



2021/2037(INI)

17.6.2021

OPINION

of the Committee on International Trade

for the Committee on Foreign Affairs

on a new EU-China strategy
(2021/2037(INI))

Rapporteur for opinion (*): Iuliu Winkler

(*) Associated committee – Rule 57 of the Rules of Procedure

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SUGGESTIONS

The Committee on International Trade calls on the Committee on Foreign Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Notes that in 2020, in the context of COVID-19, China ranked as the EU's largest partner for trade in goods for the first time, with the trade balance further deteriorating to the EU's detriment; recalls, however, that the US is still the EU's top partner in trade in goods and services combined; believes that China's economic rise and predicted growth will have a considerable impact on global economic developments over the next decade; points out that for different reasons, mutual investment levels remain below their potential and recognises the economic opportunities that characterise the wider region; considers that the volume of trade between China and the EU will require a rules-based and values-driven framework which needs to be rooted in international norms; stresses that respect for human rights is a prerequisite for engaging in trade and investment relations with the EU and urges China to comply with its international obligations and to commit to respecting human rights;
2. Underlines the key role of the European Parliament in the EU's common commercial policy, in international negotiations, and in the oversight, scrutiny, ratification and monitoring of the implementation of trade and investment agreements; highlights the need for the Committee on International Trade to be consulted in a timely and proper manner and urges the Commission and the Council to maintain frequent dialogue and carry out comprehensive reporting, reflecting developments on the EU-China bilateral trade and investment agenda;
3. Underlines the importance of the EU's strategic trade and investment relationship with China and calls on the EU Member States and institutions to address China with one voice and in a coordinated manner; considers that investment initiatives under the 16+1 format must not undermine the unity of the EU, nor be counterproductive to efforts to speak with one voice;
4. Calls on the Commission to analyse the EU's economic dependencies in strategic sectors, such as critical raw materials, some of which are located exclusively in China, and highlights the urgent need to boost the resilience of European supply chains; calls for efforts to diversify and consolidate the EU's access to the key strategic resources needed to power the EU's twin engines of growth, with a particular emphasis on the 30 elements included in the fourth, updated list of critical raw materials in 2020; recalls the overall EU objective to build its open strategic autonomy under the common commercial policy; reiterates the increasing significance of the trade-security nexus in the EU's international trade policy;
5. Calls for greater transparency, coherence and coordination between the Member States on matters related to bilateral investment projects and deals, particularly on foreign direct investment (FDI) in strategic assets and critical infrastructure; draws attention to the links between economic dependencies and external political leverage at the level of the Member States; recalls the importance of strengthening the EU FDI Screening Regulation in the future in order to make sure that any potential investments that could

pose a threat to the EU's security and public order, in particular by state-controlled enterprises, are blocked; calls on the Member States to urgently adopt a national screening mechanism if they do not have one yet, in line with the Commission guidance from March 2020;

6. Is convinced that the EU-China bilateral trade and investment relationship is of strategic importance and should be rules-based, with the multilateral trading system and the principle of reciprocity at its core; reiterates that while there are concerning trends towards economic decoupling, a more assertive enforcement of and adherence to commitments is necessary in the overall trade and investment relationship; calls on China to play a more active and responsible part in the World Trade Organization (WTO) and other multilateral initiatives, matching its economic power with its level of development, and to fully adhere to all of its WTO and international obligations; calls on the Commission and the Chinese authorities to cooperate closely to reform the WTO rulebook in order to foster a more sustainable development, promote the green transition and digital revolution, and bring stability and legal certainty to the international trade arena;
7. Calls on China to abide by international standards including with regard to its impact on climate, the environment, biodiversity, poverty, health, labour rights and human rights; urges China, in the context of promoting sustainable trade and development, to take concrete action towards the ratification and implementation of the four outstanding fundamental Conventions of the International Labour Organization (ILO) and the International Covenant on Civil and Political Rights; regrets the fact that several international companies, notably in the apparel and textile sector, have been subject to an extensive and widespread boycott after expressing concerns about the reports of forced labour in Xinjiang and taking the decision to cut supply chain ties with Xinjiang, and strongly condemns the political coercion exercised against them by the Chinese Government; reiterates its request for the Commission and the European External Action Service to swiftly finalise a supply chain business advisory with guidance for companies on the exposure to risks of using Uyghur forced labour and providing support in urgently identifying alternative sources of supply;
8. Is concerned about the increasingly unbalanced bilateral economic and trade relationship between the EU and China; stresses that rebalancing and a more level playing field are vital to EU interests; believes that China and the EU must build a level playing field and forge a fruitful relationship in spite of the differences between their respective economic systems; highlights, in this regard, the EU's ongoing work in strengthening its trade toolbox, while recognising the need to maintain an open dialogue on common challenges such as the global fight against climate change; stresses the urgent need for the EU to complete its range of autonomous measures including a more stringent EU FDI Screening Regulation, legislation on foreign subsidies that distort the internal market, the swift adoption of an assertive and effective international procurement instrument, measures on the export of dual-use technology, an effective anti-coercion instrument, a package of sustainable corporate governance legislation, and supply chain legislation with mandatory due diligence requirements, which should also provide for an import ban on forced labour goods;
9. Repeats its deep concern about the many barriers that European businesses face when

accessing and operating on the Chinese market; is worried that China's 'dual circulation strategy' referred to in its 14th Five Year Plan will further deteriorate the business environment for EU companies; highlights, once again, its particular concern about the market distorting practices such as, but not limited to, industrial subsidies, the beneficial treatment of Chinese state-owned enterprises, intellectual property theft, forced technology transfers and data localisation, industrial overcapacity in sectors such as steel and the related dumping of exports, other unfair trading practices and the overall increasing political interference in the business environment, including the private sector; calls on the Commission and the Member States to step up their cooperation with like-minded partners at the WTO to develop a joint approach to tackle these unfair Chinese trading practices; welcomes the EU-US dialogue on China as a means to cooperate on topics such as reciprocity, multilateralism, market-distorting practices and the economy and other structural issues where EU-US coordination can bring an added value; is convinced of the vital significance of proper information on the legislative and regulatory developments on the Chinese market, given its opaque and state-driven nature; recalls, in this context, the importance of frequent and frank discussions with EU institutions, the European Union Chamber of Commerce in China and all our partners on the ground;

10. Considers it pertinent to specifically discuss the negative trade-related effects of and possible remedies for distortions caused by the global excess capacity of steel and aluminium, alongside the importance of tackling industrial subsidies at the WTO; urges China to re-engage in the work of the Global Forum on Steel Excess Capacity in order to eliminate overcapacity and restore a level playing field; notes that despite China's plans to close down outdated production sites and modernise production, its annual crude steel output has set a record for four straight years; encourages the Chinese authorities to follow through with their pledges to reduce the output of crude steel;
11. Reminds, in this regard, of the links between trade, patents and standards; believes that standardisation and the normative elements of increasing international competition are essential for the EU's trade policy and should be one of the key pillars of its strategic industrial policy; recalls that standardisation is being reported as an area of risk where China may diverge and decouple; highlights that counterfeiting is a top priority for the EU's efforts in the commercial aspects of intellectual property protection; is concerned that China remains at the origin of a dominant share of counterfeit and pirated goods arriving in the EU in terms of both value and volume; underlines how the EU-China Agreement on Geographical Indications (GIs) represents a first step in the fight against counterfeiting and urges the Commission to step up its efforts to protect the EU's intellectual property, including patents; is concerned about the emerging practice of Chinese courts claiming worldwide jurisdiction over the determination of fair, reasonable and non-discriminatory licensing terms for standard essential patents, and barring companies from challenging their decisions; underlines that this practice amounts to allowing Chinese companies not to pay a fair price for the use of standard essential patents and endangers European research; asks the Commission to engage with the Chinese authorities on this matter; calls for closer attention to be devoted to infringements in the fields of digitalisation and communications within all the relevant bodies, including the UN's International Telecommunication Union, together with the EU's like-minded partners, in particular the US; calls for more policy discussions about the implications of Chinese initiatives such as Made in China 2025 or, increasingly

pertinently, China Standards 2035; is concerned, in this context, about China's increasing digital authoritarianism and its efforts to promote its digital governance model around the world; emphasises the need to conclude the WTO E-Commerce Agreement under the Joint Statement Initiative in order to promote a basic level of openness and a level playing field with China;

12. Calls for greater attention to be paid to European SMEs that engage in commercial and investment relations with China and welcomes the Commission's support for SME-friendly initiatives such as the Access2Markets portal, the Rules of Origin Self-Assessment (ROSA) tool or the China Intellectual Property Rights (IPR) SME helpdesk;
13. Takes note of the conclusion in principle, at political level, of the EU-China Comprehensive Agreement on Investment (CAI), while acknowledging the Commission's efforts to address shortcomings linked to market access asymmetries, a level playing field and sustainable development through rules-based engagement; recalls, however, that trade relations do not take place in a vacuum; regrets China's unfair and unacceptable escalation in placing elected Members of the European Parliament and entities of the EU institutions under sanctions, as this further erodes trust and hinders bilateral cooperation, and underlines that the consideration and ratification process of the CAI cannot start until the Chinese sanctions against MEPs and EU institutions have been lifted; calls on the Commission to consult with Parliament before taking any steps towards the conclusion and signature of the CAI; urges China to take concrete steps towards ratifying and implementing the fundamental ILO Conventions Nos 29 and 105 on forced labour; highlights that China has also committed to effectively implementing the ratified ILO Conventions and to working towards the ratification of other 'up-to-date' fundamental ILO Conventions; calls on the Commission to use all the tools at its disposal and the debate around the CAI as leverage to improve the protection of human rights and support for civil society in China; highlights, in this context, its resolution of 20 May 2021 on Chinese countersanctions; recalls that the CAI alone would not solve all issues ailing our economic and political relationship, and therefore has to be considered in the context of a strengthened and more assertive EU toolbox of unilateral measures; underlines that the European Parliament would scrutinise the agreement thoroughly, including the section on sustainable development, and take account of the human rights situation in China, including in Hong Kong, before determining its position; reiterates its very serious concerns about the various human rights abuses in China and recalls that full respect for universal values is essential, regardless of the differences between both systems; stresses that proper implementation and effective enforcement would be key determinants of the utility and success of the agreement in redressing structural asymmetries in the trade and investment relationship; highlights the role and relevance of structured and frequent exchanges with the office of the Commission's Chief Trade Enforcement Officer (CTEO) in efforts to evaluate the future implementation of the CAI provided it is adopted; recalls and reinforces, in this context, the importance of parliamentary diplomacy in facilitating mutual understanding, transparent communication and honest dialogue;
14. Notes that 26 EU Member States have old-style bilateral investment treaties with China;

15. Welcomes the entry into force of the EU-China Agreement on GIs and reiterates the importance of its effective implementation and enforcement on the markets of both parties; welcomes the anticipated expansion of the current agreement to add a further 350 GI names from both sides; underlines that this limited agreement on GIs could serve as a model and basis for future GI agreements; highlights the crucial role that the CTEO will play in monitoring and improving compliance with the agreement; calls on the CTEO to respond immediately should the agreement not be implemented correctly;
16. Deems it pertinent for the Commission to provide timely and comprehensive reports on the Regional Comprehensive Economic Partnership (RCEP) – the world’s largest free trade agreement – in order to assess developments on the ground; is particularly interested in the implications for the EU’s strategic interests of matters such as standard-setting in the Asia-Pacific as well as provisions on rules of origin; notes that while the EU is not a party to RCEP, the agreement will have implications for the EU; highlights the absence of provisions in RCEP on trade and sustainability, including labour and social standards and climate and environmental objectives;
17. Recalls, in the context of the regional dynamics, the importance of trade and economic relations between the EU and Taiwan, including on matters relating to multilateralism and the WTO, technology and public health, as well as essential cooperation on critical supplies such as semiconductors; notes that Taiwan is a full member of the WTO; reiterates its call on and urges the Commission and the Council to move towards a bilateral investment agreement with Taiwan and to urgently begin the impact assessment, public consultation, and scoping exercise with the Taiwanese authorities;
18. Underlines China’s active engagement and growing influence in the Arctic region, including in economic activity; calls on the Commission to address China’s rising influence, possible threats and risks and the EU’s response to these in its upcoming Arctic strategy.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	17.6.2021
Result of final vote	+: 38 -: 0 0: 3
Members present for the final vote	Barry Andrews, Anna-Michelle Asimakopoulou, Tiziana Beghin, Geert Bourgeois, Saskia Bricmont, Jordi Cañas, Daniel Caspary, Miroslav Číž, Arnaud Danjean, Paolo De Castro, Emmanouil Fragkos, Raphaël Glucksmann, Markéta Gregorová, Roman Haider, Christophe Hansen, Heidi Hautala, Danuta Maria Hübner, Herve Juvin, Karin Karlsbro, Maximilian Krah, Danilo Oscar Lancini, Bernd Lange, Margarida Marques, Gabriel Mato, Sara Matthieu, Emmanuel Maurel, Carles Puigdemont i Casamajó, Samira Rafeala, Inma Rodríguez-Piñero, Massimiliano Salini, Helmut Scholz, Liesje Schreinemacher, Sven Simon, Dominik Tarczyński, Mihai Tudose, Kathleen Van Brempt, Marie-Pierre Vedrenne, Jörgen Warborn, Iuliu Winkler, Juan Ignacio Zoido Álvarez
Substitutes present for the final vote	Michiel Hoogeveen

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

38	+
ECR	Geert Bourgeois, Michiel Hoogeveen, Dominik Tarczyński
ID	Roman Haider, Herve Juvin, Danilo Oscar Lancini
NI	Tiziana Beghin, Carles Puigdemont i Casamajó
PPE	Anna-Michelle Asimakopoulou, Daniel Caspary, Arnaud Danjean, Christophe Hansen, Danuta Maria Hübner, Gabriel Mato, Massimiliano Salini, Sven Simon, Jörgen Warborn, Iuliu Winkler, Juan Ignacio Zoido Álvarez
Renew	Jordi Cañas, Svenja Hahn, Karin Karlsbro, Samira Rafaela, Liesje Schreinemacher, Marie-Pierre Vedrenne
S&D	Miroslav Číž, Paolo De Castro, Raphaël Glucksmann, Bernd Lange, Margarida Marques, Inma Rodríguez-Piñero, Mihai Tudose, Kathleen Van Brempt
The Left	Emmanuel Maurel
Verts/ALE	Saskia Bricmont, Markéta Gregorová, Heidi Hautala, Sara Matthieu

3	0
ECR	Emmanouil Fragkos
ID	Maximilian Krah
The Left	Helmut Scholz

Key to symbols:

+ : in favour

- : against

0 : abstention