

Brussels, 9 November 2015

Dear Mr Demarty,

On behalf of AEGIS Europe, I would like to take the opportunity to follow up on the presentation you made at the recent meeting of BUSINESSSEUROPE's International Relations Committee, at which I was present.

I noted your comments regarding the Study made by Professor Robert E. Scott on the number of jobs at risk should the EU grant MES to China; in this regard AEGIS Europe respectfully asks that you consider the following.

We understand that you and your services have taken the time to analyse in detail the research made by Professor Scott and that you have concerns about the assumptions, methodology and results of this piece of research. We acknowledge that Professor Scott's research may have raised these sorts of questions, as any economic analysis does. However, we are dismayed by the allegations made against AEGIS Europe, which implied that the intention of the study was to deceive the reader. AEGIS Europe has never intended to mislead anyone. Our purpose is simply to ensure that there is an adequate understanding of the risk that a decision to prematurely grant MES to China would imply.

On this last point, we would like to underline that the study requested by AEGIS Europe was conducted by two independent and renowned experts – Professors Robert E. Scott and Xiao Jiang – and released by an autonomous Research Institute, EPI, on 18 September 2015. AEGIS Europe takes full responsibility for having endorsed its results, however we wish to underline that this is not an 'AEGIS Europe study'. Therefore if there is to be an open and productive dialogue we believe any potential criticism or concerns related to the study would be best addressed directly to Professor Scott. We kindly encourage you to contact him directly in order to dispel any doubts you might have about his assumptions, methodology, etc. For ease of reference, you can contact him at [epi@epi.org](mailto:epi@epi.org).

Further, from a recent MLex report, it appears that DG Trade would have arranged for a study with an external consultant to analyse the methodology used to calculate the figures in the EPI report. Again, in order to facilitate an open and productive discussion, and to better understand the reasons behind any concerns regarding the assumptions and model used, we would be grateful if you could communicate your questions to us or directly to Professor Scott.

Economic experts of AEGIS Europe's members remain of course willing to liaise with your colleagues to discuss the number of jobs directly or indirectly affected by the trade defence measures presently in place as well as the number of jobs at risk in the various sectors should China be granted MES.

We would like to take this opportunity to underline some of the actions that AEGIS Europe has undertaken in order to engage openly with the various services of the European Commission with an interest in this matter, and which we believe it is important that we follow up as a matter of good will and transparency:

- In July we shared with Commissioner Malmström and yourself a table with the list of all AD cases currently in force and of the number of direct EU jobs linked to the products covered by those measures, about 300.000 according to our calculation (see enclosed). These cases and figures were taken from the DG Trade website. The number of EU employees for some cases could not be identified, which means that the total figure is even higher. As we did not receive any feedback from that communication, we would greatly appreciate if you could confirm that the number of direct EU jobs alone, associated with products currently covered by AD measures, is the one we have indicated. Should you have arrived at a different number, could you please share with us the methodology used to make the calculation? It would be important for us, as well as for national and European policy-makers, to reach a common understanding on at least a minimum clear and undisputed figure for direct EU jobs linked with existing EU anti-dumping measures.
- Indirect EU employment and consequential damages are not taken into account in this figure. Based on our market intelligence, one manufacturing job creates three to four indirect jobs. Therefore the true total number of jobs at risk could be well over 1 Million, and that is without considering any possible new requests for anti-dumping measures
- As you know, we have several times requested that the European Commission conduct a full and proper Impact Assessment – not just an economic study – as is appropriate for every major legislative initiative which involves policy discretion. We expect the Commission to do that in the event it believes any change of methodology may be necessary next year in relation to imports from China.

With regard to this latter point, we wish to emphasise that any full and proper Impact Assessment would have to address the following aspects:

- The sectoral dimension (‘competitiveness proofing’) must be considered – it is necessary to conduct an assessment of the impact of granting MES to China on each of the most vulnerable sectors, such as steel, aluminium, car parts, as well as on sectors characterised by small and medium-sized enterprises, including ceramics, bicycles, etc. These should include those sectors which have not yet been affected by Chinese dumping but risk being heavily hit by massive Chinese imports.
- There is a clear risk that ‘mitigating options’ will be challenged in Geneva and that EU industry would be left entirely defenceless, and the fact is that the AS instrument is not designed to address large-scale subsidies such as the ones prevailing in China.
- Given that the existence of a strong AD instrument has a clear deterrent effect against dumping, a weakening of the AD instrument could be expected to increase substantially, even exponentially, the flow of dumped imports from China (not just for products covered by existing measures).
- The lack of effective protection would have clear negative effects on the ability of EU industry to finance R&D and other new investments in the EU.
- There are manifest negative environmental effects of increased flows of Chinese products which are made using coal-based energy.

In this framework, reiterating what we already stated in our first letter to Commissioner Malmström last March, we remain open to exploring with you and your services how best to ensure that:

- a. EU law – and particularly the wording of the EU's Basic Anti-Dumping Regulation – is consistent with WTO law, including with regard to the post-11 December 2016 scenario, so as to ensure that the EU fully complies with its international obligations;
- b. The EU's trade defence system remains cutting-edge and effective in the face of challenges from an increasingly globalised economic environment, and in particular the subsidised build-ups of massive overcapacities in various sectors in China.

We believe it should be obvious that the Commission must consider the position of the EU's major trading partners other than China, and make every efforts to coordinate with them, regarding the interpretation of the expiry of subparagraph 15(a)(ii) of China's WTO Accession Protocol and any steps taken in the lead-up to December 2016. Indeed, we believe a full and accurate common understanding can be reached on the meaning of Section 15 of China's Protocol of Accession to the WTO, and that it is essential to avoid unilateral action which would result in injurious trade diversion. If the Commission were to take a different view from our major trading partners as to the legal or strategic consequences of the expiry of subparagraph 15(a)(ii), we would respectfully and firmly plead at a minimum for complete transparency with regard to the process and grounds that would have led to such a decision.

We trust that a discussion on this critical matter can continue in a transparent and cooperative manner.

Sincerely yours,  
Ines Vanlierde, on behalf of AEGIS Europe



*Cc: Ms Åsenius, Ms Eichhorn*

*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.*

