

EU should observe WTO rules without reservations

By Zhong Sheng from People's Daily

The EU recently drew global attention for its reluctance to fulfill its obligations under Article 15 of the Protocol on China's Accession to the World Trade Organization (WTO). It reveals that the EU's insincere attitude toward international treaties and the WTO rules, but it must keep in mind that observing international obligations without attached strings is the only right choice.

Earlier this month, the European Commission officially presented a long-awaited proposal to the European Parliament and the Council of the European Union to amend its legislation on anti-dumping and anti-subsidy measures.

But in the proposed new model, the EU, instead of fundamentally ending the surrogate country system, uses "market distortion" as a substitute for "non-market economy." Such a proposal appears to indicate that the EU wants to fulfill its obligations, but is actually extending the "surrogate country system" it previously adopted.

However, it cannot muddle through by obscuring facts of international rules. After China joined the WTO in 2001, some WTO members considered China as a non-market economy, insisting that Chinese exports had an unfair price advantage against other market economies. As a result, they have been adopting a surrogate country system allowing the use of "international" prices as a cost reference in their anti-dumping investigations against China.

But according to the Article 15 of the Protocol on China's accession to the WTO in 2001, China will automatically gain market economy status when the surrogate country approach expires on December 11, which means that WTO members should stop using the "surrogate country system" in their anti-dumping investigations against China.

In other words, a timely implementation of this article is the obligation of the EU and other WTO members, rather than a favorable policy for China.

However, since the beginning of this year, the EU has been taking China's steel overcapacity and market economy status as an excuse to dodge the obligations written in the protocol. If it does that, it will run counter to the requirements of the treaty.

As a sunset provision, Article 15 of China's WTO accession protocol automatically comes to an end on December 11, 2016 no matter what happens. It cannot be subjected to decisions of each EU member, or influenced by any other agendas. But someone from the EU is still bargaining about the implementation. So does it suggest that China's accession to the WTO needs another round of negotiation?

The EU is hesitant to fulfill its obligation because it needs to satisfy the demands of a small number of interest groups by leaving the door open for trade protectionism.

In the new proposal, the European Commission not only takes "market distortion" as a premise of whether to take the costs and prices of the products from investigated countries as the benchmark for anti-dumping comparison, but also cites national policy, proportion of State-owned enterprises, discrimination caused by the support to domestic enterprises, and the independence of financial institutions as indicators to measure "market distortion".

Without any legal basis in the WTO rules, these new concepts may turn into a new tool of trade protectionism. Such tendency has been proved after the WTO ruled in favor of Argentina in a dispute concerning the anti-dumping duties imposed by the EU on biodiesel imported from the South American country.

The UK-based newspaper Financial Times also commented previously that the new proposals of the EU are an indication of another step toward protectionism.

As one of the largest economies in the world and an important WTO member, the EU should be a forerunner in obeying the WTO rules, fulfilling international obligations, and taking trade remedy measures in accordance with standards.

In addition, an effective implementation of Article 15 not only serves the long-term interests of the EU, but will also bring China-EU economic and trade cooperation to a stable track by sending a positive signal to the market, enterprises and society.

Currently, the main theme of China-EU win-win cooperation has not changed, nor have the fundamentals of mutual economic complementarities. However, if the EU use such an issue to undermine the bigger economic and trade cooperation with China, its losses will certainly outweigh the gains.