RESOLUTION:

Economic and financial relations with the People’s Republic of China from the perspective of the EU-LAC Bi-regional Strategic Partnership

on the basis of the report by the Committee on Economic, Financial and Commercial Affairs

Co-rapporteurs: Herman Olivero (Parlasur)
                Ashley Fox (European Parliament)

Thursday, 22 September 2016 – Montevideo
EUROLAT – Resolution of 22 September 2016 – Montevideo

[on the basis of the report by the Committee on Economic, Financial and Commercial Affairs]

Economic and financial relations with the People’s Republic of China from the perspective of the EU-LAC Bi-regional Strategic Partnership

The Euro-Latin American Parliamentary Assembly,


- having regard to the China-EU 2020 Strategic Agenda for Cooperation released at 16th China-EU Summit, 23 November 2013,

- having regard to the document ‘Facts and figures on EU-China trade’, European Commission, DG Trade, 2014,\(^1\)

- having regard to the EU-China Dialogue on Human Rights, 25 June 2013,

- having regard to the European Business in China Position Paper 2014/2015,\(^2\)

- having regard to the documents ‘China’s Environment: Ambitions, Challenges and Opportunities for EU Cooperation’, Europe China Research and Advice Network (ECRAN), February 2014, and ‘Chinese Overseas Direct Investment in the European Union’, 2012,\(^3\)

- having regard to the Beijing Declaration of the First Ministerial Meeting of the CELAC – China Forum, January 2015,

- having regard to document ‘First Forum of China and CELAC: ‘Exploring opportunities for cooperation on trade and investment’, UN Economic Commission for Latin America and the Caribbean (ECLAC), January 2015,

- having regard to the document ‘Latin America Economic Outlook 2016: Towards a new partnership with China’, jointly published by OECD and ECLAC,


- having regard to the study ‘China 2030: Building a Modern, Harmonious, and Creative

---

\(^3\) http://www.eeas.europa.eu/china/docs/division_ecran/ecran_chinese_investment_in_the_european_union_jeremy_clegg_and_hinrich_voss_en.pdf
Society’, World Bank 2013,
- having regard to the China-Latin America and Caribbean Countries Cooperation Plan (2015-2019), adopted at the China-CELAC Forum, January 2015, which includes commitments and next steps in politics and security; international affairs; trade, investment and financing; infrastructure and transport; energy and natural resources; agriculture; industry, science and technology; aviation and development of human resources; culture and sports; press, media and publishing; tourism; environmental protection, risk management and disaster reduction, poverty eradication and health; and friendship between peoples,

A. whereas the People’s Republic of China (China) has become a global player with an important role in the international system as regards finance, economy and trade, which is demonstrated by its sustained economic growth rates, above average economic growth rates, especially since it joined the WTO in 2001;

B. whereas China is one of the world’s largest economies and the leading exporter of goods in a wide range of industries: labour-intensive assembly (textiles, apparel, furniture), heavy industry (ships) and high tech (telecoms equipment, computers); whereas China’s trade in goods with the Latin America and the Caribbean (LAC) region has taken on an increasing dynamism; whereas the share of the distribution of imports of Chinese origin varies widely across the region; whereas China’s share of world consumption of strategic raw materials has increased dramatically because LAC raw materials account for half of Chinese imports from the region (i.e. copper ore, oilseeds, soybean oil);

C. whereas today China is a major source of foreign direct investment (FDI) together with the USA and the EU in LAC;

D. whereas about two-thirds of LAC countries have theoretically recognised China’s status as a market economy (MES), while the EU has not; whereas scientific and technical cooperation has been developed, with agreements concluded between China and a string of LAC countries;

E. whereas China is a key strategic partner for the EU as regards trade in goods or monetary reserves, and in terms of the potential for growth in the services market; whereas the EU is among the main investors in China and vice versa,

Opportunities for association with the world’s fastest-growing economy

1. Notes that China’s growth rates are around 7 per cent, which may contribute to fighting social problems, such as hunger and extreme poverty; notes that with China’s rapid development, social and economic factors, such as rising social demands and labour costs, pollution and product safety concerns, uncertain business environment, new and innovative production processes and long delivery times can affect the growth of commerce and jobs and lead to the re-shoring of businesses and jobs, which were previously ‘off shored’ to China; notes with concern the effects for the global market of China’s huge production capacity in sectors such as steel, chemical industry and ceramics as consequence of the deceleration of its economy;
2. Welcomes China’s participation in bilateral, regional, multilateral and plurilateral fora, and is interested on the implementation of ‘China’s New Normal’, ambitious investment-initiatives such as the Asian Infrastructure Investment Bank (in which a number of EU and LAC countries are members) and the Silk Road Strategy aimed at strengthening inter-connection between China, Central Asia and Europe;

**China and the Latin America and Caribbean region**

3. Acknowledges the potential of China-LAC relations, and considers that for China, LAC represented new markets and an important source of vital strategic resources; considers that LAC trade relations with China contribute to diversifying LAC’s foreign trade, making its balance of trade less vulnerable, increasing exports and attracting Chinese investment and technology in different sectors such as transportation, oil industry, infrastructure, agriculture, tourism among others; notes that relations with China will build on the already strong links with its traditional trading partners, such as the EU; stresses the importance of attracting Chinese investment to LAC infrastructure and transport development, which is a critical factor in export competitiveness and innovation, and is essential for the upgrading of its manufacturing base and improving labour productivity; recalls that LAC export diversification, linked to an increase in the technological sophistication of manufactured goods, is a key factor in promoting high rates of economic growth;

4. Highlights the visits of President Hu Jintao and President Xi Jinping to the LAC region between 2004 and 2014, during which agreements were concluded including sectors like science and technology, health, aerospace industry, among others, noting that the implementation of those agreements should focus on developing the receiving LAC countries by including added value in products; notes that LAC exports to China are generally mineral extractions and agricultural products;

5. Notes the adoption of the 2015-2019 China-CELAC Cooperation Plan under which China has committed itself to investing USD 250 000 million in the region during the next decade; highlights the importance for CELAC of translating Chinese cooperation into concrete projects in sectors, such as energy, infrastructure, transport and communications, science, technology and education and others that generate added value, in line with the sovereign interests of the countries concerned; reiterates that public investment in strategic sectors can be vital factors in ensuring sound economic growth; considers that public-private partnerships are of considerable and strategic importance and may play a vital role for as long as LAC stirs investment support to real projects that meet its social needs, and the public sector remains committed to its core public service functions;

6. Highlights the importance of structural reforms aimed at enhancing innovation to increase productivity and efficiency, quality, economic diversification, the emergence of an industrial base, and promotion of a sustained growth with inclusion and balanced development of countries, through diversified production, starting with LAC profits from exporting raw materials;

**China and the European Union**

7. Points out that China is currently the EU’s biggest source of imports, but that EU
companies, in particular start-ups and SMEs, still experience discrimination and considerable issues with market access and non-tariff barriers to the Chinese market; adds that it is difficult to ensure that there is a level playing field in terms of market access; takes the view that relations between the EU and China should be based on the principle of reciprocal market access;

8. Recalls that since China’s accession to the WTO in 2001, economic and financial relations between the two trading blocs have been governed by the Most Favoured Nation (MFN) clause aimed at non-discrimination; stresses that all WTO members must comply fully with commitments made under its auspices; hopes that China will enhance efforts to be part of the Government Procurement Agreement (GPA); notes its active participation in the Information Technology Agreement (ITA) and the negotiations towards the Environmental Goods Agreement (EGA) and its full accession to the Trade in Services Agreement (TiSA); considers that China should continue to strive to improve social, labour-related and environmental conditions and that efforts should be made to maintain effective trade-defence instruments that are able to protect European workers and businesses from unfair trade practices;

9. Supports the Joint Declaration adopted at the 16th EU-China Summit and the adoption of the EU-China 2020 Strategic Agenda for Cooperation which was the basis to launch negotiations for an EU-China Investment Agreement and which underlined that if China were to open up its market and remove existing barriers applied to a large number of economic activities, on the basis of reciprocity, it would attract more FDI;

10. Notes the efforts made by both parties as regards intellectual property rights (IPR) legislation, urging its effective implementation and enforcement at all levels of government, including existing rules on trade secrets, technology transfers, transparency, e-commerce, public procurement, customs, food security and product safety, combating trade in illicit goods, supporting improved bilateral dialogue with a view to contributing to a closer bilateral dialogue and arriving at a more transparent and fairer environment that is conducive to the development of trade and economic relations between the parties; still deems China’s progress in implementing and ensuring compliance with IPR legislation to be insufficient and urges the EU to work jointly with China towards more effective application and enforcement thereof;

11. Calls on all parties to honour their commitments to ensure consistent legislation, improve market-access, foster the establishment of mechanisms for access to public procurement grounded in the principle of positive reciprocity, work towards transparency, ensure non-discrimination and an equal footing for foreign and private companies and do away with unnecessary bureaucratic formalities and streamline lengthy procedures;

12. Emphasises that for trade to be balanced, generate sustainable growth and jobs, it is essential it be conducted on a level playing field in a framework based on rules that minimise unfair competition and trade distorting measures and does not water down social and environmental standards; calls on authorities on both sides to promote dialogue and cooperation, with a view to ensuring that trade and competition remain mutually beneficial;

13. Notes that pursuant to China’s WTO accession protocol currently all WTO Members
are free to grant China market economy status based on their domestic legislation for the purposes of anti-dumping investigations and that currently EU domestic law lays down five criteria for a country to be considered a market economy: the country concerned must have a floating exchange rate, a free market, a non-intrusive government and effective business accounting standards, and it must recognise property rights and have legislation on insolvency and/or bankruptcy, criteria which are not met in the case of China;¹ considers that any EU decision on the possibility of granting China market economy status in 2016 must be based on a thorough impact assessment by sectors, which should also analyse the possible consequences for employment and sustainable growth in the EU; takes the view that any decision should be taken within the WTO in coordination with its various members;

Conclusions

14. Acknowledges the importance of trilateral economic, financial and trade relations; believes that all three actors can benefit from a carefully designed strategy of fair, open, transparent and reciprocal competition and cooperation, respect for the rule of law, fundamental rights and the sovereignty of states, focused on improved social, working and environmental conditions, along with the OECD guidelines on corporate social responsibility, which are compatible with a sustainable agenda facilitating job creation to enhance prosperity;

15. Notes that although China’s need for raw materials and its investment in LAC has been one of the factors that has enabled this region to grow economically and better integrate into the international trading system, it has also led to other vulnerabilities and therefore calls for long-term joint strategic reflection that will empower LAC’s position in world trade;

16. Notes that China is an EU strategic partner in connection to which significant mutual benefits can be derived in sectors such as services which is of importance for growth, jobs and competitiveness in the EU; notes the remaining uncertainties in EU-China relations ranging from broad economic and trading trends to specific issues, such as questions concerning the Asian Infrastructure Investment Bank or the various disputes brought before the WTO; highlights, therefore, that a targeted sector-specific approach, focused on areas with the greatest growth potential, including e-commerce, digital and business services, is desirable; considers that this will only be possible when EU demands regarding protection and enforcement of IPR and geographical indications, improved social, employment and environmental conditions, investment, market access, transparency, reciprocity and public procurement requirements are squared with those of China, and when China meets its commitments and obligations on those matters as a WTO member;

17. Emphasises that the EU-LAC bi-regional partnership can be a vital element in coordinating a common position so that economic, financial and trade relations of both regions with China can fulfil their potential;

* * *

18. Instructs its Co-Presidents to forward this resolution to the Council of the European Union and the European Commission, and to the parliaments of the Member States of the European Union and all the countries of Latin America and the Caribbean, the Latin American Parliament, the Central American Parliament, the Andean Parliament and the Mercosur Parliament, the Secretariat of the Andean Community, the Committee of Permanent Representatives of Mercosur, the Permanent Secretariat of the Latin American Economic System and the Secretaries-General of the Organisation of American States, the Union of South American Nations, the United Nations and the People’s Republic of China.