

Future Opportunities and Challenges in EU-China Trade and Investment Relations 2006-2010

Foreword by Peter Mandelson - EU Trade Commissioner

When I started my job as EU Trade Commissioner, I asked my Services to take stock of our trade relations with China. This is because this trading relationship is vital for both China and the EU. It is changing at a dramatic rate: two decades ago we traded almost nothing with China - now it is our single biggest source of manufactured goods and our fastest growing export market, and for China Europe is the number one trading partner.

The Commission set out Europe's response to these developments in the Commission Policy Paper on "EU-China Trade and Investment – Competition and Partnership" of October 2006.

This study on the Future Challenges and Opportunities in EU-China Trade and Investment Relations is a key complement to the Commission China's trade policy. It provides detailed analysis of specific industrial and services sectors in China. It looks at how EU business believes EU operators can benefit from trade with China in the future and it identifies the key obstacles they face in doing so.

China's rise has exerted serious pressure on many European industries, especially in labour intensive manufacturing. European companies must adjust as China is forcing us to compete harder, both for our own markets and for export markets. China is the major challenge for almost any exporting European business that still wants to be a business in ten years time. So, many Europeans see China as a globalisation scare story. But the economic evidence provided by this study of key sectors of EU industry and services suggests China is actually a globalisation success story for Europe: by forcing EU businesses to focus on their comparative advantages they will move up the value chain and tap profitable new markets. At the same time, competitively priced inputs from China are lowering costs for European processing industries.

Most importantly, China is also a growing magnet for our own trade and investment. As illustrated by this study, China's growing numbers of discerning middle class consumers are a key market for the things that Europe produces best. China's new focus on rebalancing its growth towards a more sustainable path will open vast new opportunities for European environmentally friendly goods and services.

But there is also a growing perception in Europe that China and Europe do not trade on genuinely reciprocal, equal, terms; that China does not always trade fairly. This study shows that Chinese non-tariff barriers cost EU operators no less than € 21.4 billion a year in lost business opportunities. We need to act to reap those benefits.

I welcome the recommendations made by the study. I hope they will help our business as they develop their trade and investment with China. The findings of the study will also help us to develop a frank and constructive dialogue with China. This dialogue will contribute to lowering the barriers in EU-China trade and help us deepen the EU-China partnership.

February 2007