic reforms.

Reforms and a bigger role of the market in the economy would help reduce overcapacity and trade imbalances in sectors like steel, aluminium or solar panels.

Overcapacity is not just an issue for China's relations with its partners. It means resources are diverted towards unproductive investment, with unnecessary energy consumption and emissions of carbon.

Sound economic development, trade and investment also require respect for the rule of law, with independent lawyers and judges who can operate freely and independently. To conduct business — and for their daily lives — people need to be able to access free and independent information, communicate and discuss. This is a fundamental human right which also applies in the age of the internet. Limits to the online freedom also affects peoples' lives and the business climate.

The European Union is China's largest trading partner and main investor. China's success is in Europe's interest. And we have made progress in our work together, as we see in the joint documents we will sign later today on geographical indications and intellectual property.

Excellencies, the European Union is a close partner of China, we cooperate through dialogue addressing these and other challenges, bilaterally and in the multilateral fora.

I hope this may long continue and I hope that in the summit later today we will make progress.

Thank you.