THE SINO–EU AGREEMENT ON CHINA'S ACCESSION TO THE WTO: RESULTS OF THE BILATERAL NEGOTIATIONS.

The following is an overview of the results achieved by the EU in addition to the Sino–US accord. Some of the issues covered did not form part of that agreement, while others had already been the subject of negotiations between China and other partners, but have been further improved by the EU. In both cases, the list below is confined to commitments which were secured explicitly by the European Union.

INDUSTRIAL GOODS

Import tariffs

As for specific EU priorities not covered by China's previous bilateral Agreements, these were concentrated on 150 specific products varying from gin to building materials. On these EU–specific priorities, an additional reduction of 40% on top of earlier offers was obtained (the tariff average falling from 18.6% to 10.6%).

Tariffs on all **spirits** will be aligned to a level of 10%. There will be no difference in the treatment of whisk(e)y, Cognac, Gin etc. The presently applied tariff level is still at 65%.

Tariffs on key **cosmetics** products will come down to a level of 10% (currently up to 30%). This implies good prospects for a sector which already exports up to EUR 7 billion worldwide.

On **leather and leather articles** negotiations focused on 13 specific products which account for 60% of total EU exports in this sector. China agreed a reduction on these products from 20–25% to 10%.

On **textiles** China made some further improvements to the previous offer. China's textiles tariffs are very close to the levels of the EU and far lower than almost all other textile exporting countries.

Tariffs on 5 particular **footwear** products which account for more than 70% of EU footwear exports will be reduced from 25% to 10%.

Marble/building stones are popular articles in China's enormous construction market. On the 5 most important products tariffs will also be reduced from 25% to 10%.

On **ceramics** China agreed to reduce tariffs on 11 key ceramics products from 24.5–35% to 10–15%. And tariffs on 6 particular **glass** products will be reduced from 24.5% to 5%.

On 52 particular products in the important **machinery and appliances** sector, which accounts for 26% of total EU exports, tariffs will be cut to 5–10% from levels up to 35%.

- **Quotas**: China's quota on Europe's fertilizer exports (NPK) will be liberalised upon accession, and restrictions in place this year will be immediately relaxed.

- **State Trading**:

  Liberalisation of import monopolies on oil and fertiliser – China has agreed to open the crude and processed oil sectors, as well as NPK fertiliser, to private traders through a process of gradual liberalisation. This means that firms will no longer be obliged to go exclusively through China's state importers when shipping oil and fertiliser to China. The oil and fertiliser sectors are the most significant domains where a state import monopoly has been in place.

Liberalisation of export monopoly on silk – EU firms will be able to buy raw silk directly from Chinese producers (who make 70% of the world total). Until now all purchases had to go through state export channels. This will bring substantial benefits to the EU's numerous manufacturers of ties, scarves and other high value silk garments and accessories.

- **Motor vehicles**: the EUandChina agreed on a range of improvements for EU firms which produce cars, vans and trucks in China. For those who have invested in joint–venture manufacturing operations (or will do so in the future), there are 3 key points:

  – all restrictions regarding the class and models of vehicle produced will be lifted within 2 years, leaving the car–maker free to make such decisions on a purely commercial basis;
  – provincial authorities alone will be able to approve investments in the sector up to \$150 million (ceiling raised from \$30m), substantially reducing red–tape for car manufacturers;
  – for the manufacture of engines, China's joint–venture requirement will be removed, allowing wholly foreign owned production.

AGRICULTURE

- **Market access (tariffs and tariff quotas):** Improvements have been made on the tariff quota for rape oil, as well as on tariffs on products such as: rape oil (down from 85% to 9%), pasta (down from 25% to 15%), butter (down from 30% to 10%), milk powder (down from 25% to 10%), mandarins (down from 40% to 12%), wine (down from 65% to 14%), olives (down from 25% to 10%) and wheat gluten (down from 30% to 18%).

- **Sanitary and Phytosanitary measures:** The EU and China signed an SPS Agreement that will provide for compliance by China with the WTO's SPS Agreement, as well as resolving a number of bilateral SPS trade frictions. This agreement will be supplemented by subsequent agreements with individual EU Member States, to be concluded before China's formal entry into the WTO.

SERVICES

- **Telecommunications:** The telecommunications offer has been considerably enhanced. China will open its mobile telephony market 2 years ahead of schedule, which is a crucial change in this fast–developing industry. For the first time, foreign operators will be permitted to establish as of accession(with a 25% share). This will rise to 35% 1 year after accession and 49% 3 years after accession. China has agreed to allow operations between Chinese cities (where the biggest business is located, covering more than 75% of current traffic) and not to restrict them to activity within each city. The liberalisation of domestic leased circuit services will allow joint venture foreign telecom operators to create their own network (independent from the existing one) and sell their capacity to clients in China. The EU has also obtained provisions to allow more competitors in the international corporate communications market. This will notably enable user companies (usually large corporations) to obtain better rates and services. Finally, China and the EU have agreed to a satisfactory settlement concerning the mobile investments of EU telecommunication companies (France Telecom, Siemens/Deutsche Telekom and Telecom Italia) in the 2nd Chinese carrier, China Unicom.

- **Insurance :** 7 new licences, 5 for life and 2 for non–life business, will be immediately provided to EU companies, and 2 more companies will be able to establish in another city (sub–branches). This will substantially increase the EU presence in China, as only 4 firms are presently in the market Effective management control has been negotiated for foreign participants in life insurance joint ventures, through choice of partner, and a legal guarantee of freedom from any regulatory interference in privately negotiated contracts, on a 50–50 equity basis. Foreign insurers will see their scope of business advanced by 2 years in life and non–life activities, selling the same products their Chinese competitors. This includes health, pension and group insurance in life, and all non–life activities except for statutory insurance. Geographically, access of foreign insurers to Shenzen and Foshan has also been accelerated. Brokers (insurance intermediaries) will have access to the Chinese market through cross–border and local establishment for the first time. Upon accession, they will be able to establish on a 50–50 equity basis (with effective management control as indicated above), within 3 years foreign majority will be allowed, and within 5 years there will be no equity restrictions. They will be able to undertake large scale commercial risk and reinsurance business, which is the bulk of the brokerage market.

- **Distribution:** China has agreed to lift the specific 50–50 joint venture restriction applicable to large retail stores (removing the 20,000m 2 sizelimit),as wellas thatfor virtually all retail operations with more than 30 outlets in China. Until now, if a retailer had wished to open more than 30 outlets, a 50–50 equity limit was applicable. In a country the size of China, this was obviously a very restrictive provision.

- **Banking:** The banking offer has also been improved. Distributors and other non–financial institutions will be able to give credit facilities for the purchase of all motor vehicles, including trucks, buses, tractors, motorcycles etc, rather than just cars. China has also agreed to allow foreign banks in the city of Zhuhai to advance their operations in local currency. Zhuhai, which is just off Macao, holds several EU banks.

- **Securities:** China and the EU have agreed to establish a regulatory dialogue on the development of the securities market in China. The EU welcomes the opportunity to contribute its expertise to the expansion of the Chinese securities market.

- **Dredging:** Dredging activities, related to infrastructure construction, are now open to foreign firms as of accession.

- **Tourism:** The tourism offer has been extended from holiday services to also cover corporate travel business. The establishment requirements for travel agencies and tour operators have been eased to the benefit, in particular, of SMEs specialised in the Chinese market. The capital requirement will be gradually reduced to the same level as that applied to Chinese firms. The minimum turnover requirement has also now been further reduced, upon accession, by 20% (down to 40 million USD).

- **Construction:** the joint–venture requirement has been relaxed to allow foreign majority on accession. Within 3 years, wholly foreign owned enterprises will be permitted to carry out projects financed by foreigners (including those funded by the IMF, World Bank etc.) and Chinese–funded projects where Chinese construction firms justify the need for international assistance.

- **Legal services:** foreign law firms will, for the first time, be able to also offer services on Chinese law. In particular they will be able to provide information to their clients on the Chinese legal environment. Concerning other activities in Chinese law (representations before the Courts etc.), the arrangements with local law firms have been improved by allowing foreign firms directly to instruct individual Chinese lawyers in these firms. This will allow foreign firms to create a direct link with a Chinese lawyer of their choice, which may in practice be equivalent to full employment. Improvements have also been obtained on the prior experience requirements for lawyers – prior experience will no longer have to be consecutive, and the requirement for all lawyers, other than the Chief representative, has been reduced from 3 to 2 years. Finally, it has been recognised for the first time that solicitors (although not members of a bar) will also be covered by the agreement.

- **Accountancy:** Accountants will be able to provide taxation and management consultancy services under the same conditions as accounting services, and will no longer be required to partner.

- **Architects:** Architects will now have an extended access on a cross–border basis, by allowing them to provide scheme design services.

- **Market research:** The Chinese Decree imposing extremely burdensome requirements that might affect the confidentiality of market research reports will be substantially amended. Reports will no longer be pre–examined by Chinese authorities before being given to the client, but firms will merely have to send copies of questionnaires to the authorities (not of the replies and results).

- **"Grandfathering":** protection of existing EU investments has beeb assured, even where they are on terms which exceed those available after China's accession.

HORIZONTAL ISSUES

- **Government Procurement:** China has agreed to full transparency and non–discrimination (MFN) in government purchases.

- **Trade–distorting investment–related measures:** The EU andChina have agreedon commitments similar to those included in the Sino–US agreement, but also incorporating an obligation to eliminate industrial export subsidies, and offset requirements in the civil aircraft sector.

- **National treatment:** This is a basic GATT obligation. China has now given specific commitments to phase out legislation that gives unfair advantages to domestic producers in the field of pharmaceutical pricing, after–sales services of imported goods, chemical import registration requirements, control of imported boilers, and retail of imported cigarettes and spirits. In some cases China will have one or two years to make her legislation WTO compliant.

Quelle: www.europa.eu.int/comm/trade/bilateral/china/wto.htm