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EU and China: Unbalanced Trade?

Greens/EFA alternative motion for a resolution

The European Parliament,

– having regard to Articles 2, 3, 6 and 21 of the Treaty on European Union,

– having regard to Articles 153, 191, 207 and 218 of the Treaty on the Functioning of the European Union,

– having regard to Articles 12, 21, 28, 29, 31 and 32 of the Charter of Fundamental Rights of the European Union,

– having regard to the Protocol on the Accession of the People's Republic of China to the World Trade Organization of 23 November 2001,

– having regard to Council Regulation (EC) No 1225/2009 of 30 November 2009 on protection against dumped imports from countries not members of the European Community and the Commission Communication of 6 December 2006 entitled 'Global Europe: Europe's trade defence instruments in a changing global economy',

– having regard to its resolution of 6 April 2011 on the future European international investment policy[1],

– having regard to its resolutions of 25 November 2010 on corporate social responsibility in international trade agreements[2], on human rights and social and environmental standards in international trade agreements[3] and on international trade policy in the context of climate change imperatives [4],

– having regard to the Commission Communication to the Council and the European Parliament entitled 'EU – China: Closer partners, growing responsibilities' (COM(2006)631) and its accompanying policy paper 'Competition and Partnership – A policy for EU-China trade and investment' (COM(2006)632),

– having regard to the Chinese Government's White Paper of 23 December 2010 on China-Africa economic and trade cooperation,

– having regard to Rule 45 (2) and Rule 151 of its Rules of Procedure,

A. whereas EU-China trade and economic relations will need to be better matched by an adequate enhancement of political relations and the promotion of the fundamental values upon which the EU was founded with regard, in particular, to the respect of human rights, the support for democracy and the consolidation of the rule of law in compliance with the principles set out in the general provisions on the Union's external action as enshrined in the Lisbon Treaty,

B. whereas the ongoing negotiations of a new framework agreement between the EU and China must lead to a binding clause on the respect for democracy and human rights with a clear arbitration mechanism and the eventual suspension of the agreement in case of serious violations,

Addressing the challenges

1. Welcomes the strengthening of economic relations between the European Union and China; calls on the EU and on China to pursue a relationship of partnership and mutual benefits rather than engage in fierce competition and confrontation;

2. Takes the view that the trade imbalances between the EU and China reflect their differing social, economic and democratic models; takes the view that the limited or non-existent degree of respect in China for certain internationally agreed social and labour rights and environmental standards is a contributing factor to this imbalance; acknowledges the fact that some efforts are being made in this area, but considers that they do not go far enough; encourages, therefore, critical dialogue and constructive engagement between the two partners;

3. Calls for further efforts and progress in the field of human rights and in particular regarding the situation of human rights defenders in light of the recent events; welcomes the EU-China human rights dialogue that is due to take place on 29th May, calls however for an assessment of its results;

4. Takes the view that the main challenge China poses for the EU is that of developing and implementing an ambitious EU industrial policy; points out that such an industrial policy will be effective only if it is developed and implemented at the EU level, and that it is impossible to generate a coherent and effective EU approach to China on the basis of purely national approaches;

5. Urges the Commission to closely monitor Member States' Chinese policies; calls on Member States to work closely with the Commission when defining their commercial policy; takes note of the bilateral economic and commercial policy contacts of China with EU Member States; requests Member States, in this regard, to fully reflect and advance EU policy goals and conduct bilateral contacts with China under the premise of full transparency towards the other EU Member States;

6. Underlines that an ambitious common industrial policy is based on research and innovation that benefits from innovative financing arrangements (such as project bonds) and supports the development of SMEs, in order to maintain their competiveness vis-à-vis new major players in industry and research; calls on the EU to enhance the value of European production, particularly through improvements in sustainability standards, the facilitation of a more rapid market introduction of green technologies, and increased substitution of non-renewable and rare raw materials; urges the Commission to develop a long-term strategy with regard to China, indicating more precisely which industrial sectors shall be developed or maintained in the EU during the next 30 years and which might face serious difficulties, in order to facilitate an open and fair discussion among the social partners and citizens throughout the Union, and prepare the ground for a long-term conversion and requalification process of endangered industrial sectors and their employees;

7. Takes the view that, as the world's largest market, the EU must also continue to be the world leader in

terms of developing standards in particular in strategic areas; encourages, therefore, all forms of cooperation between China and the EU in international negotiations on standards;

8. Supports vividly all activities of the EU of reaching multi- and bilateral agreements on increased and binding global human rights, social, environmental and climate change protection standards; encourages the EU to advance the attainment of such global standards enacting them already unilaterally even in the case in which major trade partners resist against their global introduction;

9. Calls on the Commission, in such cases, to propose a scenario for the gradual introduction of a trade conditionality mechanism or other appropriate measures for non-EU goods that fail to comply with those standards;

10. Points out that technology transfer through joint ventures - the main form in which foreign companies are allowed to set up in China – has favoured the competitive development of China, but has also led to a weakening of the competitiveness of European industry, the export of dirty technologies and the negligence of a more strategic approach to technology cooperation with China geared at environmentally sound innovation where the EU is at the forefront;

11. Calls on the EU and China to develop partnerships in relation to R&D and industrial cooperation in the various growth areas within the green economy, such as recycling, efficient management of rare earth elements throughout the economic cycle, renewable energies and energy efficiency; welcomes the fact that European programmes are open to Chinese research teams, and calls for Chinese programmes to be opened up to European researchers;

12. Notes, however, with growing concern that the scale of Chinese investment in renewable energies has let to enormous overcapacities, for example in the Photovoltaic sector, and is informed by an aggressive strategy to crowd out a healthy and technologically striving industrial sector; stresses that the EU can still be at the cutting edge if it opts to focus its research efforts on rational resource management and the green economy and to invest in those areas; is, however, aware that the renewable energy sector needs a stepped-up public support, especially through local content requirements in public procurement programs relating to environmental policy goals;

Levelling the trade playing field

13. Calls on the Commission to apply the principle of reciprocity to the EU's common trade policy with developed and emerging countries such as China, in order to restore fair competition and to ensure a level playing field;

14. Calls on the Commission and the authorities in the Member States to make sure that all goods in circulation on the internal market comply strictly with EU social, environmental and health protection standards;

15. Notes that the Chinese economy does not fulfil the criteria of a market economy as defined by the WTO; calls on the Commission to cooperate with the Chinese Government in order to eliminate all remaining obstacles by 2016, when market economy status is supposed to be granted China by the WTO; emphasises that this status should only be accorded if China has fulfilled all criteria;

16. Regrets the existence of numerous tariff and of non-tariff barriers with no apparent justification to the Chinese market, such as certain forms of discrimination against foreign operators, particularly in some service sectors, the complexity of the tariff structure and technical barriers to trade such as the lack of transparency of technical rules and conformity assessment procedures or the Chinese Compulsory

Certification System (CCC); notes that China, contrary to the provisions of the Agreement on Subsidies and Countervailing Measures (ASCM), does not systematically give notification of specific subsidies;

17. Points out that China has established very considerable trade advantages for itself in relation to the EU through targeted state subsidies, using a great variety of legal constructs; urges China to bring its state subsidy programmes into line with relevant WTO law; notes that the export credits granted by the Chinese authorities and banks promote trade distortions; calls on China, therefore, to comply with the OECD Arrangement on Guidelines for Officially Supported Export Credits; calls on the Commission to support OECD efforts to involve China in this Arrangement; in addition, encourages China to become a signatory to the OECD Anti-Bribery Convention;

18. Calls on the EU to regard the use of trade defence instruments such as anti-dumping and anti-subsidy measures as the appropriate tool to counter unfair trade practices by China; calls on Commission and Council to accelerate the reform process of the EU's trade defence instruments and to contemplate how the pricing of inputs other than the conventional factor costs of production - such as environmental resources - can be included in the calculation of dumping margins;

19. Is concerned by the unreliability of the judicial system, which fails to enforce contractual obligations, and by the lack of transparency and uniformity in applying the regulatory regime governing investments;

20. Supports the Commission in developing a European instrument to ensure reciprocity in the field of public procurement market openness; points out that public procurement forms the basis for a coherent, sustainable and innovative EU industrial policy; calls, therefore, on the Commission to consider public procurement more generally in terms of its potential role as a tool in a pro-active industrial policy of the EU which, in the long run, could be more advantageous to European interests than the focus on reciprocity in market access, especially with regard to the introduction of new green technologies on a mass scale;

21. Wants China to continue to transpose current international law on the protection of IPR into its national legislation, and more specifically to combat counterfeiting, and urges the Chinese authorities to apply it correctly; stresses that the weak protection against counterfeiting and the lack of will on behalf of the Chinese authorities to tackle the counterfeiting of products constitute barriers to further economic cooperation;

22. Notes that China holds about a third of the rare earths, but that decreasing production of rare earths in other countries due to high costs and environmental impact of their extraction has led China to become the world's dominant producer of a large number of rare earths; calls on China to guarantee the fair and sustainable supply of these rare earths to its trading partners; calls on the Commission to engage in a strategic partnership of technology cooperation with China with regard to the substitution of rare earths and the mitigation of the environmental impact of resource extraction; calls on the Commission to develop a European strategy for the proper management of raw materials involving increased energy efficiency, recycling, lower use of resources and the development of industrial cooperation in the green economy growth sectors;

23. Takes note of the initiative of the Commission to negotiate an EU-wide agreement with China on market access for investment and on investment protection that seeks to create a better environment for EU investors in China whilst increasing the level of Chinese capital flows to the EU; in the process of formulating the negotiating mandate for the Commission urges the Council to take the Parliament's position on the criteria for new EU-wide investment protection agreements into utmost account, namely with regard to:

- balancing investor rights with investor duties to fully respect host country regulations, be they put into force prior or post establishment,

- retaining public policy space for social, environmental and health regulations which should be excluded from being regarded as undue restriction of legitimate profit expectation or indirect form of expropriation,

- persevering state-to-state dispute settlement,

- conditioning a possible introduction of an investor-to-state dispute settlement on fully transparent process including the set-up of a college of arbitrators, the introduction of an appeal mechanism, and the publication of challenges, proceedings and results,

- excluding from investor-to-state disputes issues concerning Member States legislative or administrative activities of implementing EU regulations and directives,

- the specific treatment of investments through Sovereign Wealth Funds, especially with regard to transparency requirements;

24. Is concerned that some European companies invest in China mainly because of the low cost of production caused by lower social, environmental and human rights standards; strongly recommends that the Commission and the Member States promote effective corporate social responsibility (CSR) practices by European companies in China, and encourage the dissemination and publicity of best practices of CSR initiatives; furthermore, requests that the Commission assesses how CSR provisions could be included in the future EU-China investment agreement;

25. Calls on the Member States to make sure through appropriate monitoring mechanisms that foreign enterprises respect European social and environmental standards and ensure the sustainability of employment when they purchase European businesses or set up subsidiaries in the EU; asks the Commission to set up a body entrusted with the ex ante evaluation of foreign strategic investment, along the lines of the Committee on Foreign Investment in the United States (CFIUS), in order to obtain a clear picture of businesses operating and investing in the territory of the EU;

Governance framework

26. Urges the EU to strengthen its economic, budgetary, fiscal and political governance to give it a credible voice on the international stage; calls on the Council and the Commission to speak with one voice in order to prevent partnerships and bilateral agreements weakening the EU position;

27. Calls on the EU to act within all appropriate international organisations, such as the WHO, the International Labour Organization (ILO) and the United Nations (UN), in order to initiate a process of reform geared at including binding social, environmental and health standards into the rules on the organisation of global trade; is convinced that if social rights are taken into account in trade relations, it can offer opportunities to advance the defence of human rights;

28. Calls on the EU to propose that the WTO include ecological and climate change imperatives when laying down effective environmental standards in its rules on the organisation of international trade; points out that already at present the WTO framework makes it possible to distinguish between like-products according to their production and processing methods (PPMs) and to take trade qualification measures if these are necessary, proportionate and do not discriminate against countries in which production conditions are identical;

29. Recognises the engagements made by China to limit the growth of its greenhouse gas emissions; encourages China to make a strong engagement to a binding international legal framework and reduction targets that are consistent with limiting global warming to the 2°C objective to be negotiated by

2015 as agreed in Durban, while calling for EU to also be consistent with its own targets;

Social standards in China

30. Calls on the Commission to intensify the existing dialogue on employment and social policy and to enter into a structured social dialogue with China in the framework of the High Level Economic and Trade Dialogue (HLD);

31. Stresses that observance of human and social rights is essential in the cooperation between the EU and China; underlines the importance of compliance with and a rapid implementation of all rules of the ILO, including the right to freely form independent trade unions; supports the pursuit of decent pay and working conditions; calls for mutual respect for labour legislation, especially the prevention of illegal forms of labour such as child labour and prison labour; notes the improvements made by the Chinese government regarding better conditions for employees, yet observes that workers' rights are not always respected due to poor enforcement of labour laws and employers frequently failing to comply with environmental, health and safety standards, which thus leads to dangerous work environments; calls for a thorough improvement of the legislation concerned; stresses the importance of better supply-chain control with regard to working conditions;

32. Notes that labour disputes are on the rise in China and regards it as regrettable that minimum-wage increases are failing to compensate for inflation, in particular in the southern provinces; calls on China to enact comprehensive legislation on collective bargaining and to put in place all of the measures required for social dialogue; proposes that the Commission should make special arrangements for cooperation with the Chinese authorities in support of these changes;

33. Notes a rise in the level of informal work in urban areas as well as violations of the principles of decent work despite the existence of a legislative framework governing employment conditions; notes that not all segments of the Chinese population have equally benefited from the economic growth and that there are large disparities emerging between urban and rural parts of the country; points out that inequalities in incomes, access to employment, social welfare, health and education between the urban and rural populations constitute a significant cohesion policy challenge for China;

34. Stresses the impact which China, as the biggest exporting country, has on the world economy and the responsibility which this entails to comply with minimum social standards; welcomes the efforts made by Chinese central and local government in this area; emphasises that a comprehensive law complying with all international standards, on social security and health care, and strict and efficient monitoring of compliance with legislation on employment conditions, are indispensable;

Consequences for development policy

35. Considers that seeing Chinese engagement in developing countries as unfair competition, and pursuing a conflictual response will be unproductive for, above all, the developing countries themselves; emphasises that, in the best interest of developing countries as well as of broader global competition and growth, EU enterprises and actors seeking to compete with China in trade and economic relations with developing countries should work to present offers that are the most attractive in terms of long-term sustainability and benefit, including environmental, social, human rights and governance aspects;

36. Is aware that China's impact on Africa varies according to the size, economic structures, and quality of governance and institutions in African economies; takes the view that the impact of China's trade on African countries needs to be further evaluated i.e. to the extent to which trade with China will encourage

further specialisation in primary commodities, or can help African economies diversify their production and finance sustainable projects;

37. Recognizes that China's new role as a major source of finance in Africa has sparked several concerns in the EU; in particular, underlines that while international organisations and bilateral aid agencies of traditional donors have made their assistance conditional on good governance, this is not the case for China; fears accordingly that China's influence could further delay efforts to improve governance and reduce corruption in Africa, especially in its partner countries characterised by weak institutions such as Angola, Congo, Nigeria and Sudan;

38. Notes that Chinese investments in Africa, channelled mainly through the Export-Import Bank raises concerns i.e. about sustainability of projects, as in the case of large controversial hydropower dams projects; calls on the Export-Import Bank to endorse the "Equator Principles", a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing, and the "Extractive Industries Transparency Initiative Principles" (EITI);

39. Calls on the Commission to actively engage with the Chinese Government in order to convince the partner to commit to an agreed set of environmental, social and governance standards in their export finance activities, as contained in the OECD Arrangement on Officially Supported Export Credits, and an agreed set of rules on behaviour of foreign public officials in international business transactions supported by official export credits, as contained in the OECD Recommendations on Bribery;

40. Notes with concern that in Africa, a majority of China's large-scale projects have been carried out by a predominantly Chinese labour force; as a result, the local labour force remains untrained and the spin-offs for the population in terms of employment are minimal;

41. Notes that the China-Africa Development Fund (CADF) supports the setting-up of special Chinese Economic Processing Zones in Africa; shares the views of the African Development Group according to which there is a need to integrate Chinese investments into the national production chain to ensure that these zones will effectively promote industrialisation, which implies i.e.: strengthening legal and regulatory arrangements, including social and environmental safeguards, as well as improving access of local companies and workers to the zones to ensure linkages to the local economy;

42. Calls on the Chinese government, Chinese private and public-private companies, China-EU joint ventures, but also European private companies to discontinue the policy of land-grabbing, that is, the purchase or long-time lease of large areas of land in third (mainly developing) countries, including for the cultivation of crops suitable for the production of bio-fuels; stresses that in numerous cases, local communities have no ownership documents at hand, and therefore no legal opportunities to oppose the seizure of their traditional land; also stresses that the introduction of agro-industrial production methods, which generally accompany land-grabbing processes, has an extremely negative impact on the environment and the self-sufficiency of local communities, and therefore regularly leads to violations of the human right to food; finally stresses that in most cases of land-grabbing, the often-cited investment in local infrastructure and the implication of the local work force remain marginal, while the major part of products and profits flows back into the investing country, such as China; particularly calls on the Chinese government to put an end to the implication of its telecommunication company ZTE in land-grabbing processes, such as the oil palm plantation in the DR Congo.

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[1] Texts adopted, P7_TA(2011)0141.
[2] OJ C 99E , 3.4.2012, p. 101.
[3] OJ C 99E , 3.4.2012, p. 31.
[4] Texts Adopted, P7_TA(2010)0445.

Recommended

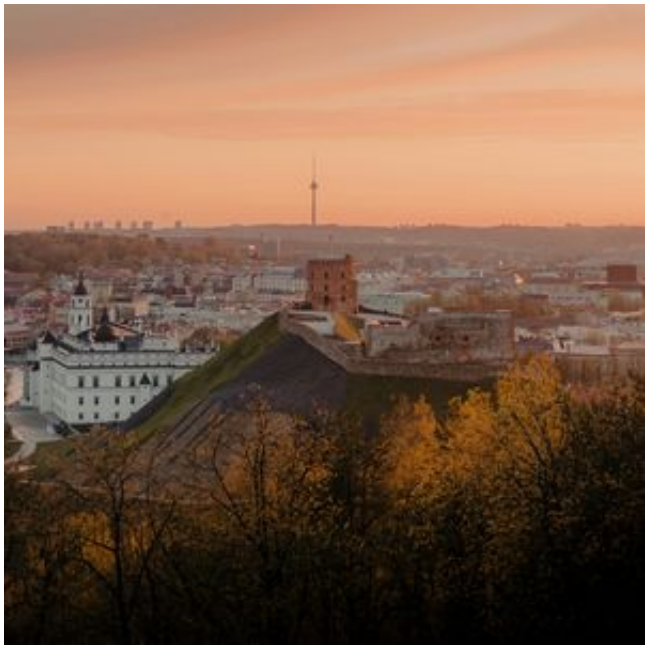
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