

EU vows to toughen up trade defences against cheap Chinese imports

European commission promises action against foreign producers flooding world markets with subsidised goods

Jennifer Rankin

Wednesday 20 July 2016 18.00 BST

The EU executive has vowed to toughen up Europe's trade defences in a bid to prevent industry from being overwhelmed by artificially cheap Chinese imports.

The European commission promised "faster and firmer" action against foreign producers flooding world markets with subsidised goods, dashing China's hopes of gaining "market economy status" under existing trade rules.

China has been lobbying for market economy status in the World Trade Organisation, a change that would make it harder for other countries to challenge Beijing over state-subsidised goods being dumped on world markets.

The seemingly arcane dispute over nomenclature has gained political potency, as massive overproduction of state-subsidised steel from China has forced the closure of plants across Europe. In the UK, some 11,000 jobs are at risk at Tata Steel, including 4,000 at Port Talbot. Tata Steel has refused to guarantee the future of the Port Talbot works, although it is working with the UK government on a rescue plan.

Labour MEP David Martin welcomed the EU plan, but warned the "devil was in the detail" and that they were "almost too late" for steel jobs.

Beijing argues that it should be treated as a normal market economy from December, the 15th anniversary of its WTO accession.

The US argues that China has no automatic entitlement to be treated as a market economy, because Beijing continues to subsidise steel and aluminium, leading to massive overproduction. On Wednesday, after months of foot-dragging, the EU executive also said China should not be treated as a market economy.

"We should forget this phrase [market economy status] because it doesn't exist anymore," said Jyrki Katainen, a European commission vice president, as he vowed the EU would be as tough as the Americans on trade defence.

"We can make our procedures both faster and firmer, strengthening our ability to enforce fair trade and bringing us closer to the American model of trade defence," he said.

EU punitive duties on dumped goods are far lower than those levied by the US. While the EU chooses to abide by the lesser-duty rule, which restricts punitive tariffs on dumped goods, the US has chosen not to use this voluntary WTO standard. As a result, US lawmakers have been

able to protect domestic producers, by slapping anti-dumping duties on cut-price Chinese steel that can be 16 times greater than those from the EU.

Over the last decade, EU member states, including the UK, have thwarted attempts to change the lesser-duty rule. On Wednesday, Katainen called on countries to compromise and agree a trade-defence law that has been blocked since 2013.

“The market has changed and we are suffering significant overcapacity,” he said. “That is why we have to address the issue.” EU ministers will discuss the plans in the autumn.

The commission also promised new legislative proposals in the autumn to strengthen the EU’s anti-subsidy rules, in an attempt to head off any legal challenge from China. The EU executive believes it has found a middle way that allows it to meet WTO rules and defend domestic industry against unfair competition.

Cecilia Malmström, the commissioner responsible for negotiating EU trade deals, said: “We are not singling out China,” stressing the new rules “could go for any country”.

Long-time EU trade watchers warned the plans could run into obstacles. “Every time a proposal on changing anti-dumping regulation in Europe has come up, the membership has been split in two different groups,” said Fredrik Erixon, director for the European Centre for Political Economy. He forecast the same ideological split among member states, who ultimately agree the EU rules.

In April the European parliament voted by an overwhelming majority that China should not be granted market economy status. On the other side, the British government has championed market economy status for China, as part of former prime minister David Cameron’s attempt to be Beijing’s best friend in Europe.

Erixon said the commission was seeking to downplay the contentious issue of China’s market economy status, by focusing on trade defences. “The commission has calculated there is no point going into battle with the European parliament and member states.”

David Martin, a Labour MEP who sits on the European parliament’s international trade committee, gave a cautious welcome to the plans.

They were a “step in the right direction”, but MEPs needed to know more about how it would work he said. Reform of Europe’s trade defences was urgently needed, he said, but this was “almost too late for steel jobs”.

One unanswered question is how the UK will manage trade policy once it leaves the EU. Martin said he worried post-Brexit Britain would have weak trade defences.

“All the indications from the current British government is that they would not put up strong trade defence measures,” he said. “They are right to want good relations with China, but not at the price of wiping out much of our manufacturing industry.”

The business department, now led by Greg Clark, had not responded to a request for comment at the time of publication on whether it continued to support market economy status for China.

An editorial in the official Chinese state agency, Xinhua, criticised the EU plan, saying that China was not to blame for declining EU competitiveness. “European lawmakers’ bias is nothing more than the heavy hand of trade protectionism squeezing the world economy.”

[More news](#)

Topics

[European commission](#) [Europe](#) [Steel industry](#) [WTO](#) [Tata](#) [More...](#)

[Save for later](#) [Article saved](#)

[Reuse this content](#)