



Mr José Manuel Barroso
President
European Commission
1049 Brussels
BELGIUM

26 April 2010

Dear President,

I am writing to you in advance of your upcoming meeting with Chinese Prime Minister Wen Jiabao on 29 April in China. BUSINESSEUROPE attaches a high importance to an effective framework for EU-China relations at this current time of huge economic opportunity on the one hand and significant challenges on the other for the bilateral partnership. In this light, we urge you to robustly address a number of the most pressing European business concerns in your meetings with the Chinese government.

We would like you to give the strongest impetus to advance the work of the **EU-China High-Level Economic Dialogue**, as it is surely the right arena to tackle the numerous existing barriers to trade and investment. A strong economic dialogue that removes trade and investment impediments is central to the EU-China relationship. Without the stability that an open and reliable investment and market access framework brings, it will be difficult to significantly enhance business between the EU and China.

In addition, a number of issues continue to be of real concern to European business and little progress seems to result. Recently, European companies have become increasingly worried that business conditions in China are, in fact, deteriorating. One particular example is the Chinese "**National Indigenous Innovation Policy**" (NIIP), which could effectively exclude European companies from Chinese government procurement markets.

We highly appreciate the Commission's actions to seek clarifications on this issue and China's assurances of an open environment for foreign investors in future. However, China has yet to provide clear guarantees that European and other non-Chinese companies will not be excluded from the market, whether centrally or at provincial level. It is positive that the issues raised by foreign companies related to the NIIP have been recognized by the Chinese Ministry of Science and Technology, and that they are attempting to find an acceptable resolution. The NIIP, in its original form, created real concerns as it would have severely impacted the ability of foreign companies to operate on a level playing field with local companies in China. The new draft

regulation, released by the Chinese government on 10 April 2010, is showing clear improvement compared to the previous version and would give foreign invested companies in China a real chance to take part in the process. However, the core issue, namely how to build up a sustainable innovation capacity via open and fair competition and without restricting market access, remains untouched.

Chinese mandatory certification schemes such as the **China Compulsory Certification (CCC)** are a very challenging and harmful practice, which affect a broad range of industries. Apart from its very complex application, it forces companies to provide highly confidential business information to non-commercially independent certification bodies when they seek certification. In the field of information security products and wind power equipment, existing regulations and their implementation are explicitly discriminatory against foreign invested companies. Business needs internationally applicable common standards and norms. Unjustified country-only standards and related mandatory certification schemes seriously hamper business development, to the detriment of both China and the EU.

Counterfeiting and piracy is a global problem and it is therefore important that China and the EU cooperate bilaterally and multilaterally. We are encouraged that China is reviewing some key legislation in this field but the real issue here is the enforcement of the rules. As the Chinese economy moves up the value chain towards an innovation-oriented economy, China's own interest in protecting IPR becomes clearer. This is evident in the growing number of IP disputes between Chinese companies themselves. Therefore both the EU and China should join forces in support of strict enforcement of intellectual property rights in line with international standards.

The International Energy Agency predicts that 97% of the Greenhouse Gas emissions increase between now and 2030 will come from non-OECD countries. Consequently, emerging economies, and especially China, have to be committed partners in establishing binding policies with equally strong emissions reduction targets. The maintenance of a level playing field worldwide for industries competing internationally is crucial for the future competitiveness of European companies. China will also benefit from a **coherent climate policy** through greater innovation in clean technology and a cleaner environment.

In today's globalised world, leading economies like the EU and China have to set the example by respecting the rules and pushing forward multilateral trade negotiations. This of course also includes removing rules when they are not **WTO** compatible, for instance in the areas of subsidies and export restrictions on raw materials. Business counts on leadership from both the EU and China to strive towards a market-driven policy on access to raw materials, guaranteeing a level playing field. Moreover, they should join forces in order to move the Doha Round towards a successful conclusion, which should include ambitious sectoral agreements.


Finally, **macro-economic imbalances** need to be addressed in order to avoid a repeat of the financial crisis that has thrown the world economy into disarray.



BUSINESSEUROPE would like to see a more intense multilateral dialogue between European, Chinese and US authorities to discuss ways of reducing global imbalances and ensure the sustainable development of our respective economies.

We wish you very fruitful deliberations during your visit to Beijing and would be happy to provide any further information if necessary.

Yours sincerely,

Best regards,


Philippe de Buck