

Key Messages on the
Strategic Framework for OECD co-operation with China

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As Covid-19 has spread across countries, enhancing global cooperation through international organizations – including the OECD – is more important than ever to help improve commercial relations, open markets, and safeguard fair competition for a sustainable economic recovery from the pandemic.

As the OECD Council at Ministerial level adopted a resolution in 2007 to strengthen the co-operation with China as a ‘key partner’ through a program of enhanced engagement, *Business at OECD* and its members call on the OECD to reinforce its efforts and seek credible commitments from China to level the global playing field. We emphasize that the recent *OECD Secretary General's Report on Global Relations* highlights that China has the lowest engagement in OECD bodies and adherence to OECD legal instruments among all key partner countries:

- *China engages in 11 out of more than 250 OECD Bodies and Projects;*
- *China adheres to 9 out of 245 OECD Legal instruments in force.*

In this context, *Business at OECD* consents with the key objectives and principles set out in the *Strategic Framework for OECD co-operation with China* to establish and strengthen a mutually beneficial relationship going forward, particularly by seeking to:

- *Deepen China's integration into the OECD's statistical databases and policy indicators, as well as proactive data collection, with a view to effectively and reliably monitor economic and policy developments within the country, evaluate their impact on the OECD and world economy, and benchmark country policies;*
- *Engage China in selected OECD Committee discussions, with a clear view to facilitating an evidence-based dialogue as an essential tool for policy convergence, recognizing the unique role of OECD exchanges between like-minded countries, and identifying common policy approaches towards shared future trends and challenges;*
- *Promote convergence of China's policies, regulations and guidelines towards OECD standards, as well as the wider rules-based international system, based on an open exchange on best practice policies;*
- *Encourage China's gradual progress towards and eventual adherence to selected OECD legal instruments, as well as their effective implementation, without compromising their values, to strengthen the rules-based international economic order.*

Considering that China's complex role as cooperation partner, economic competitor and systemic rival concurrently varies across policy areas, we agree that clear priorities and differentiated approaches may be necessary to effectively progress towards concrete results, particularly in areas where challenges may persist.

Where competitive distortions caused by the nature of China's hybrid economy continue to negatively impact business - including in OECD home markets, in China, and in third country markets - relevant OECD Committees should consider strengthening the evidence-base and facilitating dialogue among like-minded countries on how to effectively address such distortions.

In this context, we emphasize however the fundamental importance of maintaining a predictable regulatory, trade and investment policy environment for OECD business operating in global markets and with overseas partners, and the significant risks that detrimental unilateralism, protectionism and systemic decoupling entail. OECD discussions should help establish a balanced, coordinated and effective common approach between member countries, and aim at reducing uncertainties globally.

To advance the key objectives for the OECD-China engagement, it is clear that the OECD should be equipped with adequate resources, including to enhance its physical presence in China and to strengthen the long-term relationship with Chinese counterparts. Further, we encourage governments to strongly support this agenda in their bilateral, plurilateral and multilateral dialogues with China, and hold China accountable for the implementation of its international commitments.

Business at OECD and its members stand ready to work with governments and the OECD at all levels to help identify effective approaches going forward, including by helping set clear priorities for the Organization's work with and on China. We look forward to continuing and deepening the close dialogue with governments, the OECD and its Beijing Office to advance towards a more level playing field for all OECD businesses, operating inside and outside of China.

Annex: Preliminary Recommendations for China-related OECD Work in Selected Priority Areas

SOEs and Government Support	<ul style="list-style-type: none">• Shed further light on the strategic interplay of different trade and investment policy instruments to achieve China’s industrial policy objectives. This could focus on, but not be limited to, market-distorting subsidies and other forms of government support in specific industrial sectors.• Analyse the implications of market bifurcation and supply chain decoupling in regional and global supply chains.• Deepen analytical work to ensure transparency, disclosure and competitive neutrality of SOEs, and analyze trade and investment implications of preferential treatment to SOEs in OECD member and non-member countries, including in the area of public procurement.• Ensure the implementation of the <i>G20/OECD Principles of Corporate Governance</i> to help policy makers evaluate and improve the legal, regulatory, and institutional framework for corporate governance, with a view to supporting economic efficiency, sustainable growth and financial stability.• Fundamentally modernize the <i>OECD Arrangement on Officially Supported Export Credits</i>, implementing immediate updates of particular consequence for the business community, and making it fit for purpose while ensuring a global level playing field.
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Investment	<ul style="list-style-type: none"> • Encourage a balanced and coherent approach to investment screening with a view on mitigating distortions that may emanate from Chinese FDI inflows (e.g. competition issues motivated by investment subsidies, technology outflow), while ensuring that OECD countries remain fundamentally open to all private investment. The OECD can thereby build on its 2009 <i>Guidelines For Recipient Country Investment Policies Relating To National Security</i>. • Build on existing momentum to deepen progress on market access, further reducing prohibitions on/obstacles to foreign ownership (such as equity caps, red tape, forced joint ventures) and work towards improving the overall investment climate as well as promoting a level playing field for foreign private business, for instance by addressing issues such as preferential treatment to SOEs, intellectual property protection etc. This could be approached through cooperation on the OECD's work on investment treaties as well as through initiatives in the context of the <i>OECD's Policy Framework for Investment</i>. • Explore how third-market investment agreements, especially in BRI countries, can be leveraged to ensure that OECD companies are not disadvantaged by politically-favoured Chinese competitors. • Study how <i>OECD principles on Infrastructure Governance and Quality Infrastructure Investment</i> can be adopted in third markets to ensure a level playing in procurement markets.
Innovation & Digital	<ul style="list-style-type: none"> • Promote the non-discriminatory protection of intellectual property rights and market access, including through strengthened intellectual property enforcement and compliance with commitments established in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). • Build on China's endorsement of the <i>G20 Principles on Artificial Intelligence</i>, which is based on the <i>OECD Recommendation on AI</i>, and strengthen the country's engagement on this topic to avoid the proliferation of alternative standards. • Quantify the negative impacts of policies forcing technology transfer.

Environment and Climate Neutrality

- Expand engagement with China on climate change, resource efficiency, biodiversity, and energy, and encourage the country to live up to its commitments including through greater transparency and best practice sharing.
- Encourage China in implementing Carbon Pricing and ETS policies taking into account global harmonization requirements.
- Engage China in the process of global taxonomy harmonization, adoption of common ESG standards, phasing out inefficient energy subsidies.
- Engage China in aligning its carbon neutrality commitments to its investments policy abroad (e.g. along BRI)
- Encourage China's engagement in the *OECD Mutual Acceptance of Data (MAD) System* to ensure the safe use of chemicals, avoid duplicative testing, save governments and industry resources, and prevent the creation of non-tariff barriers to trade.