

**EUROPEAN  
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MANUFACTURERS  
ASSOCIATION**

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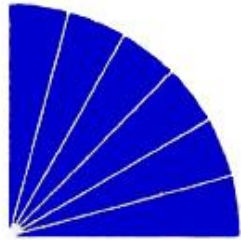
## **CONFERENCE**

# **China MES impact on EU Industries and the labour market in the EU Member States**

**Wednesday, February 3rd 2016**

**European Parliament - Strasbourg**





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## **The vital importance of keeping the Bicycle Industry in Europe, thanks to the Antidumping against unfair competition**

Total EU Market in 2015: 20 millions bicycles, 1.5 millions Pedal Assist Ebikes and 3 billions Euro of Bicycle Parts and Accessories. 12 Millions Bicycles, 1.1. Millions Pedal-Assist E-bikes and 1.5 Billion worth of Bicycle Parts and Accessories were produced in Europe.

The Bicycle Industry in Europe is one of the largest Employers of the Green Industries in Europe, with over 70.000 very skilled collaborators in 600 SMEs working in 20 of the 28 MS as acknowledged by the EU Official Journal on 5th June 2013:

## EU OFFICIAL JOURNAL 5TH JUNE 2013: EUROPEAN UNION'S CITIZENS' INTERESTS - SECTION H:

- (249) The Union industry contributes significantly to technological innovation and spin offs, such as the recently developed EPACs (Electronically Power Assisted Cycles) and electronic bicycles that would not be economically viable without having a bicycle industry in the Union. Moreover, the Union industry contributes to the environmental goals such as greening of transport and decarbonisation.
- (250) The Union industry is also a driving force for related industries, such as production of bicycle parts, bicycle accessories and related services. In total the Union industry generates directly and indirectly **between 60 000 and 70 000 jobs** in the Union market.
- (251) The Union industry had undertaken efforts to restructure and invested in innovation which would be lost should the Union industry disappear. To the contrary, with the measures in place, the Union industry would be able to maintain and even increase sales volume and thereby generating the necessary return on investments which would enable it **to continue to reinvest in new technology and innovation.**

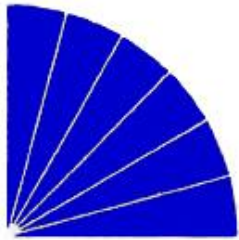
## Interest of producers of bicycle parts

(253) The Association of the Bicycles Parts Producers (COLIPED) made itself known during the investigation. COLIPED provided information that there are about 370 companies in the Union, which are supplying components to the bicycle producers and employ about 16 000 people. The suppliers industry is depending on the continuation of the bicycles production in the Union.

(254) 53 producers of bicycle parts came forward in favour of the measures, representing 39 % of the estimated 1,2 billion EUR of total turnover of the bicycle part industry. The bicycles parts producers are benefiting from the extension of the existing measures to essential bicycle parts (see recital 1). The existing exemption scheme (see recital 1) encourages local production of bicycle parts by restricting the Chinese content of bicycle parts used to less than 60 % of the total value. Due to the measures in place the Union industry was able to develop and invest in new projects aiming to resume production of certain essential parts in the Union.

## Interest of users/consumers

- (256) The European Cyclists' Federation (ECF), an umbrella federation of the national cyclists' associations in Europe supported the continuation of the anti-dumping measures in force. The ECF argued that local production is in the interest of the consumers as it ensures quality and safety as well as specialised customer services.
- (257) The ECF argued that an increase of imports from the PRC would have a negative impact on the high quality and safety standards in the Union at the expense of the consumer.
- (258) The impact of the anti-dumping duties on the consumer price is estimated not to be significant as the majority of Union producers of bicycles operate under the exemption scheme whereas the essential bicycle parts can be imported from the PRC without any duty up to 60 % of the total value of the parts used. EN 5.6.2013 Official Journal of the European Union L 153/4 (259) It is recalled that, in the previous investigations, it was found that the impact of measures would not be significant for the users/consumers. Despite the existence of measures, the supply of bicycles from the PRC, as well as countries without any measures is available. It is therefore concluded that the anti- dumping measures do not have a significant negative impact on users in the Union.

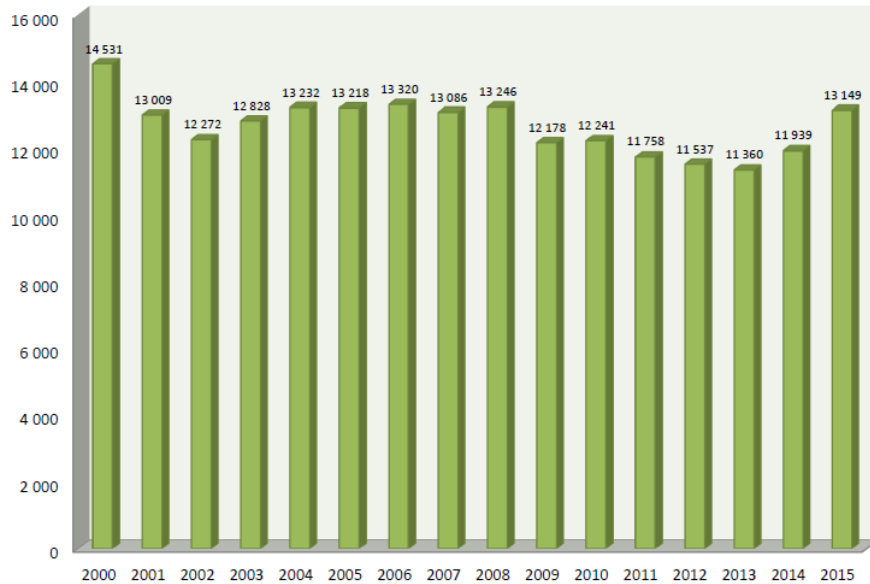


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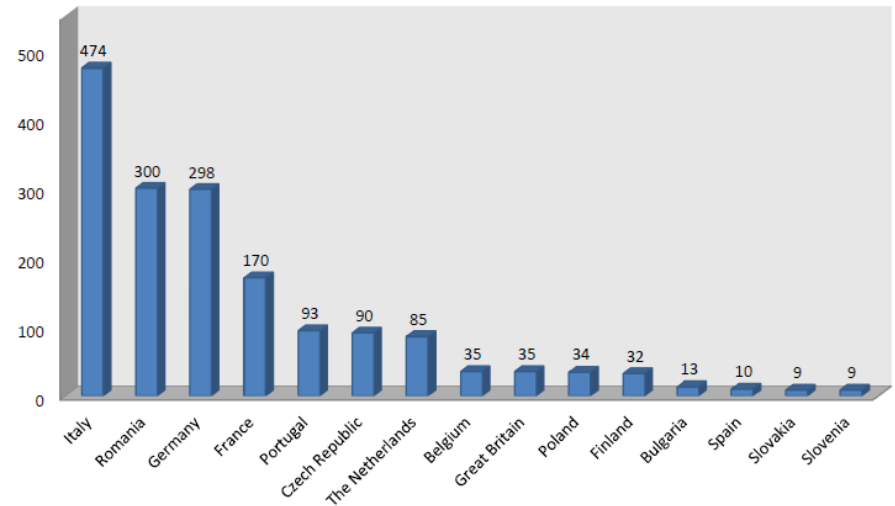
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**EUROPEAN BICYCLE PRODUCTION (EU 28)**  
(1,000 units) 2000 – 2015

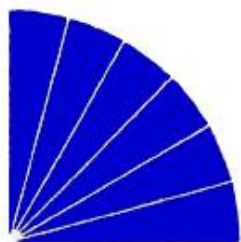


Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bicycle Production (x 1,000)	14 531	13 009	12 272	12 828	13 232	13 218	13 320	13 086	13 246	12 178	12 241	11 758	11 537	11 360	11 939	13 149
Evolution year/year-1 (%)		-10,47	-5,67	4,53	3,15	-0,11	0,77	-1,76	1,22	-8,06	0,52	-3,95	-1,88	-1,53	5,10	10,14

**2015 EUROPEAN BICYCLE PARTS & ACCESSORIES PRODUCTION**  
(EU 28) COUNTRY RANKING (M€)



Country	Italy	Romania	Germany	France	Portugal	Czech Republic	The Netherlands	Belgium	Great Britain	Poland	Finland	Bulgaria	Spain	Slovakia	Slovenia	Hungary	Austria	Croatia	Cyprus	Denmark	Estonia	Greece	Ireland	Latvia	Lithuania	Luxembourg	Malta	Sweden	EU 28
P & A Production (M€)	474	300	298	170	93	90	85	35	35	34	32	13	10	9	9	0	0	0	0	0	0	0	0	0	0	0	0	0	1687
Ranking	1	3	2	4	5	6	6	8	9	10	11	12	13	14	15	16	16	16	16	16	16	16	16	16	16	16	16	16	-



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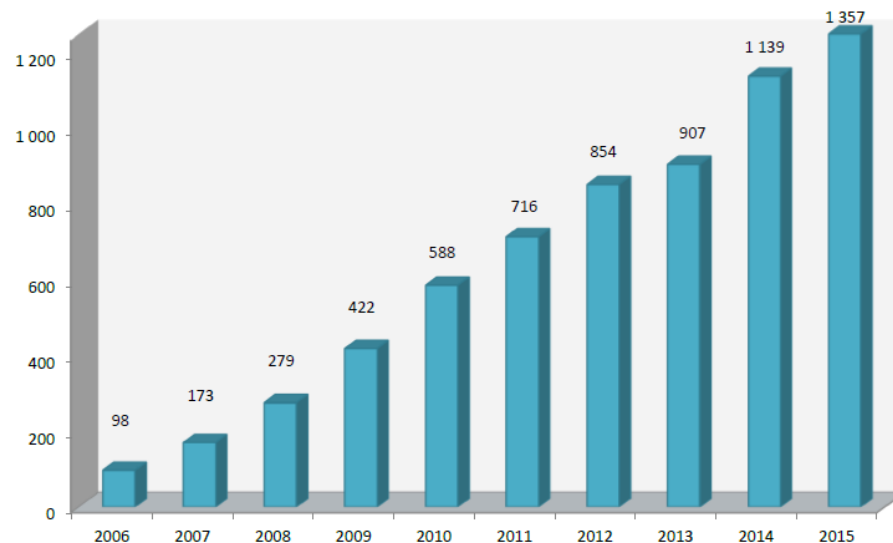
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**EUROPEAN BICYCLE SALES (EU 28)**  
(1,000 units) 2000 - 2015

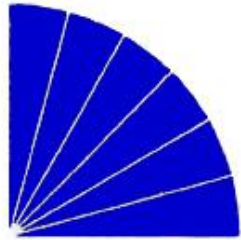


**EUROPEAN EPAC SALES (EU 28)**  
(1,000 units) 2009 – 2015



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bicycle Sales (x 1,000)	18 945	17 745	17 840	20 206	20 322	20 912	21 033	21 344	20 206	19 582	20 461	20 039	19 719	19 780	20 340	20 751
Evolution (%)		-6,33	0,54	13,26	0,57	2,90	0,58	1,48	-5,33	-3,09	4,49	-2,06	-1,60	0,31	2,83	2,02

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EPAC Sales (x 1,000)	98	173	279	422	588	716	854	907	1 139	1 357
Evolution (%)		76,53	61,27	51,25	39,34	21,77	19,27	6,21	25,58	19,13



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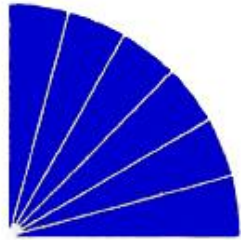
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## **At SMEs level, Innovation is generated by Production**

This is a sine qua non condition:

in fine-mechanics Industrial SMEs, the know-how which comes from production is vital to develop safe & innovative products.

the most important innovations of the last 50 years in our Industry were always made by Manufacturers of Bicycles or Parts, among which the EU SMEs played a decisive role to new inventions to increase the safety, lightweight and enthusiasm of the riders worldwide:

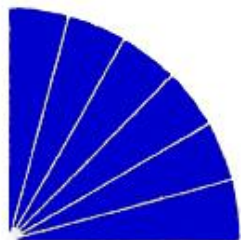


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- a) **High-End Road Bikes** by Colnago, Pinarello, De Rosa in the 70ies and 80ies (first Carbon Fiber frame by Colnago & Ferrari)
- b) **City-Trekking Bikes** by the German Bicycle Industry also in the 70ies and 80ies
- c) **BMX and Mountain Bikes** by the US Producers in the 80ies (before they all disappeared as US Authorities didn't renew the Antidumping against China)
- d) **Multi-speed Gears Hubs** (Sachs, Shimano)
- e) **lighter and more precise Derailleurs & Shifters up to 33 speeds** (also cableless in the last few years): Mavic, Campagnolo, Shimano, Sram, Tubeless Wheels (Mavic) and Tyres (Michelin, Hutchinson), disk brakes (Formula, Magura), suspension forks (Marzocchi, Rockshox), and many others.
- f) **Pedal-Assist Ebikes**: a fantastic concept developed by the EU Industry, in collaboration with the EU COM's DG INDUSTRY since over 20 years to establish the safest technical and quality standards & regulations: Pedal-Assist Ebikes bring back to cycling millions of EU Citizens!



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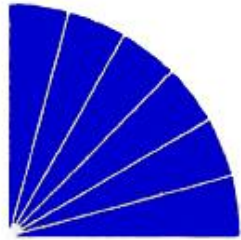
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## Some examples of Pedal Assisted e-bikes made in Europe



Best Bike 2014, Interbike Award (Las Vegas)

It is a made in Europe bike



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## The German company Bosch is investing 400 million Euro per year in E-Mobility Research:

Bosch supplies its e-bike systems to 50 brands, out of which 48 are European

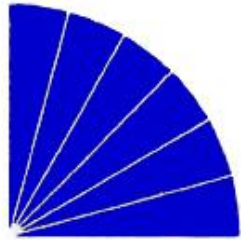
More than **50** **bicycle brands** use  
Bosch e-bike systems: from cargo bikes  
to mountain bikes.

**400**

**million euros** is the amount  
Bosch invests each year in e-  
mobility research alone: a  
project that involves more than  
1,800 associates.



**BOSCH**  
Invented for life



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## **Modern Industry is based on Innovation and Investments**

- a) If the EU Bicycle Industry didn't exist anymore,
- b) If the EU COM didn't grant the Antidumping in the past 20 years

**the Pedal-Assist Ebikes would not have been invented!**

**In 2015 the EU Bicycle Industry has invested in the EU  
over 1 Billion Euros in new installations and innovative products**

Which – we must underline – respect and promote:

All environmental friendly regulations, safety-at-work, CSRs, REACH, EN Norms, IP Rights

We are also promoting production districts (Bike Valleys) in many EU MS, to re-shore the production of bicycle components which are presently not produced in Europe.

Many more thousands of young engineers and technicians will find a long term good Industrial job in the Bicycle Industry.



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## First Fully Robotized Made-in-Europe Aluminium Bike Frames

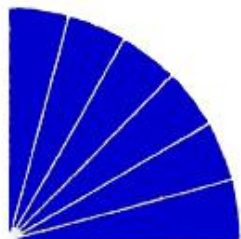
**LABEL: SALES & TRENDS**

**BAGNATICA, Italy** – Pictured here are the first made-in-Europe aluminium bike frames. They are manufactured with a completely automated and robotized process. Overall production time for a complete frame is limited to 4 to 5 minutes. They will be made at the ground-breaking new frame facility called Triangles which is based in Portugal.



**Photo:** *This is not a hand-welded aluminium frame made in Asia. It's one of the first fully robotized made-in-Europe frames. – Photo Bike*

How the Portuguese Triangles factory will be making aluminium bicycle frames with German car technology becomes clearer with the pre-series production start only a few months away. That the facility would have 2 production lines; each with 10 welding robots, was published earlier by Bike Europe. But there's much more automated in this ground-breaking new facility.



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## Gazelle's New Production Plant Put into Operation

[home](#)



**DIEREN, the Netherlands – Royal Dutch Gazelle has put its brand new, state-of-the-art bicycle factory into operation on the 1st of June. With this most modern factory in Europe Gazelle aims to become the number one premium brand in electric bicycles in Western Europe.**



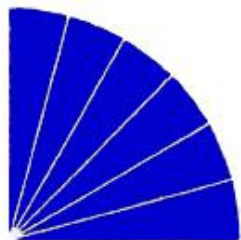
*Photo: Gazelle's brand-new assembly hall is spacious with lots of glass for a light and open workspace. – Photo: Jan-Willem Schouten*

Last week employees of the biggest bike maker in the Netherlands started assembling bicycles and e-bikes at their new workplaces which is best described as an architectural masterpiece connecting history with modern manufacturing.

### Lean and clean

As Gazelle started making bicycles in 1902 in Dieren, the Netherlands (while there's even an older wall supposedly from the paintshop

which dates back to 1860) there are lots of historical building at the site where the bike maker's is still based. These are now wonderfully connected to the new assembly hall.



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## New high-tech Developments of the EU bicycle, Pedal-Assist Ebikes and Components Study

**SpeedEpac:** Thanks to the very skillful and positive negotiations of the EU COM DG Grow with CONEBI, the new SpeedEpacs' type approval was successfully adopted in the 168/13 Regulation and will be in full application from 1.1.2018 on. This is another very safe and high quality pedal-assist bicycle - invented by the EU Industry - which will help greatly to cut CO<sub>2</sub> and other dangerous emissions in our cities, if the EU Industry will be granted the legitimate defense against unfair competition from PRC's exporters.



Full carbon e-MTB of  
Lapierre Model Overvolt






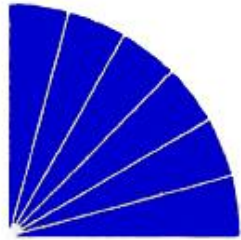
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**Intelligent Transport System (ITS):** The new, very important, big innovation of the EU Bicycle, Pedal-Assist Ebikes and Components Industry will be the adoption of the latest technologies to connect all vehicles in traffic, in order to save cyclists from potential accidents: the cooperation with the EU COM, the Car Industry, the Motorcycle Industry, ECF-CIC, CONEBI and the WBIA will be extremely helpful, both in Brussels, and in Geneva at the UNECE.

**Bicycles** and especially Electric Bicycles will play a major role in personal mobility, in recreation and in commercial transportation.



Invented for Life – epowered by **Bosch**



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## **Unfair competition from PRC is even more dangerous for High-Tech and Investment/Innovation-intensive Industries like ours**

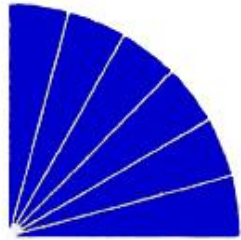
Modern Industry - Industry 4.0 included - has more and more workforce upstream, like in the R&D, Moulds/Machines and production transfers preparation:

**a direct job often corresponds to 3.5 indirect jobs upstream**

In modern Industry – included Industry 4.0 - the impact of investments/ automation/ digitalized production/ innovations is so much higher than in the past:

**it can reach 30-40% of the price of a new product**

So, if such investments/innovations are paid as always by the EU Industry, and the PRC's exporters can go on getting them back from the Government via the so many subsidies, there is no future for any high-tech Industry in the EU, if MES is unilaterally and unjustifiably granted by the EU: we will lose all important new Industrial developments in the next 10 years, and the investments of the EU Industry will be drastically reduced and progressively disappear, from today's very high level (approximately 300 Billions per year).



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Antisubsidy is not viable, because of the lack of transparency from the PRC's Government, so antidumping is the only legitimate defence available. The risk to loose very large parts of the EU Industry as a whole is very high, in case of unilateral MES granting to China by the EU: and when one Industry is lost, it is forever, and the whole Manufacturing system in the EU will be weaker and less competitive.

*“When manufacturing plants move to a new location, they take with them expertise and employment in high value added services such as research, development, sales and marketing.*

*That is why deindustrialization is a cause of concern. It puts at risk high value jobs and services. It reduces European competitiveness”*

Commissioner for Internal Market, Industry, Entrepreneurship and SMEs  
Ms Bieńkowska – June 2015

## China's "Twelfth Five-Year" Plan for Bicycle and Electric Bicycle Industry

February 18, 2011 Source: Chinese Cycling Association

[Brief Introduction] Our country is the world's big manufacturer, consumer and exporter of bicycles and electric bicycles. With rapid improvement of people's living standard, bicycles and electric bicycles are getting popular for their being healthy, low-carbon, energy saving and convenient. According to National Bureau of Statistics, the number of retained bicycles was 450 million in 2006 and the number of retained electric bicycles was more than 100 million in 2010. Bicycles and electric bicycles have become important tools for residents' daily going out, entertaining and body building and key marks of low-carbon and healthy life.

End of 12th 5 years plan:

The "twelfth five-year" period is the crucial period for our country changing industry development patterns and becoming a strong bicycle country from a large bicycle country. The whole industry shall closely unite around the Party Central Committee with Comrade Hu Jintao as the general secretary, hold high the great banner of socialism with Chinese characteristics, perk up, unite and work hard, open up and blaze new trails. Go all out to realize tasks and goals made in the plan!

Local Governments Subsidies:

Note re subsidies to major Chinese bicycle producers

The present memo provides an overview of subsidy programs that are likely to apply to the

Chinese bicycle industry, and in particular the following major producers, Tianjin Fushida,

Golden Wheel, Tianjin Flying Pigeon, Dahon, Giant, and Kelin Group.

## (Thirty-Five) Non-operating Income

### 1. Details of Non-operating Income

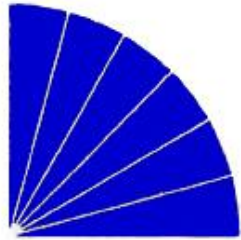
Items	Current Period Accruals	Prior Period Accruals	Record in Current Extraordinary Item
Total disposal gain on non-current assets	1,816,892.88	6,538.87	1,816,892.88
Other: disposal gain on fixed asset	1,816,892.88	6,538.87	1,816,892.88
Gain on debt restructuring <sup>(Note)</sup>	1,526,840.10		1,526,840.10
Government Subsidy	2,508,397.00	2,064,249.25	752,345.00

Others	437,162.42	52,060.53	437,162.42
Total	6,289,292.40	2,122,848.65	4,533,240.40

Note: Gain on debt restructuring from the debt restructuring agreement between the Company's subsidiary Shanghai Zhong Lu Yong Jiu Bicycle Marketing Co., Ltd. and its suppliers.

### 2. Details of Government Subsidy

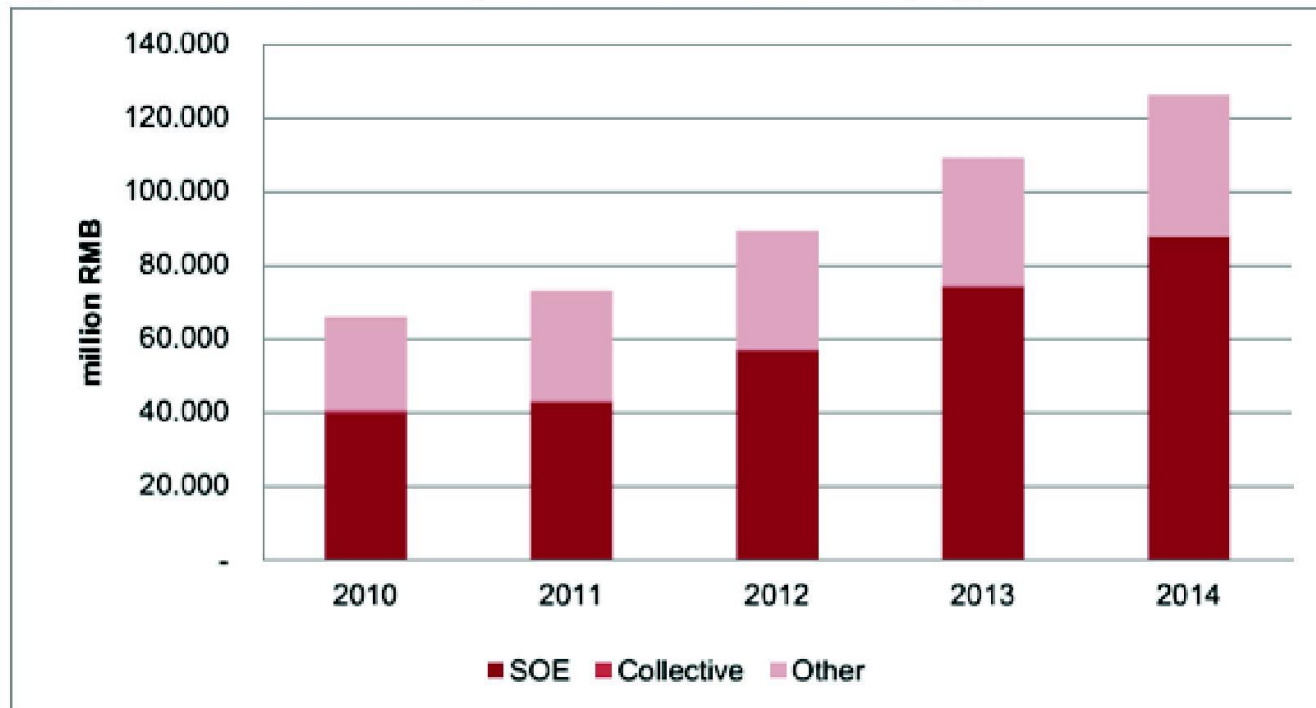
Items	Current Period Accruals	Prior Period Accruals	Note
Income related government subsidy received	2,508,397.00	2,064,249.25	



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**Figure 9: Subsidies to Enterprises of Different Ownership Types**



Source: Wind Data

Calculation by THINK!DESK.

# FUJI-TA NEW Factory



- ◆ Established in 2014
- ◆ Land Area: 1,5 million square meters
- ◆ Total Government Subsidies: 130 million USD
- ◆ Total credit line from State Owned Banks: 650 million USD
- ◆ Total Capacity: 20 millions bicycles + 5 millions E-Bikes
- ◆ Total EU Bicycles and Ebikes Market: 25 millions

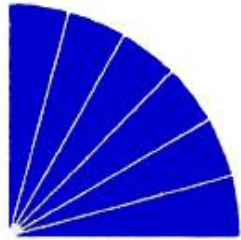


**POLITECNICO**  
MILANO 1863

DEPARTMENT OF CIVIL  
AND ENVIRONMENTAL  
ENGINEERING

ESTIMATION OF CO<sub>2</sub> EMISSIONS FROM THE PRODUCTION  
OF BICYCLES IN CHINA AND IN EUROPE





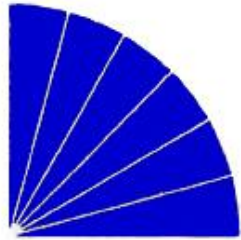
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## **Imports from China have a massive detrimental effect on the environment**

**Politecnico of Milano states that a bicycle produced in China generates up to 123 Kg CO2 more than a bicycle produced in Europe**

Compared with European production, the Chinese production for the EU market causes additional emissions of min. 61,5 and max. 123 Kg CO2 per bicycle. Therefore the average value of additional emissions is 92 Kg CO2 per bicycle.



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## **Why a bicycle produced in China generates up to 123 Kg CO2 more than a bicycle produced in Europe**

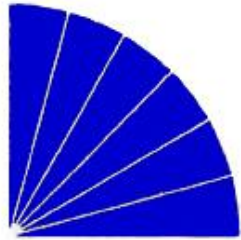
### **1. Because of CO2 emissions from aluminium and steel production**

Chinese productions of aluminium and steel are based on coal, which contrast sharply with the goals of the Paris COP21 Conference and EU's environmental policies , with much higher emissions than steel and aluminium production in Europe, which is much more environmentally friendly (based on gas, ot othere cleaner energy sources, not on coal like in China) and efficient.

### **2. Because of CO2 emissions from maritime transport**

60% of containers (with peaks of 90%) go back to China empty

The more trade deficit grows, the more empty containers (source: Politecnico of Milano). **By 2020 shipping will be the biggest single emitter of air pollution in Europe, surpassing the emissions from all land-based sources together.** Source: Transport & Environment <http://www.transportenvironment.org/what-we-do/shipping/air-pollution-ships>



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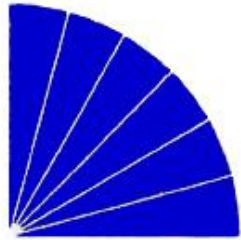
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## **Huge consequences from the maritime transport**

**Air pollution: container ships emissions are the most dangerous in the world for transport**

*Air pollution from containers-ships is generated by diesel engines that burn the oldest and most polluting formula of high sulfur content fuel oil, also known as Bunker Oil or called also "Sludge Fuel") , producing very dangerous emissions of sulfur dioxide, nitrogen oxide and particulate, in addition to carbon monoxide, carbon dioxide, and hydrocarbons.* Diesel exhaust emissions have been classified by EPA as highly human carcinogen.

Source: Wikipedia

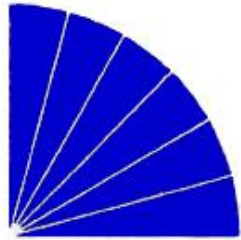


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growing imports and trade deficit from China (in 2015 the deficit grew up to 180 Billions Euros) will mean - besides the loss of millions of Manufacturing Jobs in Europe - also much more dangerous, **unsustainable pollution and global warming**





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**PRC IS TODAY**  
**THE BIGGEST POLLUTER IN THE WORLD, AND STILL INVESTING**  
**HEAVILY IN COAL-BASED TECHNOLOGY TO BE ABLE TO DUMP**

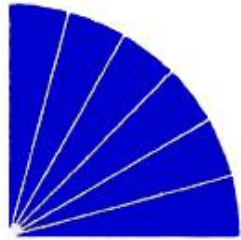
There is no doubt that the EU Industry is the least polluting in the world, always improving: that EU production at km zero is the best solution to really cut CO2 emissions and to develop EU locally-based sustainable economy for the future.

Today one of the most polluted areas in EU is the Port of Rotterdam (like LA in the US), because of the huge number of containers ships: so not anymore the Industrial areas of Ruhr, Bayern or Lombardy! The EU Industry became an example of pollution free production with a great effort and a lot of investments in the last 30 years.

<http://www.nytimes.com/2006/01/29/business/worldbusiness/29iht-ships.html?pagewanted=all>

<http://shippingwatch.com/articles/article4891909.ece>

<http://www.bloomberg.com/news/articles/2013-03-08/europe-to-asia-box-rates-to-defy-global-decline-in-2013-freight>



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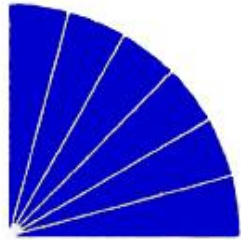
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**The Guardian: Big polluters: one massive container ship equals  
50 million cars**

<http://www.theguardian.com/environment/2009/apr/09/shipping-pollution>

**The DailyMail: How 16 ships create as much pollution as all the  
cars in the world**

<http://www.dailymail.co.uk/sciencetech/article-1229857/How-16-ships-create-pollution-cars-world.html>

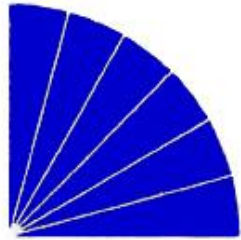


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## CONCLUSIONS

1. a really sustainable economy in Europe must encourage the development of capillary distributed SMEs -like ours- in the whole territory of Europe, to create much needed long term Manufacturing Jobs. In the modern economy we cannot chose between manufacturing and services because we must do both: the 2 sectors are increasingly connected. **A robust European industrial base is central for creating good long term Manufacturing Jobs and Growth in Europe**
2. EU local manufacturing and transport by train and by the ultimate less polluting trucking systems must be encouraged. A new legislation for containers-ships must be started, to limit the very dangerous emissions and to upgrade the fuel and the engines environmental efficiency.
3. Europe should have encouraged for a long time the development of Manufacturing also in the neighbouring Countries: instead of letting so many Industries leave Europe for China, investments for manufacturing in Tunisia, Turkey, Egypt, all Middle East, Ukraine, Moldavia, Belarus and Russia.



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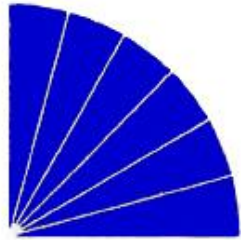
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## 4. Manufacturing in Europe means:

- a) Good long term industrial jobs for the young generations: each billion worth of Eu production means in average from 10 to 15.000 Industrial Jobs. Industrial output must go back to 20% of GDP, encouraging in particular local production OF Consumers goods of SMES.
- b) Innovation
- c) safe products and satisfied Consumers
- d) the most positive carbon footprint which only sustainable local production can guarantee
- e) respect of CSRs, anti-pollution rules, quality standards like Reach, CEE marking and EN Norms
- f) keeping and further developing long term jobs in Communities and Industrial Districts which could become a desert in a very short time, if MES is unjustly granted to China
- g) IP rights respect
- h) industrial investments of 300 Billions euros every year = one Pres.Juncker's plan every year



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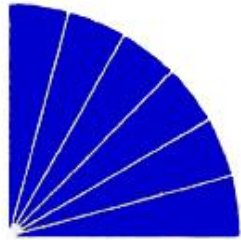
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## 5. Granting MES to China without merit means:

- a) encouraging no respect of rules, State Capitalism, unsustainable overcapacity, polluting old production technologies
- b) losing the only leverage we have to legitimately defend our Industries and our millions of very capable Workers in the whole Europe
- c) giving a de facto immunity for a "dumping licence" to China, against the EU Industry and also the legitimate expectations of our Trade Partners and also of GSPs Countries



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6. A EU COM's full impact assessment of MES to China is needed.

MES to China is not automatic, as China does not respect the 5 criteria which describe a Market Economy, and many other obligations of the WTO Access Protocol.

The DG Trade Commissioner Mrs. Malmstorm confirmed that MES is not automatic, and that China is obviously not a Market Economy in the WSJ and in the Mlex article here below.

A decision of such magnitude for social, economical and also environmental impacts for the EU Workers, Citizens and Families must be evaluated with the highest possible care by a detailed, serious in-depth analysis: this is why we Industry Alliance Aegis Europe are kindly asking the European Commission to start a full impact assessment of MES to China, open to all Stakeholders and with a transparent Public Consultation: this to avoid very high risks of heavy Jobs losses in the EU. Unemployment, Social and Environmental dumping from heavily subsidized overcapacities in PRC without the legitimate defence of an efficient Antidumping measure must be avoided.



## China isn't a market economy, European officials say

Jurisdiction : EU / Europe

23 Jun 15 | 17:53 GMT

Author: Poppy Bullock

### IN BRIEF

China is “obviously not a market economy” when it comes to calculating antidumping duties, EU trade chief Cecilia Malmström said today, adding to a chorus of voices rejecting an automatic change in the country’s status among trading nations. Carlo Calenda, Italy’s vice minister for economy, and Bernd Lange, a leader in the European Parliament, said granting market economy status to China would contradict EU trade rules.

China is “obviously not a market economy” when it comes to calculating antidumping duties, EU trade chief Cecilia Malmström said today, adding to a chorus of voices rejecting an automatic change in the country’s status among trading nations.

Carlo Calenda, Italy’s vice minister for economy, and Bernd Lange, a leader in the European Parliament, said granting market economy status to China would contradict EU trade rules.

These comments show the dilemma faced by the EU. Although China doesn’t necessarily meet Europe’s criteria to be treated as a market economy, legally speaking, the country could still obtain that status.

The EU is debating whether to grant China market economy status, or MES, next year as part of its 2001 World Trade Organization accession agreement. Companies operating in a free market usually face lower tariffs in trade-defense cases, such as those targeting unfair pricing, or dumping.

Officials in other nations, including the US, India and Russia, are also debating whether to label China a market economy.

The wording of the WTO accession protocol, which some trade experts say is ambiguous, has fueled a debate on whether China should automatically be labeled a market economy at the end of 2016, or whether the importing country can decide.

“This is something that needs to be very carefully looked at,” Malmström told a conference\* in Brussels. “The commission is still discussing this internally.”

December 11, 2014, 11:14 AM ET

## Malmstrom: No Automatic Market Economy Status for China in 2016

By Matthew Dalton



The short tenure of Cecilia Malmstrom, the European Union’s new trade chief, has been dominated by one issue: the U.S.-EU trade deal.

Yet there’s another issue lurking on the horizon that will probably come to a head sooner than trade talks with the U.S. and fundamentally change the EU’s trade relationship with its second-biggest trading partner, China. That would be whether to grant China “market-economy treatment” at the World Trade Organization.

When China joined the WTO in 2001, developed economies such as the U.S. and the EU refused to acknowledge that China was a market economy. They argued that China’s domestic prices were set by government agencies and policies, not the forces of supply and demand.

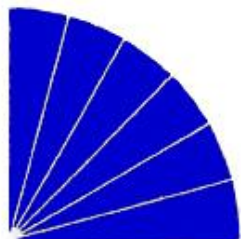
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The main impact of this finding, which was included in [China’s WTO accession agreement](#), is that China’s trading partners have an easier time imposing large duties on imports from China that are believed to be “dumped” at unfairly low prices. But the accession agreement calls for a key provision of this finding to expire 15 years after China joined the WTO; that’s December 12, 2016.

As the momentous date approaches, trade lawyers and government officials around the world have been scrutinizing the language of China’s accession agreement with rabbinical intensity to understand the potential impact. A key question is: once the date arrives, does WTO law automatically require its members to recognize China as a market economy and, more importantly, abandon methodologies that allow them to impose large anti-dumping duties on Chinese products?

That would be a huge change, depriving European sectors such as steel, textiles and solar-panel manufacturers of the main tool they’ve used to protect themselves against low-priced Chinese imports.

Ms. Malmstrom in a recent interview told The Wall Street Journal that she will begin discussing whether China should get market-economy status with other European commissioners early next year. “You cannot say today that they (China)



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**Dear distinguished MEPs, Ladies and Gentlemen,  
thank you for your kind attention.**