3.5 million jobs at risk if EU grants Market Economy Status to China, finds new report

Brussels, 18 September 2015 - A landmark study by the Economic Policy Institute (EPI) released today reveals that if the EU grants Market Economy Status (MES) to China, the EU could lose 3.5 million jobs and 2% of GDP.

If the EU surrenders to Chinese pressure for Market Economy Status, Europe would permanently lose the ability to set proper anti-dumping measures on unfairly dumped Chinese imports. Such a capitulation would severely damage the competitiveness of EU manufacturing industries, undermining still fragile European economies.

Professor Robert E. Scott, author of the study and Director of Trade and Manufacturing Policy Research at EPI, commented on his findings saying, "Abandoning the possibility of obtaining relief from state-financed dumping would expose EU producers to a flood of cheap products from China, destroying employment and business investment in manufacturing."

The EPI study calculated that MES for China would directly put at risk up to 1 million European jobs in affected industries, with knock-on losses of 1 million additional indirect jobs in related sectors. Subsequent negative income effects could lead to as many as 3.5 million job losses over the next three to five years, according to EPI. The hardest hit countries would be Germany, Italy, UK, France and Poland.

Professor Scott added, "If China continues its strategy of developing overcapacity and dumping, job losses – especially in import sensitive industries – could be even higher. Sectors such as steel, ceramics, aluminium, paper, glass, auto parts as well as chemicals and environmental technology industries, which already suffer from Chinese dumping, would be particularly affected. Market Economy Status could put an additional 2.7 Million jobs in these highly vulnerable industries at particular risk."

The study was presented by AEGIS Europe in Brussels today. AEGIS Europe is an alliance of 30 manufacturing industry associations that advocate free and fair international trade. AEGIS Europe highlights that everyone accepts that China meets only one of the five EU criteria necessary to be considered as a market economy.

Reacting to the report, AEGIS spokesman Milan Nitzschke said, "China is not a market economy and cannot be recognised by EU policy makers as such. China has been lobbying for MES for many years, but in the last five years its leadership has doubled subsidies to Chinese industry, resulting in even greater overcapacity, overproduction and dumping."

"Around 50 vital EU anti-dumping measures currently in force would be nullified by MES. China would be able to expand its strategic dumping across all sectors of European manufacturing. Other major trading partners, such as the US or Japan, are not expected to grant MES to China: there is no reason for the EU to do so either", added Mr Nitzschke.

For more information contact
Natalia Kurop
M: +32 (0) 488 945 579
E: *info@aegiseurope.eu*

Please visit our website: *www.aegiseurope.eu*
Report: *http://www.epi.org/publication/eu-jobs-at-risk/*

About AEGIS Europe
AEGIS Europe is a grouping of 30 industrial associations dedicated to ensuring that EU policymakers work towards free and fair international trade. AEGIS members are leaders in sustainable manufacturing and account for more than €500 billion in annual turnover and millions of jobs across the EU.

About the Economic Policy Institute (EPI)
The Economic Policy Institute (EPI) is a non-profit, nonpartisan think tank created in 1986 to include the needs of low- and middle-income workers in economic policy discussions. EPI believes every working person deserves a good job with fair pay, affordable health care, and retirement security. EPI changed the nature of public debates over international trade agreements by underscoring their effects on workers and the importance of putting enforceable labour standards in trade agreements. EPI's research is cutting-edge, original, and reliable, and it spans a broad range of economic issues. EPI analyses are a trusted resource for policy makers, those in the media, national progressive advocacy organizations and state research organizations. EPI is headquartered in Washington D.C.

About Professor Robert E. Scott
Robert E. Scott joined the Economic Policy Institute in 1996. His areas of research include international economics, trade and manufacturing policies and their impacts on working people in the United States and other countries, the economic impacts of foreign investment, and the macroeconomic effects of trade and capital flows. He has published widely in academic journals and the popular press, and has also provided economic commentary for a range of electronic media, including CNN, Bloomberg, and the BBC. He has a Ph.D. in Economics from the University of California at Berkeley.

About Market Economy Status (MES)
At the time China joined the WTO, the expectation – and commitment by China – was that China would move towards a full market economy. Of special relevance is the requirement in China's Protocol of Accession that, with certain very limited exceptions, China "allow prices for traded goods and services in every sector to be determined by market forces."

When China joined the World Trade Organization (WTO) in 2001, China agreed to provisions that allow countries to base dumping comparisons on something other than Chinese prices or costs. One

– but only one – of the relevant provisions is scheduled to expire on December 11, 2016. Legal analysis shows that WTO Member countries can continue to treat China as a non-market economy country after this date by basing dumping calculations in cases involving Chinese imports on something other than Chinese prices or costs.

In fact, still today many prices of such important factors as transport, energy, land and credit in China remain subject to government control or influence. In a 2013 report, the European Commission observed that China had fulfilled only one of the five criteria required under EU law for China to obtain market economy status in antidumping investigations. Recent events highlight China's lack of progress towards market economy status. The World Bank recently released its semi-annual China Economic Update, in which it noted that the Chinese government's "direct and extensive involvement in allocating resources has "no parallel in modern market economies.