

Brussels, 8 January 2016

**Subject: MES to China - College of Commissioners' orientation debate on 13 January 2016**

To the attention of President Juncker

*Cc: Mr Martin Selmayr, Mr Léon Delvaux, Mr Alexander Italianer, Ms Marianne Klingbeil, Mr Luis Romero Requena*

Dear President Juncker,

We, the undersigned Presidents of European industry associations, are writing to you in view of the upcoming College of Commissioners' orientation debate on 13 January 2016 to warn you of the serious damage that granting Market Economy Status (MES) to China could cause to many EU industries and jobs.

AEGIS Europe brings together nearly 30 European associations representing a broad variety of industries including traditional and innovative manufacturing industries, consumer branches, SMEs and renewable energy sectors, accounting for more than €500 billion in annual turnover and millions of jobs across the EU.

Fair competition, prevention of unfair trade practices and a strong anti-dumping tool are essential to ensure a level playing field for our industries. As you know an effective anti-dumping system is vital to preserve fair trade conditions for EU's competitiveness on the global market, especially considering the huge overcapacities accumulated by China in many sectors. Chinese producers are able to sell at extremely low prices due to massive State intervention and China's aggressive export policy is not expected to stop especially now that it is being fed by domestic growth slowdown.

It is publically and widely understood that **China is not a market economy and that it has not fulfilled all the criteria set by the EU, in compliance with WTO law, to be considered as such.** China is an economy still predominantly governed by State intervention and planning and its exports are driven by Five Year Plans impacting practically every single factor of production. Therefore, Chinese distorted prices must not be used as a basis to determine the normal value in anti-dumping investigations.

Furthermore, we wish to reiterate that **there is no "automaticity" in the granting of Market Economy Status to China in 2016.** On the basis of the remaining provisions of Section 15 of China's WTO Accession Protocol there is no clear-cut obligation for the EU to swiftly recognise such a status. Even after 2016, China will still need to demonstrate that it meets the criteria set by the EU for obtaining MES.

**In addition, any unilateral EU decision to grant MES is irreversible and would have severe consequences for EU growth and employment.** The risk of adopting a methodology using local Chinese prices and costs could result in a loss of 300,000 direct EU jobs linked to the products covered by anti-dumping measures, affecting hundreds of thousands and potentially millions of indirect jobs. Moreover, given that the existence of a strong anti-dumping instrument is a clear deterrent against dumping, granting MES may lead to increased dumping, putting additional sectors not currently covered by anti-dumping measures at severe risk of job losses.

In view of this very complex and sensitive issue, it is imperative that any decision on this matter is based on a carefully thought out and, above all, transparent decision making process and that the EU coordinates with its major trading partners. Therefore, before any decision is taken by the College we would greatly appreciate if the Commission could:

- **Evaluate to what extent China has made progress towards meeting the EU's five criteria.** To date, as far as we know, China meets only one, which means that they have not reformed in many areas of the economy as the EU would have expected. Allowing China to get MES today on this basis would jeopardise the approach the EU has been following over the last 15 years and would put the EU's credibility at risk.
- **Assess where China stands with regard to the fulfilment of its WTO obligations.** In the Protocol of Accession, China committed, for instance, to allow all its prices to be determined by market forces (Section 9). Ensuring that China meets its WTO obligations is a key pre-condition for granting MES to China.
- **Make a fully-fledged and comprehensive impact assessment of the economic, social and environmental consequences that such a decision would have on the EU.** This is essential to ensure that an informed and transparent public debate can take place, in line with the Better Regulation approach.

In this framework, we remain open to exploring with the Commission 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 hope that at the upcoming meeting of EU Commissioners you will take our views and concerns into account in order to avoid damages to the competitiveness of the EU industry and to the EU's growth and jobs prospects.

We remain of course at your disposal for any further information you may require.

Kind regards,

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Cleto Sagripanti, President of  
European Confederation of the  
Footwear Industry (CEC)

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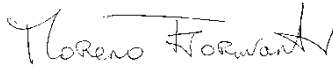
Alain Delcourt, President of  
Cerame-Unie

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Heinz Meierkord, President of  
CIRFS



René J. Takens, President of  
CONEBI - Confederation of the  
European Bicycle Industry



Moreno Fioravanti, Secretary  
General of European Bicycle  
Manufacturers Association (EBMA)



Corina Hebestreit, Secretary  
General of ECGA



Xavier Ibled, President of European  
Domestic Glass



Markus WIESNER, President of  
EFIC



Anders Karlsson, President of  
European Industrial Fasteners  
Institute (EIFI)



J.J.H. Nusselder, Chairman of  
EMPA



Patrick Martinache, Secretary  
General of ESTA



Milan Nitzschke, President of EU  
PRO SUN



Johan Svensson, President of the  
EUROALLIAGES



Florian Teufelberger, President of  
EUROCORD



Axel Eggert, on behalf of EUROFER  
President, Geert Van Poelvoorde



Dirk Vandenberghe, President of  
Eurometaux



Corina Hebestreit, Director of  
EUROMINES



Pierre Vareille, President of  
European Aluminium



Jon Templeman, President of  
European Federation of Steel Wire  
Rope Industries (EWRIS)



Javier Goñi del Cacho, President of  
Fertilizers Europe



Mauro Malanchini, President of  
European Glass Fibre Producers  
Association



Raymond Barbier, President of Tube and Pipe Fittings

Raimund Heinl, President of TECH-FAB-Europe e.V.

Stephen Short, Chairman of CPME

## ABOUT AEGIS EUROPE

*AEGIS Europe is a grouping of nearly 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. To find out more about AEGIS Europe please visit [www.aegiseurope.eu](http://www.aegiseurope.eu).*

