

Commissioner Cecilia Malmström
European Commission
Rue de la Loi 200
1049 Brussels

9 May 2016

Dear Commissioner Malmström,

We are writing to you with regards to the current discussions on the question of granting China Market Economy Status (MES) under the European Union's anti-dumping procedures as well as on the renewed talks among EU Member States on the modernization of trade defense instruments (TDI). As **industry and employers' federations from Austria, Croatia, the Czech Republic, Hungary, Slovakia and Slovenia**¹, we share the view that the upcoming decision on the MES question should be made only after an in-depth assessment of its potential impact on various sectors of European industry and based on the EU's existing criteria. At the same time, the EU TDIs should be modernized to allow their faster and more effective deployment.

The Central and Eastern European (CEE) region is home to a broad range of industrial sectors, affected in different ways by unfair trade practices. Thus we welcome the current debate among policymakers, triggered by the current challenges in the steel industry, but relevant for many other trade intensive sectors as well. The above mentioned CEE economies stand for 7% of total EU GDP with the industry providing about six million jobs (16% of total EU industry related jobs).

In our view the **question of Market Economy Status (MES)** should be treated according to clear criteria specified in EU legislation, based on a solid and comprehensive impact assessment and in line with WTO rules. We do not see the legal necessity to "automatically" grant MES. We share the view that China does not meet the criteria of a market economy objectively. A potential granting of MES status as result of a political decision within the TDI framework shall only occur as long as it can be **fully ensured that effective, and legally strong anti-dumping measures remain at our disposal to sufficiently protect our industry.**

Therefore we believe the impact assessment currently being prepared by the European Commission must be broad in scope, taking into account China's external trade and foreign policies and their impact on EU interests. An analysis merely based on current TDI cases in place, as undertaken in the Commission's preliminary assessment, would not be sufficient, as only a small share of total unfair trade practices by China would be covered.

¹ The CEE Industry and Employers Federation Initiative was founded in 2005 as an informal platform among industry and employers' federations from Austria, Croatia, the Czech Republic, Hungary, Slovakia and Slovenia. All participating federations are member of BUSINESSEUROPE and fully support the views of BUSINESSEUROPE.

Finally, Europe must coordinate its decision on the MES question closely with other major trade partners, including the United States. In light of the alarming overcapacities of Chinese producers, it is extremely important that the EU avoids trade diversion of Chinese exports towards Europe as a consequence of differing views.

Since China is responsible for up to 80% of all EU anti-dumping cases - as global anti-dumping and anti-subsidy actions against China have increased by 60% since 2010 - **reforming trade defence instruments is of equal importance to guarantee a level-playing field for our industries and businesses.** We believe it is crucial that policymakers find an agreement on the Commission proposal on TDI modernisation that is currently in legislative deadlock. We support the Commission's initiative, as Europe urgently needs speedier and more transparent TDI procedures and improved effectiveness of available trade remedies. Outstanding issues, such as the proposed lifting of the lesser duty rule in case of raw materials and energy distortions or subsidisation by exporting countries in order to apply the full dumping margin (as is the case in other major trading partners such as the US), shall be cleared swiftly by undertaking a balanced approach based on clear criteria.

We trust in your support and hope you take our concerns into account.

Sincerely,



Christoph Neumayer, Director General
IV - Federation of Austrian Industries



Davor Majetic, Director General
HUP - Croatian Employers' Association



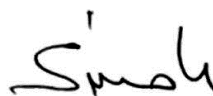
Stanislav Kázecký, Vice-President
SPCR - Confederation of Industry of the Czech Republic



István Wimmer, Secretary General
MGYOSZ - Confederation of Hungarian Employers and Industrialists



Peter Molnar, Secretary General
RUZ - National Union of Employers of Slovakia



Jože Smole, Secretary General
ZDS - Employers' Association of Slovenia

**This letter has been sent in copy to Vice-President Šefčovič and Commissioners Bulc, Hahn, Jourová, Mimica, and Navracsics.*