



## **Press release**

20/6/2018

### **The EU needs a strategy for the "China Challenge"**

"The access of Chinese state-owned enterprises (SOE) to EU public procurement markets has become an active issue again" says FIEC President Kjetil Tønning and continues, "Considering that China excludes foreign contractors from domestically financed tenders and with respect to China's overarching strategy, covering business, transport, science, education and society in the whole world, it is high time that the EU and the Member States develop strategies for defending the interests of their industries and citizens."

Tønning mentions as particularly striking examples "OBOR" (One Belt One Road, also known as "BRI", Belt and Road Initiative) and the meetings of China with Central and Eastern European Countries in the framework of "16 + 1", in which bi-lateral relations are being fostered and financial dependencies created. Contrary to China's advertising of the BRI as a win-win situation for the whole world, it actually exports Chinese construction capacities overseas. "In fact, OBOR/ BRI can be considered as a kind of a 'Trojan horse'", says the FIEC President.

Tønning points out that for the European construction industry, the consequences are becoming increasingly visible, both in the EU Internal Market and on third country markets. For example, the recent award of the EU-financed contract for the Pelješac bridge in Croatia to a consortium of Chinese state-owned enterprises (SOE) raises issues such as "abnormally low tenders", distortion of competition by state aid, the use of EU funds and "reciprocity". The latter is also relevant in relation to third markets, as well as project financing, export credits and tied aid/ loans. "The EU Commission should investigate the project and the absence of a real check of this abnormally low tender by the Croatian authorities" says Tønning.

For the European Construction industry, FIEC and EIC ask the European Commission and the co-legislators, the Parliament and Council to take urgent action in order to create, as soon as possible, fair competition and a level playing field for European contractors, worldwide:

#### **1. in general:**

1.1. Ensure that the general trade principle of "reciprocity" is really respected in practice.

As a first step, the European Parliament should reject the proposed EU Regulation on the "International Procurement Instrument", COM(2016) 34 final.

1.2. Develop efficient trade-related defence instruments, such as those that exist for goods, also for services, in particular in the area of anti-dumping.

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**FIEC** – the European Construction Industry Federation – represents via its 31 national Member Federations in 27 countries the European interests of construction enterprises of all sizes, i.e. builders/ craftsmen, SMEs and "global players", performing all kinds of building and civil engineering activities. FIEC is the European Sectoral Social Partner (employers) of the construction industry. **For further information please contact:** Ulrich Paetzold, Director General, [info@fiec.eu](mailto:info@fiec.eu)

**EIC** – associated with FIEC – represents the international interests of contractors' associations from Austria, Belgium, Bulgaria, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland and Turkey. **For further information please contact:** Frank Kehlenbach, Director, [info@eic-federation.eu](mailto:info@eic-federation.eu)



## **2. for the Internal Market:**

- 2.1. Ensure that "abnormally low tenders" are actually checked and analysed by the contracting authorities. If the current text of the Directives is not clear enough on this point, it should be clarified as soon as possible.
- 2.2. Ensure that illegal state aid does not have any impact on contractors working in the Internal Market, even if they are third country contractors benefiting from their home country's state aid mechanisms. If the current text of the Treaties is not clear enough on this point, it should be clarified as soon as possible.
- 2.3. Ensure that EU funds cannot be used in the Internal Market by contractors from third countries which reserve the use of their funds for construction companies in their countries.

## **3. for third markets:**

- 3.1. Open the Chinese construction market for foreign contractors, e.g. by ensuring that China becomes a GPA signatory on equal terms with all other GPA participants.
- 3.2. Ensure that the European industry, in particular the construction industry, can rely on a strong financial institution, an "EXIM Bank" to finance construction projects executed by European contractors in third countries, as do our major third country competitors.
- 3.3. Establish, in practice, a real level playing field with China as regards all OECD regulations in connection with state-supported export credits.
- 3.4. Ensure that the new EU External Investment Plan (EIP) incorporates the "Rules on Nationality and Origin" of the EU Practical Guide to Contract Procedures for EU External Actions (PRAG, item 2.3.1), insofar as EU funds are involved.

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