

Vice-President Katainen: College read-out and remarks on EU-China – a strategic outlook

Good afternoon to all,

There are a couple of issues that we dealt with in the college.

Ahead of the spring European Council in March, the College discussed the progress achieved in building the single market for capital, including with regard to sustainable finance and calls on leaders to keep up the political engagement to lay down the foundation of the Capital Markets Union. On this, a progress report will be presented by Vice-President Dombrovskis in the press room on Friday.

Today, the College has also decided to register a European Citizens' Initiative entitled 'Housing for All'. Without analyzing the substance of the proposal, the Commission has found that it is legally admissible. The purpose of the initiative is to ensure that the right legal conditions exist to facilitate access to housing for everyone in Europe. The registration itself will take place on 18 March this year. After that, organisers will have one year to collect the necessary signatures.

The College was also updated on political developments, including the latest on Article 50 negotiations. President Juncker agreed last night with Prime Minister May on a set of legal assurances and meaningful clarifications to the Withdrawal Agreement and the nature of the backstop, in particular. These assurances complement the Withdrawal Agreement without re-opening it. They are legally binding. President Juncker recommended to president Tusk that the European Council endorses this document at the European Council of 21 and 22 March subject to a prior positive vote in the House of Commons on the Withdrawal Agreement.

Let's move now to the Communication on EU-China. We adopted today a Communication providing a strategic outlook on EU-China relations.

The EU and China are, on one hand, strategic partners, but also competitors. As this Communication says, we are strategic partners, we are negotiating partners, we are competitors, but China is also our rival. It offers a different way to organize societal developments.

Our objective should be to engage and cooperate with China in all areas where we have common interests. However, we must also seek more balanced and reciprocal conditions governing our economic relations. And the EU must be able to act resolutely to protect our market economy, our social model and our fundamental values, when they are being challenged. We need a level playing field and no trade acquisitions allowed with subsidies. But yes, indeed, we are all in favour of open and fair competition with Chinese

operators.

The Commission has therefore reviewed EU relations with China in five broad areas and is proposing to the European Council 10 concrete actions to better respond to opportunities and challenges we have with this partner:

First, we should engage more strongly with China to promote an effective rules based multilateral order as well as to fight climate change. The EU and China can be effective partners in doing so. We both realize the importance of upholding multilateralism as the best way of finding solutions to global problems. We also both agree on the negative impacts that emissions and pollution have on our planet. We have therefore decided to act resolutely on these fronts, but can and should do more.

Second, we want to deepen our action in support of international peace, security and sustainable development. Building on the positive cooperation with China on the Iran nuclear agreement, we want to work with them for instance on the denuclearization of the Korean peninsula, the peace processes in Afghanistan, or in addressing the Rohingya crisis in Myanmar. China should, however, accept binding arbitration rulings issued under the UN convention of the Law of the Sea related to its maritime claims in the South China Sea. We also want to cooperate with China and promote high governance standards, sustainability and a level playing field in respect to investments and economic cooperation with third countries, in Asia, Western Balkans or Africa, in particular in the field of infrastructure. We also want to engage more effectively with China on human rights issues.

Third, we need to achieve a more balanced and reciprocal trade and investment relationship with China. With more than €1 billion of trade in goods every day, the EU and China are strategic markets for one another. However, distortions in the Chinese economy, where the state retains a strong influence, have negative spillover effects in the EU, notably when overcapacity leads to dumping. China's state driven industrial policy and ambition to develop domestic champions is also problematic when it leads to non-reciprocal market openness and an uneven playing field for EU companies. We therefore want China to deliver on its commitment to reform WTO rules, and accept stronger discipline on industrial subsidies and forced technology transfer. We also have a shared interest to conclude our bilateral agreements with China on investment by 2020, and aviation safety or geographical indications in the near future. Finally, we call on the Council and European Parliament to adopt as quickly as possible the international procurement instrument, which will help ensuring more reciprocity with third countries in the field of access to public procurement markets.

Fourth point: The EU must strengthen its competitiveness and ensure a level playing field in Europe. Let me be clear that this is homework the EU needs to do regardless of China and is not directed against China. In order to ensure fair competition, EU state aid rules limit strictly subsidies that Member States can grant to private companies. However, they do not apply to foreign subsidies. And WTO rules on subsidies are less stringent than EU state aid rules. This is why we want to reform and strengthen WTO rules on subsidies. But we also need to be able to act on our domestic market. The

Commission will therefore identify before the end of 2019 how to more effectively address the distortive effects of foreign state ownership and state financing in Europe and fill the gap in EU law. In order to promote high standards of quality, security, sustainability, and social responsibility, the Commission will also publish a guidance on the participation of foreign bidders in EU's procurement market and conduct an overview of EU's procurement framework. Based on the renewed EU industrial policy strategy, the EU will encourage the development of strategic value chains and key technologies in Europe, such as we do with the action plan on Artificial Intelligence. Finally, we encourage co-legislators to swiftly agree on Horizon Europe programme, which will support innovation in Europe, while also including clear rules on exploitation of results and reciprocal access to R&D funding when we cooperate with third countries. We want to avoid ending up in a situation where we are forced to compete with public subsidies. We believe in social market economy and we are not in favour of a subsidised economy.

The fifth and final point is that we must strengthen the security of EU's critical infrastructure and technology. 5G networks will provide the future backbone of our societies and economies, connecting billions of objects and systems, including sensitive information. The Commission will therefore adopt after the European Council a recommendation for a common EU approach to 5G security networks. We also call Member States to start preparing for the implementation of the new EU foreign investment screening system that will enter into force in April 2019 and will allow detecting and addressing risks to security that may be posed by foreign takeovers of critical assets, technologies and infrastructure. Finally, we call on the Council to swiftly adopt the EU modernized rules on export control of dual use goods. All these steps will reinforce EU resilience and security regarding potential risks in critical sectors.

In conclusion, I want to say that Europe and China are very important partners. Strategic ones, indeed. The EU must deepen its partnership and cooperation with China, for the benefit of both of us. But the EU must also more assertively promote reciprocity in our trade and investment relations, foster a level playing field, and protect our economic, social and political models.

Thank you very much.