

## China's market economy status

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### BDI statement of position:

1. The EU institutions should establish legal clarification as soon as possible whether, in accordance with China's Protocol of Accession to the WTO, the EU is bound by international law from 11th December 2016 onwards to take Chinese prices as a basis in anti-dumping investigations and in consequence has to grant China market economy status (MES).
2. If there is no binding obligation under international law to grant MES, the EU's decisions should be linked to the technical criteria of the EU being fulfilled.
3. Pursuing a common course with the transatlantic partners over the issue of granting MES to China would go well with the aim of deepening transatlantic economic relations.
4. Irrespective of the issue of MES, BDI calls on the EU and the PR China to do everything to promote the continued improvement of market access for trade and investment – in the EU, in China and also in third countries. Moreover, the EU should ensure that European industry can continue to take defensive action against unfair imports from China.
5. BDI calls upon the Chinese government to accelerate structural change in China and to eliminate excess capacities, particularly in the steel sector.

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### Background:

German industry is among the top economies in terms of integration into the world economy. The internationalization of industrial value chains makes a major contribution to its competitiveness. German industry is dependent on worldwide open markets and on a level playing field – both for trade and investment. Open, rule-based and fair trade along with the worldwide recognition of market economy principles offer German industry many advantages.

China constitutes a key market with regard to the operations of German enterprises abroad. Moreover, the country is also a key player in endeavours to secure open markets globally along with fair competitive conditions. This makes the question all the more important whether and, if so, in what circumstances the EU should grant China MES.

BDI attaches great importance to understanding the processes of economic policy in China, a position which is reflected, for example, in the current BDI China Study "Reform or Instability? Xi Jinping's Decisions for a New China". China's structural change and consequently also its future path of development towards a market economy are important for German industry. This is because of the size of the market, its dynamism, which can be anticipated to continue in the future, and the heavy investment commitment by German industry in China.

In a current position paper, BusinessEurope calls upon the EU Commission to clarify the status of China's Protocol of Accession to the WTO and in the context of legal, political and economic aspects to undertake an assessment of the possible impact on the EU. BDI supports this appeal. In this matter it is only legal clarification by the EU that can bring about certainty.

For Germany to remain a location for industry and production, it is paramount to strengthen global value chains. It must be guaranteed that in the future important primary industries can successfully produce in Germany. This must not be jeopardized by awarding MES to China. Several branches of industry fear that granting MES will cause anti-dumping measures to lose their effectiveness. Should the EU in future no longer be in a position to use the costs and prices of a producer in a third country (analogue country methodology) in anti-dumping investigations, this would restrict the protective effect of this instrument as a legal remedy against unfair competition. In contrast, other branches of industry derive such a high proportion of primary products from China that the application of trade defence instruments would do more harm than good for individual companies.