

IMPLICATIONS OF THE EU'S POSITION ON TRADE DISTORTION FOR EU-CHINA TRADE RELATIONS: FROM SELECTIVE ADAPTATION TO COORDINATED COMPLIANCE

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ABSTRACT

This paper revisits the “significant distortion” standard created in the European Union’s (hereinafter “EU”) anti-dumping trade regulation, which leads to the application of third-country prices in the calculation of dumping margins. The authors argue that: (1) According to the detailed analysis in this article, it remains in question as to whether the “significant distortion” standard adopted by the EU is consistent with the EU’s World Trade Organization (hereinafter “WTO”) treaty obligation under Paragraph 15 of the China’s WTO Accession Protocol. (2) In the big picture and from a normative and strategic perspective, this paper argues that the paradigm of selective adaptation provides a more comprehensive understanding of both the EU’s new trade policies and China’s socialist market economy. (3) As a policy suggestion, it is proposed that, instead of using anti-dumping investigations to address the

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problems of China's state centred economy, coordinated compliance of international trade and human rights, with a focus on the labour rights in China, may be a desirable policy approach for the EU to take towards China in hope of a better treaty performance by China in both trade and human rights. This policy approach of coordinated compliance does not involve anti-dumping as a policy tool, but it is used by developing a comprehensive set of labour and environmental standards for Chinese and other non-EU producers to follow and comply with. Labour and environmental standards can be used to determine whether the fair trade is achieved in China's exports to the EU. To ensure labour and environmental standards are met will also significantly increase the production cost and exporting price of Chinese and other foreign products. This policy approach will also have a strong political implication for the future of EU-China trade relations.

KEYWORDS: *antidumping, non-market economy, significant distortion, selective adaptation, coordinated compliance, EU, China, WTO*