

## CENTRAL AND EASTERN EUROPEAN INDUSTRY FEDERATIONS AUSTRIA, CROATIA, CZECH REPUBLIC, HUNGARY, SLOVAKIA, SLOVENIA

# Common declaration

China is one of the most important trading partners of the Central and Eastern European (CEE) states, as well as the EU as a whole. As companies based in the CEE states, we are interested in a constructive, open dialogue with our partners in China, including mutual understanding but also clarity on matters such as compliance with international trade rules. At the same time, we are concerned about an increase in the interference of the Chinese state in the economy of the People's Republic, the worsening in overcapacities, the loss of European know-how and the corrosive influence of dumping on a rising number of markets.

The fundamentals of our economic activity include fair, rules-based competition in an open market. The question here is how to implement in December the China's WTO Protocol of Accession, whether to treat China as a market or non-market economy for purpose of dumping calculation. Europe must not allow any ambiguity here.

Today, the fact is that China is looking for a solution to its internal economic challenges by promoting exports. Net capacity in numerous industries is not being reduced. Massive overproduction is being steered towards open international markets. Irrational prices are being offered well below the level of manufacturing costs in a market economy in an increasing number of industries systematically pushing international competitors out of the market. European companies are affected both on their home market and export markets, risking damaging competitiveness and job losses in industries such as steel, metal, paper, building materials and renewable energy technology. It is thus more important than ever to strengthen the effectiveness of the anti-dumping instrument. Any weakening of the anti-dumping law would both endanger existing companies in Europe and threaten investments in technology, production and jobs in Europe for a long time.

China now wishes to be treated as a market economy under EU trade law. This would in fact lead to anti-dumping measures only if the prices for Chinese goods exported to Europe are made below the domestic price level in China. Given that prices in China are distorted by government intervention and support, this would lead to an enormous increase in dumping with no more remedy available.

In its orientation debate in July, the Commissioners made the first outlines public of a third way for future dealings with imports from China without, however, mentioning China's Protocol of Accession to the WTO. The list of non-market economies in the EU's basic anti-dumping regulation is to be abolished and a new regime is to be applied to all WTO members on the basis of distortions of the market in individual countries or industries.

The Commission's approach can help sectors suffering from unfair trading methods only if there are objective criteria for determining market distortions country-wide, and the burden of proof is not shifted to EU manufacturers. There are limits for EU companies, in particular SMEs, to obtain official documents, information on subsidies, and five-year plans from the

Chinese authorities or other sources. Owing to the lack of access to information, it is vital to use objective criteria, such as the EU's five technical criteria for the definition of a market economy. Only if China can demonstrate that all five criteria are satisfied cumulatively, should the standard method be allowed to be used to calculate dumping margins.

We ask our governments to insist that the level of protection of our future legal framework to act against dumping be maintained and strengthened (with regards to the China MES question and the general trade defence instruments modernization). The core requirements are:

- 1) Including a reference to the five criteria for market economies in the list of criteria for "market distortions" to be drawn up by the Commission.
- 2) Maintaining the burden of proof on China, instead of transferring this to the EU Commission and EU industry.
- 3) Continuing a method of calculation for dumping margins which is based on real market economy costs and prices and not on the prices distorted by the Chinese state.
- 4) Accelerating and improving the efficiency of anti-dumping procedures.
- 5) Introducing partial lifting of the lesser duty rule in case of raw materials and energy distortions or subsidization by exporting countries along clear criteria.