

KAREL DE GUCHT
MEMBER OF THE EUROPEAN COMMISSION

Brussels, 131211
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Dear Mr Zegna,

I am writing in response to your letter dated 10 November 2011 regarding China's request for "Market Economy Status" recognition. First of all I would like to thank you for your concern about the impact that such recognition would have on the EU Trade defence instruments and the European industry.

The Commission's position regarding this issue remains unchanged. China will obtain Market Economy Status in EU trade defence investigations when it can demonstrate that it fulfils all five Market Economy Status criteria. These criteria are set out in Article 2.7(c) of Council Regulation (EC) No 1225/2009 and comply with WTO provisions as mentioned in paragraph 15(d) of the WTO accession protocol of China. I am glad that Confindustria has always supported the Commission's position in this matter and I note that you continue to do so.

To date, China has only demonstrated that it complies with the criterion related to the absence of state-induced distortions in the operation of enterprises linked to privatisation and no use of non-market trading or compensation systems. China still needs to demonstrate that its economy meets the remaining four criteria related to the allocation of resources, company law, corporate governance (including international accounting standards), property, a bankruptcy regime and the financial sector. Regular discussions are conducted between the European Commission and China to assess the progress made on these issues. Only when the remaining four criteria are met, the Commission can make a proposal to change the above Council Regulation to allow Market Economy Status to be granted to China.

Yours sincerely,



Karel De Gucht

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