BUSINESSEUROPE

THE PRESIDENT

Mr Fredrik Reinfeldt
Prime Minister
Prime Minister's Office
Rosenbad 4

SE-103 33 Stockholm

23 November 2009

Dear Prime Minister,

On 30 November you will meet Chinese Premier Wen Jiabao at the EU-China Political Summit to advance a number of key bilateral and global issues. As the Summit will take place in parallel with the WTO Ministerial meeting in Geneva and only a few days ahead of the international climate change conference in Copenhagen, the successful outcome of your discussions will be crucial to make progress on the most pressing challenges facing both the European and Chinese economies. Closing of ranks between the European Union and China is key to ensure effective implementation of the decisions made by the G20 to tackle the effects of the global economic and financial crisis. US President Barack Obama's recent visit to China will also give the opportunity to build up some momentum to jointly address common challenges.

BUSINESSEUROPE counts on effective EU and Chinese leadership to lay the ground for a successful conclusion of the *WTO Doha round* in 2010. Large exporters like the EU and China will have to show leadership in negotiating and respecting multilateral trade rules. EU and Chinese participation in sector specific industry and services negotiations could be a starting point. On climate change, we also need emerging economies, and especially China, to be committed partners in reducing global emissions as soon as possible. A successful *Copenhagen* outcome must establish binding emission targets or policies from advanced developing countries by 2020. Moreover, the maintenance of a level playing field worldwide for industries competing internationally is crucial for the future competitiveness of European companies.

Besides these multilateral issues, there is a strong need to improve bilateral conditions for business development. The current commercial relationship could be expanded to improve business development between the EU and China.

European companies still face numerous *market access* hurdles which effectively hamper their commercial development by creating legal uncertainty for operations in China. One particular problem is the lack of consistent enforcement and application of laws and regulations at national and regional levels. In particular Chinese Compulsory Certification (CCC), which affects a broad range of industries, is especially burdensome, lengthy, expensive and non-transparent. In addition, it obliges companies to provide highly confidential information which goes far beyond the scope of information necessary for the approval concerned. Therefore, we urge you to work with your Chinese counterparts to remove these barriers.

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To attract more foreign direct investment (FDI), China should eliminate state practices that distort the market for European companies. In 2007, EU inward *investment* into China amounted only to €4.5bn, equivalent to 0.9% of European overall investment in countries outside the EU. By eliminating WTO incompatible local content requirements and lifting certification requirements tantamount to technology transfer, China could boost the level of EU investment in the economy significantly.

The scale of counterfeit and pirated goods exported from China remains at an alarmingly high level. 54% of all counterfeit goods seized at EU borders in 2008 originated in China which shows that more work is needed in this area. Cooperation on *intellectual property rights* protection could also be an opportunity to advance EU-China industrial cooperation, for instance in the development of a green economy. Both our economies stand to gain from innovation in green technologies and should therefore create and enforce strong market-based rules for business-to-business cooperation. In addition, China should continue its process of developing a patent system which must ensure good quality patents and be implemented in line with international standards.

Greater legal certainty is needed for European companies on Chinese *procurement* markets. Although "Buy China" legislation has already existed for some time, the additional 2009 implementation provisions which oblige Chinese authorities at all levels to give preferences to domestic products in their purchases, will discriminate against EU companies. These provisions, which will have a domino effect on protectionism globally and hinder China's timely accession the WTO Government Procurement Agreement, should be dropped.

China is the world's third largest importer of *raw materials*, a natural consequence of its strong industrial development. Both China and the EU should aim towards a fair and common approach to natural resources. Regarding China's role as a raw materials supplier, the Chinese government has recently introduced WTO-incompatible export restrictions and taxes to favour domestic industrial producers. This is a very serious problem for European industries which also depend on raw material imports. These export restrictions must be removed.

We are also very concerned that the weakness of the US dollar combined with China's fixed *exchange rate* policy risks shifting the burden of future exchange rate adjustments on to the EU's shoulders. We support the visit of Jean-Claude Juncker, President of the Eurogroup, Jean-Claude Trichet, President of the European Central Bank, and Joaquín Almunia, European Commissioner for Economic and Monetary Affairs, which should be the first step towards a more intense bilateral dialogue to discuss ways of reducing global imbalances and avoid repeating past mistakes.

I hope that you will achieve concrete improvements on these priority issues in your upcoming discussions. An identical letter is being sent to José Manuel Barroso, President of the European Commission.

Yours sincerely,

Jürgen Thumann

Jürgen R. Thumann