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Mr. Peter Mandelson
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Dear Commissioner,

As Chairman of PA International I am writing to you with reference to your impressive performance at last week's EU-China Trade and Investment conference and your clear message for the need to strike a "grand bargain" between Europe and China. Whilst much of the conference focussed on the difficulties of doing business in China there are a number of additional concerns brought to my attention by industry in recent weeks, which I believe should also be considered within the framework of the new EU-China Framework Agreement. I trust that the insights and experiences of my colleagues and I as detailed herewith will assist you and your team in this difficult and challenging task. I should like to note that we are fully at your disposal for any further information or assistance you require.

Of course none of us can overlook the impressive developments in China in the last decades. Their unflinching growth has propelled them from 30th in global exporters league in the 1970s to 3rd place today. More important than the economics are the social elements such as managing the largest reduction in poverty in human history, a model to be learnt from. Whilst discussions on the future of democracy in China will continue, the EU is correct to be thinking about the longer-term and the implications for trade and economic relations.

In the West we are increasingly aware of and sometimes disturbed by the growing economic clout of China. With Chinese growth rates consistently above nine percent, there are perceptions of China taking jobs, deliberately keeping the yuan undervalued by pegging it to the dollar, of exporting deflation by selling its products abroad at unfair prices, of violating the rights of its workers to keep labour costs low, and of failing to meet its commitments to the World Trade Organization. I am certain that many of these elements will and have been addressed and detailed by other interlocutors and thus take the liberty to



focus on the one specific issue which has been brought to my attention – our health security.

As a former Belgian Minister of Agriculture and Member of the European Parliament it is clear for me that the EU's common agricultural policy, whilst now in need of change, has been necessary to ensure the livelihoods of millions of Europeans as well as food security. During the last few decades, a period of transition has been allowed without which we would almost certainly now be dependant on food supplies from outside Europe. Whilst some would argue that this would provide the best prices for consumers and reflect the nature of the global trading mechanism, it is absolutely understood that such a situation would not be acceptable to the European people. The situation with food, whilst not at the time being about China, is now being repeated over energy – partly with China (as a competitor) and others such as Russia (as a supplier); and quite correctly the European Commission and Member States are evaluating what efforts can be undertaken to ensure security and diversity of supply.

The above-cited elements are about the security of the European citizen – providing basic resources on which we all depend. This is not security within the context of the global fight on terror or the potential of new nuclear states. This is security of the citizen and the fundamental right to have access to basic human needs. In this context there is one area on which little attention has yet been paid, yet one on which we risk losing to Europe at our own peril. This is the continued reliability and efficacy of manufactured ingredients whether they are for nutritional or pharmaceutical use. In the future there will be an increased concern in Europe over the availability, traceability and safety of elements such as nutrients, vitamins, pharmaceuticals and anti-biotics. Unless a serious effort is now undertaken to safeguard the limited manufacturing base left in Europe, the situation that all such vital elements will need to be imported may come sooner than is thought.

This is not about protectionism or introducing technical barriers to trade, it is about our health and that of our children. As the Honorary Chairman of the world's largest brewer Inbev, I can fully see the benefit of increased trade with China – but the investments I steered through Inbev were clearly on China's terms and conditions. For the future good management and success of our relationship basic principles, that have allowed our success in the internal European market, need to be applied. These include:

- Protection of society – products should certainly not be allowed on the EU market where there is any risk or potential dangers to human health. This is an EU legal requirement and should therefore apply equally to EU imports. European manufacturers have to demonstrate traceability throughout the production chain – due to lack of management and enforceability this is not always applied to imported



products. If the EU would consider to engage in this, it would reflect similar policies in China

- Protection of the consumer – Europe has spent significant resources on the protection of the consumer vis-à-vis product quality. European producers and suppliers have to demonstrate (quite often through strict and costly regulatory procedures) the case of need and added value of products. As a consequence there is a certain quality expectation in the EU. Imports that do not meet such criteria should not be authorized on the EU market or should be clearly differentiated (through regulation) from highly purified and effective EU products.
- Level Playing Field – in any global trading system there will always be an imbalance, however Governments that subscribe to free trade principles should undertake measures necessary to ensure a level playing field. It is clear however that some countries are involved in actions which undermine this possibility. Certain countries (including China – as was recently demonstrated by the shoe issue) actively subsidise the land, facility construction, the labour force, the laboratories, the export, the marketing and the sales of products. Additionally certain industries are explicitly involved in price cartels and dumping actions – often with the full knowledge of the authorities.

Whilst the above-mentioned elements are fundamental to the operation of the market in Europe they are equally applicable to the operation of the global trading system and many elements are currently being reviewed through the Doha negotiations. This said there is a clear trend occurring today, which if not addressed will leave the EU Member States dependant on other parts of the world and notably China for ingredients and products which are vital for Europe's health.

With this in mind we kindly call on the Commission as part of its proposal preparation to consider the following four actions.

- In the first instance an assessment needs to be made of Europe's vital strategic health sectors including nutrients, vitamins, pharmaceuticals and anti-biotics. This could be undertaken through a consultation of key stakeholders representing key sectors including medical/military, food, animal feed and pharmaceutical.
- Secondly a 'state of play' needs to be undertaken as to the current production capabilities and need in Europe today and in the future for these products. Within this analysis an understanding needs to be made of those products where there is an immediate threat due to competition (in line with the above mentioned principles) resulting in their continued disappearance from Europe. From recent discussions and press reviews it is clear that some products are nearly (if not already) extinct from Europe.



- A third element of the necessary analysis would be the assessment of the economic and societal impacts of losing these products and ingredients to Europe. Within such an assessment a cost analysis would need to be made if for some reason (conflict, famine, epidemic, natural disaster) it was necessary to obtain significant supplies at short notice or indeed replace 'lost' facilities (keeping in mind the time factors).
- Finally, based on the first three elements of the necessary analysis, is the need to consider what measures may be necessary in order to safeguard the security of the European citizens. Such a consideration by the Commission in consultation with the Parliament and Member States may lead to the desire to introduce specific and targeted industrial policies for the long-term sustainability and availability of these strategic sectors in Europe.

I trust that the above considerations help you in your deliberations on the future of our relationship with China, which will undoubtedly continue to grow and if correctly and fairly managed and implemented will be mutually beneficial to all.

As Chairman of the PA International Foundation I thank you in advance for your consideration of the above concerns and look forward to an early opportunity to discuss these matters with you. In light of the importance of these concerns I will also take the liberty to discuss some of these elements with colleagues in the European Parliament. We of course remain fully at your disposal for any further information.

With warmest regards,

Baron Paul De Keersmaecker

Chairman of the PA International Foundation
Chairman of the American European Community Association
Honorary Chairman of Inbev and KBC
Former Belgian Minister of Agriculture
Former Member of the European Parliament
Former Member of the Belgian Parliament