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EUROPEAN UNION

DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA AND MONGOLIA

The Head of Trade Section

Beijing, 28th April 2015
Limited

NOTE FOR THE ATTENTION OF EU TRADE COUNSELORS, SHANGHAI

Subject: Minutes of the Meeting of Trade Counsellors, 21st April 2015

Dear colleagues,

Please find attached the aforementioned minutes for your records, which I hope will be helpful.

Warm regards,

(signed)

[Art. 4.1(b)]

15, Dongzhimenwai Dajie, Sanlitun, 100600 Beijing, China. Tel +(8610)8454 8000; Fax +(8610) 8454 8011

Minutes – Meeting of EU Trade Counsellors on 21st April 2015
Shanghai

1. Adoption of agenda

See annex 1 for participants' list.

2. New developments in the standardisation reform

See annex 2 for presentation.

On the basis of a power point presentation made by Dr [Art. 4.1(b)] (see annex 2), [Art. 4.1(b)] introduced the SESEC project (Seconded European Standardisation Expert in China) which is entering into its third phase. The project, co-financed by the European Commission and European Standardisation organisations, aims at enhancing EU-China dialogue and cooperation in the field of standardisation, to ultimately facilitate EU industries and market access and business in China.

[Art. 4.1(b)] recalled the long process of standardisation reform in China, underlining that the reform process is now well on track and should be achieved by 2020. She referred to the document n° 13 issued by the State Council on 20 March 2015 ("Plan for Deepening Standardisation Reforms"): this can be seen as the endorsement of SAC's recent proposals. The purpose of the standardisation reform is to clarify 1) which standards industry has to comply with and 2) the difference (and frequent overlap) between technical (mandatory) regulations and (voluntary) standards.

[Art. 4.1(a) third indent]

Trade Counsellors underlined the important market access dimension of standards in China and mentioned the issue of foreign stakeholders' better access to Chinese standardisation process.

[Art. 4.1(a) third indent and 4.3 first subparagraph]

3. Bilateral EU-China import/export trends. Challenges and opportunities ahead.

See annex 3 for presentation.

2014 was a year of significant growth for our bilateral trade relations. China is the EU's second biggest trading partner - behind the US. Whilst trade between EU and the rest of the world retracted by 1,1% between 2013 and 2014, by contrast bilateral trade with China increased by 9,1%. EU-China bilateral trade in goods reached € 467,5 billion in 2014. Exports (increasing by over 11%) grew significantly, tapping into China as a source of growth for the EU. Although exports grew at a higher pace than imports, the trade balance deteriorated—the deterioration in the trade deficit (reaching almost €138 mio) underlines that we still have a distance to go until trade becomes a genuine two-way street. China represents an increasing share of EU's trade. This illustrates the continuous trend of increasing interdependence of our economies. Studies suggest that about half of imports respond to intra-company transactions.

Sectorially, 2014 was an excellent year for the European manufacturers of transport equipment, driven by a +20% growth in EU's exports of cars and parts - in spite of last year's difficulties (antitrust). The situation is highly contrasted in the machinery sector,

with a significant number of highly competitive sub-sectors, but also with an overall significant trade deficit close to €89 mio (mainly pushed by the unbalanced trade in office equipment and mobile phones). Turning to the chemicals sector, EU industry remains strong in pharmaceuticals and speciality chemicals, but weaker in basic chemicals, plastic and rubber products. Foodstuffs is another illustration of EU's ability to tap into China's growth (despite a rather disappointing year for wines and spirits). The trade picture in the textile and the manufactured goods sectors suffers from persistent imbalances. Turning to the geographical breakdown, despite some inconsistencies between the European and Chinese sources, the trends continue with Germany and the Netherlands enjoying a positive balance. Aside from Finland, which this year also enjoys a positive balance, other MS have deficits.

For China and on the basis of their own figures, 2014 was a tough year with a modest 3,4 % growth of overall trade, well behind the objective set at the beginning of the year (7.5%). Trade with the EU was however +9,9%--and EU represents 6,5 % of China GDP and 15,8% of its overall exports to the world.

[Art. 4.1(a) third indent and 4.3 first subparagraph]

4. ICT rules for banking and related cyber issues

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

the matter was raised also in the context of the TRIMs Committee on 16 April, by the US, Japan, the EU and Canada.

CN responded by explaining the purpose of the measure and confirmed that it will be in line with its WTO obligations.

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

5. Exchange on recent and upcoming visits

On Thursday 30th April, the Spanish Minister for Industry, Tourism and Trade will be in Shanghai for the inauguration of a plant of a Spanish company at the Chemical Industrial Park of Shanghai.

Annexes:

1. List of participants
2. Presentation: Review and Analysis On China Standardization Reform
3. Presentation: Trade in Goods EU/China Statistics

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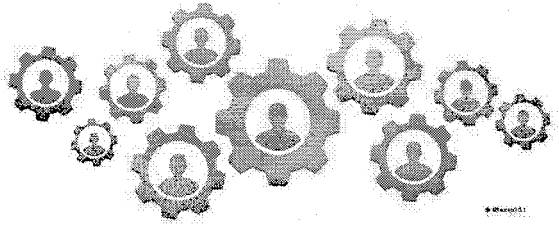
List of Participants, TCM 21.04.2015, Shanghai

4.1.b

Name	Member States	Email Address	Phone Number

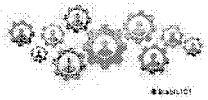
7.2 Annex 2



Review and Analysis On China Standardization Reform

[Art. 4.1(b)]

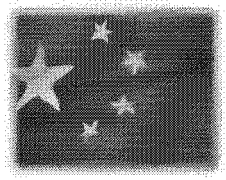
22 April 2015



SESEC III
Introduction

SESEC III is a **project** co-financed by the **European Commission** (EC), the **EFTA** and the three European Standardization Organisations **CEN**, **CENELEC** and **ETSI**. It builds on two previous phases, SESEC I (2006-2009) and SESEC II (2009-2012).

The project is **led by CEN**, supported by a Steering Committee involving all partners.



SESEC III
What is the goal?

The SESEC initiative **supports European policy** and **European Standardization Organizations' strategic objectives** in China.

Its ultimate goal is the **enhancement of EU-China dialogue and cooperation in the field of standardization,** to facilitate the EU industries business in China.

China Standardization Reform Review

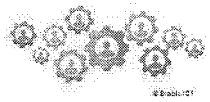
- Standardization Law was released in 1988
- Since 2002, there were several rounds of the modification process with no achievements.
- In early 2014, China started the new round of Standardization Reform and the modification of ***China Standardization Law***. This work was led by State Council and the plan work was mainly done by SAC (China Standardization Administration).
- On 20th March 2015, State Council of China issued No. 13 Documents of 2015, **"Plan for Deepening Standardization Reforms"**. This official document can be regarded as the official endorsement of SAC's recent proposals.

Main points of Plan for Deepening Standardization Reforms

Problems of current standards system

- First, many standards are void, outdated and lagging much behind, and are hard to meet the needs for boosting the quality, efficiency and upgrade of the economy.
- Second, standards are seriously overlapped and conflicting, making it is hard to build a unified market system.
- Third, the standards system is less than reasonable, and cannot serve the needs of the development of the socialist market economy.
- Fourth, the standardization coordination mechanism is far from sound, which slows the improvement of standardization management efficacy.

Main points of Plan for Deepening Standardization Reforms



Reform Targets

The overall objectives of the reform:

- Build a new-type standards system under which the government-developed standards and market-developed standards develop concurrently and coordinate with and support each other,
- Make the standardization management system more harmonious, more coordinated and efficient,
- Based on government oversight and market supervision, form a model that the standardization effort is lead by government, driven by market, attended by the public and promoted by all the parties collaboratively,
- Form a model that effectively support the development of a unified market system,
- Let standards be a "hard restraint" for quality,
- Push the Chinese economy to move towards higher levels.

Main points of Plan for Deepening Standardization Reforms

Reform measures

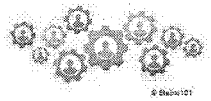
1. Build an effective and authoritative standardization coordination mechanism. E.g Set up a state council standardization coordination promotion mechanism under which a state council leader as the convener and which is attended by the leaders of various relevant departments,.
2. Consolidate and streamline mandatory standards.
3. Optimize and improve the recommendatory standards
4. Cultivate and develop group (or organizational) standards
5. Relax restrictions on and allow more room for enterprise standards.
6. Boost the internationalization levels of Chinese standards

Main points of Plan for Deepening Standardization Reforms

Specific reform agenda

1. First phase (2015-2016), actively advance the pilot reform effort.
   - revise the Standardization Law of the People's Republic of China, (Complete before the end of June, 2016)
   - comprehensively clean up the current national standards, industry standards and local standards; Optimize the procedures for approval of standards proposals, shorten the period for standards development; Clean up existing mandatory standards;Make Group standardization management rules; pilot projects for enterprises standards;
   - The number of international standards whose development is led and joined by Chinese experts will account for 50% of total each year. (Complete in 2016)

Main points of Plan for Deepening Standardization Reforms

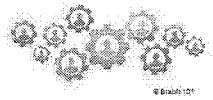


Specific reform agenda

2. Second phase (2017-2018), stably advance the transition to a new-type standards system

- --For those current mandatory industry standards and local standards whose mandatory status is justified, they will be gradually upgraded into mandatory national standards through integration. (Complete in 2017)
- -- Further clarify the scope of recommendatory standards to be developed, and gradually move toward the public- interests standards falling under government jurisdiction. (Complete in 2018)
- --Cultivate a number of group standards-setting organizations with wide reputation and influence, and develop a number of group standards meeting the needs of market and innovation. Build a mechanism for assessment and supervision of group standards. (Complete in 2017)
- -- The system for self declaration and supervision of enterprise product and service standards will greatly improve and be implemented widely. (Complete in 2017)
- --Visibly increased consistency between international and domestic standards, and the consistency degree has reached over 95% in the consumer products sector. (Complete in 2018)

Main points of Plan for Deepening Standardization Reforms



Specific reform agenda

3. Third phase (2019-2020), a well-structured, mutually-supporting, full-ranging new-type standards system meeting the needs of the economic and social development will take shape.

--Build a collaborative and authoritative mandatory national standards management system. (Complete in 2020)

--The recommendatory standards developed under the government lead are confined to public-interests standards, ,(Complete in 2020)

--The group standards and enterprise standards developed by market players on their own have grown mature, better meeting the needs of market competition and innovation development. (Complete in 2020)

--The capability of participating in international standardization management activities will be further increased, the number of leadership positions or secretariats held by Chinese experts will be increased remarkably. ... making China one of the biggest world's standards power. (Complete in 2020)

Observations and Analyses

[redacted]

[Art. 4.1(a) third indent, 4.3 first subparagraph]

[redacted]

Observations and Analyses

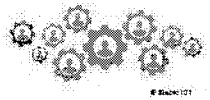
For the European industries or European exports to China

[redacted]

[Art. 4.1(a) third indent, 4.3 first subparagraph]

[redacted]


Thank you!



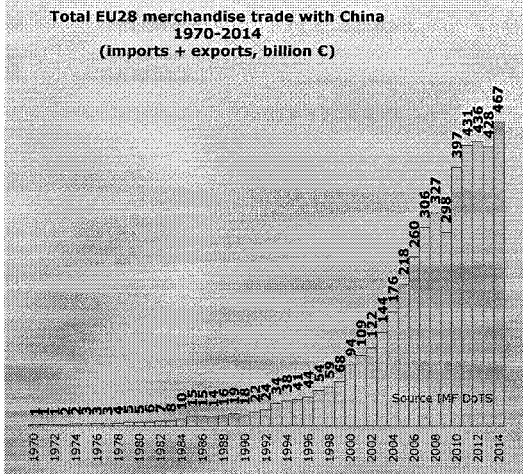
7.3 Annex 3

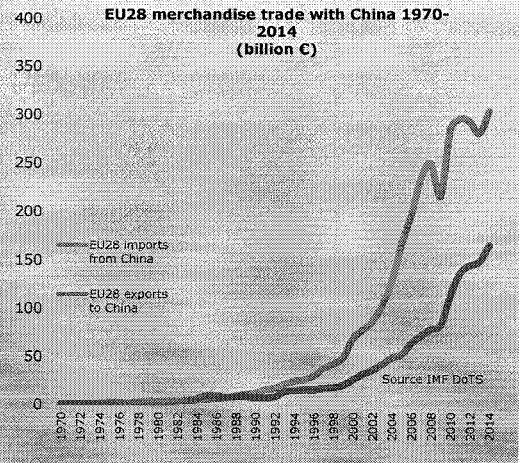
Trade in Goods EU / China Statistics

Trade Section – April 2015

Delegation of the European Union to China

EU / China: 40 years of bilateral relations





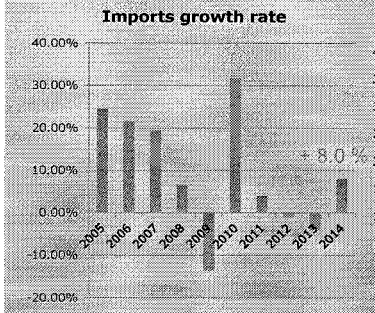
Trade section

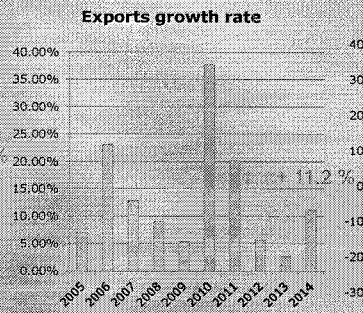
2014 Key figures

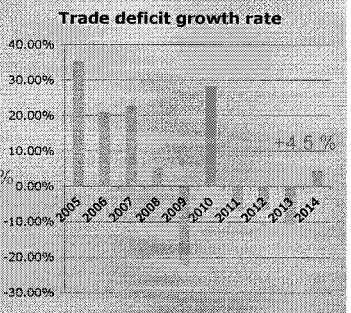
EU – China bilateral trade

Key Figures

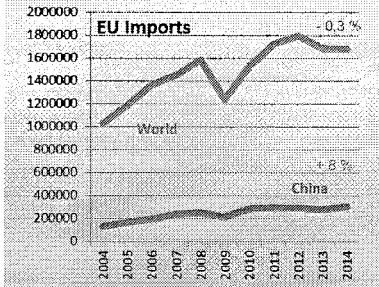
Indicator	Unit	Period	Imports	Exports	Total trade	Balance
Last year	Mio euros	2014	302,579	164,730	467,309	-137,849
Rank as EU partner		2014	1	2	2	
Share in EU trade	%	2014	18.0	9.7	13.8	
Annual growth rate	%	2013 - 2014	8.0	11.2		
Annual average growth rate	%	2010 - 2014	1.6	9.8		

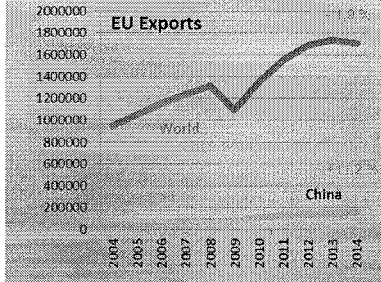


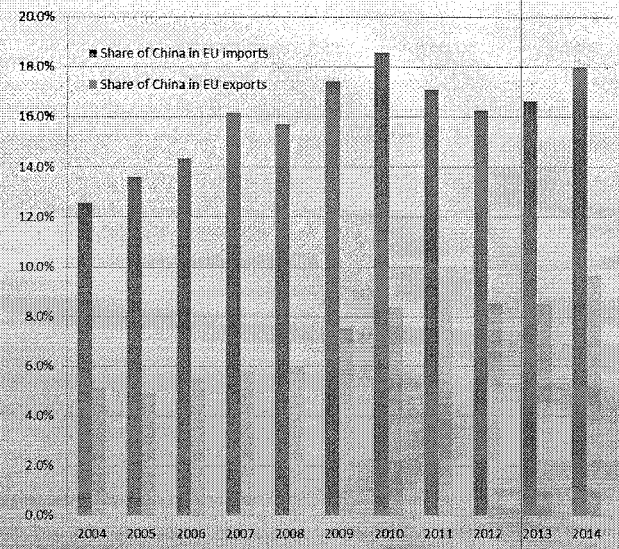




(* mio €)







Total Goods: Top trading partners 2014

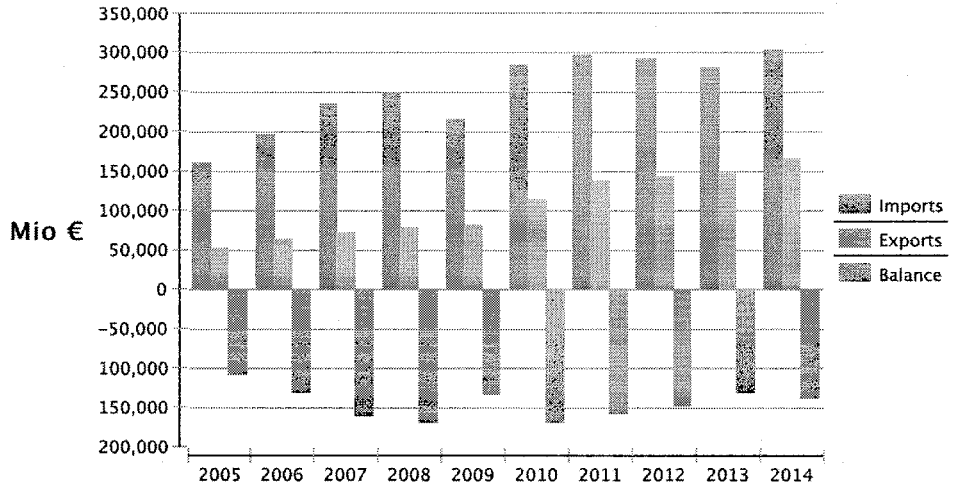
Source Eurostat Comext - Statistical regime 4

	Imports			Exports			Total trade		
	Partner	Value (Mio €)	Share in Extra-EU (%)	Partner	Value (Mio €)	Share in Extra-EU (%)	Partner	Value (Mio €)	Share in Extra-EU (%)
	World	1,680,223	100.0	World	1,702,736	100.0	World	3,382,959	100.0
1	China	302,579	18.0	1 USA	310,766	18.3	1 USA	515,568	15.2
2	USA	204,802	12.2	2 China	164,730	9.7	2 China	467,309	13.8
3	Russia	181,844	10.8	3 Switzerland	140,349	8.2	3 Russia	285,140	8.4
4	Switzerland	96,553	5.7	4 Russia	103,296	6.1	4 Switzerland	236,902	7.0
5	Norway	83,935	5.0	5 Turkey	74,638	4.4	5 Norway	134,116	4.0
6	Japan	54,551	3.2	6 Japan	53,301	3.1	6 Turkey	128,901	3.8
7	Turkey	54,263	3.2	7 Norway	50,181	2.9	7 Japan	107,852	3.2
8	South Korea	38,992	2.3	8 South Korea	43,133	2.5	8 South Korea	82,125	2.4
9	India	37,066	2.2	9 United Arab Emi...	42,769	2.5	9 India	72,520	2.1
1	China	302,579	18.0	2 China	164,730	9.7	2 China	467,309	13.8

Imports, Exports & Balance

Total goods: EU Trade flows and balance, annual data 2005 - 2014

Source Eurostat Comext
Statistical regime 4



Total goods: EU Trade flows by SITC section, annual data 2014

Source Eurostat Comext
Statistical regime 4

Trade flows by SITC product grouping 2014

Source Eurostat Comext - Statistical regime 4

SITC Rev. 3 Product Groups	Imports Value (Mio €)	Imports Share in Total (%)	Imports Share in Extra-EU (%)	Imports Growth* (%)	Exports Value (Mio €)	Exports Share in Total (%)	Exports Share in Extra-EU (%)	Exports Growth* (%)
TOTAL	302,579	100.0	18.0	8.0	164,730	100.0	9.7	11.2
Primary products	9,501	3.1	1.5	2.9	19,421	11.8	6.9	-5.2
- Agricultural products (Food (incl. Fish) & Raw Materials)	6,593	2.2	4.8	-12.9	10,700	6.5	7.9	-48.4
- - Food	4,704	1.6	4.1	0.4	5,628	3.5	5.2	7.5
- - - of which Fish	1,499	0.5	7.3	0.3	379	0.2	0.2	22.0
- - Raw materials	1,878	0.6	8.2	5.7	4,672	3.0	21.9	-3.5
- Fuels and mining products	2,918	1.0	0.6	5.2	8,720	5.3	5.9	-12.9
- - Ores and other minerals	551	0.2	1.6	0.6	4,061	2.5	25.4	-11.2
- - Fuels	181	0.1	0.0	-19.5	2,118	1.3	1.9	6.2
- - - of which Petroleum and petroleum products	105	0.0	0.0	-22.7	2,037	1.2	2.0	2.7
- - Non ferrous metals	2,186	0.7	6.4	9.6	2,552	1.6	11.2	-26.1
Manufactures	291,785	96.4	29.6	6.5	139,333	84.6	10.3	5.2
- Iron and steel	4,564	1.5	16.4	35.3	2,581	1.6	7.0	3.5
- Chemicals	14,200	4.7	8.7	8.5	18,882	11.5	6.8	6.7
- - of which Pharmaceuticals	2,529	0.8	4.0	1.7	6,320	3.8	5.4	12.3
- Other semi-manufactures	25,445	8.4	29.4	13.3	7,664	4.7	6.3	6.9
- Machinery and transport equipment	146,989	48.6	32.7	5.6	95,882	58.2	13.5	12.2
- - Office and telecommunication equipment	88,051	29.1	52.6	1.5	5,733	3.5	7.9	6.0
- - - Electronic data processing and office equipment	41,694	13.8	80.3	0.4	1,210	0.7	5.0	14.3
- - - Telecommunications equipment	41,763	13.8	54.7	5.0	2,103	1.3	6.5	-1.3
- - - Integrated circuits and electronic components	4,805	1.5	21.0	-15.7	2,419	1.5	15.4	0.0
- - Transport equipment	8,849	2.9	8.6	20.5	45,941	27.9	16.2	19.7
- - - of which Automotive products	2,714	0.9	5.9	8.2	33,627	20.5	18.1	19.2
- - Other machinery	50,088	16.6	27.5	-12.5	43,460	26.4	12.4	-15.4
- - - Power generating machinery	3,247	1.1	9.3	-21.5	3,664	2.2	7.0	-61.5
- - - Non electrical machinery	17,534	5.8	24.4	13.4	28,154	17.1	13.0	3.7
- - - Electrical machinery	29,307	9.7	40.2	-22.1	11,641	7.1	14.2	-20.7
- Textiles	8,123	2.7	34.0	12.0	1,138	0.7	6.5	6.4
- Clothing	30,476	10.1	39.1	6.5	1,175	0.7	4.9	16.8
- Other manufactures	61,889	20.5	39.6	11.0	11,940	7.3	7.4	7.2
- - of which Scientific and controlling instruments	4,319	1.4	12.2	14.1	7,075	4.3	13.2	6.5
Other products	693	0.2	1.6	14.9	5,067	3.1	7.3	275.0
Other	620	0.2	n.a.	n.a.	910	0.6	n.a.	n.a.

Growth: relative variation between current and previous period

Share in Total: Total defined as all products

Share in Extra-EU: all EU partners i.e. excluding EU Member States

Delegation of the European Union to China

Breakdown by Sector

Trade flows by HS section 2014

Source Eurostat Comext - Statistical regime 4

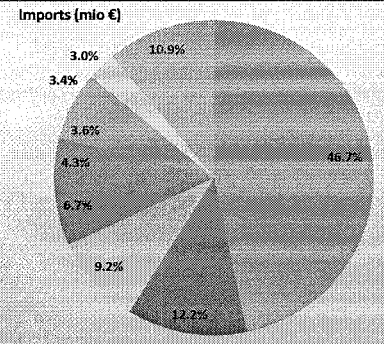
	HS Sections	Imports Value (Mio €)	Imports Share in Total (%)	Imports Share in Extra-EU (%)	Imports Growth* (%)	Exports Value (Mio €)	Exports Share in Total (%)	Exports Share in Extra-EU (%)	Exports Growth* (%)
	TOTAL	302,579	100.0	18.0	8.0	164,730	100.0	9.7	11.2
I	Live animals; animal products	2,010	0.7	6.7	0.1	2,443	1.5	9.7	11.1
II	Vegetable products	1,967	0.6	4.2	1.6	603	0.4	2.4	63.2
III	Animal or vegetable fats and oils	77	0.0	0.9	5.2	209	0.1	4.5	-60.5
IV	Foodstuffs, beverages, tobacco	1,618	0.5	3.9	1.6	3,029	1.8	4.6	10.8
V	Mineral products	657	0.2	0.1	-1.5	3,475	2.1	3.0	3.4
VI	Products of the chemical or allied industries	12,936	4.3	6.8	7.6	14,733	9.0	6.0	7.8
VII	Plastics, rubber and articles thereof	10,912	3.6	22.0	13.1	6,767	4.1	10.3	19.6
VIII	Raw hides and skins, and saddlery	6,400	2.1	43.5	5.3	1,905	1.2	12.4	-12.8
IX	Wood, charcoal and cork and articles thereof	2,462	0.8	23.1	10.3	947	0.6	7.6	19.0
X	Pulp of wood, paper and paperboard	2,769	0.9	19.2	9.1	2,691	1.6	9.6	-5.7
XI	Textiles and textile articles	36,946	12.2	37.1	7.4	2,889	1.7	6.0	9.5
XII	Footwear, hats and other headgear	10,251	3.4	52.1	7.4	352	0.2	3.9	12.7
XIII	Articles of stone, glass and ceramics	4,516	1.5	39.6	12.9	1,056	0.6	5.5	7.7
XIV	Pearls, precious metals and articles thereof	2,154	0.7	3.9	-3.0	4,602	2.8	6.4	226.7
XV	Base metals and articles thereof	20,394	6.7	21.7	18.1	10,929	6.6	10.3	-7.0
XVI	Machinery and appliances	141,193	46.7	38.9	5.9	52,304	31.8	11.8	6.6
XVII	Transport equipment	7,100	2.3	7.6	0.1	43,221	26.2	16.3	20.7
XVIII	Optical and photographic instruments, etc.	9,048	3.0	14.9	10.2	9,261	5.6	11.3	6.6
XIX	Arms and ammunition	47	0.0	5.8	4.2	5	0.0	0.2	21.9
XX	Miscellaneous manufactured articles	27,878	9.2	70.4	15.2	1,394	0.8	4.7	14.4
XXI	Works of art and antiques	46	0.0	1.3	8.2	108	0.1	1.6	6.0
XXII	Not classified	1,199	0.4	7.0	22.2	1,826	1.1	5.6	23.0
	AMA / NAMA Product Groups								
	TOTAL	302,579	100.0	18.0	8.0	164,730	100.0	9.7	11.2
	Agricultural products (WTO AoA)	4,692	1.5	0.3	1.0	7,442	4.5	0.4	2.2
	Fishery products	1,508	0.5	0.1	0.0	397	0.2	0.0	15.8
	Industrial products	296,419	98.0	17.6	8.2	156,891	95.2	9.2	11.6

Growth: relative variation between current and previous period

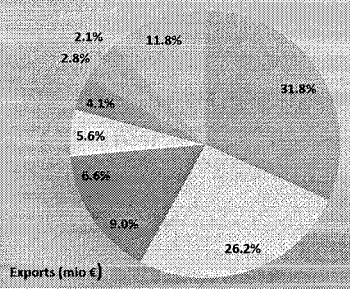
Share in Total: Total defined as all products

Share in Extra-EU: all EU partners i.e. excluding EU Member States

Breakdown by Sector



302 579 mio €

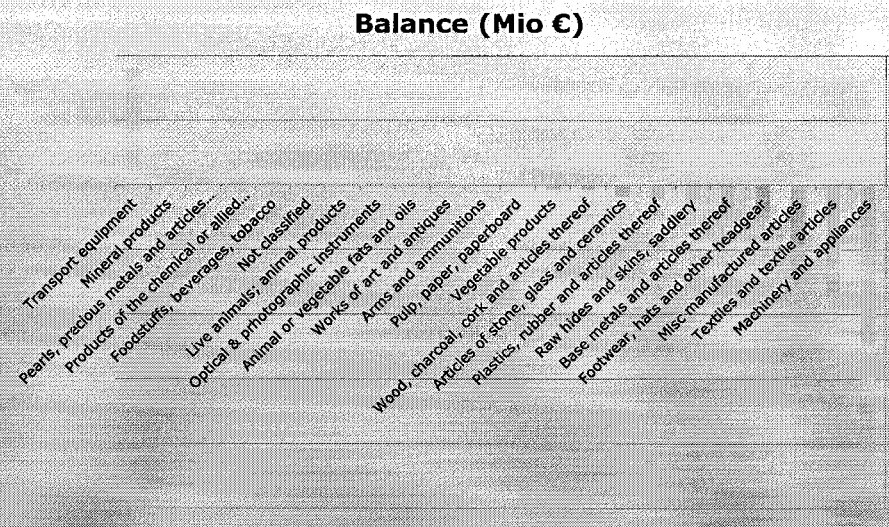


164 730 mio €

- Machinery and appliances
- Textiles and textile articles
- Misc manufactured articles
- Base metals and articles thereof
- Products of the chemical or allied industries
- Plastics, rubber and articles thereof
- Footwear, hats and other headgear
- Optical & prhotographic instruments
- Others
- Transport equipment
- Pearls, precious metals and articles thereof
- Mineral products

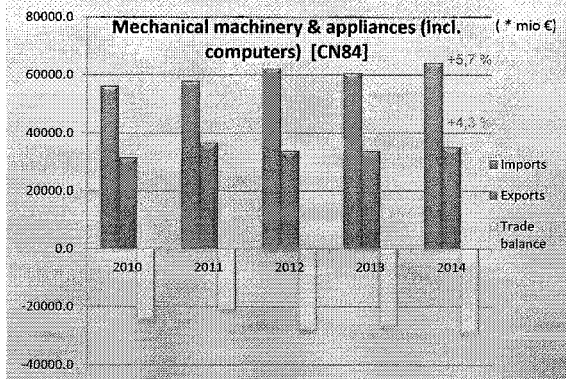
Delegation of the European Union to China

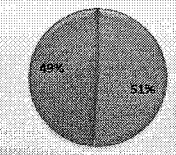
Breakdown by Sector



Trade section

Machines

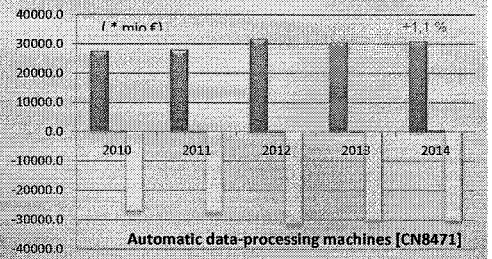




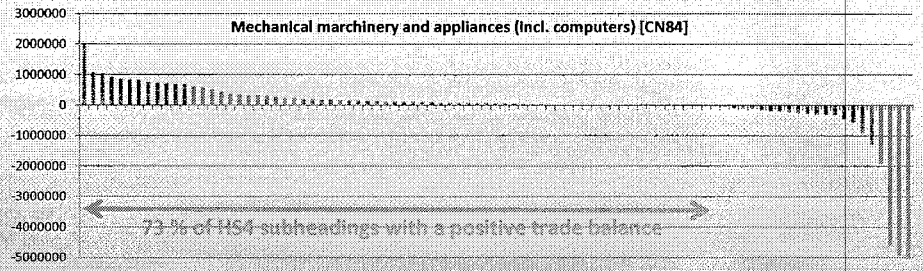
Total trade 2014

CN84 Mechanical machinery 99,4 bio €

CN85 Electrical machinery 94,0 bio €



31,75 %

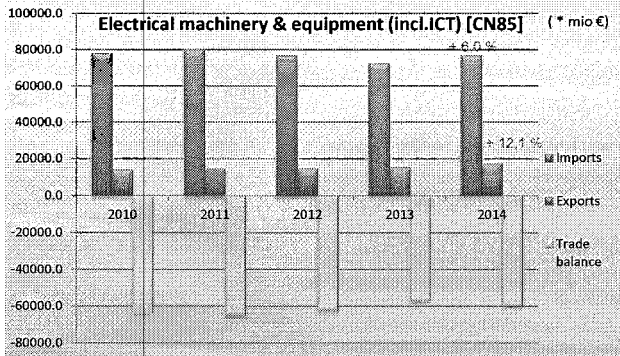


- machines and mechanical appliances
- turbojets, turbopropellers and other gas turbines
- pumps for liquids
- machining centres
- centrifuges
- compression-ignition internal combustion piston engine
- dishwashing machines
- components of complete industrial plants
- transmission shafts, incl. camshafts and crankshafts, and cranks;
- spark-ignition reciprocating or rotary internal combustion piston engine
- machines for preparing textile fibres
- machine tools
- ....

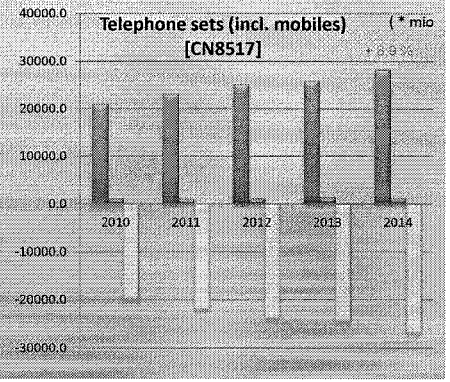
- automatic data-processing machines and units (computers)
- office printing machines +faxes
- refrigerators, freezers and other refrigerating or freezing equipment
- air conditioning machines
- moulding boxes for metal foundry
- household or laundry-type washing machines
- harvesting or threshing machinery
- weighing machinery
- ...

Delegation of the European Union to China

Machines



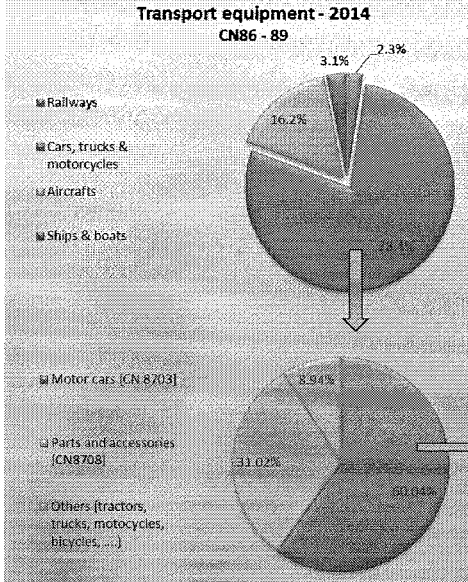
31,4 %

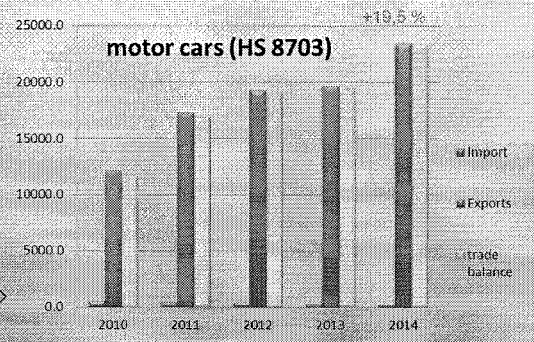


Trade section

Delegation of the European Union to China

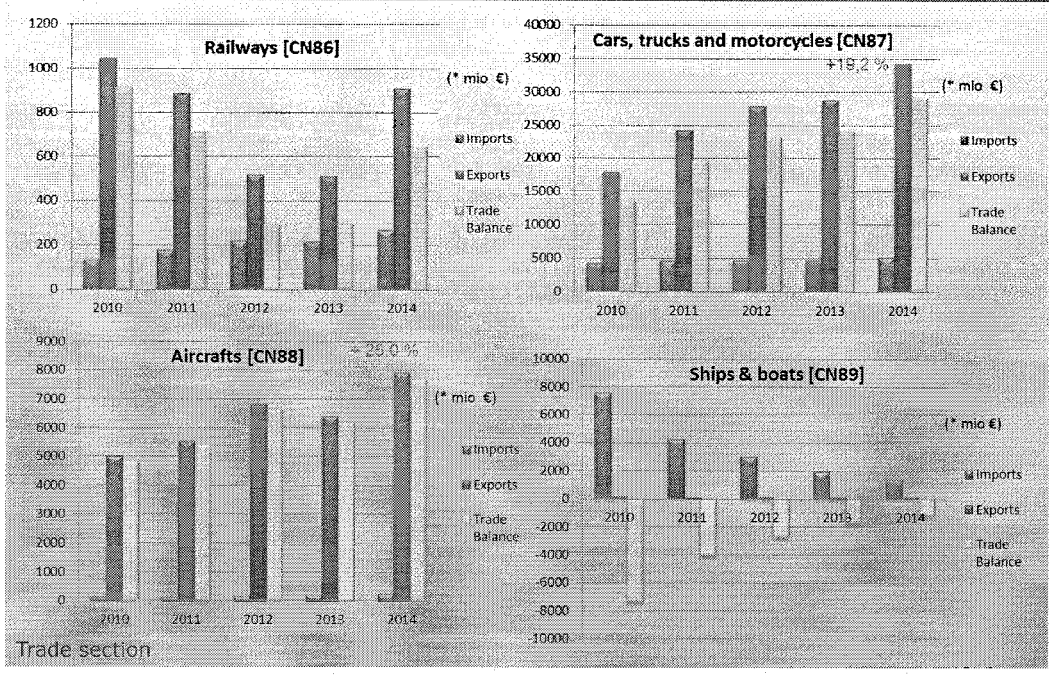
Transport equipement



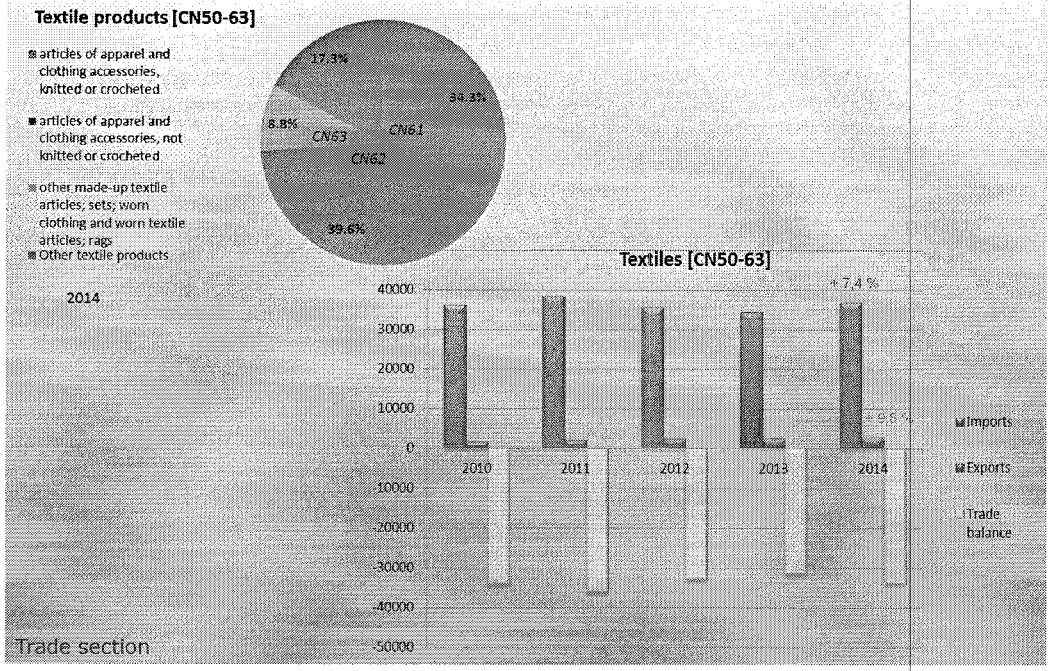


Trade section

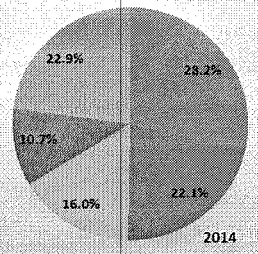
Transport equipement

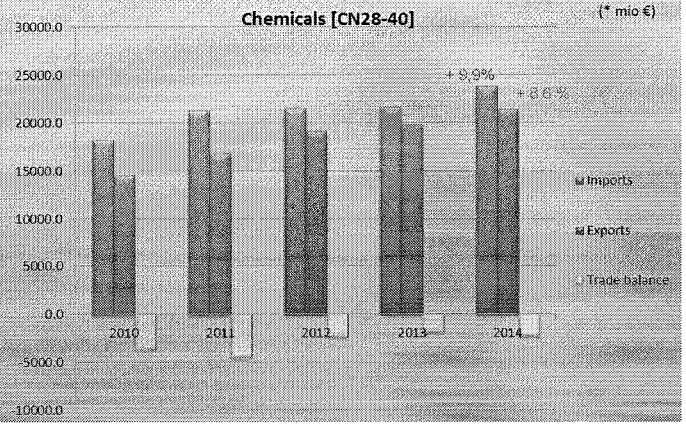


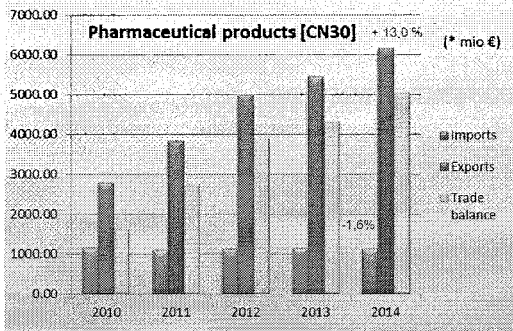
Textiles

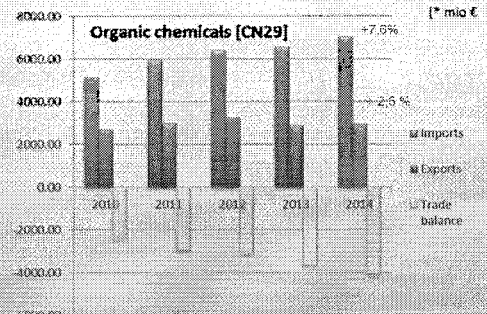


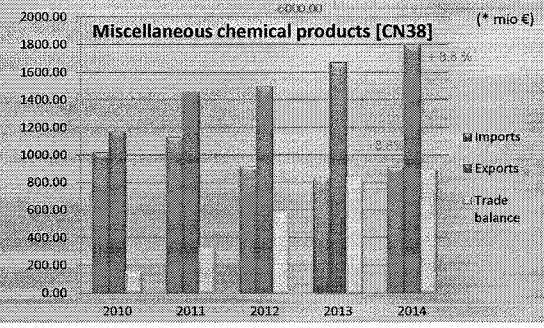
Chemicals, pharmaceuticals, plastics and rubber [CN28-40]



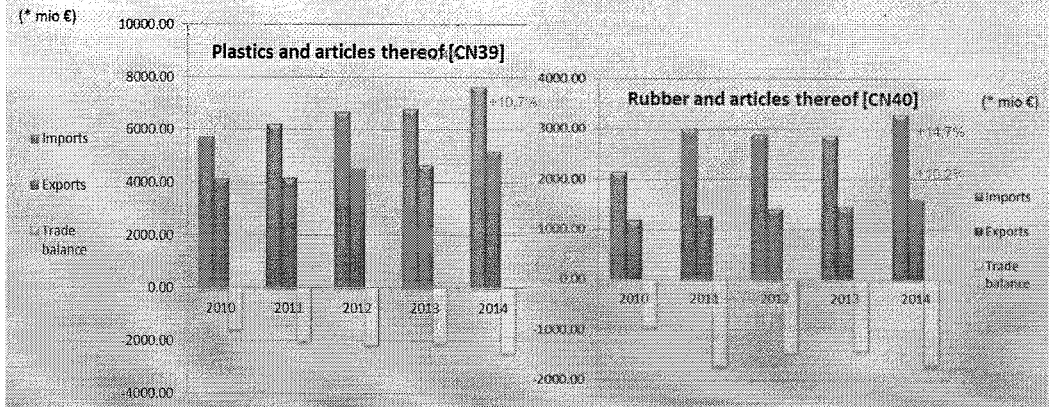




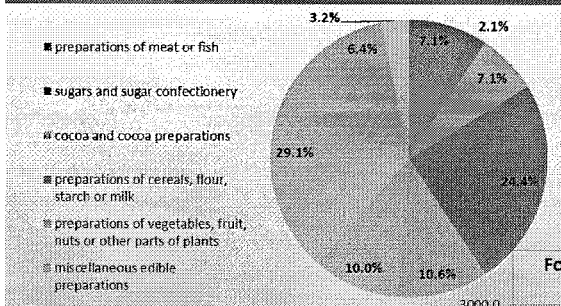


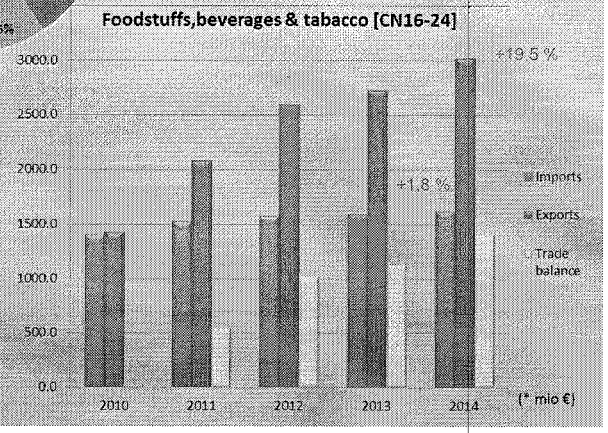


Chemicals

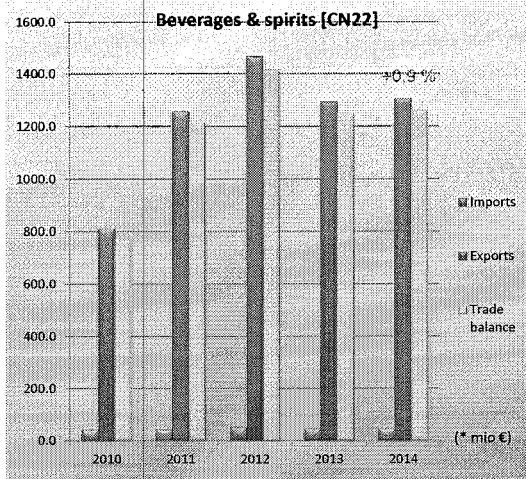


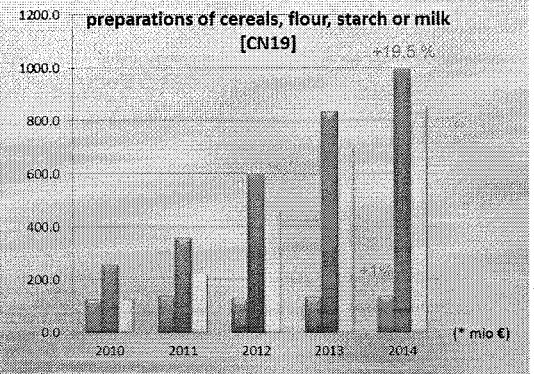
Foodstuffs & beverages



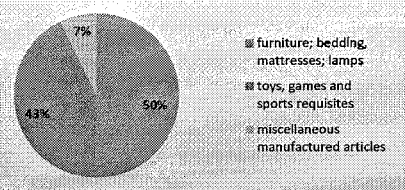


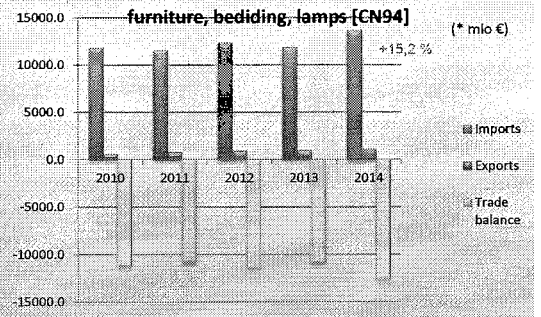
Foodstuffs & beverages

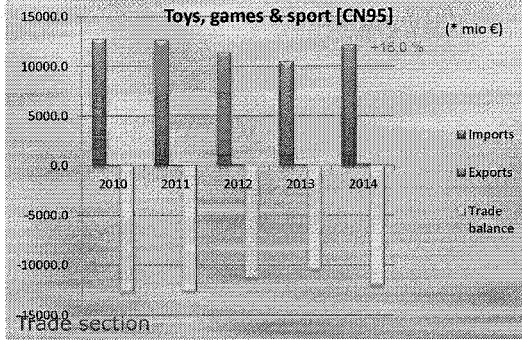


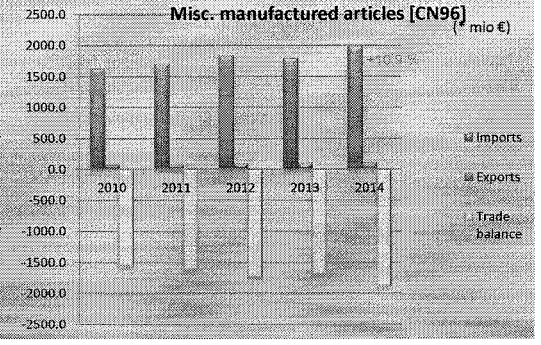


Misc Manufactured articles









Geographical breakdown

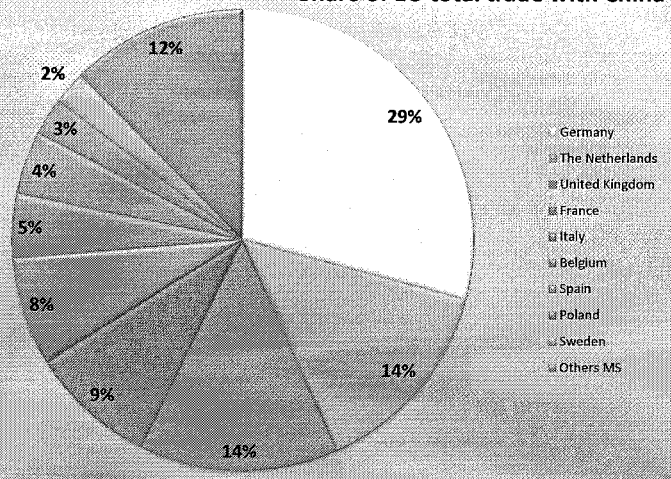
EU 28 Trade with Mainland China
Source: Eurostat **Unit: million Euro**

	2014									
	Imports	% total	% change	Exports	% total	% change	Trade total	% total	% change	Trade balance
EU 28*	302,439	100%	8%	164,966	100%	11%	467,404	100%	9%	-137,473
Austria	4,894	1.6%	9%	2,982	1.8%	7%	7,876	1.7%	8%	-1,912
Belgium	13,586	4.5%	4%	7,489	4.5%	4%	21,075	4.5%	4%	-6,096
Bulgaria	865	0.3%	13%	533	0.3%	-18%	1,398	0.3%	-1%	-331
Croatia	437	0.1%	-54%	51	0.0%	-11%	488	0.1%	-52%	-386
Cyprus	221	0.1%	9%	39	0.0%	20%	261	0.1%	11%	-182
Czech Rep.	7,160	2.4%	14%	1,533	0.9%	6%	8,693	1.9%	13%	-5,626
Denmark	5,191	1.7%	7%	2,922	1.8%	13%	8,113	1.7%	9%	-2,269
Estonia	606	0.2%	5%	139	0.1%	41%	746	0.2%	11%	-467
Finland	1,855	0.6%	5%	2,557	1.6%	-7%	4,413	0.9%	-2%	702
France	25,393	8.4%	3%	16,190	9.8%	9%	41,583	8.9%	5%	-9,203
Germany	60,888	20.1%	6%	75,270	45.6%	12%	136,158	29.1%	9%	14,382
Greece	2,493	0.8%	14%	279	0.2%	-34%	2,771	0.6%	6%	-2,214
Hungary	5,002	1.7%	-3%	1,411	0.9%	-2%	6,413	1.4%	-3%	-3,591
Ireland	2,192	0.7%	7%	1,480	0.9%	5%	3,672	0.8%	6%	-712
Italy	25,055	8.3%	8%	10,494	6.4%	7%	35,549	7.6%	8%	-14,560
Latvia	356	0.1%	4%	110	0.1%	28%	466	0.1%	9%	-246
Lithuania	666	0.2%	18%	102	0.1%	16%	769	0.2%	18%	-564
Luxembourg	1,190	0.4%	-7%	195	0.1%	-1%	1,384	0.3%	-6%	-995
Malta	147	0.0%	8%	23	0.0%	-51%	170	0.0%	-7%	-124
The Netherlands	57,291	18.9%	7%	8,457	5.1%	-2%	65,748	14.1%	6%	-48,834
Poland	10,546	3.5%	25%	1,684	1.0%	6%	12,230	2.6%	22%	-8,863
Portugal	1,597	0.5%	17%	839	0.5%	27%	2,436	0.5%	20%	-758
Romania	2,354	0.8%	19%	567	0.3%	14%	2,921	0.6%	18%	-1,787
Slovakia	2,494	0.8%	1%	1,375	0.8%	-14%	3,869	0.8%	-5%	-1,119
Slovenia	1,132	0.4%	11%	215	0.1%	27%	1,347	0.3%	13%	-917
Spain	16,519	5.5%	15%	4,069	2.5%	3%	20,588	4.4%	12%	-12,451
Sweden	6,534	2.2%	6%	4,383	2.7%	-4%	10,917	2.3%	2%	-2,151
United Kingdom	45,774	15.1%	12%	19,577	11.9%	46%	65,351	14.0%	20%	-26,197

Delegation of the European Union to China

Geographical breakdown

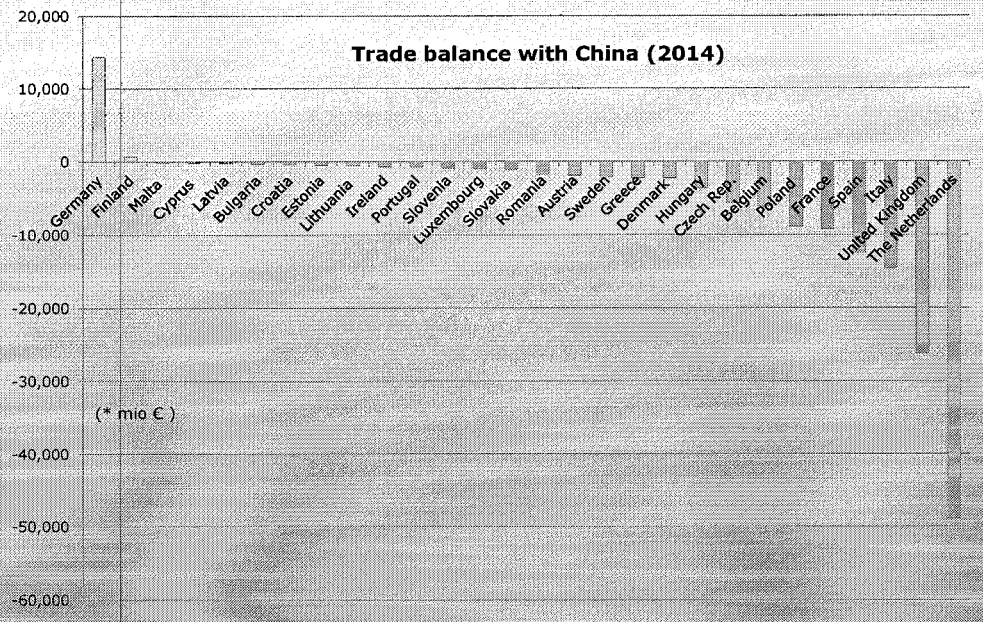
Share of EU total trade with China



	Trade total
EU 28*	467,404
Germany	136,158
The Netherlands	65,748
United Kingdom	65,351
France	41,583
Italy	35,549
Belgium	21,075
Spain	20,588
Poland	12,230
Sweden	10,917
Others MS	58,205

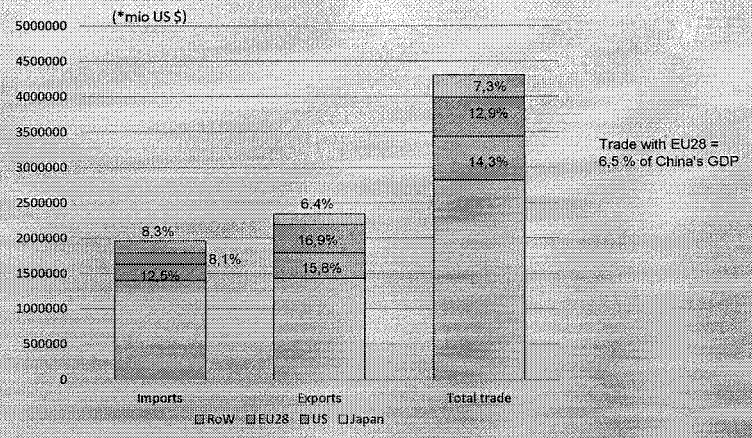
(* mio €)

Geographical breakdown



China and the world

China & the world	Imports	% chg	Exports	% chg	Trade balance	Total trade	% chg
World	1,960,290.297	0.4%	2,342,766.552	6.1%	382,476.255	4,303,056.849	3.4%
EU28	244,254.855	10.7%	370,884.340	9.4%	126,629.485	615,139.195	9.9%
N America	184,314.053	3.6%	426,278.376	7.2%	241,964.323	610,592.429	6.1%
- US	159,035.957	4.2%	396,082.119	7.5%	237,046.162	555,118.076	6.6%
Asia	1,085,574.968	-0.4%	1,188,635.907	4.8%	103,060.939	2,274,210.875	2.2%
- ASEAN	208,321.693	4.4%	370,884.340	11.5%	162,562.647	579,206.033	8.3%
- Japan	162,996.589	0.4%	149,441.787	-0.5%	-13,554.802	312,438.376	0.0%



Geographical breakdown (as seen from China)

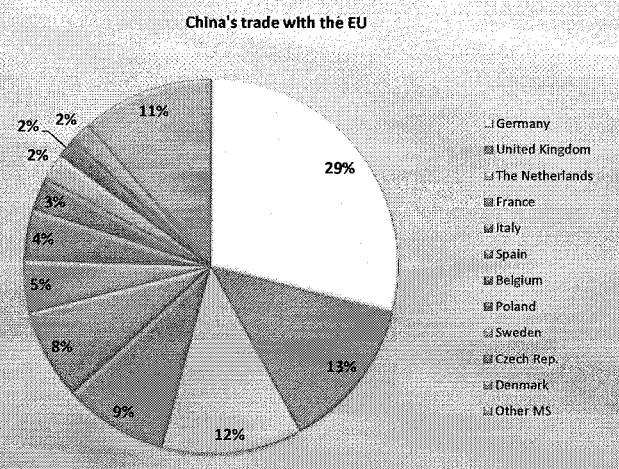
Mainland China Trade with EU 28 (December 2014)
Source: Customs General Administration of the People's Republic of China

Unit: million USD

	2014									
	Imports	% total	% change	Exports	% total	% change	Trade total	% total	% change	Trade balance
EU 28*	244,255	100%	11%	370,884	100%	9%	615,139	100%	10%	126,629
Austria	5,855	2.4%	16%	2,397	0.6%	18%	**8,252**	1.3%	17%	-3,458
Belgium	10,060	4.1%	2%	17,218	4.6%	11%	**27,277**	4.4%	7%	7,158
Bulgaria	987	0.4%	3%	1,179	0.3%	6%	**2,166**	0.4%	4%	192
Croatia	101	0.0%	-4%	1,027	0.3%	-26%	**1,128**	0.2%	-25%	927
Cyprus	63	0.0%	19%	1,038	0.3%	7%	**1,100**	0.2%	7%	975
Czech Rep.	2,987	1.2%	14%	7,995	2.2%	17%	**10,981**	1.8%	16%	5,008
Denmark	4,056	1.7%	20%	6,549	1.8%	15%	**10,605**	1.7%	17%	2,493
Estonia	225	0.1%	13%	1,146	0.3%	3%	**1,372**	0.2%	5%	921
Finland	4,055	1.7%	4%	5,099	1.4%	-13%	**9,154**	1.5%	-6%	1,044
France	27,089	11.1%	17%	28,708	7.7%	7%	**55,797**	9.1%	12%	1,620
Germany	105,040	43.0%	12%	72,712	19.6%	8%	**177,753**	28.9%	10%	-32,328
Greece	346	0.1%	-20%	4,185	1.1%	30%	**4,531**	0.7%	24%	3,839
Hungary	3,260	1.3%	20%	5,765	1.6%	1%	**9,024**	1.5%	7%	2,505
Ireland	3,733	1.5%	-11%	2,800	0.8%	13%	**6,534**	1.1%	-2%	-933
Italy	19,286	7.9%	10%	28,758	7.8%	12%	**48,045**	7.8%	11%	9,472
Latvia	147	0.1%	46%	1,317	0.4%	-4%	**1,464**	0.2%	-1%	1,170
Lithuania	157	0.1%	26%	1,658	0.4%	-2%	**1,815**	0.3%	0%	1,501
Luxembourg	304	0.1%	18%	1,949	0.5%	8%	**2,253**	0.4%	9%	1,645
Malta	591	0.2%	-18%	3,193	0.9%	27%	**3,784**	0.6%	17%	2,602
Poland	2,937	1.2%	31%	14,257	3.8%	13%	**17,194**	2.8%	16%	11,320
Portugal	1,664	0.7%	19%	3,137	0.8%	25%	**4,801**	0.8%	23%	1,473
Romania	1,524	0.6%	26%	3,225	0.9%	14%	**4,750**	0.8%	18%	1,701
Slovakia	3,376	1.4%	-2%	2,829	0.8%	-8%	**6,205**	1.0%	-5%	-547
Slovenia	332	0.1%	10%	1,992	0.5%	9%	**2,323**	0.4%	9%	1,660
Spain	6,206	2.5%	4%	21,508	5.8%	14%	**27,714**	4.5%	11%	15,302
Sweden	6,794	2.8%	-3%	7,168	1.9%	5%	**13,962**	2.3%	1%	375
The Netherlands	9,351	3.8%	-5%	64,931	17.5%	8%	**74,283**	12.1%	6%	55,580
United Kingdom	23,729	9.7%	24%	57,143	15.4%	12%	**80,872**	13.1%	15%	33,414

Delegation of the European Union to China

Geographical breakdown (as seen from China)

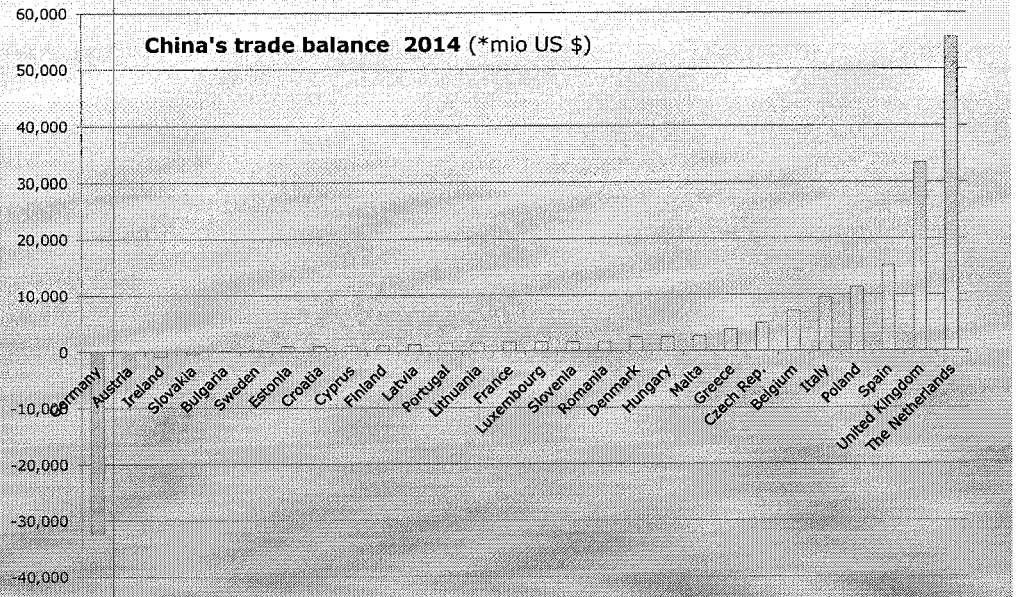


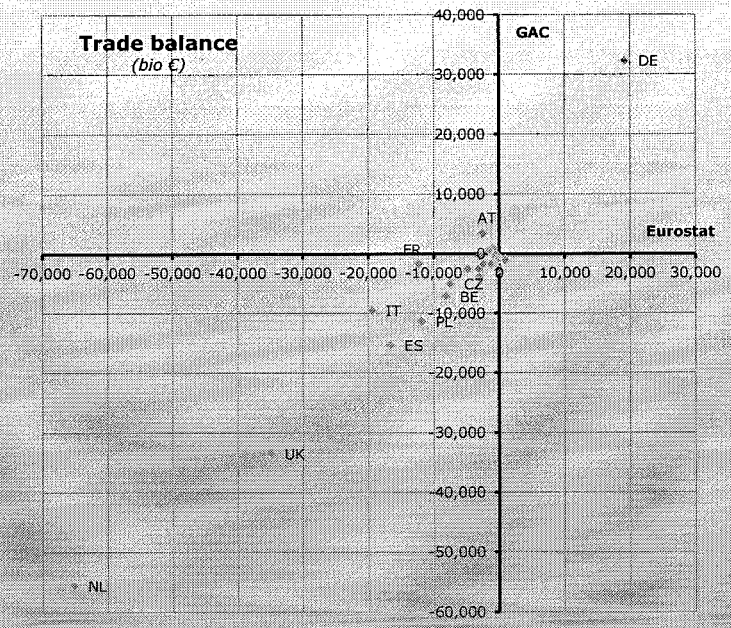
2014	
	Trade total
EU 28*	615,139
Germany	**177,753**
United Kingdom	**80,872**
The Netherlands	**74,283**
France	**55,797**
Italy	**48,045**
Spain	**27,714**
Belgium	**27,277**
Poland	**17,194**
Sweden	**13,962**
Czech Rep.	**10,981**
Denmark	**10,605**
Other MS	**70,656**

Unit: million USD

Trade section

Geographical breakdown (as seen from China)



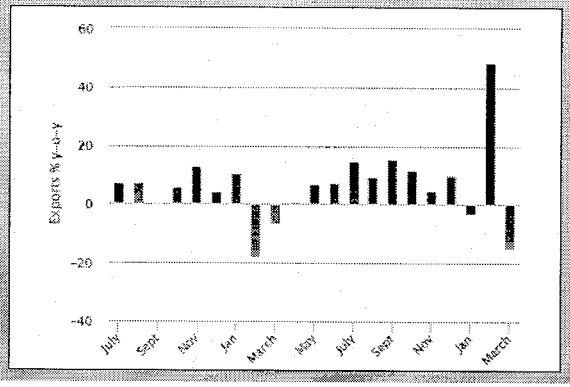


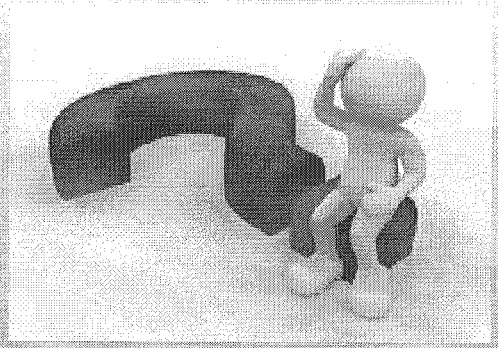
China - Q1 2015

China's foreign trade data

% yoy, in USD terms	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
Exports								
Headline exports	9.4	15.1	11.6	4.7	9.5	-3.3	48.3	-15.0
Processing exports	-0.5	13.2	9.1	1.6	8.8	-11.8	11.3	-12.9
Normal exports	15.5	16.3	13.2	6.8	10.0	1.5	77.9	-16.4
Imports								
Headline imports	-2.1	7.2	4.6	-6.7	-2.3	-19.9	-20.8	-18.9
Processing imports	3.5	29.6	24.0	3.9	9.1	-8.0	-8.9	-8.4
Normal imports	-4.3	-0.8	-2.4	-10.5	-6.6	-23.7	-24.9	-14.6
Trade balance, USD bn	49.8	31.0	45.4	54.5	49.6	60.0	60.6	3.1

Source: CEIC, RBS





Questions ?

8

EUROPEAN UNION

DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA AND MONGOLIA

The Head of Trade Section

Beijing, 28th April 2015
Limited

NOTE FOR THE ATTENTION OF EU TRADE COUNSELORS, BEIJING

Subject: Minutes of the Meeting of Trade Counsellors, 22nd April 2015

Dear colleagues,

Please find attached the aforementioned minutes for your records, which I hope will be helpful.

Warm regards,

(signed)

[Art. 4.1(b)]

15, Dongzhimenwai Dajie, Sanlitun, 100600 Beijing, China. Tel +(8610)8454 8000; Fax +(8610) 8454 8011

Minutes – Meeting of EU Trade Counsellors on 22nd April 2015
EU Delegation – Trade Section

1. Adoption of agenda

See annex 1 for participants' list.

2. New developments in the standardisation reform - [Art. 4.1(b)]

See annex 2 for presentation.

[Art. 4.1(b)] briefly introduced the SESEC project (*Seconded European Standardisation Expert in China*) which is entering into its third phase. The project, co-financed by the European Commission and European Standardisation organisations, aims at enhancing EU-China dialogue and cooperation in the field of standardisation, to ultimately facilitate EU industries and market access and business in China.

[Art. 4.1(b)] recalled the long process of standardisation reform in China, underlining that the reform process is now well on track and should be achieved by 2020. She referred to the document n° 13 issued by the State Council on 20 March 2015 ("*Plan for Deepening Standardisation Reforms*"): this can be seen as the endorsement of SAC's recent proposals. The purpose of the standardisation reform is to clarify 1) which standards industry has to comply with and 2) the difference (and frequent overlap) between technical (mandatory) regulations and (voluntary) standards.

[Art. 4.1(a) third indent]

Trade Counsellors underlined the important market access dimension of standards in China and mentioned the issue of foreign stakeholders' better access to Chinese standardisation process.

[Art. 4.1(a) third indent and 4.3 first subparagraph

3. Bilateral EU-China import/export trends. Challenges and opportunities ahead.

[Art. 4.1(b)]

See annex 3 for presentation.

2014 was a year of significant growth for our bilateral trade relations. China is the EU's second biggest trading partner - behind the US. Whilst trade between EU and the rest of the world retracted by 1,1% between 2013 and 2014, by contrast bilateral trade with China increased by 9,1%. EU-China bilateral trade in goods reached € 467,5 billion in 2014. Exports (increasing by over 11%) grew significantly, tapping into China as a source of growth for the EU. Although exports grew at a higher pace than imports, the trade balance deteriorated—the deterioration in the trade deficit (reaching almost €138 mio) underlines that we still have a distance to go until trade becomes a genuine two-way street. China represents an increasing share of EU's trade. This illustrates the continuous trend of increasing interdependence of our economies. Studies suggest that about half of imports respond to intra-company transactions.

Sectorially, 2014 was an excellent year for the European manufacturers of transport equipment, driven by a +20% growth in EU's exports of cars and parts - in spite of last

year's difficulties (antitrust). The situation is highly contrasted in the machinery sector, with a significant number of highly competitive sub-sectors, but also with an overall significant trade deficit close to €89 mio (mainly pushed by the unbalanced trade in office equipment and mobile phones). Turning to the chemicals sector, EU industry remains strong in pharmaceuticals and speciality chemicals, but weaker in basic chemicals, plastic and rubber products. Foodstuffs is another illustration of EU's ability to tap into China's growth (despite a rather disappointing year for wines and spirits). The trade picture in the textile and the manufactured goods sectors suffers from persistent imbalances. Turning to the geographical breakdown, despite some inconsistencies between the European and Chinese sources, the trends continue with Germany and the Netherlands enjoying a positive balance. Aside from Finland, which this year also enjoys a positive balance, other MS have deficits.

For China and on the basis of their own figures, 2014 was a tough year with a modest 3,4 % growth of overall trade, well behind the objective set at the beginning of the year (7.5%). Trade with the EU was however +9,9%--and EU represents 6,5 % of China GDP and 15,8% of its overall exports to the world. [redacted]

[Art. 4.1(a) third indent] [redacted]

MS raised in particular the issue of deficits—a matter of continuing concern. A specific session with even more detailed sectoral information will be organised with interested Member States.

4. ICT rules for banking and related cyber issues [Art. 4.1(b)] [redacted]

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph] [redacted]

the matter was raised also in the context of the TRIMs Committee on 16 April, by the US, Japan, the EU and Canada. [redacted] CN responded by explaining the purpose of the measure and confirmed that it will be in line with its WTO obligations.

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph] [redacted]

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

At the end of the meeting, a cocktail was held with [Art. 4.1(b)]

Annexes:

1. List of participants
2. Presentation: Review and Analysis On China Standardization Reform
3. Presentation: Trade in Goods EU/China Statistics

8.1

Annex 1

List of Participants, TCM 22.04.2015, Beijing

4.1.b

Name	Member States	Email Address	Phone Number

(9)

EUROPEAN UNION

DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA AND MONGOLIA

The Head of Trade Section

Beijing, 12 June 2015
Limited

NOTE FOR THE ATTENTION OF EU TRADE COUNSELORS, BEIJING

Subject: Minutes of the Meeting of Trade Counsellors, 28th May 2015

Dear colleagues,

Please find attached the aforementioned minutes for your records, which I hope will be helpful.

Warm regards,

(signed)

[Art. 4.1(b)]

15, Dongzhimenwai Dajie, Sanlitun, 100600 Beijing, China. Tel +(8610)8454 8000; Fax +(8610) 8454 8011

Minutes – Meeting of EU Trade Counsellors on 28th May 2015
EU Delegation – Trade Section

1. Adoption of agenda

See annex 1 for participants' list.

2. Exchange on new potential market access issues.

[Art. 4.1(a) third and fourth indents,
Art. 4.3 first subparagraph]

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

3. Update on public procurement [Art. 4.1(b)]

Deputy Director-General Pierre Delsaux (DG GROW – DG Internal Market, Industry, Entrepreneurship & SMEs) paid last week a visit to China (19-21 May). The main objective of his visit was to encourage China to keep on working and negotiating with GPA parties so that China can join the WTO Agreement on Government Procurement (GPA) rapidly and under satisfactory conditions.

Mr Delsaux indicated to Vice Minister LIU Kun (Ministry of Finance) that the EU appreciates the efforts made by China to improve its GPA 5th revised accession offer circulated in December 2014.

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

The EU intends to bring China's accession to GPA to the attention of Leaders during the forthcoming EU-China Summit.

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

4. IP State of Play and next steps

The presentation started with a scene setter: 2015 is the 10th Anniversary of the IP Dialogue mechanism.

The new Decade opens with a level-up Dialogue (DDG on EU side, Vice Minister on the Chinese side) and a permanent reporting mechanism to the HED.

A new Memorandum of Understanding (MoU) will be signed during the first Flagship celebration event, in BXL at the end of June, and the first level-up IP Dialogue will take place the next day in BXL.

Quick presentation of the IPR WG Meetings held between DG Trade and Mofcom:

During the week of 11th of May:

- Beijing Meeting on the 12th of May
- Shanghai Meeting on the 13th of May

Revue of the discussion points, on Trademarks (inclusive development theory, Bad Faith Trademarks), Patents (new draft patent law, new rules on the remuneration of Service of inventions, ...), copyrights, Enforcement, Counterfeiting, and cooperation (IP Key), cooperation between judges, with a special focus during the Shanghai Day where the Shanghai IP court was involved in two meetings.

A special point was dedicated to the recent EU initiative targeting On-line counterfeiting, with the specific contribution brought by all EU Member States, and invitation made to all Member States to further contribute in a substantive manner to the following activities (in particular a dedicated IP key workshop to be held after the summer break, organized back to back with the second 10th anniversary flagship event, this time in Beijing).

During the presentation, the list of the future and on-going Chinese legal initiatives on which the EU efforts will focus in the IP field was presented, e.g. the new Patent Law, the new Copyright law, the new e-commerce law, the new trade secrets laws .....

A specific invitation was made to contribute - through the periodic Market Access Team meetings dedicated to IPR issues - to the development of cooperation efforts, in particular involving judges, thanks to the good opportunity that he current attitude of the recently created specialized IP Courts represents.

The IP award ceremony was also mentioned, as well as the preparation of the (third and last) action plan of IP Key project.

5. Exchange on recent and upcoming visits

France mentioned the *Joint Economic Commission* which took place two weeks before, and which focused

- [redacted]
- [redacted]

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

Spain referred to the April China-Spain *Joint Commission* with vice-Minister Zhong Shan, as well as to the related side events (business / authorities working breakfast, signature of the MoU establishing the bilateral Business Advisory Council). [redacted]

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

The Czech Republic mentioned the forthcoming visit of Vice-Premier Liu Yandong on 14-18 June. The main topics will be education, traditional medicine and the launch of a direct flight between Prague and Beijing. She will also participate in the 1st CEEC-China Health Summit that will take place in Prague on 15-17 June. The Czech counsellor also referred to the recent 16+1 working conference in Hebei (with a focus on the functioning of the association) and the forthcoming Ningbo *China-CEEC Cooperation and Development Forum* in June, which with be attended on the Czech side by the deputy Minister for Industry and Trade.

Poland recalled that Poland is this year the country of honour of the Ningbo meeting and mentioned the bilateral strategic dialogue that took place in April in Warsaw. On 17th June will take place the 1st intergovernmental meeting between the Ministries of Foreign Affairs of both countries.

Finland mentioned the forthcoming visit of Vice-Premier Liu Yandong to Finland.

6. AOB

a. Upcoming meetings

1. 6th round of CAI negotiations (2-4 June – Brussels)
2. Events on the CAI with the Spanish (2 June) and French (5 June) Chambers
3. 5 June: "National Treatment under CAI" (Stratford)
4. 12 June: Presentation of China Observatory Report (Rhodium Group)
5. EU-China Summit – 29 June in Brussels
   Two declarations, respectively one on Climate change and one more horizontal) are under preparation. From the trade angle, the main topics revolve around
   - investment (both CAI and the EU investment plan),

- the upgrading of our IP relationship (with a new Memorandum of Understanding currently being negotiated),
- WTO issues: DDA and plurilaterals (EGA, ITA, …),
- synergies between the Chinese 'One Belt, One Road' initiative and the EU connectivity platform, and
- the establishment of a Legal Affairs dialogue focusing on business issues.

In parallel will take place the Business Summit, with new features such as the urbanisation forum and the innovation dialogue.

6. Visit in Beijing of Commissioner Georgieva from 8 to 11 June (main focus: the EU investment package)

b. Next TCM: 24 June + *Farewell drink*: EUDEL will organise a small event to say goodbye to those colleagues leaving Beijing this summer.

[Art. 4.1(a) third and fourth indents, Art. 4.3 first subparagraph]

Annexes:

1. List of participants
2. Speaking points
3. Pro Memoria: ETWG Report

List of Participants, TCM 28.05.2015, Beijing

4.1.b

Name	Member States	Email Address	Phone Number

EU-China Economic and Trade Working Group – Beijing – 6-7 May 2015

The ETWG is a forum of expert-to-expert discussion, which enables a technical exchange on a range of priority issues concerning EU-China trade relations. This year's ETWG was also one of the first of the regular meetings with China in the term of the current European Commission.

The discussions were divided into four sub-groups dedicated to goods, services, TBT and SPS, during which the sides exchanged views on some 30 different agenda items [redacted] *The sub-groups discussions were followed by a plenary session co-chaired by* [redacted]

Although MOFCOM remains the main coordinator on the Chinese side, the meeting involved a number of experts from other Ministries and agencies, [redacted]

Plenary Session

Traditionally, the Plenary Session concluded the ETWG. The biggest part of discussions at the Plenary Session was dedicated to reporting and taking-stock of the discussions held in the four subgroups. In addition, the Plenary discussed the following six stand-alone items.

1. Trade and investment aspects of the next Summit

Both sides exchanged views on the trade and investment-related priorities of the next EU-China Summit, scheduled to take place in Brussels on June 29. Both sides agreed that the Summit leaders take stock of the currently on-going investment negotiation, discuss the way ahead in post-Bali and plurilateral cooperation, and review the progress in the field of IP protection. The IP-related aspects of the Summit could possibly include involvement of Commissioner Malmström and Minister Gao in an IP-related event which could be held back-to-back with the Summit. Both sides agreed that DG TRADE and MOFCOM should get involved in the preparations (which are coordinated by the EEAS and the Ministry of Foreign Affairs) and the discussions on the Summit statement since the very beginning of this work. In addition, both sides discussed the possibility to hold a bilateral meeting between Commissioner Malmström and Minister Gao in the margins of the Summit.

2. Other trade-related meetings foreseen for 2015

The EU side and China agreed to hold the next High Level Economic and Trade Dialogue (HED), co-chaired by VP Katainen and Vice-Premier Ma Kai, and ideally the Joint Committee, co-chaired by Commissioner Malmström and Minister Gao, back-to-back on 28, 29 or 30 September. The EU side put forward the idea to focus the HED around the investment – an area where both sides demonstrate clear interest. Both sides agreed to launch early preparations to ensure good outcome of both meetings.

3. Investment

6. WTO post-Bali agenda, plurilateral negotiations on ITA, EGA, GPA and TiSA

As regards the **post-Bali** cooperation, the EU side praised the good cooperation with a view to ensure successful MC10 in Nairobi. It stressed the importance of the Domestic Support pillar in the negotiation and the need to work together to address concerns and find solutions which will allow moving forward. The EU side also inquired about the process of ratification of the Trade Facilitation Agreement. China underlined the need to respect red lines of all concerned parties. It expressed hope concerning swift finalization of the ratification of the Trade Facilitation Agreement but did not provide any details on this process.

Goods working group

1. ICT

Under this point, different issues related to China's cyber security policies were discussed. Given the cross-cutting nature of these issues, the first part of the discussion (on the banking guidelines) took place with the participation of the TBT and services sub-groups.

1.1 Banking guidelines

The Commission welcomed the recent suspension of the banking guidelines and implementing measures and the announced review process regarding these measures. In this context, it underlined the importance of transparency, including TBT notification, and invited China to engage in a constructive dialogue as soon as possible, allowing the EU to share its experience in dealing with security related issues without creating market access problems. This is important not only in the context of the current review process, but also in view of the fact that this may be a first concrete application of a broader policy that in the future could also be deployed in other sectors/areas.

In a concluding remark, the Commission welcomed China's assurance that it will fully respect its TBT notification obligations.

1.2 Draft counter-terror law

The Commission referred to the comments it recently provided to China and notably to its concerns with regard to the trade implications of certain provisions of the draft counter-terror law (in particular relating to the far-reaching encryption approval rules; the in-country data storage obligations and the wide scope of the provisions, which are not limited to telecom providers but cover any supplier using ICT to provide internet or telecom-based services). The Commission requested an update on the next steps and timing of the legislative process relating to this law.

2. High Tech Working Group

The Commission underlined the importance of the HTWG and referred at the Memorandum of Understanding, which underlines the role of the HTWG in fostering bilateral trade in high tech

products, going far beyond mere export restriction issues. In this context, the Commission insisted on the need for a balanced agenda and participation of all relevant Chinese departments at the appropriate level for the HTWG to be efficient and successful. It requested that the importance of the role of the HTWG together with the issues of the agenda and appropriate participation be recalled at the upcoming HED.

[redacted]

[redacted]

3. ITA

[redacted]

4. Steel

The Commission noted the important increase in Chinese steel exports. The sector's overcapacities are putting pressure on the international market, thereby increasing the risk of generating trade frictions with trade partners. The EU side underlined the importance of addressing the root causes of these overcapacities via a sustainable restructuring in a market-driven manner (including by addressing subsidies, SOE behaviour and the policy on mergers and acquisitions). The Commission also presented its preliminary comments on the recently issued steel industry adjustment policy document, underlining in particular the need for a more ambitious approach, precise targets for capacity reduction and effective and enforceable implementation mechanisms. The focus should

shift from upgrading plants to market exit. The Commission requested to have a more detailed discussion on this issue in the context of the OECD and the next annual steel dialogue.

Both sides agreed to discuss more in detail in the context of the OECD Steel Committee and the bilateral steel dialogue. Contacts should be established to identify a date for the next bilateral steel dialogue (to be hosted by China).

5. Raw Materials/Conflict Minerals

6. Aircraft certification / BASA

The Commission referred to the (limited) number of applications for validation of EASA aircraft certificates pending with CAAC and urged CAAC to consider them positively.

7. Computer Reservation Systems (CRS)

The Commission stated that this is a long-standing issue, that the adoption of order 242 in 2012 was a positive development, but that it was concerned that this has not led to any effective opening on the ground of this part of the market, despite the fact that some licences have been granted by CAAC and despite the efforts of EU operators to materialize the regulatory opening.

Services working group

1. EU market access restrictions in services sectors

2. Financial Services

The EU side raised continuing problems on banking and insurance (limitation of business scope/foreign equity caps, complicated and lengthy licensing procedures).

The EU side enquired about the state of play of setting up a risk based solvency regime for insurance companies in China (C-Ross) and raised some issues with the draft measure which seem to discriminate in certain instances foreign firms.

3. Legal Services

The EU side expressed its disappointment on the status of the liberalisation of legal services. In the 2015 Foreign Investment Catalogue, legal services have been moved from restricted to prohibited. The relaxation of the rules in the Free Trade Zones is welcome, but insufficient for the foreign law

firms: Law firms still cannot practice law in China or hire local PRC Lawyers.

4. Market access for Traditional Chinese Medicine (TCM)

5. ICT and Telecom

6. Access to European project contracting market

7. Postal Services

TBT working group

[redacted]

1. General regulatory approach in China and CCC

The EU side enquired about possible improvements in the area of simplification, transparency and overall consistency of technical regulation in China, and in particular of CCC. [redacted]

2. Restrictions of chemicals in toys in the EU

[redacted]

3. Cosmetics in CN

The EU side requested an update on the revision of the Cosmetics Hygienic Management Rules (CHMR), on the revision of the authorisation process on new ingredients aiming at improved effectiveness and speed, and requested a number of clarifications and requests with regard to labelling involving over-stickering and substantiation of cosmetic claims. [redacted]

4a. Revision of the legal framework for Medical Devices in the EU

[redacted]

4b. Medical Devices in CN

The EU side commended China for the general approach of Order 650 regulating medical devices, and in particular for the convergence with international classification in categories I, II, and III, and the increased reliance on the responsibility of manufacturers. The EU side raised two issues of draft implementing measures: a) limited extension of draft lists of Class II and Class III medical devices exempted from clinical trials; and b) high registration fees for Class II and Class III imported products. In addition, the EU side enquired about a recent initiative '*Buy China products*' in the area of medical devices.

5. Review of standardisation in China

The EU side requested an update of the review of standardisation in China, in particular with regard to improvements in transparency and consistency, the practice of rendering standards mandatory, and further relaxation of restrictions on participation of foreign-invested companies based in standard-setting in China, as announced by a recent document of the State Council of China.

6a. EU measures affecting Chinese footwear

6b. Odour-rating of footwear in CN

The EU side considers that odour-rating of footwear is not related to health and safety, and that therefore mandatory requirements should be avoided. Providing such information to consumers can be a legitimate objective of public policy. Therefore, the EU side invited China to address this objective by way of a voluntary standard and/or and industry commitment.

7. Unique Device Identification (UDI) of medical devices in the EU

SPS working group

1. EU regulation on Endocrine Chemical Disruptors (EDC)

2. Revision of China's food safety law

The EU side welcomed the recent adoption of the Food Safety Law, which shall be implemented as of 1 October 2015, and thanked China for taking into account some of its comments such as the comments related to infant formula on OEM and subcontracting which have been deleted from the adopted text.

3. EU standard on anthraquinone in tea leaves

4. Pending applications from the EU for access of bovine and bovine products

The EU side once again urged China to lift the export ban which has been in place now for more than 15 years. The EU side presented a summary on the 17 pending applications, with the oldest one submitted already in 2005. The EU side recalled its long-standing demand for transparency on MS's pending applications calling China to provide.

[redacted]

5. Pending applications from the EU for market access into China for pork

The EU side recalled its long-standing demand for more transparency and trade predictability on Member States' applications for imports to China and handed over an overview table summarising the state-of-play. [redacted]

6. Pending applications from the EU for market access into China for dairy and milk products

The EU side thanked China for progress on a number of Member States' applications and called for making rapid progress with the remaining EU applications and referred to an earlier promise made by China to finalise all audits before the end of 2015. The EU side welcomed the detailed information received from China on the state of play for the nine pending applications, as well as the partial tentative calendar of work in the future where China provide following details r. [redacted]

7. Chinese standards on dairy products

The EU side requested China to bring the three standards on cheese, processed cheese as well as cream, butter and anhydrous milk fat (GB5420-2010, GB25912-2010 and GB19646-2010) in line with international standards, making reference to an earlier letter from the Commission including detail comments on the Chinese standards. [redacted]

8. Chinese standard for listeria

The EU side requested China to bring the listeria standards in line with international standard set by the Codex Alimentarius, an EU request which has been there already for multiple years. [redacted]

9. China's import conditions with regard to phthalates for alcoholic beverages

The EU side reaffirmed its call for lifting the testing requirement on phthalates on imported spirits and to take dully into account the outcome of the Chinese risk assessment finalised in 2014. The EU side referred to earlier discussions with China where it was confirmed that the safety thresholds provided for two phthalates under the risk assessment of June 2014 which is applicable for all spirits (domestically and imported) above 38°. Therefore, the EU side requested clarification of the threshold level applicable to phthalates in imported spirits, and notably the different safety levels suggested by a risk assessment carried out in June 2014 by the National Health and Family Planning Commission (NHFPC) and the standard imposed by the AQSIQ on imported spirits (which are lower thresholds than the safety levels in the Chinese risk assessment).

10. China's import conditions related to Schmallenberg (genetic material)

(10)

EUROPEAN UNION

DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA AND MONGOLIA

The Head of Trade Section

Beijing, 12th June 2015
Limited

NOTE FOR THE ATTENTION OF EU TRADE COUNSELORS, SHANGHAI

Subject: Minutes of the Meeting of Trade Counsellors, 29th May 2015

Dear colleagues,

Please find attached the aforementioned minutes for your records, which I hope will be helpful.

Warm regards,

(signed)

[redacted] [Art. 4.1(b)]

15, Dongzhimenwai Dajie, Sanlitun, 100600 Beijing, China. Tel +(8610)8454 8000; Fax +(8610) 8454 8011

Minutes – Meeting of EU Trade Counsellors on 29th May 2015
Shanghai

1. Adoption of agenda

See annex 1 for participants' list.

2. ETWG Debrief

EUDEL pointed the main elements which are detailed in Annex 2.

3. Exchange on new potential market access issues.

[Art. 4.1(a) third and fourth indents,
Art. 4.3 first subparagraph]

[Art. 4.1(a) third and fourth indents,
Art. 4.3 first subparagraph]

4. Update on public procurement

Deputy Director-General Pierre Delsaux (DG GROW – DG Internal Market, Industry, Entrepreneurship & SMEs) paid last week a visit to China (19-21 May). The main objective of his visit was to encourage China to keep on working and negotiating with GPA parties so that China can join the WTO Agreement on Government Procurement (GPA) rapidly and under satisfactory conditions.

Mr Delsaux indicated to Vice Minister LIU Kun (Ministry of Finance) that the EU appreciates the efforts made by China to improve its GPA 5th revised accession offer circulated in December 2014.

[Art. 4.1(a) third and fourth indents,
Art. 4.3 first subparagraph]

[Art. 4.1(a) third and fourth indents,
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The EU intends to bring China's accession to GPA to the attention of Leaders during the forthcoming EU-China Summit.

[Art. 4.1(a) third and fourth indents,
Art. 4.3 first subparagraph]

5. Exchange on recent and upcoming visits

Upcoming meetings

1. 6th round of CAI negotiations (2-4 June – Brussels)
2. Events on the CAI with the Spanish (2 June) and French (5 June) Chambers
3. 5 June: "National Treatment under CAI" (Stratford)
4. 12 June: Presentation of China Observatory Report (Rhodium Group)
5. EU-China Summit – 29 June in Brussels
   Two declarations, respectively one on Climate change and one more horizontal) are under preparation. From the trade angle, the main topics revolve around
   - investment (both CAI and the EU investment plan),
   - the upgrading of our IP relationship (with a new Memorandum of Understanding currently being negotiated),
   - WTO issues: DDA and plurilaterals (EGA, ITA, …),
   - synergies between the Chinese 'One Belt, One Road' initiative and the EU connectivity platform, and
   - the establishment of a Legal Affairs dialogue focusing on business issues.

   In parallel will take place the Business Summit, with new features such as the urbanisation forum and the innovation dialogue.
6. Visit in Beijing of Commissioner Georgieva from 8 to 11 June (main focus: the EU investment package)

6. AOB

[Art. 4.1(a) third and fourth indents,
Art. 4.3 first subparagraph]

Annexes:

1. List of participants
2. Speaking points
3. Pro Memoria: ETWG Report

10.1

Annex

List of Participants, TCM 29.05.2015, Shanghai

4.1.b

Name	Member States	Email Address	Phone Number

EUROPEAN UNION

DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA AND MONGOLIA

The Head of Trade Section

Beijing, 7 July 2015
Limited

NOTE FOR THE ATTENTION OF EU TRADE COUNSELORS, SHANGHAI

Subject: Minutes of the Meeting of Trade Counsellors, 23 June 2015

Dear colleagues,

Please find attached the aforementioned minutes for your records, which I hope will be helpful.

Warm regards,

(signed)

[Art. 4.1(b)]

15, Dongzhimenwai Dajie, Sanlitun, 100600 Beijing, China. Tel +(8610)8454 8000; Fax +(8610) 8454 8011

Minutes – Meeting of EU Trade Counsellors on 23 June 2015
Shanghai

1. Adoption of agenda

2. Putting the lens on the EUCCC Business Confidence Survey. Presentation by EUCCC

EUCCC presented the main results of the just released **EUCCC 2015 Business Confidence Survey, with a particular focus on sector-by-sector analysis**. The survey gathers data from 541 responding companies (out of 1.474 entities, meaning a 37% response ratio, similar as in previous years). While **EU business remain committed to China, China's economic slowdown is here**. It is already significantly impacting the performance of European business in China. Margin pressures lead European business to reduce headcount. There is a striking **diverging performance across sectors**. 92% of **financial services** companies reported an increase or substantial increase in revenue over the past year. With growth moving away from investment towards consumption, the **automotive** sector remains amongst the most bullish and the industry is still eager to expand. The sectors of **hospitality and healthcare** are also doing well. With the exception of **legal services** (frustrated by the absence of liberalization), **services sectors** see little need to cut costs. Generally speaking, businesses directly affected by the slump in raw material prices such as **energy and utilities** and **food and beverage** industries, **chemical companies**, European companies in **industrial goods and services, and transportation sector** are the most bearish. **Newcomers** are the most optimistic about growth and profitability. **Multinationals, veterans** are the most concerned about economic headwinds. **China remains one of the top three destinations for investments for 60% of companies, but much less so than in previous years (10 percentage points less for future investment)**. Foreign investment lacks a level playing field in China's business environment and **one third of European business puts investment on hold**. **55% of companies feel discriminated** against as compared to Chinese counterparts—same as last year. **Unpredictability of the legislative environment, administrative issues, discretionary enforcement of regulations, and licensing requirements** remain top impediments—also the same as last year. However, companies perceive some **improvement in the enforcement of IPR**. While 56% of companies believe this is still inadequate, the percentage of those believing it is adequate or excellent is 24%--6 percentage points more than last year.

See annex 1.

3. Update on EU-China transport relations (Trade Section)

On 11-13 May, European Commission Director-General for Transport (MOVE) J-A Machado visited Beijing and held, among others, the 6th meeting of the High-Level Transport Dialogue with NDRC Vice-Chairman Hu Zucai.

During the **High-Level Dialogue on Transport**, DG Machado raised three concerns repeatedly expressed by the EU transport industry in China: (1) international relay in the shipping sector in the FTZs is open only to Chinese-owned ships, as opposed to the traditional flag-based distinction; (2) generous ship-scrapping and ship-building subsidies, which tend to add tonnage to a sector already suffering from overcapacity; and (3) local-content requirements in rail procurement procedures, with Joint-Ventures' production not

qualifying as local. [Art. 4.1(a) third indent, 4.3 first subparagraph]

In the **shipping** sector, the 12th implementation meeting of the EU-China Maritime Transport Agreement will take place end of September in Poland: both the industry and the Member States are invited to participate. The two issues mentioned above will figure in the agenda, as will other issues like LNG for shipping and further contribution of the shipping sector to the fight against Climate change.

In the **railways** sector, the 2nd meeting of the EU-China Rail WG between DG MOVE and the National Railways Administration (NRA) will take place in Beijing in September/October. Market access and local content will be in the agenda again, as well as connectivity issues, since rail connections were at the source of current connectivity policies. First results are expected by then from a study comparing rail comparison in the EU and China.

In the **aviation** Sector, discussions on a future Bilateral Air Safety Agreement (BASA) make progress and EASA is already working on a technical level with CAAC, but the formal negotiation mandate request to Member States has not been issued yet. BASA is clearly an issue of common interest, since it will facilitate market access for the EU industry and reinforce China's capacity to assess the safety of aircraft. In addition, the Commission will present its Aviation Strategy before the end of the year, where it will set out the list of countries with which it will seek Aviation Comprehensive Agreements (we have them with US, Canada and now Brazil). Market potential for China

[Art. 4.1(a) third indent, 4.3 first subparagraph]

Finally, a new EU-China aviation project will i.a. support BASA negotiations and promote the EU industry in China.

[Art. 4.1(a) third indent, 4.3 first subparagraph]

See annex 2.

4. Debrief of last round investment negotiations (Trade Section)

EUDEL debriefed the TCM delegates on the outcomes of the 6th round of negotiations of the **EU-China Investment Agreement** (CAI), which took place in Brussels on 2-4 June 2015.

[Art. 4.1(a) third indent, 4.3 first subparagraph]

[Art. 4.1(a) third indent, 4.3 first subparagraph]

In spite of the very short deadline, the European Union managed to comment on the pre-consultation on the "***Regulations on the Administration of Investment Projects Subject to***

Government Verification and Approval and Investment Projects Subject to Government Record-filing". The EU insisted that, in order to unleash the creative power of mass entrepreneurship, all sectors should be open to domestic and foreign investment, devoid of State involvement, and subject only to limited and specific exceptions, exhaustively determined in advance. Specifically, the EU called for the elimination of the pervasive discrimination against foreign investment still enshrined in the Regulation and suggested to eliminate State involvement for foreign investors instead of imposing additional conditions also to domestic investors. In particular, the EU suggested that "national security" is narrowly and precisely defined and that references to other concepts linked to economic security are removed. The EU finally called for procedural improvements to limit discretionary application of the law, and to enhance transparency, predictability and accountability for investors.

5. Exchange on recent and upcoming visits

The exchange focused on the upcoming 29 June EU-China Summit, with core expected deliverables on investment, connectivity, IPR, digital, legal affairs and WTO issues.

6. AOB

Annexes:

1. PPT: Business Confidence Survey 2015
2. PPT: EU-China Transport Relations: Latest Developments

11.1 Annex 1

European Chamber

Business Confidence Survey 2015

European Business in China

European Business In China

Business Confidence Survey

In partnership with

Roland Berger Strategy Consultants

2015

Roland Berger Strategy Consultants

European Chamber

Contents

European Chamber

European Business in China

Business Confidence Survey

A. Methodology and respondents' profile

Roland Berger
Strategy Consultants

In partnership with
Roland Berger
Strategy Consultants

2015

In 2015, the BCS reached a high response rate while maintaining a stable data set

Methodology

Survey design

> **49 questions on 4 core themes:**
- Company profile and statistics
- Outlook on China, competition, company strategy and regulations
- Human resources
- Financial performance

> A sector-specific and a chapter-specific section

> Special attention paid in survey design to ensure **consistency** for year-on-year **comparability**, with some new questions to cover recent developments and topical issues

541 respondents completed the survey

Survey execution

> **4 weeks** of answering period during February and March 2015

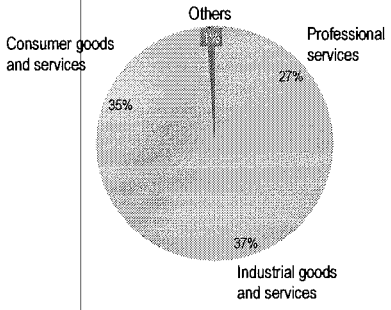
> **37% of participation rate** among the 1474 eligible entities

> **Almost equal representation of companies across sectors**
- Professional services
- Industrial goods and services
- Consumer goods and services

Source: BCS 2015, Roland Berger analysis

Respondents are evenly distributed across industries

Breakdown of respondents by industry (2015)



Professional services
- > IT and telecommunications
- > Legal
- > Media and publishing
- > Professional services
- > Other

Industrial goods and services
- > Aerospace
- > Automotive and auto components
- > Aviation
- > Chemicals and petroleum
- > Civil engineering and construction
- > Environment
- > Machinery
- > Transportation, logistics and distribution
- > Utilities, primary energy and other commodities
- > Other

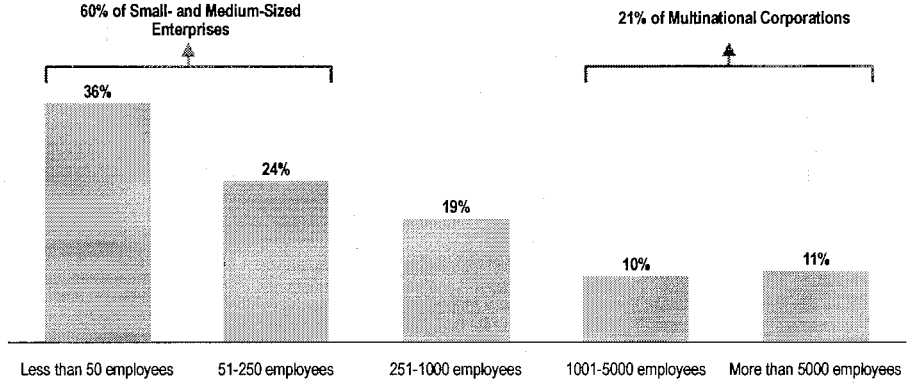
Consumer goods and services
- > Agriculture
- > Cosmetics
- > Education
- > Fashion and textile
- > Financial services
- > Food and beverage
- > Healthcare (Medical devices)
- > Healthcare (Pharmaceuticals)
- > Hospitality
- > Retail
- > Travel and tourism
- > Other

Others
- > Government affairs

Source: BCS 2015, Roland Berger analysis

The panel represents companies of various sizes

Breakdown of respondents by company size (2015)

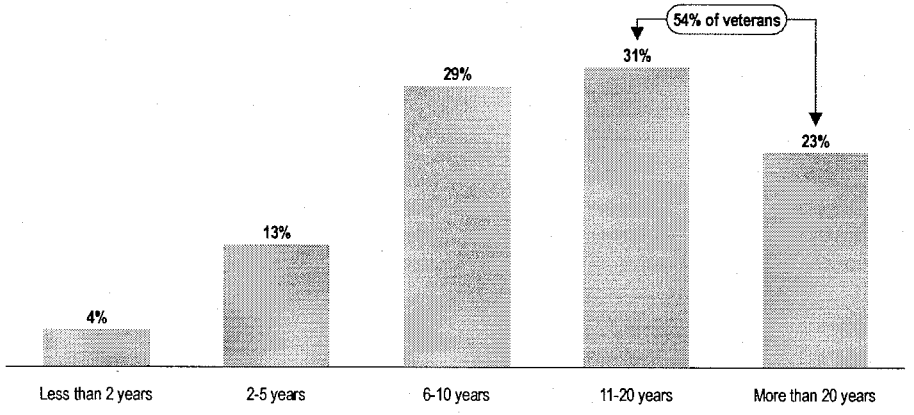


Source: BCS 2015, Roland Berger analysis

Roland Berger
Strategy Consultants

The majority of respondents have been operating in China for over a decade

Breakdown of respondents by time in China (2015)



Source: BCS 2015, Roland Berger analysis

European Chamber

European Business In China
Business Confidence Survey

B. Key takeaways

Roland Berger
Strategy Consultants

In partnership with
Roland Berger
Strategy Consultants

2015

Roland Berger
Strategy Consultants

Key takeaways from the Business Confidence Survey 2015

European companies are reconsidering their strategies in response to a protracted Chinese slowdown

1	> The protracted **Chinese economic slowdown** remains the top future business challenge
2	> Pessimism about growth and profitability leads them to **undertake cut-backs**
3	> China remains a **key market**
4	> The needed **regulatory framework** has yet to come into place
5	> **Innovation** will be one of the most critical drivers needed to move the Chinese economy up the value chain

Source: BCS 2015, Roland Berger analysis

European Chamber

C. Chasing the 'new normal'

Roland Berger
Strategy Consultants

European Business In China
Business Confidence Survey

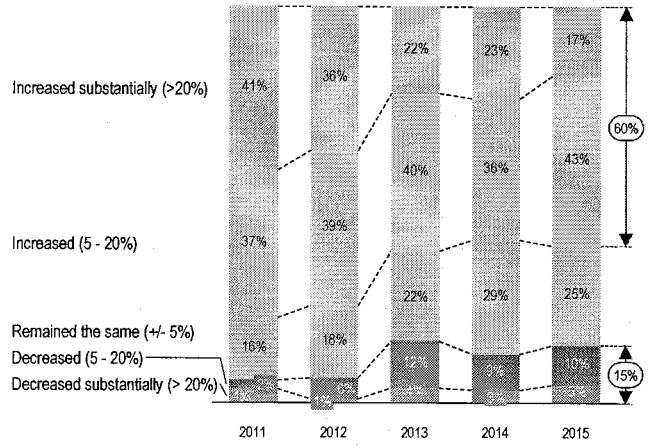
In partnership with
Roland Berger
Strategy Consultants

2015

Roland Berger Strategy Consultants

Financial performance presents a mixed picture with fewer companies reporting a year-on-year increase in revenues

Evolution of company revenue in Mainland China year-on-year (2011-2015)



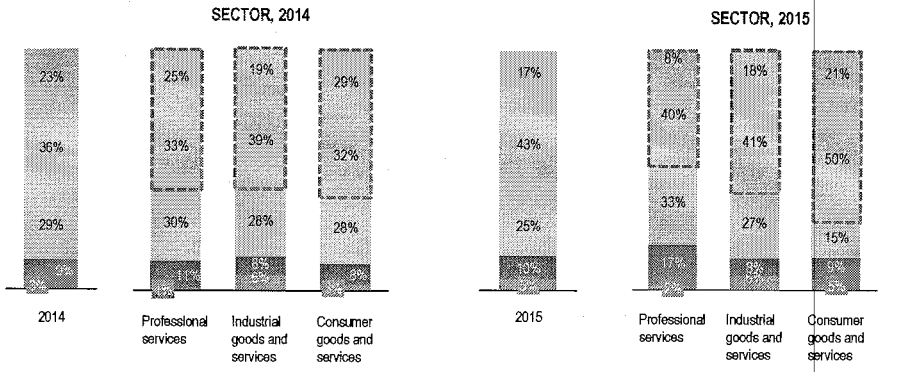
Source: BCS 2015, Roland Berger analysis

Roland Berger Strategy Consultants

European consumer goods and services going strong

Mainland China Revenue by Sector

How did your company's total Mainland China revenue this year compare to last year?



Increased substantially (>20%) Increased (5 - 20%) Remained the same (+/- 5%) Decreased (5 - 20%) Decreased substantially (> 20%)

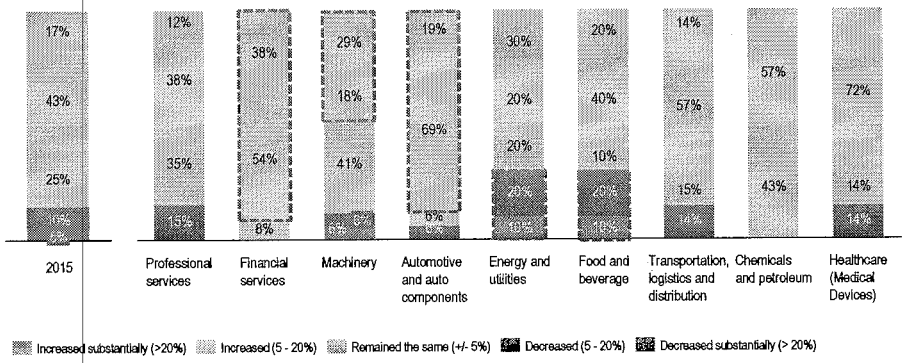
Note: In 2015, individuals responding on behalf of a representative office were not asked this question

Source: Business Confidence Survey Data, Roland Berger analysis

Financial services witnessed highest revenue increase

2015 Mainland China Revenue by Industry

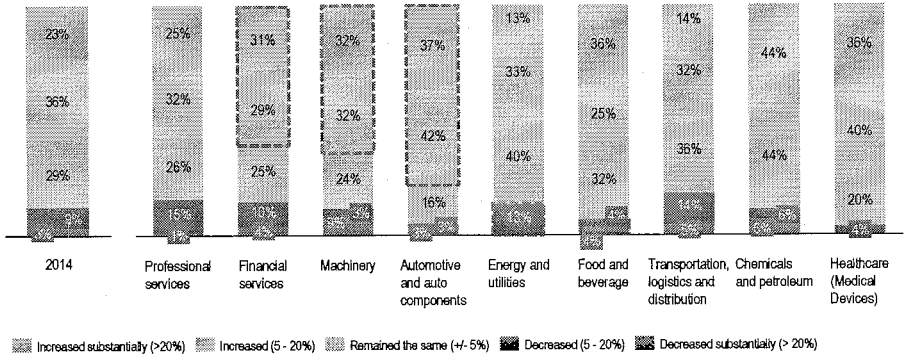
How did your company's total Mainland China revenue for 2014 compare to 2013?



Note: In 2015, individuals responding on behalf of a representative office were not asked this question
Note: Only industries with N>15 are shown
Source: Business Confidence Survey Data, Roland Berger analysis

2014 Mainland China Revenue by Industry

How did your company's total Mainland China revenue for 2013 compare to 2012?



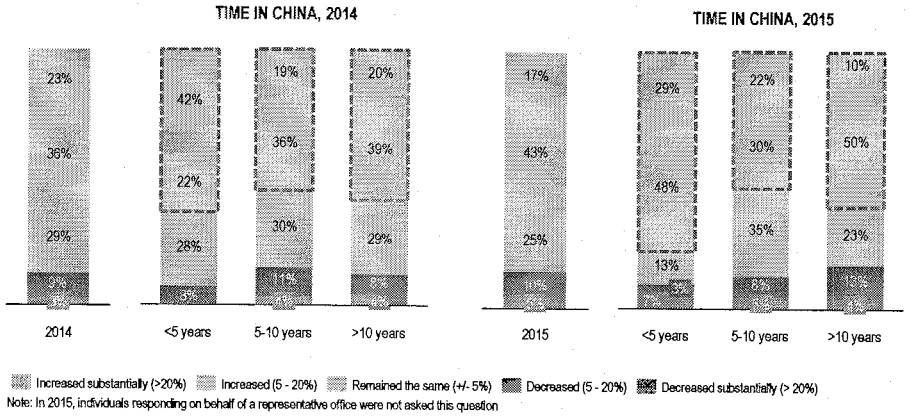
Note: Only industries with N>15 in 2015 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

Newcomers face better prospects, old timers stagnate

Mainland China Revenue by Time in China

How did your company's total Mainland China revenue this year compare to last year?



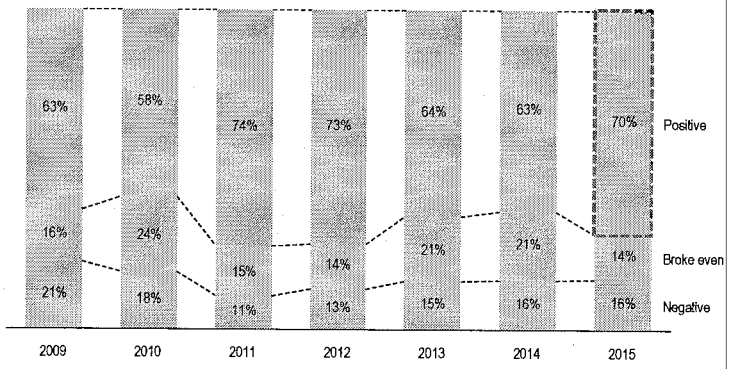
Note: In 2015, individuals responding on behalf of a representative office were not asked this question

Source: Business Confidence Survey Data, Roland Berger analysis

Profitability increased,...

EBIT in Mainland China

Please characterise your company's earnings before interest and tax (EBIT) in Mainland China.



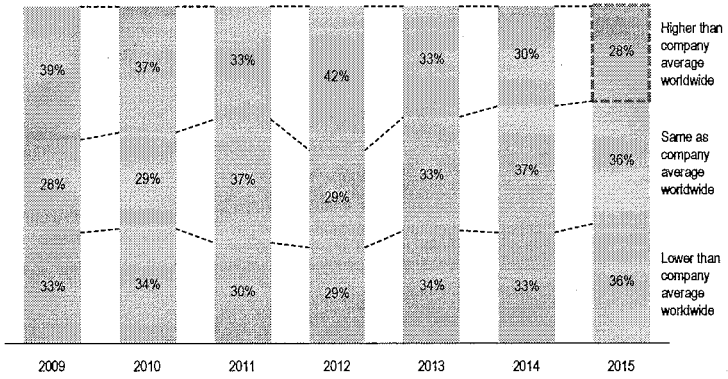
Note: In 2015, individuals responding on behalf of a representative office were not asked this question

Source: Business Confidence Survey Data, Roland Berger analysis

... yet global EBIT margins higher than China's

China EBIT Margins vs. Worldwide Margins

How did the EBIT margins of your company's Mainland China operations compare to your company's worldwide margins?



Note: In 2015, individuals responding on behalf of a representative office were not asked this question

Source: Business Confidence Survey Data, Roland Berger analysis

Professional services score lowest in China vs. global EBIT margin comparison

China EBIT Margins vs. Worldwide Margins by Sector

How did the EBIT margins of your company's Mainland China operations compare to your company's worldwide margins in 2014?

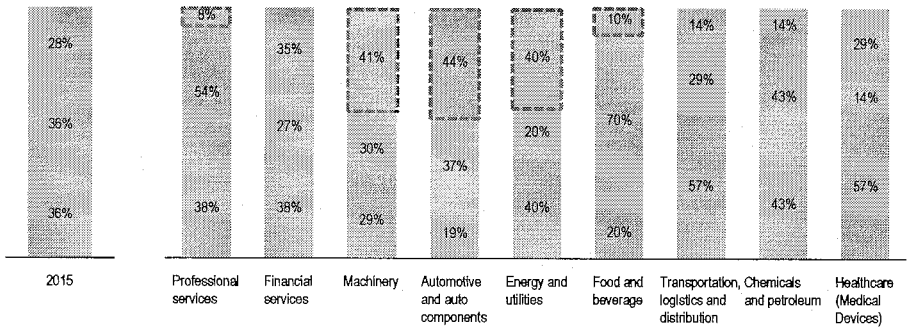
Note: in 2015, individuals responding on behalf of a representative office were not asked this question

Source: Business Confidence Survey Data, Roland Berger analysis

Auto industry China EBIT margins highest relative to global margin

China EBIT Margins vs. Worldwide Margins by Industry

How did the EBIT margins of your company's Mainland China operations compare to your company's worldwide margins in 2014?



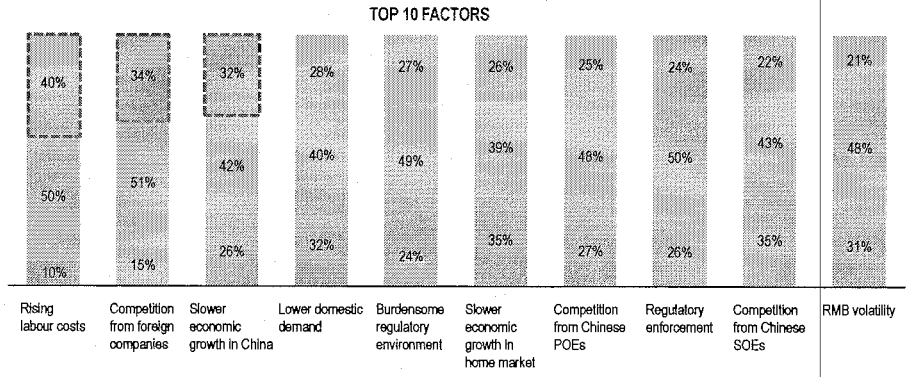
Higher than company average worldwide | Same as company average worldwide | Lower than company average worldwide

Note: In 2015, individuals responding on behalf of a representative office were not asked this question
Note: Only industries with N>6 are shown
Source: Business Confidence Survey Data, Roland Berger analysis

HR costs significantly impact profit margins

Factors Impacting China Net Profit Margins

Please indicate the significance of the following factors affecting your company's net profit margin in 2014.

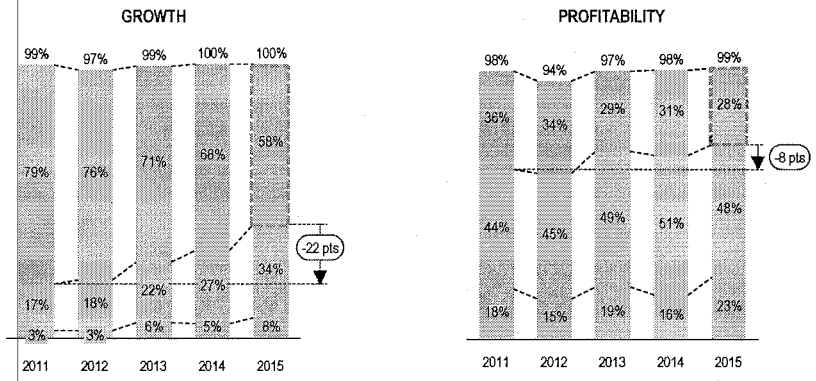


Strong Impact | Average | Little or no impact

Note: In 2015, individuals responding on behalf of a representative office were not asked this question
Note: Only the top 10 answers for 'Strong impact' are shown
Source: Business Confidence Survey Data, Roland Berger analysis

European companies' optimism about business outlook on growth and profitability in China keeps declining

Business outlook on growth and profitability in China (2011-2015)



Optimistic Neutral Pessimistic

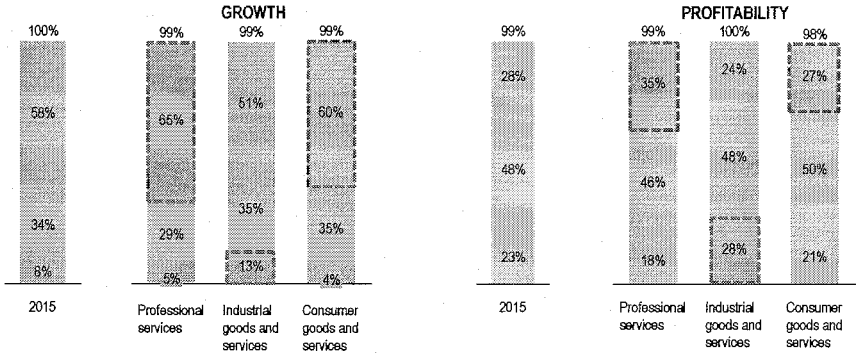
Note: The percentage of respondents who selected the option 'Not applicable' is not shown

Source: BCS 2015, Roland Berger analysis

Industrial goods and services most pessimistic

Growth and Profitability Outlook by Sector

How would you describe the business outlook for your sector in China within the next two years?



Optimistic Neutral Pessimistic

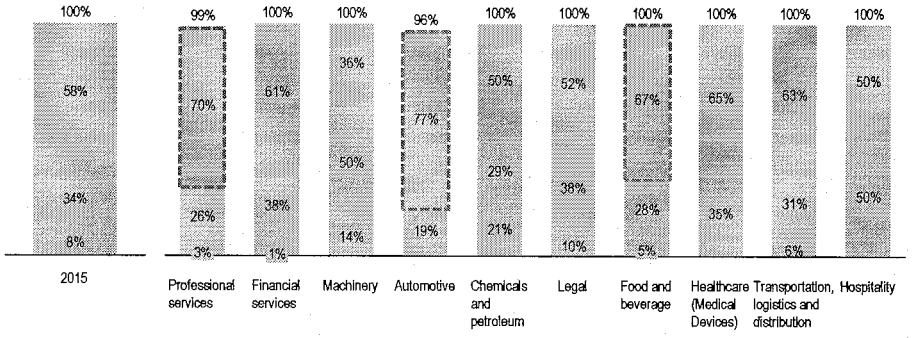
Note: The percentage of respondents who selected the option 'Not applicable' is not shown

Source: Business Confidence Survey Data, Roland Berger analysis

Automotive sector remains most bullish, chemical companies most bearish

Growth Outlook by Industry

How would you describe the business outlook in terms of growth for your sector in China within the next two years?



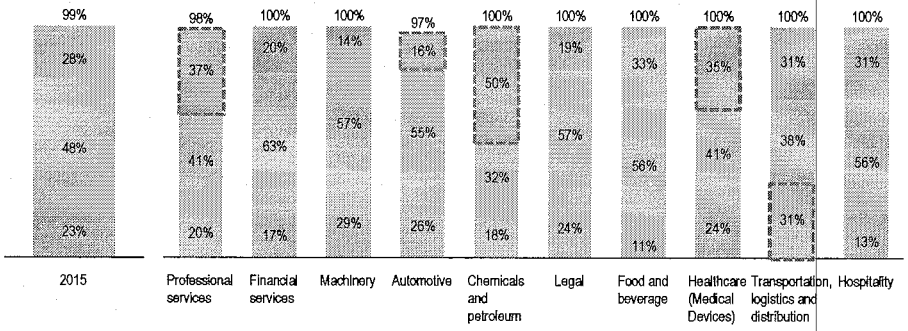
Optimistic Neutral Pessimistic

Note: Only industries with N>15 are shown
Note: The percentage of respondents who selected the option 'Not applicable' is not shown
Source: Business Confidence Survey Data, Roland Berger analysis

Economic slowdown hits transportation sector

Profitability Outlook by Industry

How would you describe the business outlook in terms of profitability for your sector in China within the next two years?



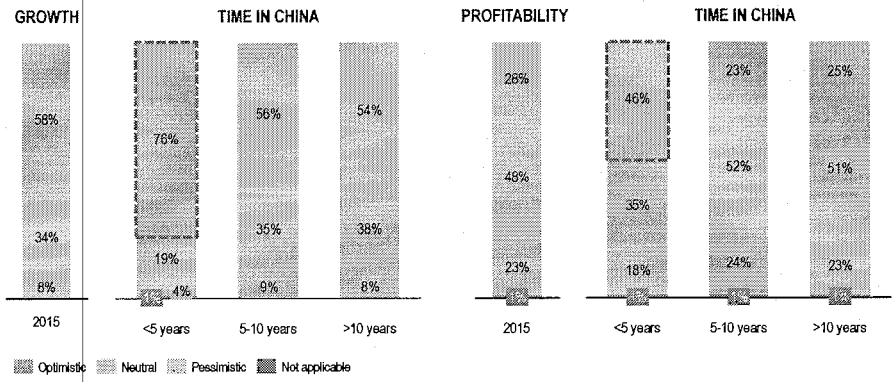
Optimistic Neutral Pessimistic

Note: Only industries with N>15 are shown
Note: The percentage of respondents who selected the option 'Not applicable' is not shown
Source: Business Confidence Survey Data, Roland Berger analysis

Newcomers most optimistic about growth and profitability

Growth and Profitability Outlook by Time in China

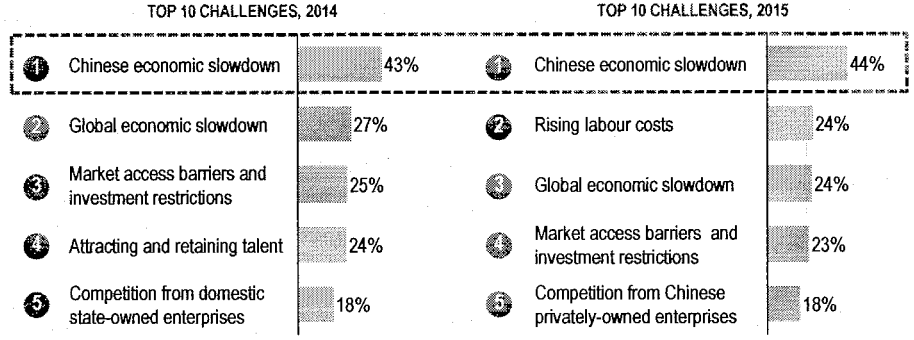
How would you describe the business outlook for your sector in China within the next two years?



Source: Business Confidence Survey Data, Roland Berger analysis

European companies are sensitive to a protracted Chinese economic slowdown

Challenges for future business in China the most frequently reported among the top 3 (2014-2015)



Note: The percentages shown are the cumulated percentages of top 1, 2 and 3 challenges.

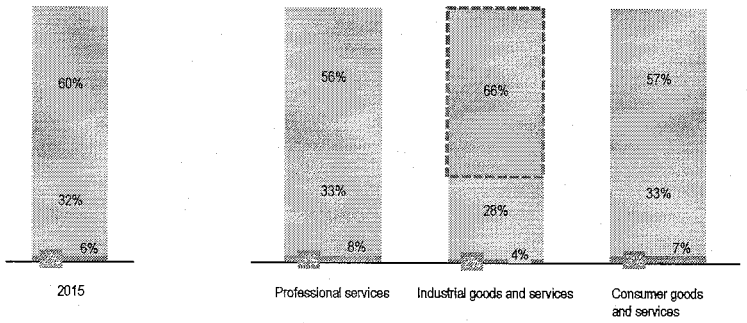
Source: BCS 2015, Roland Berger analysis

Roland Berger Strategy Consultants

Industrial sector worst hit by economic slowdown,...

Impact of Chinese Economic Slowdown on Future Business by Sector

Please indicate how your company perceives the Chinese economic slowdown to impact future business in Mainland China.



Significant Neutral Insignificant Not applicable

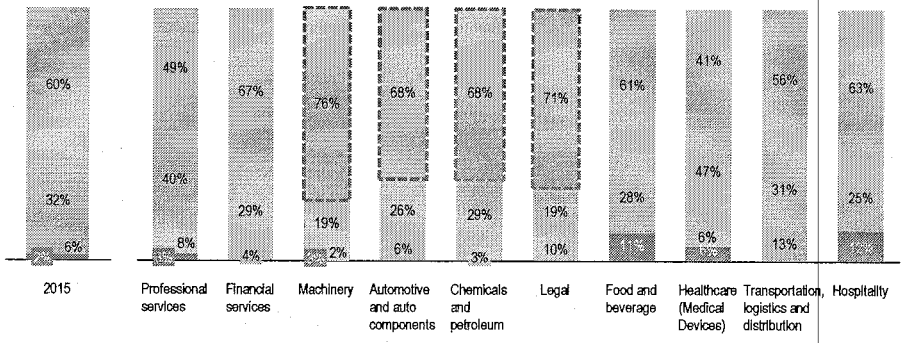
Source: Business Confidence Survey Data, Roland Berger analysis

Roland Berger Strategy Consultants

... healthcare sector least impacted

Impact of Chinese Economic Slowdown on Future Business by Industry

Please indicate how your company perceives the Chinese economic slowdown to impact future business in Mainland China.



Significant Neutral Insignificant Not applicable

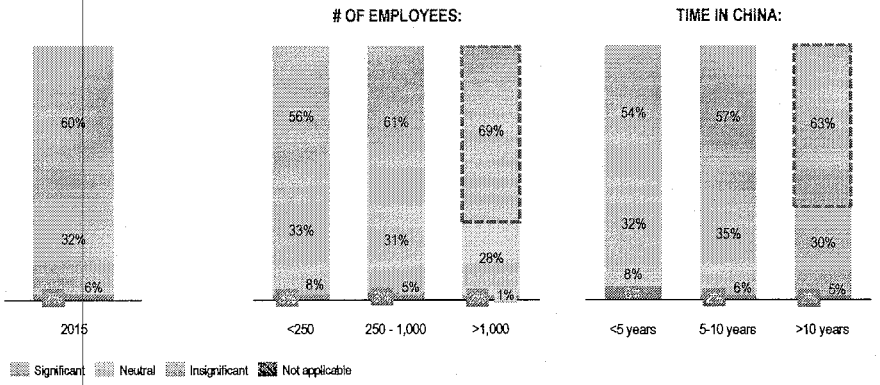
Note: Only industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

Multinationals, veterans most concerned about economic headwinds

Impact of Chinese Economic Slowdown by Company Profile

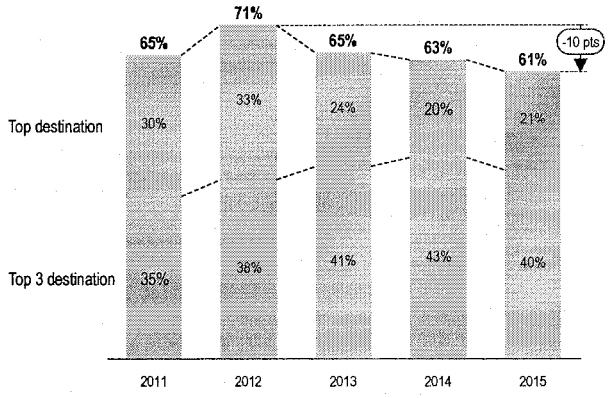
Please indicate how your company perceives the Chinese economic slowdown to impact future business in Mainland China.



Source: Business Confidence Survey Data, Roland Berger analysis

China is still a priority in terms of investments but it slides down in the ranking

China's rank as destination for present investment (2011-2015)

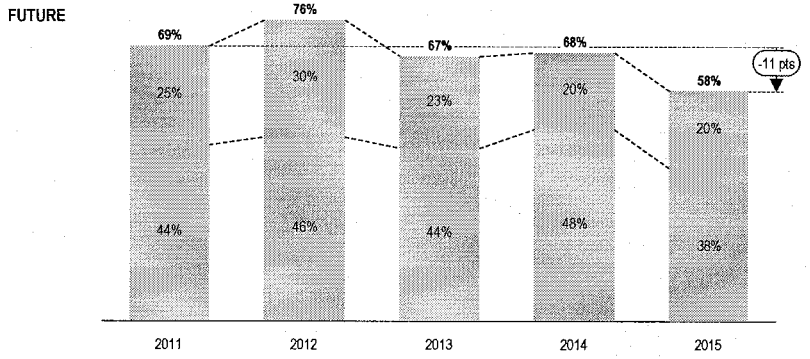


Note: The percentages of respondents who selected the options, 'Top 5 destination', 'Top 10 destination', 'Lower than top 10 destination' and 'Not applicable' are not shown

Source: BCS 2015, Roland Berger analysis

China's Rank as Destination for Future Investment

On a global scale, where does China rank as a destination for future investments for your company?



Top destination Top 3 destination

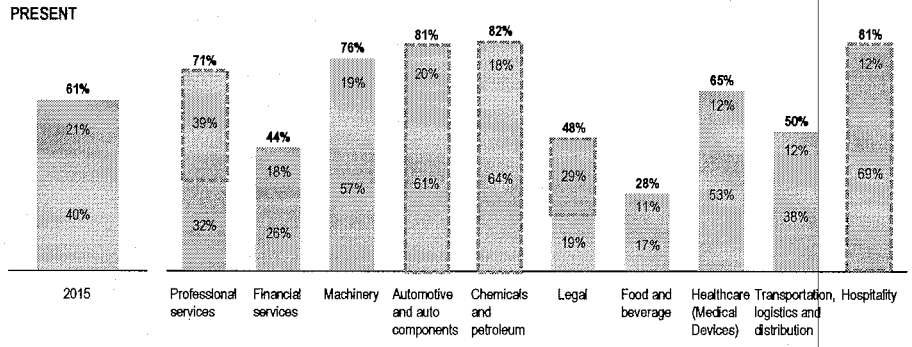
Note: The percentages of respondents who selected the options, 'Top 5 destination', 'Top 10 destination', 'Lower than top 10 destination' and 'Not applicable' are not shown

Source: Business Confidence Survey Data, Roland Berger analysis

Chemicals, automotive and hospitality industries score highest

China as Destination for Present Investments by Industry

On a global scale, where does China rank as a destination for present investments for your company?



Top destination Top 3 destination

Note: Only industries with N>15 are shown

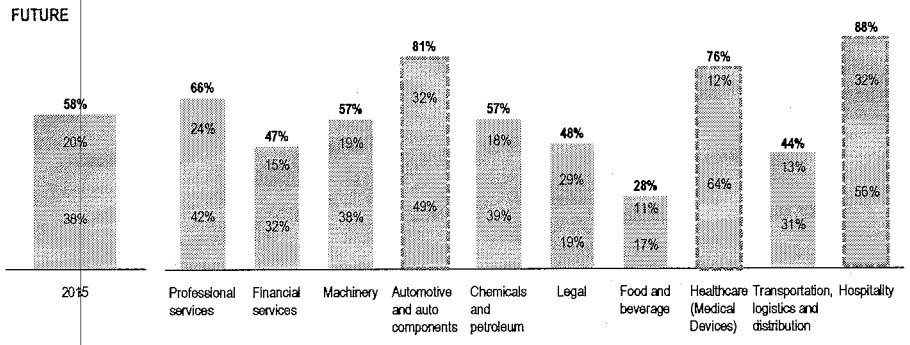
Note: The percentages of respondents who selected the options 'Top 5 destination', 'Top 10 destination', 'Lower than top 10 destination' and 'Not applicable' are not shown

Source: Business Confidence Survey Data, Roland Berger analysis

Auto and hospitality rank highest

China as Destination for Future Investments by Industry

On a global scale, where does China rank as a destination for future investments for your company?

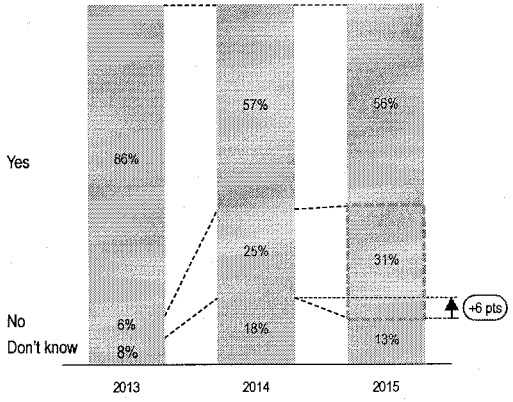


Top destination Top 3 destination

Note: Only industries with N>15 are shown
Note: The percentages of respondents who selected the options 'Top 5 destination', 'Top 10 destination', 'Lower than top 10 destination' and 'Not applicable' are not shown
Source: Business Confidence Survey Data, Roland Berger analysis

To adapt to the Chinese economic slowdown, almost one third of European business puts investment on hold

Expansion plans of China operations (2013-2015)

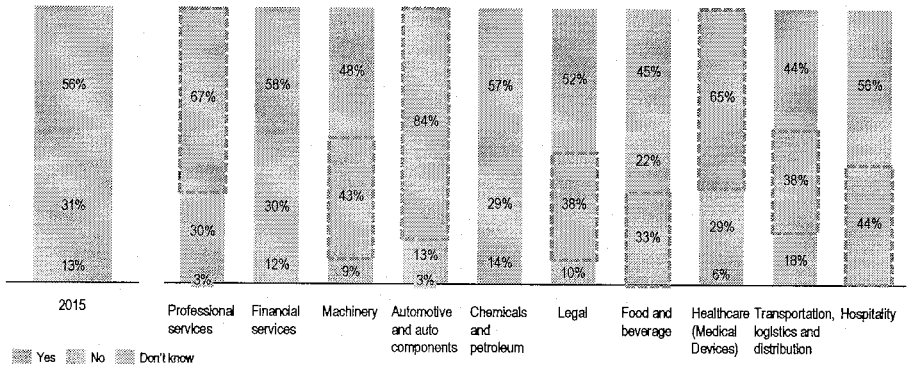


Source: BCS 2015, Roland Berger analysis

Automotive industry still eager to expand

China Expansion Plans by Industry

Is your company considering expanding current China operations in 2015?

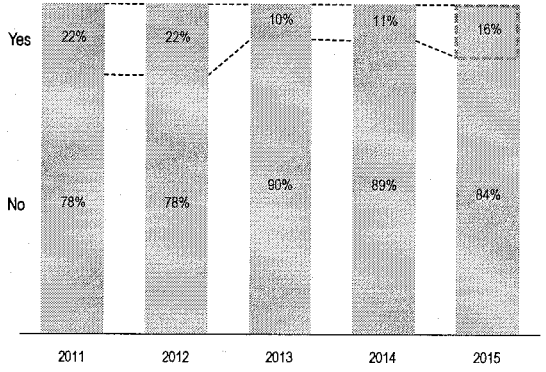


Note: Only industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

European players withhold investments and consider investing elsewhere

Investment shift to other markets (2011-2015)

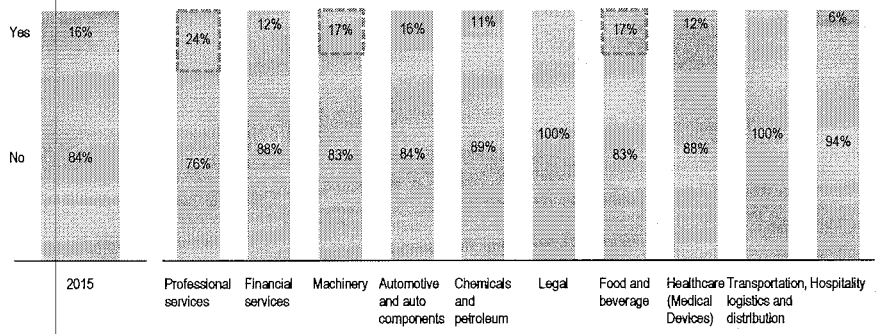


Source: BCS 2015, Roland Berger analysis

Professional services consider shifting investment elsewhere

Investment Shift to Other Markets by Industry

Is your company considering shifting current or planned investments in China to other markets?



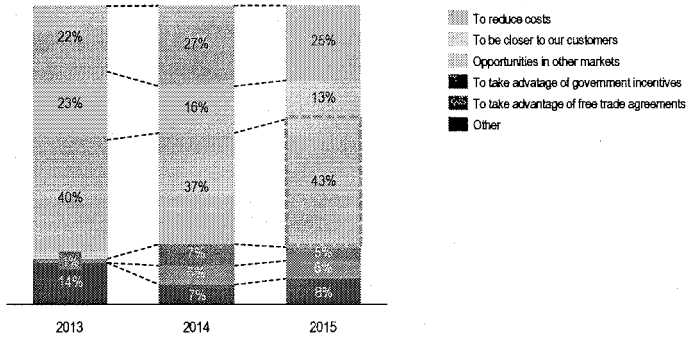
Note: Only industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

Majority search for opportunities in other markets

Reasons for Investment Shift to Other Markets

Why is your company considering shifting current or planned investments in China to other markets?

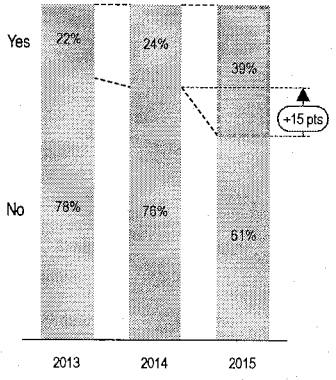


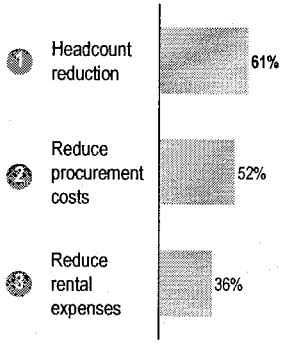
Note: The question was only asked if the participant was planning to shift investments in China to other markets. Multiple answers were possible

Source: Business Confidence Survey Data, Roland Berger analysis

Margin pressures push European business to engage in cost cutting programmes led by headcount reduction

Cost reduction plans in China (2013-2015) and first affected areas (2015)



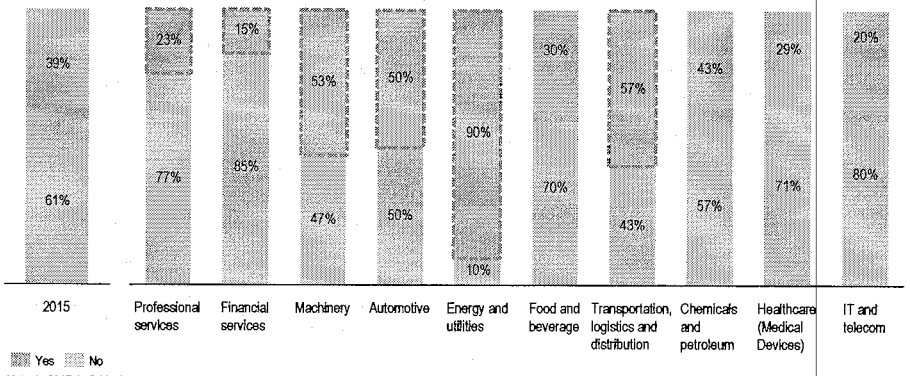


Source: BCS 2015, Roland Berger analysis

Service sector sees little need to cut costs

Cost Reduction Plans in China by Industry

Does your company plan on cutting costs in China this year?



Note: In 2015, individuals responding on behalf of a representative office were not asked this question
Note: Only industries with N>4 are shown
Source: Business Confidence Survey Data, Roland Berger analysis

Veterans and multinationals strongly considering cost cuts

Cost Reduction Plans by Company Size and Time in China

Does your company plan on cutting costs in China this year?

Note: In 2015, individuals responding on behalf of a representative office were not asked this question

Source: Business Confidence Survey Data, Roland Berger analysis

European Business In China

Business Confidence Survey

D. Climbing up the value chain

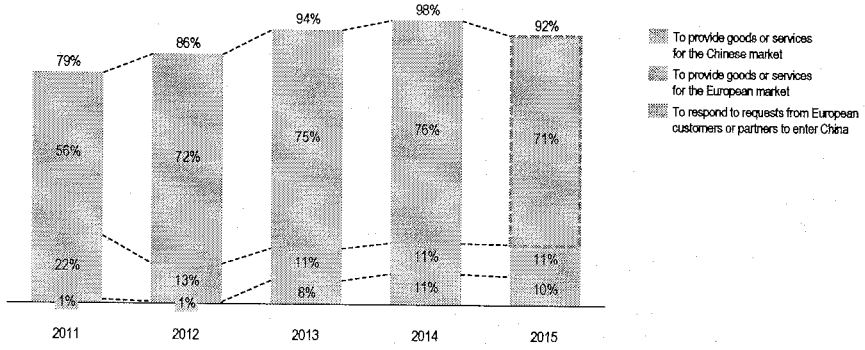
In partnership with Roland Berger Strategy Consultants

2015

European companies are here to stay

Strategic Reasons to Operate in China

What is the primary strategic reason for your company to operate in Mainland China?

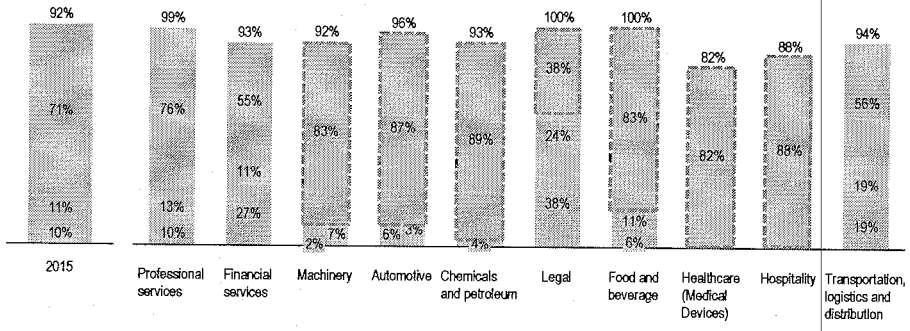


Note: The percentages of respondents who answered "To provide goods or services for other markets", "To have access to the supply or services from Chinese companies", "To use local intellectual and R&D resources" are not shown here because of the insignificant percentage points they represent

Source: Business Confidence Survey Data, Roland Berger analysis

Strategic Reasons to Operate in China by Industry

What is the primary strategic reason for your company to operate in Mainland China?

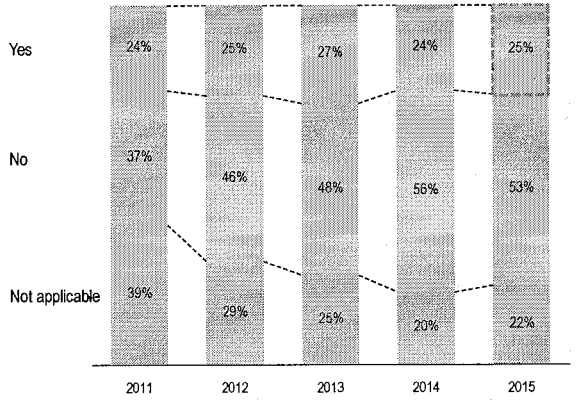


Note: Only industries with N>15 are shown here. The percentages of respondents who answered 'To provide goods or services for other markets', 'To have access to the supply or services from Chinese companies', 'To use local intellectual and R&D resources' are not shown here because of the insignificant percentage points they represent.

Source: Business Confidence Survey Data, Roland Berger analysis

Only one quarter of Europeans have R&D centres in China

R&D centres in China (2011-2015)

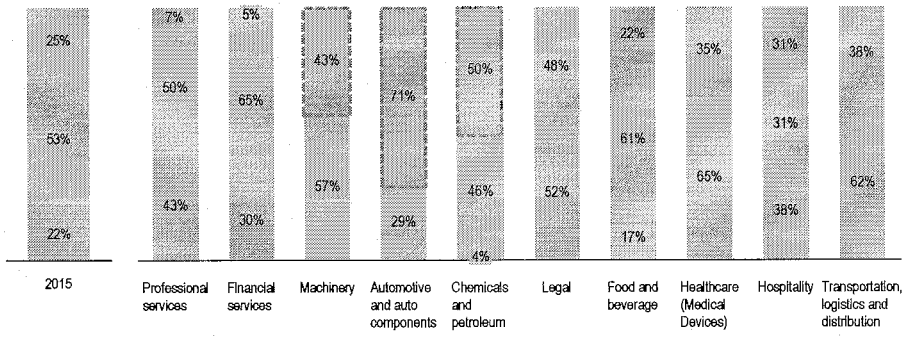


Source: BCS 2015, Roland Berger analysis

European auto companies most eager to engage in R&D

R&D Centres in China by Industry

Does your company have an R&D centre in Mainland China?



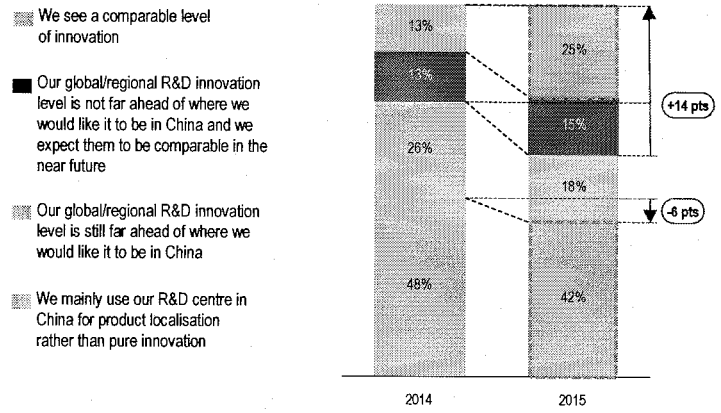
Yes No Not applicable

Note: Only industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

Although there are more China R&D centres achieving global levels of innovation, too many still focus on product localisation

Innovation levels of China R&D centres (2014-2015)



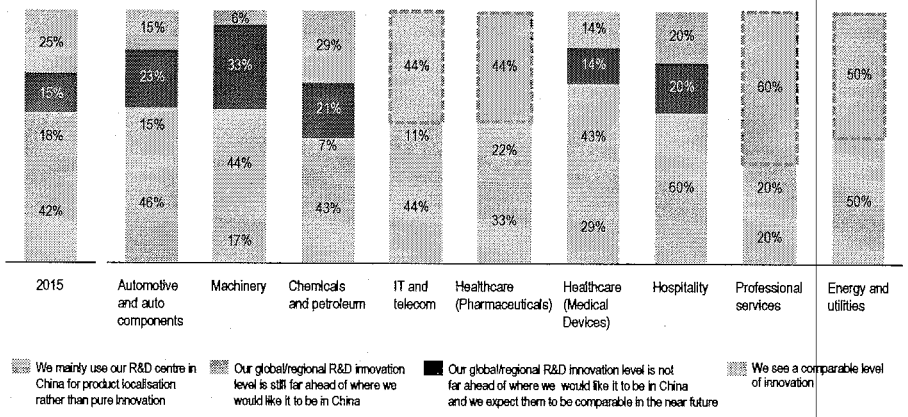
Note: Asked only to the companies that have an R&D centre in China. Multiple answers were possible

Source: BCS 2015, Roland Berger analysis

Professional services generate most comparable level of innovation

Innovation Levels of China R&D Centres by Industry

How would you characterise the level of innovation generated by your company's R&D centre in Mainland China compared to your company's global/regional R&D level?

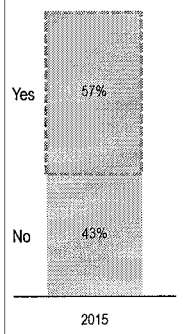


Note: Only companies with an R&D centre in China were asked. Multiple answers were possible
Note: Only N>4 are shown
Source: Business Confidence Survey Data, Roland Berger analysis

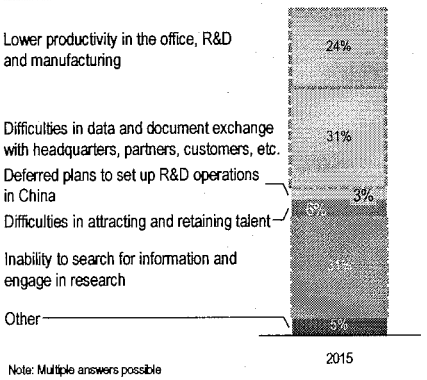
European companies' efforts to innovate in China are hampered by Internet restrictions

Impact of China's Internet speed and Internet access restrictions on business (2015)

Does the inability to access certain webpages in China have a negative effect on your business?



What is the impact on your company due to Internet instability, slowness or access restrictions in China?



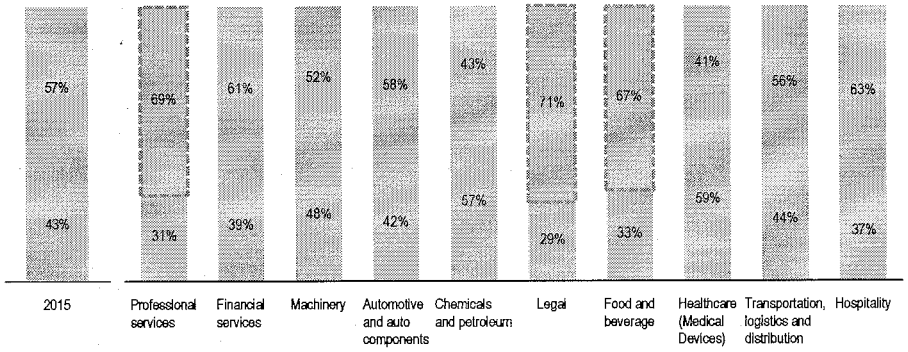
Note: Multiple answers possible

Source: BCS 2015, Roland Berger analysis

Legal and professional services most negatively impacted by China's Internet access

Impact of China's Internet Access on Business by Industry

Does the inability to access certain webpages in China have a negative effect on your business?



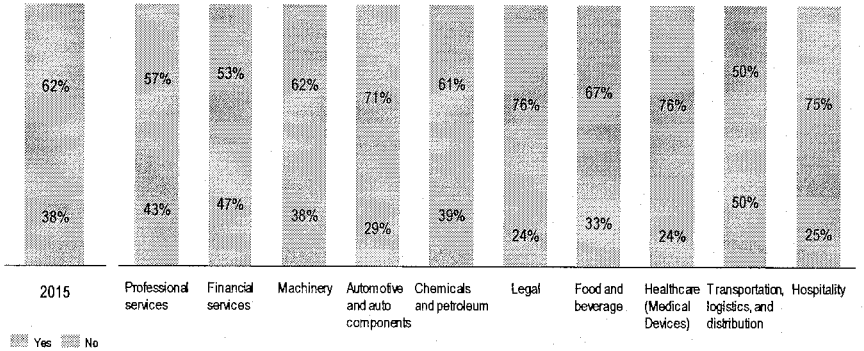
Note: Only industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

Legal, healthcare (medical devices) and hospitality most impacted

Figure: Impact of Internet Issues on Data and Document Exchange by Industry

Does internet instability, slowness or censorship in China hamper data and document exchange with headquarters, partners, customers?

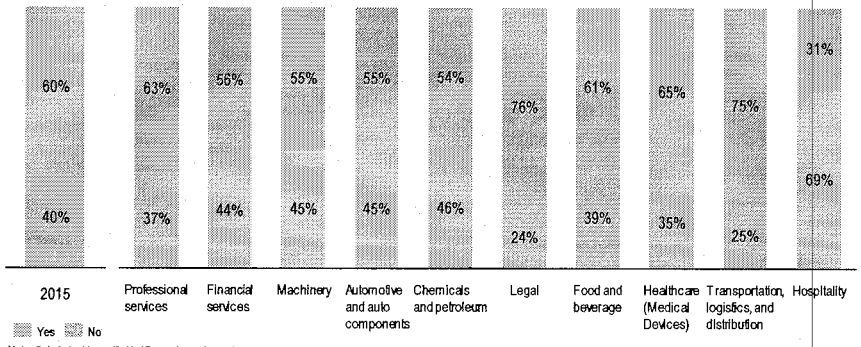


Note: Only industries with N>15 are shown here
Note: The total taken is the number of respondents

Legal and transportation most impacted

Figure: Impact of Internet Issues on Information Research by Industry

Does internet instability, slowness or censorship in China hinder you from searching for information and engaging in research?

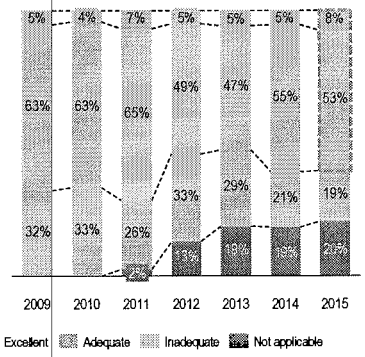


Note: Only industries with N>15 are shown here
Note: The total taken is the number of respondents

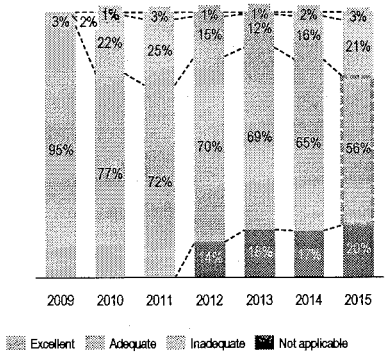
IPR protection: written laws adequate, but enforcement is key

Written IPR Laws' Effectiveness and Enforcement

How does your company rate the effectiveness of China's written Intellectual Property Rights (IPR) laws and regulations?



How do you rate the enforcement of China's IPR laws and regulations ?



Source: Business Confidence Survey Data, Roland Berger analysis

European Business In China

Business Confidence Survey

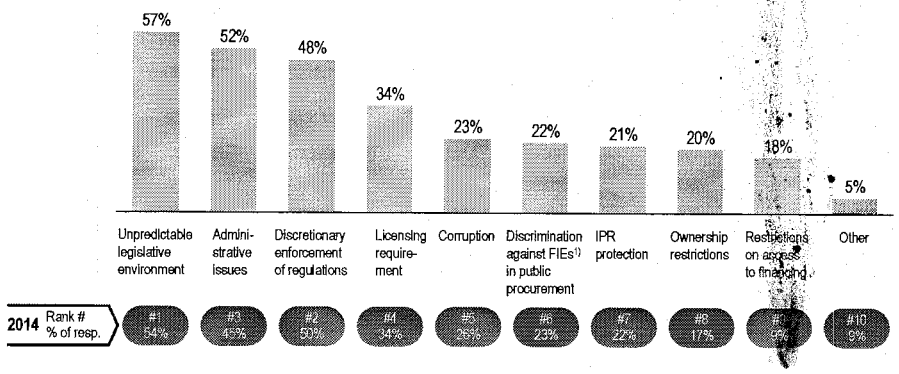
E. Rating the reform

In partnership with

2015

Top five regulatory obstacles that hamper economic performance remain unchanged

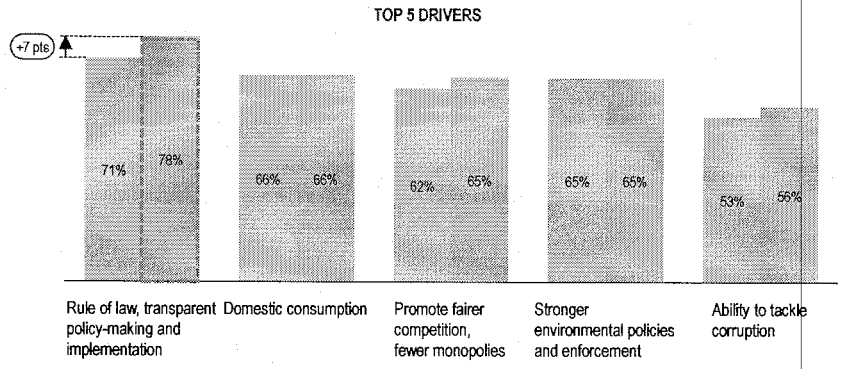
Regulatory obstacles to doing business in China (2014-2015)



1) FIEs: Foreign-Invested Enterprises
Note: The percentages shown are the sum of the top 1, 2 and 3.
Source: BCS 2015, Roland Berger analysis

Rule of law increasingly important to drive growth

Drivers for China's economic performance (2014-2015)

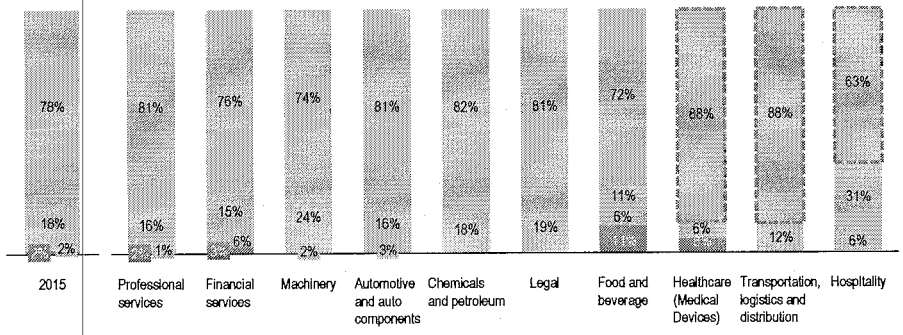


Note: Only the percentage of respondents who selected "Significant" is shown
Source: BCS 2015, Roland Berger analysis

Rule of law significant to industry

Importance of Rule of Law for China's Economic Performance by Industry

How important do you consider rule of law, transparent policy-making and implementation for China's economic performance in the coming years?



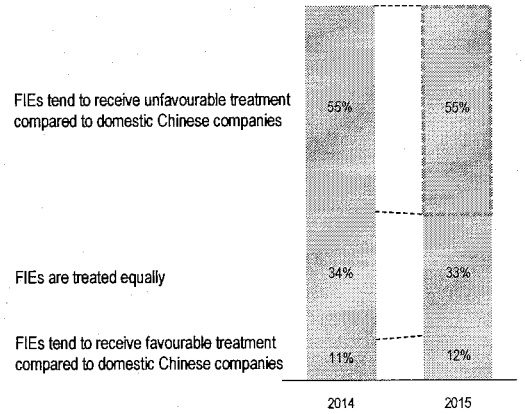
Significant Neutral Insignificant Not applicable

Note: Only the industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

Perception of unfavourable treatment at similar levels year-on-year

Perception of discrimination against foreign companies (2014-2015)

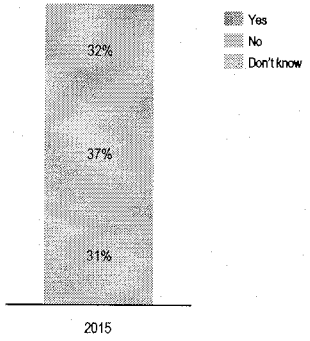


Source: BCS 2015, Roland Berger analysis

European business divided on reform agenda

Assessment of Reforms to Create Level Playing Field

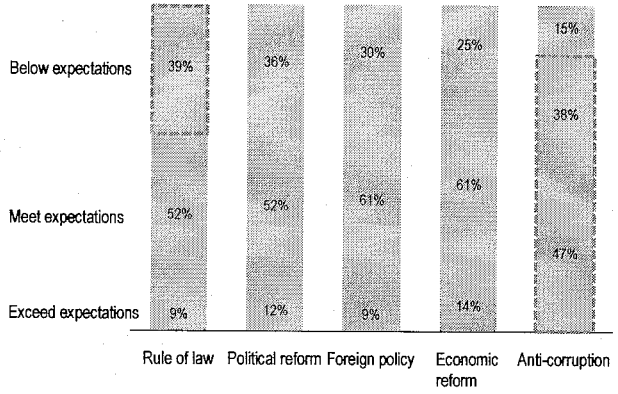
Has the ongoing reform agenda helped create an even playing field for foreign investors in China?



Source: Business Confidence Survey Data, Roland Berger analysis

European companies expect more efforts from the Chinese Government to improve rule of law

Rating of current Chinese administration's efforts (2015)

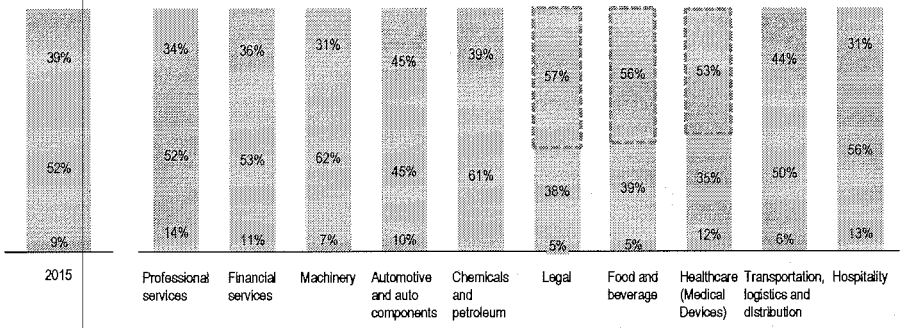


Source: BCS 2015, Roland Berger analysis

Legal most disappointed by efforts on rule of law

Rating of China's Efforts on Rule of Law by Industry

How does your company rate the efforts in rule of law of the current Chinese administration in the past two years?



Below expectations Meet expectations Exceed expectations

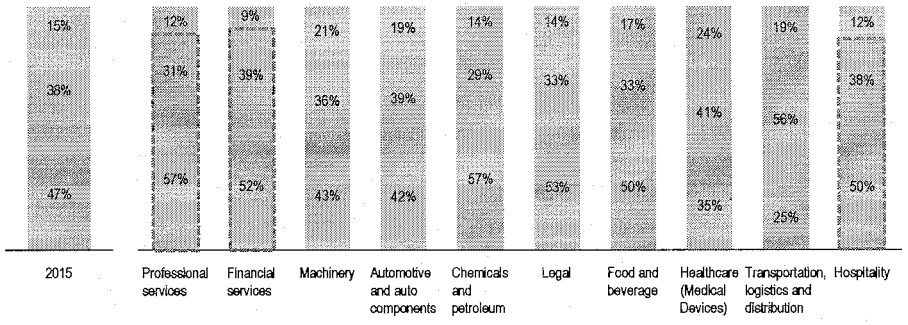
Note: Only industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

Anti-corruption efforts satisfy professional services, financial services and hospitality

Rating of Government Anti-Corruption Efforts by Industry

How does your company rate the efforts in anti-corruption of the current Chinese administration in the past two years?



Below expectations Meet expectations Exceed expectations

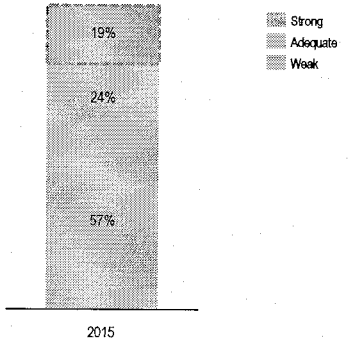
Note: Only industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

European business rates environmental efforts as weak

Rating of China's Environmental Protection Measures

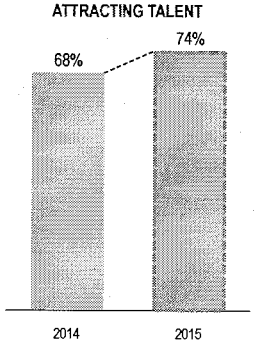
How does your company rate the government's environmental protection measures of the past year?

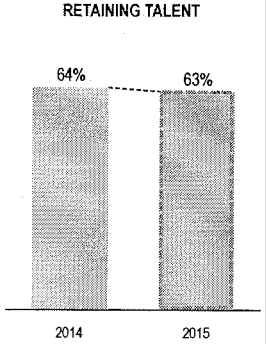


Source: Business Confidence Survey Data, Roland Berger analysis

Low rating of China's environment impacts human resources

Air pollution remains a top HR challenge to attract and retain talent (2014-2015)





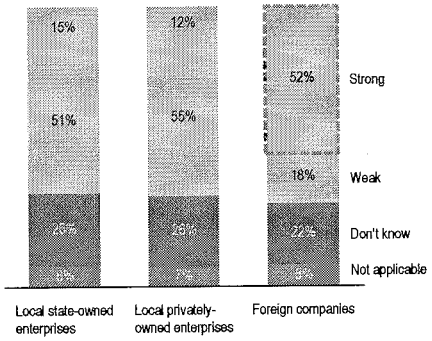
Note: The percentages shown are the sum of the top 1, 2 and 3 challenges.

Source: BCS 2015, Roland Berger analysis

Enforcement of environmental regulations stronger towards foreigners

Rating of Environmental Regulatory Enforcement on Companies

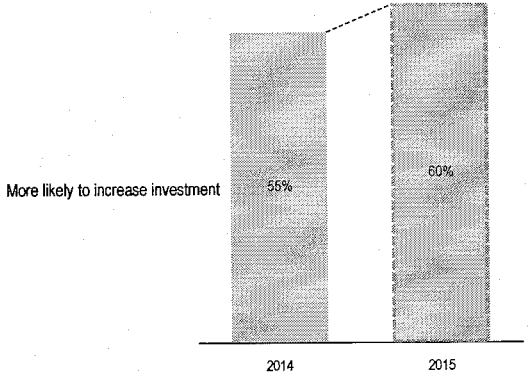
How do you assess the enforcement of environmental regulations in China on companies?



Source: Business Confidence Survey Data, Roland Berger analysis

European companies are eagerly awaiting improved market access to increase their investments

Impact of greater market access on foreign investment (2014-2015)

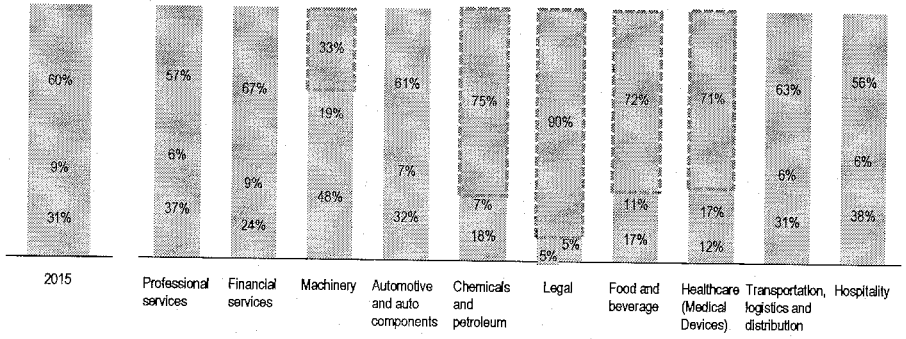


Source: BCS 2015, Roland Berger analysis

90% of legal firms more likely to increase investment, if market opens further

Impact of Greater Market Access on Investment by Industry

If greater market access were granted to foreign companies in your industry, how would this impact your company's investment decisions in China?



More likely to increase investment | Less likely to increase investment in China | No impact

Note: Only industries with N>15 are shown

Source: Business Confidence Survey Data, Roland Berger analysis

European Business In China

Business Confidence Survey

In partnership with

Roland Berger Strategy Consultants

2015

11 Annex 2

EU-China Transport Relations:

Latest Developments

EU Trade Counsellors Meeting

EU Delegation, 24 June 2014

Outline

1. EU-China High-Level Transport Dialogue (13 May 2015)
2. Maritime
3. Railways
4. Aviation

EU-China high-level Transport Dialogue

Interlocutors:

- **J. Aguiar Machado, DG MOVE of the European Commission**
- **VC Hu Zucai of NDRC (Basic Industries Dept.) + representatives of NRA, MoT and CAAC**

Main Points (the dialogue covers all dimensions of our transport relations: rail, maritime and aviation):

- DG Machado raised concerns on overcapacity with China's generous shipbuilding subsidy, international relay, as well as market access issues in the rail sector
- Connectivity/OBOR was not in the agenda (VC He Lifeng in charge)

Maritime Transport

Upcoming meeting:

21-23 Sept 2015: 12th Implementation Meeting EU-China Maritime Transport Agreement (MOVE-MoT) in Poland

As usual, MS and industry are invited

Main Points (still tbd):

- China's shipscrapping/shipbuilding subsidy (MoT/MIIT)
- International relay in Chinese ports
- LNG for shipping

Railways

Upcoming meeting:

Sept/Oct 2015: 2nd Meeting of the EU-China Railways WG (MOVE-NRA)

Main Points (still tbd):

•Connectivity

•PDSF Study on railways standards comparison

•Market Access concerns

Delegation of the European Union to China

Aviation

Meetings:

-Regular meetings between MOVE and CAAC (last meeting: today in Beijing at Director/Vice-Administrator level)

-Regular meetings between EASA and CAAC on the "technical roadmap" on aviation safety

Main Points:

•Discussions on a future EU-China Bilateral Air Safety Agreement

•EU considering to propose an Comprehensive Agreement

•New 10m€ EU-China Aviation project to start in July

Trade section

Thanks for your attention

(12)

EUROPEAN UNION

DELEGATION TO THE PEOPLE'S REPUBLIC OF CHINA AND MONGOLIA

The Head of Trade Section

Beijing, 7 July 2015
Limited

NOTE FOR THE ATTENTION OF EU TRADE COUNSELORS, BEIJING

Subject: Minutes of the Meeting of Trade Counsellors, 24 June 2015

Dear colleagues,

Please find attached the aforementioned minutes for your records, which I hope will be helpful.

Warm regards,

(signed)

[Art. 4.1(b)]

15, Dongzhimenwai Dajie, Sanlitun, 100600 Beijing, China. Tel +(8610)8454 8000; Fax +(8610) 8454 8011

Minutes – Meeting of EU Trade Counsellors on 24 June 2015
EU Delegation – Trade Section

1. Adoption of agenda

See annex 1 for participants' list.

2. Putting the lens on the EUCCC Business Confidence Survey. Presentation by EUCCC

EUCCC [Art. 4.1(b)] presented the main results of the just released **EUCCC 2015 Business Confidence Survey, with a particular focus on sector-by-sector analysis**. The survey gathers data from 541 responding companies (out of 1.474 entities, meaning a 37% response ratio, similar as in previous years). While **EU business remain committed to China, China's economic slowdown is here**. It is already significantly impacting the performance of European business in China. Margin pressures lead European business to reduce headcount. There is a striking **diverging performance across sectors**. 92% of **financial services** companies reported an increase or substantial increase in revenue over the past year. With growth moving away from investment towards consumption, the **automotive** sector remains amongst the most bullish and the industry is still eager to expand. The sectors of **hospitality and healthcare** are also doing well. With the exception of **legal services** (frustrated by the absence of liberalization), **services sectors** see little need to cut costs. Generally speaking, businesses directly affected by the slump in raw material prices such as **energy and utilities** and **food and beverage** industries, **chemical companies**, European companies in **industrial goods and services, and transportation sector** are the most bearish. **Newcomers** are the most optimistic about growth and profitability. **Multinationals, veterans** are the most concerned about economic headwinds. **China remains one of the top three destinations for investments for 60% of companies, but much less so than in previous years (10 percentage points less for future investment)**. Foreign investment lacks a level playing field in China's business environment and **one third of European business puts investment on hold**. **55% of companies feel discriminated** against as compared to Chinese counterparts—same as last year. **Unpredictability of the legislative environment, administrative issues, discretionary enforcement of regulations, and licensing requirements** remain top impediments—also the same as last year. However, companies perceive some **improvement in the enforcement of IPR**. While 56% of companies believe this is still inadequate, the percentage of those believing it is adequate or excellent is 24%--6 percentage points more than last year.

Member States showed great interest in the presentation. Questions were raised [redacted]

[Art. 4.1(a) third and fourth indents]

See annex 2.

3. Update on EU-China transport relations (Trade Section)

[Art. 4.1(b)] provided an update on the latest developments in the EU-China transport relations.

On 11-13 May, European Commission Director-General for Transport (MOVE) J-A Machado visited Beijing and held, among others, the 6th meeting of the High-Level Transport Dialogue with NDRC Vice-Chairman Hu Zucai.

During the **High-Level Dialogue on Transport**, DG Machado raised three concerns repeatedly expressed by the EU transport industry in China: (1) international relay in the shipping sector in the FTZs is open only to Chinese-owned ships, as opposed to the traditional flag-based distinction; (2) generous ship-scrapping and ship-building subsidies, which tend to add tonnage to a sector already suffering from overcapacity; and (3) local-content requirements in rail procurement procedures, with Joint-Ventures' production not qualifying as local. [Art. 4.1(a) third indent and 4.3 first subparagraph]

In the **shipping** sector, the 12th implementation meeting of the EU-China Maritime Transport Agreement will take place end of September in Poland: both the industry and the Member States are invited to participate. The two issues mentioned above will figure in the agenda, as will other issues like LNG for shipping and further contribution of the shipping sector to the fight against Climate change.

In the **railways** sector, the 2nd meeting of the EU-China Rail WG between DG MOVE and the National Railways Administration (NRA) will take place in Beijing in September/October. Market access and local content will be in the agenda again, as well as connectivity issues, since rail connections were at the source of current connectivity policies. First results are expected by then from a study comparing rail comparison in the EU and China.

In the **aviation** Sector, discussions on a future Bilateral Air Safety Agreement (BASA) make progress and EASA is already working on a technical level with CAAC, but the formal negotiation mandate request to Member States has not been issued yet. BASA is clearly an issue of common interest, since it will facilitate market access for the EU industry and reinforce China's capacity to assess the safety of aircraft. In addition, the Commission will present its Aviation Strategy before the end of the year, where it will set out the list of countries with which it will seek Aviation Comprehensive Agreements (we have them with US, Canada and now Brazil). Market potential for China [Art. 4.1(a) third indent and 4.3 first subparagraph] Finally, a new EU-China aviation project will i.a. support BASA negotiations and promote the EU industry in China [Art. 4.1(a) third indent and 4.3 first subparagraph]

4. Debrief of last round investment negotiations (Trade Section)

EUDEL [Art. 4.1(b)] debriefed the TCM delegates on the outcomes of the 6th round of negotiations of the **EU-China Investment Agreement** (CAI), which took place in Brussels on 2-4 June 2015.

[Art. 4.1(a) third indent and 4.3 first subparagraph]

In spite of the very short deadline, the European Union managed to comment on the pre-consultation on the "***Regulations on the Administration of Investment Projects Subject to Government Verification and Approval and Investment Projects Subject to Government Record-filing***". The EU insisted that, in order to unleash the creative power of mass entrepreneurship, all sectors should be open to domestic and foreign investment, devoid of State involvement, and subject only to limited and specific exceptions, exhaustively determined in advance. Specifically, the EU called for the elimination of the pervasive discrimination against foreign investment still enshrined in the Regulation and suggested to eliminate State involvement for foreign investors instead of imposing additional conditions also to domestic investors. In particular, the EU suggested that "national security" is narrowly and precisely defined and that references to other concepts linked to economic security are removed. The EU finally called for procedural improvements to limit discretionary application of the law, and to enhance transparency, predictability and accountability for investors.

[Art. 4.1(a) third indent and 4.3 first subparagraph]

[Art. 4.1(a) third indent and 4.3 first subparagraph]

[Art. 4.1(a) third indent and 4.3 first subparagraph]

5. Exchange on recent and upcoming visits

The exchange focused on the upcoming 29 June EU-China Summit, with core expected deliverables on investment, connectivity, IPR, digital, legal affairs and WTO issues.

6. AOB (blank)

Annex 1. List of Participants

List of Participants, TCM 24.06.2015, Beijing

[Art. 4.1(b)]