

The industry alliance AEGIS Europe¹ promotes manufacturing, investment, employment, growth and innovation in Europe.

A strong industrial base is of key importance for Europe's prosperity and growth. This requires certain and predictable enforcement of the EU's trade defence system. Fair international competition and a level playing field are essential to guarantee a prosperous European economy.

Representing over 25 European industry associations, AEGIS Europe highlights the necessity to effectively address distortions from state-run or other non-market economies, which risk endangering jobs and know-how in Europe's industrial value chain.

In this context, AEGIS Europe advocates that:

- **China is not a market economy.** Granting Market Economy Status (MES) as requested by China would severely undermine the effectiveness of the EU's trade defence system and expose the EU market to unlimited Chinese dumping. Such a decision would seriously threaten the competitiveness and survival of many European companies, particularly SMEs.
- **The Chinese economy as a whole fails to meet the EU's technical criteria² for assessing MES.** Moreover, solid legal analyses substantiate that there is no legal automaticity in the EU granting MES to China after December 2016, particularly if the technical criteria are not met.
- **Any unilateral EU decision to grant MES is irreversible.** Many of the EU's major trading partners do not consider that China has achieved Market Economy Status or that any change is automatic after December 2016. Therefore, if the EU were to take such a view, it would result in significant trade diversion effects.

The EU's trade defence system should remain balanced and effective in the absence of international competition rules and a level playing field.

Notes to the Editor:

1. ABOUT THE ALLIANCE // AEGIS Europe brings together over 25 European associations (logos below) representing a broad variety of industries including traditional industries, consumer branches, SMEs and renewable energy sectors, accounting for more than €500 billion in annual turnover and millions of jobs across the EU. This industry alliance, made up of leaders in sustainable manufacturing and social and environmental responsibility, is committed to European manufacturing as the fundamental driver of innovation, growth and jobs in Europe.

2. MES TECHNICAL CRITERIA // According to SEC(2008) 2503 final, "MES requests are evaluated on the basis of five criteria which aim to establish whether the economic conditions in the country concerned have evolved to the extent that prices and costs can reliably be used for the purpose of trade defence investigations. To obtain technical MES for trade defence investigations all five criteria must be met. These criteria stipulate that in the country concerned there must be:

- 1.) a low degree of government influence over the allocation of resources and decisions of enterprises, whether directly or indirectly (e.g. public bodies), for example through the use of state-fixed prices, or discrimination in the tax, trade or currency regimes;
- 2.) an absence of state-induced distortions in the operation of enterprises linked to privatisation and the use of non-market trading or compensation system;
- 3.) the existence and implementation of a transparent and non-discriminatory company law which ensures adequate corporate governance (application of international accounting standards, protection of shareholders, public availability of accurate company information);
- 4.) the existence and implementation of a coherent, effective and transparent set of laws which ensure the respect of property rights and the operation of a functioning bankruptcy regime;
- 5.) the existence of a genuine financial sector which operates independently from the state and which in law and practice is subject to sufficient guarantee provisions and adequate supervision."

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