



Karel De Gucht  
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European Commission  
B-1049 Brussels

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Dear Commissioner, *Karel*

The upcoming meeting of the EU-China High-Level Economic Dialogue (HED) in Beijing on 20 and 21 December will be an important opportunity to address a number of important issues in this bilateral relationship. It will also be very useful to get a better understanding of China's 12<sup>th</sup> Five-Year Plan.

Both the EU-China Business and the Political Summits on 6 October raised a number of key issues for European companies, notably in relation to China's accession to the WTO Government Procurement Agreement, export quotas and duties on rare earths, implementation of the National Indigenous Innovation Policy at national and local levels, cooperation on climate change, and macro-economic imbalances. As these issues have not been settled yet we count on your active engagement to further advance them in the HED discussions.

BUSINESSEUROPE would also like to highlight some additional strong concerns:

- **Chinese export credits:** European companies from a number of different sectors are exposed to unfair competition through China's policy of using export credits as an instrument to support exports. It is questionable if these practices are in conformity of WTO rules.
- **Chinese subsidies for patent filings:** The Chinese government has recently adopted measures to promote the filing of patent applications outside of China. These filing subsidies, which are only available to certain "domestic applicants", have led to a flood of patent filings by indigenous Chinese companies, many of dubious quality. Moreover, they violate both the spirit and letter of China's WTO accession commitments.
- **Equity caps and mandatory joint ventures:** China's successful policy of attracting foreign direct investment (FDI) would be enhanced further by eliminating state practices that distort investment strategies of European companies. China still puts limits on foreign investment in a number of sectors such as chemicals, banking or telecoms. These obstacles hamper both companies coming to China as well as those expanding already existing activities. In addition, requirements for local content undermine companies' strategies and violate China's WTO commitments. BUSINESSEUROPE is also very much concerned about a lack of



confidentiality in the treatment of proprietary information required for regulatory approvals.

- **Variability of Courts:** Whilst some courts in major coastal cities are generally improving for business issues, there is huge variability and some local courts appear to unduly favour local parties in commercial or related disputes.

BUSINESSEUROPE strongly urges the Commission to robustly address these issues both at political and technical level. In our view, open markets together with the principles of non-discrimination, transparency, reciprocity, economic freedom and rule of law should be the fundamentals for a further deepening of the EU-China relationship. Be assured that European companies are ready to give any support that would be conducive to making this objective a reality.

Yours sincerely,

*Mendeligho gwest en besti wenssen*

Philippe de Buck

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