



industriAll
EUROPE in ACTION

for Investments, Jobs & Solidarity



Motions 2016-2020

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IndustriAll European Trade Union's Motion 2016-2020

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MES China: Free trade must be fair to guarantee a future for European industrial workers

In light of the current debate on whether or not the EU should grant China a MES, it is necessary for industriAll Europe to take a position on this important issue.

"Sheltering ourselves from international trade flows is not an option for industriAll Europe, but globalisation and international trade must be managed in a socially responsible manner. Globalisation should not be allowed to erode Europe's socio-economic model, cause distress to workers and increase worldwide inequalities", 'Manifesto to put industry back to work', industriAll Europe (2014)

In recent years, trade policy has moved to the top of the European agenda. With the entry into force of the Lisbon Treaty in December 2009, the EU acquired exclusive competence when it comes to trade and foreign direct investment. Also, the recent wave of bilateral trade agreements, especially TTIP (Transatlantic Trade and Investment Partnership) and CETA has raised major concerns about the impact on jobs and social protection. Furthermore, the sharp increase in Chinese imports (for instance, for steel, aluminium, ceramics, truck tyres, paper, etc.), and the growing number of anti-dumping cases against the country, provoked intense debate about whether or not to strengthen European trade defence instruments and to maintain special procedures for subsidised exports by so-called "non-market economies".

When China joined the WTO in December 2001, a transitional arrangement for its accession allowed for the treatment of China as a non-market economy (NME) in anti-dumping proceedings. China's current NME status offers the possibility to use prices of a comparable surrogate country rather than domestic prices (which are often artificially low due to state intervention) to compute the dumping margin (the standard dumping margin is the difference between the domestic price and the export price). The use of NME methodologies is described in Section 15 of the Chinese WTO Accession Protocol, but some of the provisions will expire on 11 December 2016 (after 15 years).

In respect of whether or not to grant Market Economy Status (MES) to China, industriAll Europe is of the opinion that:

1. The use of (subsidised) domestic Chinese prices in anti-dumping cases will sharply reduce the dumping margins on Chinese products. Indeed, these domestic prices are often as low as the export prices. This means that no dumping margin can be defined and thus no dumping cases can be initiated anymore. As a result, Chinese imports will further increase, together with the already huge European trade deficit with the country. This will endanger the future of a large number of key European industrial sectors, especially those singled out by the Chinese government to be of strategic importance. Giving a dominant position to China in a number of basic industrial sectors will also threaten the future of several upstream sectors. All this will put hundreds of thousands of industrial jobs at risk in Europe.

2. The expiry of the famous paragraph 15(a)(ii) does not automatically grant MES to China, because the remaining paragraphs of this article still require Chinese companies and sectors to prove that they operate in a free market economy and, if this is not the case, the use of a methodology that is not based on a strict comparison with domestic prices or costs in China will still be possible.
3. China must now respect the commitments it made when it signed the WTO Accession Protocol, such as “China shall allow prices for traded goods and services in every sector to be determined by market forces” or “China shall notify the WTO of any subsidy”.
4. China must comply with the five technical criteria defined by the EU at the time of its accession (currently it fulfils only one of them). As the latest European report on China’s progress towards a market economy dates from 2008, it must be a requirement that regular updates are given by China on progress in this regard. Once China complies with these criteria, China will be entitled to be considered for market economy status, and only the standard anti-dumping procedures will then be applicable for the whole of its economy.
5. The EU should refrain from unilaterally interpreting the Chinese WTO Accession Protocol. Indeed, as this is an international agreement, the EU must coordinate with other major trading partners to find a solution. In the end it is only the WTO which can give a definitive and global interpretation.
6. Granting MES to China now is at odds with our basic principles of fair trade:
 - China does not respect the freedom of trade union organisation, the right to organise, the right to strike and the right to collective bargaining. For industriAll Europe it is unacceptable that the non-respect of basic labour rights in China is making quality jobs in Europe redundant.
 - China does not respect intellectual property rights.
 - Relocating industrial production from highly energy- and resource-efficient facilities to a coal-based Chinese economy is in contradiction with Europe’s climate ambitions.
 - For industriAll Europe it is also not acceptable that China is making European workers redundant, by exporting its overcapacities at prices below its own transformation costs, or by exporting its restructurings to Europe by artificially keeping its companies afloat.

For all these reasons industriAll Europe calls on the European Commission, with respect for all European laws and international treaties, to:

1. ensure that the impact assessment survey announced by the Commission fully takes into account all social, economic and legal implications of MES China and is used to organise a public debate on its impact.
2. strengthen the existing trade defence instruments in order to preserve the future of European industry (and in support of the European objective to increase the share of industry in the EU’s GDP back to 20%).
3. make a proposal on how to strengthen TDI and speed-up anti-dumping/anti-subsidy proceedings and to seek mutual agreement on making acceptance of the proposal by China a precondition for granting MES to China in bilateral negotiations.
4. develop an efficient methodology, not based on domestic Chinese prices, that enables the true level of dumping by China to be revealed.
5. develop a methodology and a transparent procedure that will allow Chinese business sectors and individual companies to demonstrate that they operate according to normal market rules. In these cases, the standard anti-dumping procedure will apply.
6. determine on a sectoral and case-by-case basis whether market economy principles prevail.

7. urge China not only to bring its state subsidy programmes, which are creating overcapacities, into line with the WTO, but also to improve its social and labour conditions as well as environmental standards to avoid any social/environmental dumping.
8. work closely with China to properly implement and enforce IPR laws (intellectual property rights – copyrights, trademarks and patents), because trade in counterfeit goods is not only a criminal activity, but also leads to distortion and affects consumer, health and environmental protection.

IndustriAll Europe will maintain its opposition to China being granted MES and sees compliance with the above mentioned criteria as a precondition.

IndustriAll Europe furthermore calls upon EU Member States blocking the Commission's proposal on the reform of trade defence instruments, particularly UK and Netherlands, to give up their position and first and foremost to agree on removing the "lesser duty rule".

Finally, as the deadline of December 2016 is fast approaching, and because of the importance of the topic for the future of many of our industrial sectors, the Congress calls on the Industrial Policy Committee to closely monitor the next steps in the decision-making process: the impact assessment survey, the policy proposals from the Commission, the debates in the Council and the Parliament. It invites the Industrial Policy Committee to be actively involved in the debates and to further develop our positions and ideas.