POSITION PAPER

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Orgalim comments on the EU-China trade relations

Introduction

China is a key economic partner for Europe's technology industries, as the second largest export market for our industries and the second largest foreign investment destination after the US. A stronger relationship between the EU and China will create numerous opportunities for European companies. On the other hand, being the second largest exporter worldwide of products in our industries, China can no longer be considered as a developing country. It should abide by its WTO commitments, thus enabling fair competition. The same international trade rules must apply to China as to the EU in order to create a level playing field: this should be in the economic interest of China itself. This is more important than ever given the current COVID-19 crisis and the need for an environment that supports the recovery and long-term global competitiveness of our industries.

Therefore, Orgalim supports a swift conclusion of the negotiations for an EU-China investment agreement[1], which have been in progress since 2013. This paper sets out our recommendations on EU-China trade relations, with requests to both China and the European Union.

Our requests to China

- *EU companies' freedom to invest in China*

Foreign companies' access to investment in China is currently hampered by legal and bureaucratic barriers, including joint venture obligations. In this context, the primary objective of the EU-China Investment Agreement should be to open up the Chinese market to European investment, based on the principle of reciprocity.

OUR REQUEST: The EU-China investment agreement must ensure that European companies are able to freely invest in the Chinese market. The negative list of sectors in which European companies cannot invest in China should be abolished.

- *China needs to tackle state subsidies*

Chinese subsides for both State-owned or State-supported Enterprises and private companies in China distort production costs, consequently placing international competitors in a disadvantaged position. As anticipated in "A New Industrial Strategy for Europe"[2] the European Commission developed a "White

[1] https://ec.europa.eu/trade/policy/countries-and-regions/countries/china/

[2] https://ec.europa.eu/info/sites/info/files/communication-eu-industrial-strategy-march-2020_en.pdf

Orgalim represents Europe's technology industries: companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future. Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11.5 million people across Europe and generate an annual turnover of over €2,100 billion. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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Paper on an Instrument on Foreign Subsidies"[3] and is working to strengthen the rules on subsidies at the WTO level[4].

OUR REQUESTS: Orgalim supports the EU proposal on transparency and subsidy notifications at WTO level[5], including the creation of a general presumption according to which, if a subsidy is not notified to the WTO by the State providing the subsidy, then that subsidy is presumed to be illegal and market-distorting. In this case, the State in question would need to prove that the measure is not an illegal subsidy. Furthermore, Orgalim supports the joint EU-Japan-US efforts[6] to strengthen the rules on subsidies at the WTO level.

- *China needs to protect European companies' Intellectual Property Rights*

Protecting and enforcing intellectual property rights (IPR) is a priority for our innovative companies. The IPR landscape in China remains problematic, since the Chinese IP framework is still neither sufficiently developed, nor sufficiently enforced.

OUR REQUEST: The intellectual property rights of European companies, operating in China, need to be protected. China needs to improve and enforce its IP system.

- *Increased adoption of (identical) international standards into national standards*

Currently, European companies do not enjoy reciprocal market access with China because of technical barriers to trade, such as diverging technical content in standards, as well as the lack of standards translated into English.

OUR REQUESTS: Orgalim calls on China to adopt international standards without diverging national technical requirements, strengthen the contact point for European companies[7], draft a detailed list of which standards apply in China, and translate Chinese standards into English.

- *European companies need to have access to Chinese public procurement*

While Chinese companies can bid on public procurement tenders in the EU, European companies are often not allowed to do the same in China, as both *de iure* and *de facto* barriers hinder European companies' access to the Chinese procurement market.

OUR REQUEST: China has not yet joined yet the WTO Government Procurement Agreement (GPA), as negotiated during Chinese accession to the WTO in 2001. We support China joining the Government Procurement Agreement (GPA).

Our requests to the European Union

- *Introduce the International Procurement Instrument (IPI)*

Access to public procurement in China is key for our companies.

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[3] https://ec.europa.eu/competition/international/overview/foreign_subsidies_white_paper.pdf
[4] https://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157331.pdf
[5] http://trade.ec.europa.eu/doclib/docs/2019/january/tradoc_157633.pdf
[6] https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158567.pdf
[7] The Seconded European Standardization Expert in China (SESEC) is a visibility project co-financed by the European Commission (EC), the European Free Trade Association (EFTA) secretariat and the three European Standardization Organizations (CEN, CENELEC and ETSI)

OUR REQUESTS: To promote the principle of reciprocity and to give the EU leverage in negotiations with China on the opening-up of its procurement markets to EU companies, Orgalim supports the aim of the 'International Procurement Instrument' (IPI)[8]. Simultaneously, we have to ensure that the instrument can be applied – from a practical perspective – by the procuring authorities. The IPI mechanism should not create complex rules that would prove impossible to apply. Moreover, the IPI needs to be balanced, non-protectionist, and compatible with the Agreement on Government Procurement (GPA).

- *The EU market needs to remain open to Foreign Direct Investment*

The European Union has recently adopted a binding information exchange mechanism at European level regarding foreign direct investment in the European Union[9].The Regulation foresees that it should be up to each Member State to decide whether and how to implement a mechanism for screening of foreign direct investment.

OUR REQUEST: Orgalim believes that the European market needs to remain open to foreign direct investment, due to its positive impact on growth and employment. In this context, we should not underestimate the negative effect that the foreign direct investment screening mechanism has on companies' freedom to invest in 'critical technologies' such as robots, semiconductors and dual-use goods.

- *The EU needs to adopt a stronger approach to China's Belt and Road Initiative (BRI)*

This initiative enables China to expand its foreign investments, to open up the markets of third countries and to export its overcapacity outside China.

OUR REQUEST: the EU should market its own financial services more effectively. The EU has to urge compliance with recognised standards (such an employment standards, environmental standards and financing) for international projects. We also believe that the EU-Asia connectivity strategy[10] should be further strengthened.

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[8] http://trade.ec.europa.eu/doclib/docs/2016/january/tradoc_154187.pdf
[9] Regulation (EU) 2019/452 establishing a framework for the screening of foreign direct investments into the Union.
[10] https://eeas.europa.eu/sites/eeas/files/joint_communication_-_connecting_europe_and_asia_-_building_blocks_for_an_eu_strategy_2018-09-19.pdf