

EU must fully consider consequences of granting China Market Economy Status

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Free trade and open markets are important, but they are only free and open when everyone plays by the rules, argues Gerd Götz.



That China seeks Market Economy Status (MES) is understandable. It will provide the world's largest manufacturing economy with access to one of the world's largest markets at reduced tariffs. It is an undeniably attractive prospect for them.

However, with MES comes responsibility; the responsibility to act according to the rules of free trade. Is China prepared to abide by those rules, and is this an acceptable risk?

Currently, the Chinese are the subject of a number of probes for dumping; exporting goods at prices below the cost of production. This has the consequence of undermining any competitor industry in the target market.

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Under current trade agreements, the EU can use tariffs to compensate for market distortions. However, once MES is granted, the ability to use such defence mechanisms is largely removed, putting Europe at risk of further dumping.

The aluminium industry offers a salutary, but not unique, example. Primary aluminium production is an energy-intensive process and our industry has long been aware of its environmental responsibilities.

This is why we launched our sustainability roadmap with a vision for 2025 and invested heavily in developing sustainable business models across the value chain. It means European-produced aluminium has one of the smallest carbon footprints in the world.

Our value chain is actively pursuing solutions for low-carbon mobility and energy efficiency; we are committed to fulfilling our obligations in reducing emissions. We are contributing to building a modern, sustainable and circular economy that will meet our climate change obligations.

Despite this, our industry faces increasing competition from cheap Chinese-produced aluminium. This competition is not merely an issue of excessive production capacity; it reflects approaches that European manufacturers have rightly discouraged, including the use of highly-polluting coal-fired power stations.

This means that were China to replace Europe's aluminium production, the resulting increase in carbon output would roughly equal the total annual emissions of Sweden.

Is this the future we want? Global trade may be a force for good, but it is important to fully consider all the implications. Is cheaper aluminium worth the loss of tens of thousands of European jobs, the abandonment of advances in low-carbon cars, aircraft and buildings and ultimately undermining COP21?

The EU must examine the potential consequences of granting MES status to China in detail. We owe it to workers in all the industries in Europe that stand to lose their jobs as a result of imports below the costs of production.

We owe it to our European companies that have willingly invested in developing technology to reduce their environmental impact. We also owe it to society, which rightly expects policymakers to deliver on their environmental commitments.

If the European Commission is considering approving China's MES in the near future, we urge them to first examine all the potential consequences. Otherwise, any decision would be premature and lack

legitimacy.

Therefore, we urge Members of the European Parliament, particularly those in the industry, environment and internal market committees to explain the implications of Chinese MES to our citizens.

The aluminium industry believes it is vital that the implications are investigated and discussed - in depth, at length and with proper public debate.

Getting it wrong may irrevocably damage innovative European industries and increase unemployment. Worse still, Europe's technical and moral leadership on climate change will be forfeit.

We need to have an open debate about Chinese dumping. Don't MES around.

About the author

Gerd Götz is the Director General of European Aluminium

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