



EU Statement at the 8th Trade Policy Review of China, 20 October 2021

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Local Statements

Statement delivered by Ambassador João Aguiar Machado

The European Union welcomes China's Trade Policy review at an important milestone - two decades since China's accession to the WTO.

Some of us present here today can remember how significant WTO membership was for China in 2001, after fourteen long years of very tough negotiations. Twenty years later, we can safely say that those who pressed for this in China have been vindicated fully; as the stable access to world markets WTO membership provides, has contributed so significantly to China's remarkable economic performance. China's GDP per capita has doubled every eight or so years and now equals that of some EU Member States. It has become the world's second largest economy.

China's WTO membership had created expectations of further liberalisation and of movement towards a full market-based economy. We were looking forward to the reform process and opening up continuing at high speed. But the degree to which China has reformed and opened today is not commensurate with its weight in the global economy, or comparable to the access which China has to the markets of other WTO Members. Moreover, the influence exerted by the state on China's economic environment generates competitive distortions worldwide, leading to systemic problems for global trade.

The European Union believes that China should re-engage an opening up effort and adopt further market reforms. It should also assume its responsibility and play a role in the WTO that matches its economic weight.

The EU appreciates China's efforts to play a constructive role in many areas in the WTO, such as its co-sponsorship of the Trade and Health Initiative, its involvement in the Joint Statement Initiatives or its cooperation on the multi-party interim appeal arrangement.

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However, in light of its contributions, China should step up its commitment in a number of ways.

One way for China to show leadership would be by refraining from claiming benefits that would correspond to a developing country in ongoing negotiations.

Another area highlighted by the Report is the need to improve compliance with notification obligations across the board, including on industrial subsidies and agricultural support.

The EU also reminds China of its commitment, in the context of its GPA accession bid, to implement a transparent and non-discriminatory public procurement framework.

A long-standing EU concern is the competition distortions caused by the activities of State-owned enterprises. Chinese SOEs are major beneficiaries and providers of opaque subsidies and are often responsible for overcapacity, distorted prices, and discriminatory behaviour. The EU calls on China to fully observe its WTO accession commitments by improving transparency and by eliminating these distortions.

The European Union also wishes to refer to some other worrying policy trends from China that are intensifying. We acknowledge some positive changes, such as openings in the financial sector following the adoption of the Foreign Investment Law, or improvements in China's intellectual property regime. However, these changes are insufficient – investment restrictions remain in a range of sectors, and EU IP right holders continue facing difficulties for effective enforcement.

Moreover, these positive changes do not alter the overall policy direction that we discern.

European businesses are concerned about the increasing politicisation of China's business environment. Economic pressure on companies' operations that seem motivated by political considerations runs against the spirit of the WTO.

Another concern is China's expansive use of an excessively broad concept of national security, negatively affecting foreign companies.

One example is China's new measures on data security, privacy and critical infrastructure. While the EU acknowledges the need for effective cybersecurity measures, these should be proportionate, technology-neutral and based on objective standards.

China's stringent Covid-19-related restrictions are another cause for concern for EU traders. The EU encourages China to review its travel restrictions and extend trade-facilitating measures to food and agriculture products in line with international scientific consensus.

Finally, the EU is worried that China's new "dual circulation" strategy will lead to further reversal of economic reform and market opening and aggravate global imbalances. China should also refrain from engaging in managed trade, which goes against the principles WTO members subscribe to. The

[EU Agency for China website](#) are an open, non-discriminatory business environment, and address state intervention generating competitive distortions in China and across the globe.

It has become increasingly clear that such distortions cannot be sufficiently addressed by current WTO rules. The EU believes that in addition to China's individual responsibility, a collective effort towards modernizing the WTO rulebook is necessary.

The EU calls on China to contribute to WTO reform efforts to ensure that the WTO remains a strong and credible organisation capable of providing a stable foundation for economic recovery and growth, as well as a level playing field for all of its members.

We encourage China to continue working in this direction while fully aligning its rules and policies to the letter and spirit of the WTO Agreement and emphasize that our statement today reflects the value the Union attaches to a trade and investment relation with China that is rules-based, both multilaterally and bilaterally.

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