

# **Leveling the Playing Field: A Call for Fair Competition with China**

## Introduction

China's aggressive economic and trade policy poses huge challenges for the European mechanical and plant engineering industry for the foreseeable future. Supported by the "Made in China 2025" strategy, Chinese mechanical engineering companies have become increasingly strong competitors on the global market. Unfair state subsidies for Chinese companies play a major role in international business. The VDMA has examined these challenges in numerous discussions with its members and in surveys. Three clear messages emerge from this:

1. **Willingness to compete:** The European mechanical and plant engineering industry is accepting competition from Chinese companies and wants to continue to successfully maintain its strong position on the global market under its own steam.
2. **Better framework conditions:** However, companies need better framework conditions in order to be able to compete globally with Chinese companies.
3. **Fair competition:** Competition must be fair. European mechanical engineering companies do not accept that Chinese companies do not abide by the rules of international trade.

In order to emphasize these messages, the VDMA is making demands of the German government and the European Union that fall into the following categories:

1. **Strengthen competitiveness:** The competitiveness of European companies must be strengthened.
2. **A level playing field:** A level playing field must be established in the European internal market.

## VDMA demands to strengthen the general competitiveness of European companies

**Reduce bureaucracy:** The VDMA is calling for companies to be relieved of bureaucracy, especially sustainability reporting obligations, which are a particular burden on SMEs.

**Reform the tax system:** A reduction in the tax burden and a simplification of the tax system are necessary, particularly in Germany. Corporate taxes should be reduced to a maximum of 25 percent in order to increase international competitiveness.

**Promote innovation:** In particular, Germany must be strengthened as a location for innovation. This includes greater research funding, the expansion of research allowances and production research, the promotion of patenting and the development of strategic roadmaps in relevant technologies. In addition, the unwanted outflow of knowledge from publicly funded research should be prevented.

**Support the development of strategically relevant technologies<sup>1</sup> through industrial policy:**

To avoid dependencies on China, the development of strategically relevant technologies should be supported by industrial policy. This could be achieved through non-price-related criteria in public tenders, exclusion criteria for market access and local content criteria. Local content criteria can also be applied to non-strategically relevant technologies if European subsidies are paid.

**Conclude free trade agreements:** There is an urgent need for the EU to conclude more free trade agreements, particularly with MERCOSUR and India, to improve access to new markets and reduce dependence on the Chinese market.

**Promote standardization activities:** China uses standardization as an instrument to implement its economic policy interests and is striving for global dominance of Chinese standards, which would give Chinese companies a competitive advantage. Standardization activities by European companies should therefore also be promoted to avoid competitive disadvantages

**Making export controls competitive:** Germany in particular does not have a clear concept for export control towards China. This leads to long approval times for products that China already produces well enough itself or that are readily available worldwide. This weakens the competitiveness of European companies.

## **VDMA demands for the enforcement of a level playing field on the internal market**

**Impose countervailing duties:** The EU should impose countervailing duties on imports from third countries if they violate EU anti-dumping or anti-subsidy rules. China is a particular focus here with its aggressive export policy.

**Strengthen market surveillance:** Time and again, Chinese companies export machinery to Europe that does not comply with EU legislation. Market surveillance in Europe should therefore be strengthened and violations of the rules should be sanctioned. Manufacturers from third countries that violate the rules should be obliged to undergo prior certification by a third party body. Manufacturers of products based in third countries and their EU representatives must be clearly identifiable so that the legal requirements for products can be enforced.

<sup>1</sup> Strategically relevant technologies support Europe's security policy interests and livelihoods. They contribute to achieving climate-neutral transformation, energy security and defense.

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