



European Chamber
中国欧盟商会

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Ambassador Robert E. Lighthizer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508
USA

11th May 2018

Dear Ambassador Lighthizer,

Re: Notice of Determination and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

We are writing to provide comments on the United States Trade Representative's investigation concerning proposed determination of action pursuant to Section 301 of the United States Trade Act of 1974 against China.

In particular, we would like to do so as your office recently referenced our report *China Manufacturing 2025: Putting Industrial Policy Ahead of Market Forces* very prominently in this regard.

Many of the concerns highlighted in the Section 301 investigation are common to European companies operating in China. These include a general lack of market access—specifically in high-tech sectors—a business environment that favours domestic firms, the continued existence of technology transfers as a pre-condition for market access, and the requirement to localise data as well as industrial and innovation facilities.

By the same token, we agree that the broad set of policy tools that are being used to facilitate the development of the China Manufacturing 2025 initiative are highly problematic.

Nonetheless, the European Chamber believes that trade frictions are a complex issue best dealt with through dialogue at a bilateral level, or failing that through the multilateral setting of the World Trade Organization.



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On balance, we see sincerity in the Chinese Government's commitments to reform and opening-up, and we have been encouraged by recent, public reform pronouncements, such as the State Council's documents No. 5 and No. 39.

Some market access reforms are already being enacted. We are seeing examples in the financial services sector, but also the industrial sector, including industries related to China Manufacturing 2025.

European business remains cautious, and is still waiting to see how, and how fast, these reforms will be rolled out. The European Chamber believes that China knows it needs to deliver on the string of reform and opening-up promises that have been made since President Xi Jinping's speech at Davos in 2017. We take China at its word and believe further rounds of reforms will happen before the end of 2018, and we look forward to seeing China follow through on them.

While market access will certainly remain a concern, other problems related to China's opaque regulatory landscape are beginning to take precedence for our member companies. Limited rule of law, an unpredictable legislative environment and highly burdensome administrative processes, as well as a frequent lack of clarity about who foreign business' interlocutor is, are all major challenges.

The European Chamber's advocacy efforts in China will continue to seek remedies for these and other issues experienced by our members.

Yours sincerely,

Mats Harborn
President
European Union Chamber of Commerce in China

