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Dear President van Rompuy, Dear President Barroso,

On 6 October, we look forward to a dynamic and engaging 13<sup>th</sup> EU-China Political Summit which will provide an opportunity to develop further the relations with our second largest trading partner.

The European Council on 16 September 2010 debated the EU's strategic partnerships with its main economic partners. We applaud this effort to develop a more strategic approach to the EU's foreign relations and call for the creation of a European economic diplomacy that is responsive to the needs of EU companies. Given its economic strength and growing global responsibilities, China is a strategic partner of paramount importance. We hope that the Summit will enable the EU to advance significantly the economic relationship based on the principles of reciprocity and global responsibility.

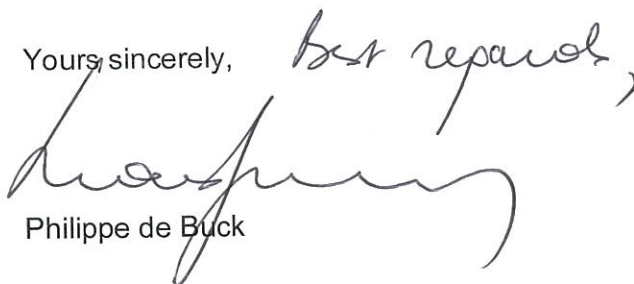
As you are aware, business leaders are increasingly concerned about the deteriorating business climate for foreign companies in China. Policy initiatives like the national indigenous innovation policy, compulsory certification and licenses, state directed technology transfer, and discriminatory procurement policies restrict the ability of European companies to conduct their business on fair terms. Even where the national provisions are changed to become less discriminatory, regional implementation is unclear at best and sometimes even more discriminatory than the original national provisions. Consequently, we would like you to use the Political Summit to address these trends. We would like to raise the following priority issues:

1. China's revised offer for joining the **WTO Government Procurement Agreement** is an improvement over the first offer. However, it falls short in comparison to the commitments made by other GPA members. We cannot accept the threshold for open tenders which would remain about 50% higher than other GPA members, and the very restricted coverage. Sub-central government entities, state-owned enterprises and crucial parts of the construction sector would not be covered. In addition to this are the very long transition periods. We expect you to press the case for a substantially improved offer on these issues.
2. With €5.3 billion of EU inward investment 2009, the engagement of European companies in China is very high. However, given the number of difficulties and restrictions European companies are confronted with, the EU should open negotiations on a **bilateral investment agreement**. An ambitious agreement

- would provide legal certainty from both sides seeking to promote cooperation on trade and investment.
3. On raw materials, BUSINESSEUROPE is alarmed by China's decision in July 2010 to reduce **export quotas for rare earths** while seemingly maintaining availability for locally owned consumers of rare earths in China. This unexpected situation has created a number of negative impacts for the EU industry, such as strong price increases and delivery shortages. Rare earths are essential for a multitude of industries and very often cannot be substituted. They are key to the emergence of green technology, such as the new generation of wind-powered turbines or compact fluorescent light bulbs. BUSINESSEUROPE urges you to robustly address this problem at the upcoming Summit.
  4. Cooperation with China on **climate change** will be central to achieving an ambitious global agreement to cut emissions. China is the world's third biggest economy and leading exporter, and the world's second largest greenhouse gas emitter. It should take account of its major contribution to global emissions at present and in future, and commit to significant emissions reductions targets at global level. In addition, the EU and China should intensify efforts to cooperate on clean and energy efficient technologies. Transparent and non-discriminatory rules for trade, the protection of intellectual property, investments and procurement in this field would go a long way toward fostering more private sector cooperation on technology. In addition, China and the EU have a common interest in having transparent and non-discriminatory rules to promote the use of clean development and other offset mechanisms to reduce emissions in the most cost-effective manner.
  5. Finally, European, Chinese and US authorities should engage into a more intense dialogue on **macro-economic imbalances**. It is our strong belief that a precondition for a return to global growth and financial stability is to ensure that macroeconomic and exchange rate policies are sustainable and conducive to maintaining open markets.

We wish you a fruitful Summit meeting and count on you to address these pressing concerns for European companies in your deliberations with your Chinese counterparts. We look forward to discussing these issues with you at the EU-China Business Summit which we will co-organise on 6 October with the Belgian Federation of Enterprises (FEB-VBO) and the China Council For The Promotion Of International Trade (CCPIT).

Yours sincerely,

*best regards,*  


Philippe de Buck