



Mr Charles Michel
President
European Council
Rue de la Loi 175
1048 Brussels
Belgium

5 December 2023

Re: BusinessEurope's priorities ahead of the EU-China Summit

Dear President,

Dear Charles,

EU-China relations have faced considerable challenges in recent times. Our trade and investment relations remain characterised by significant asymmetries, including a lack of reciprocity in market access and an uneven playing field in some sectors. In addition, new risk factors have emerged, and companies should now also consider wider geopolitical factors.

Despite the challenges, China remains a major trade and investment partner for the EU and an important market for European companies. Furthermore, issues of global governance will require the EU to continue to engage with China, particularly where multilateral solutions are needed such as climate change, the reform of the multilateral trading system and the development of international standards. For these reasons, the EU should continue to engage with China in areas where we have mutual interests and challenges, while firmly safeguarding our interests and values where we disagree.

Ahead of the upcoming EU-China Summit on 7-8 December in Beijing, BusinessEurope would like to convey the following points, which we consider should be addressed in order to contribute to a more sustainable and mutually beneficial EU-China relationship:

- **Trade and investment asymmetries, and market distortions:** The long-standing challenges of doing business in China, in particular market access and regulatory barriers, continue to hinder business opportunities. In addition, the strong focus on supply-side support policies in China during the past years has led to significant market distortions and overcapacities. Both the lack of reciprocity in market access and the market distortions are fuelling the EU's rapidly widening trade deficit with China. This deficit has more than doubled since 2020 and stands now at €400bn.

China should reduce market access barriers and provide policy support for the demand rather than the supply side, which would ease the distortive effects and contribute to China's economic recovery and long-term stability.

- **Politicisation of the economy and doing business in China:** the growing politicisation of the economy and the business environment in China is a concern for European companies. We hope that policy makers will now prioritise economic concerns and not focus exclusively on security and self-reliance. With zero-COVID having now ended, Chinese policymakers have a window of opportunity to refocus on reform and opening. The recently unveiled "24 new guidelines" to remove certain restrictions and attract foreign investment are welcomed. We now need to make sure that these positive signals are translated into action.
- **Geopolitical tensions and economic security:** the rising geopolitical tensions and conflicts worldwide have political and economic consequences that companies cannot ignore. The consequences of the war in Ukraine are quite real for European companies that are still confronted with significantly higher energy prices than their main competitors. Therefore, the EU should protect its economic security and competitiveness minimising the risks that stem from excessive dependencies and vulnerabilities while enhancing trade and investment. China should also follow a similar logic and refrain from self-sufficiency.
- **Supply chain and due diligence:** Europe and China have closely integrated supply chains in many industrial sectors. Currently the EU is adopting legislation such as the Corporate Sustainability Due Diligence Directive and the proposal to ban goods made with forced labour, that will force companies operating in the EU to report very detailed information about their supply chains. It is critical that European companies with operations in China or working with Chinese suppliers are able to collect the required information and remain compliant with these new binding legislations. Failure to comply with these upcoming legislations could potentially entail civil and criminal liability and force EU companies to leave the Chinese market or at least reduce operations in China.
- **Cooperation in areas of common interest:** despite the various challenges, opportunities for EU-China cooperation remain in critical areas. As we are heading to COP28 we count on China to take a leadership role and keep up its commitment to urgently decarbonise its economy. We need to see real action from all major emitters. We are making a big effort in Europe to decarbonise, but we cannot do it on our own. China and other major partners need to follow suit. Another important



upcoming event is the 13th WTO Ministerial Conference happening in February next year. The WTO cannot be permanently on life support and both sides should work on its reform together with other parties to ensure that the multilateral trading system is effective. Finally, both sides should cooperate on standardisation, including international standard-setting and the adoption of international standards, to facilitate trade and interoperability.

We hope that the issues mentioned in this letter will be taken into consideration and the upcoming EU-China summit is an ideal occasion to raise them. We wish you good discussions during the Summit in the spirit of developing a more balanced and constructive EU-China relation in the interest of citizens and businesses on both sides.

Yours sincerely,

Markus J. Beyrer