

## **EU signs Singapore trade deal, urges China to open up**

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BRUSSELS (Reuters) - The European Union signed a free-trade deal with Singapore at a summit with Asian leaders on Friday and pressed China to allow greater foreign investment in its economy, but ran into familiar resistance from Beijing over state subsidies.

Japan's Prime Minister Shinzo Abe attends the ASEM leaders summit in Brussels, Belgium October 19, 2018. REUTERS/Francois Lenoir

At a biennial Asia-Europe Meeting bringing together leaders representing 65 percent of global economic output, France, Britain, Germany, Italy and the European Commission held private meetings with Chinese Premier Li Keqiang, hoping for greater access for EU companies to the world's No. 2 economy.

When asked about Chinese trade practices, Austrian Chancellor Sebastian Kurz told reporters after the summit that Europe expected rules to be upheld, and wanted reforms of the World Trade Organization.

"When we find protectionism, we reject it. Free trade must always be fair, equitable and based on rules. That goes in both directions," he said.

Li told British Prime Minister Theresa May that he "looked forward to ushering in a diamond era" after their bilateral meeting, a British government statement said.

In a sign of China's outsized role, Li led the pack of European and Asian leaders along the summit red carpet and stood in the centre of the 50 other leaders for a photo, alongside German Chancellor Angela Merkel and the summit chair, European Council President Donald Tusk.

### **LESS OR MORE STATE CONTROL?**

China has been promising for years to ease restrictions on foreign investment, but Western governments say little has changed and many are worried that Beijing is heading towards more state control under President Xi Jinping.

China restricts foreign investment more than the EU in every sector except real estate, according to a report by the Rhodium Group consultancy.

French President Emmanuel Macron held talks with Li on Thursday evening, lobbying for better access to China's poultry, dairy, pharmaceuticals, services and financial services sectors, a French official said.

But there was no sign of a breakthrough. “Some gestures have been made, but it must go further now,” the official said.

French President Emmanuel Macron taps South Korea's President Moon Jae-in as they attend the ASEM leaders summit in Brussels, along with Kazakhstan's President Nursultan Nazarbayev, Belgium October 19, 2018. REUTERS/Francois Lenoir

China did appear to win some sympathy for U.S. President Donald Trump's tariffs on billions of dollars of its exports.

Russian Prime Minister Dmitry Medvedev, visiting Brussels on official business for the first time since Moscow annexed Crimea in 2014, told his counterparts: “At this table, there are the leaders of countries that have experienced the signs of those trade wars in full. And it is, probably, the saddest thing that is happening now.”

A final summit communique omitted a call for an end to government trade distortions that EU officials had hoped for.

China requested the changes at talks between senior EU and Asian officials overnight, two diplomats said. The statement instead committed to “free and open trade on a level playing field” and to fighting “all forms of protectionism”, in an indirect reference to Trump's tariffs on Chinese imports.

An earlier draft, seen by Reuters, had called for “the elimination of unjustifiable market distorting measures by governments”.

## SUBSIDIES

The European Union and the United States accuse China of directly funding state companies through Chinese banks to help them to dominate global markets, breaking rules set down by the World Trade Organization, of which China is a member.

After sessions on improving connectivity and the multilateral system and a host of bilateral meetings, the summit finished on Friday with the EU signing the agreement with Singapore Prime Minister Lee Hsien Loong.

That pact has been eight years in the making. Negotiations ended in 2014, but as protests mounted against other trade accords, such as one planned with the United States and one struck with Canada, the deal was sent for approval to the European Court of Justice

Singapore and the Commission hope the agreement, which still needs the backing of the European Parliament, will take effect next year.

It would probably follow a larger free trade agreement that the EU plans with Japan, and would be the EU's first trade agreement with a member of the 10-strong Association of Southeast Asian Nations (ASEAN).

The EU remains interested in a deal with ASEAN, after talks were shelved in 2009. In the meantime, it has agreed a trade accord with Vietnam, is in negotiations with Indonesia, and has held talks with three other ASEAN members.

(This story has been refiled to add Merkel's full name and title in paragraph six.)

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