

**PUBLIC CONSULTATION ON A STRATEGY FOR THE TRADE AND
ECONOMIC RELATIONS BETWEEN THE EU AND CHINA
Answers to the Commission's questions**

This is a first rough outline of opportunities and risks seen from our perspective. We would be happy to elaborate and discuss with the Commission any of the analyses and suggestions made below.

1. What are the most important opportunities for Europe in China's economic growth and greater weight in international trade? What should the EU do to grasp these new opportunities?

China's rapid development is an opportunity for Europe, and the world, as there is a considerable convergence of views between the two on the need to urgently tackle a number of global challenges, such as equitable and efficient, resource use, the need to combat climate change and address social inequalities. Deeper economic relations can help deal with such challenges if channelled in the right way.

The EU and China should initiate a joint programme to explore how trade and foreign direct investment can help achieve the objectives that both entities have set themselves in respect of key global challenges (e.g. EU Council target of 60-80% greenhouse gas emissions reduction by 2050), and what policy tools should be used for that purpose. Such a process to define sustainable trade in a more comprehensive and scientific way should be based on a multi-stakeholder dialogue. The direct, indirect and systemic effects should be included as well as the long term and the short term. New indicators such as green GDP, ecological footprints etc. that are being developed both in the EU and in China should be used for this process of defining sustainable trade and investment. The results could also contribute to the wider international discussion on how a global trading system can develop where sustainable development is the starting point, instead of being an add-on as is too often the case.

Below are some initial opportunities that WWF believes could make trade and investment flows contribute to sustainable development:

1. The new EU-China Agreement should take a comprehensive approach to sustainable trade and not try to separate certain goods and services, often end-of-pipe technologies, as environmental/sustainable. The goal should be to explore how welfare can be promoted in a way that relies on as few natural resources as possible. It should support China's policy of peaceful development by supporting sustainable production and consumption patterns. Key areas such as energy, transportation and construction are important and could provide a starting point for these discussions: The rapid urban growth in China coupled with domestic natural resource scarcity provides a gigantic, willing laboratory for trying out new resource/energy efficient urbanisation and infrastructure models on a massive scale. This opportunity must be seized by Europe by helping provide China with technologies and products that will contribute to sustainable urban models for the 21st century. In order to demonstrate how this can be concretely done, the EU could propose a twinning programme of European and Chinese sustainable cities in order to exchange experience on sustainable urbanisation.

2. The new EU-China Agreement should stress that public procurement is seen both in the EU and in China as an important tool to support sustainable development, notably by creating a demand for innovative products and services. Negotiations on opening of public procurement markets under the new Agreement should therefore be driven by the objective of “innovation for sustainability”, in order to arrive at a mutually beneficial outcome. The twinning programme proposed under 1) above should ideally also include a dialogue on public procurement, including promotion of mutual access to such markets.
3. If the forthcoming EU-China Sustainability Impact Assessment includes a “Sustainable Opportunities Assessment”, the new EU-China Agreement could explore the possibility of creating Sino-European single markets for specific products identified in the “SOA”, with a particular focus on non-tariff barriers. Depending on the product, this can be achieved through deepened regulatory dialogue (based on a range of means, such as traditional dialogues but also on an increase of Chinese national experts in Commission services in charge of relevant *acquis*), with the aim of regulatory convergence, mutual recognition or equivalence agreements. No static list of such products would be established but an ongoing process should be designed to ensure a dynamic response to the changing situation. The links to third countries should also be considered. Another, “softer” – and less complex – way to increase mutually beneficial trade flows would be to establish a group with multi-stakeholder participation that could explore convergence and mutual recognition of labelling standards that takes into account the different situations in EU and China, notably in the field of ecolabelling. There are such bilateral initiatives with China at Member State level (e.g. between the German Blue Angel and the Chinese ecolabel); the upcoming revision of the EU ecolabel regulation should similarly seize this opportunity.

2. What are the challenges and risks for the EU from China’s rise? How should the EU respond to these challenges and risks?

1. As pointed out in DG Trade’s issue paper on trade and competitiveness from September 2004, a rapid catch-up in terms of living standards of developing countries is needed in order to minimise structural adjustment of the EU economy resulting from loss of low-skilled jobs. The main challenge is therefore to ensure that the Chinese catch-up is as quick as possible in order to minimise such shocks. The risk is that the EU maintains a mercantilist agenda towards China – the challenge will be to approach sensitive issues in a novel way. For instance, IPR should be approached in a way that balances European companies’ legitimate rights yet acknowledges the fact that the rapid dissemination of carbon-neutral technology to China is one of the most pressing imperatives we are faced with: Such technology is a public good: EU public authorities may therefore have a key role to play in this respect.
2. The natural resource-scarcity of China and the size of its economy (incl. EU-China trade flows) mean that it would entail huge global risks if the EU were to pursue a traditional free trade approach to China: With manufacturing being moved to China, a country with few natural resources per capita, the pressure on natural resource-rich third countries will increase. This means that economic

relations between the EU and China cannot be reduced to an export-import relationship. The new EU-China Agreement should acknowledge the impact of their bilateral trade on those countries that provide the global economy with natural resources. A tripartite dialogue including such third countries could therefore be initiated in key areas.

It will be a challenge for EU trade policy-making to take such a systemic view of international economic relations. A truly systemic view does not stop with including natural resource rich third countries: It would also need to address the impact of increasing European FDI in China; rapidly increasing dependency ratios in Europe mean there will be a pressure to maximise profits from FDI, notably in China. How can Europe ensure that this does not translate into social and environmental dumping in the manufacturing of the very products that it imports?

3. Based on colonial heritage, access to natural resources has hitherto not been very problematic for a natural resource-poor Europe. China's rise puts this into question. A major challenge for Europe will therefore be to find co-operative ways of sharing equitably natural resources with powers like China. This will require a fundamental rethink of international economic relations and self-imposed constraints on Europe's reliance on foreign natural resources.

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