Contents

EU dangles carrot, shows stick to China
Proposal to block Chinese foreign investment faces uncertain future
‘Chinese Balkan corridor’ pits EU north against south
Gambardella: EU, China should move beyond stereotypes
Germany and China see eye-to-eye on trade
China must abandon ‘China First’ to be a solid partner to Europe
EU, China stumble into uncharted closer trade relationship
EU, China turn from trade to climate action to cement relations
The EU is ready to keep pushing for an investment agreement with China, but not without getting reassurance from Beijing that it is serious about fair trade. Until then, Brussels will keep brandishing the stick of trade defence instruments.

Ahead of the 19th EU-China summit this week (2 June), the two economic powers seem to be entrenched on their long-standing positions.

“The country needs to walk the talk,” said EU Trade Commissioner Cecilia Malmström. “Whatever President Xi says in Davos, China is still far from a market economy,” she slammed last week, speaking at the European Business Summit.

Malmström referred to President Xi Jinping’s fervent defence of open trade at the World Economic Forum in January, in response to US President Donald Trump’s protectionist push.

The EU has repeatedly pressed for better access to the Chinese market and argued that China’s market reforms have fallen short of expectations, especially in aluminium and steel, where state intervention has led to overcapacity, threatening industries around the world.

The EU and China are currently negotiating a Comprehensive Agreement on Investment and hope to make progress during the summit.

**WALK THE TALK**

“It’s not fair competition or fair trade when the playing field is tilted against you, with dumping and subsidies,” added Malmström.

But Beijing has downplayed EU concerns that it is reducing market access for foreign companies in a wide variety of sectors from automotive to finance, while subsidising its own domestic companies.

China ranked 84th globally — behind Saudi Arabia and Ukraine — in the World Bank’s ease of doing business index for 2016, and second to last in an OECD report on restrictiveness towards foreign investment.

Since President Xi Jinping took over in 2012, the government has moved away from liberalisation on
Continued from Page 4

several fronts, strengthening state-owned enterprises, increasing capital controls and tightening restrictions on the free exchange of information and ideas online.

**TIT-FOR-TAT OR DIALOGUE?**

While Brussels has responded to concerns by imposing a number of subsidies and trade defences, China has filed a dispute with the World Trade Organisation over the approach used by the European Union and the United States to calculate anti-dumping measures against Chinese exports.

“We should focus on resolving differences through dialogue and consultation,” Chinese Ambassador to the EU Yang Yanyi told EURACTIV, expressing the hope that the EU will maintain market openness and use trade defences cautiously and refrain from politicising economic and trade issues.

“Otherwise, problems will only become more difficult to solve and obstacles to bilateral economic and trade cooperation will be created,” she added.

China’s share of global GDP and global trade has increased since it joined the WTO in 2001. As China has grown, so has the involvement of European companies.

As of 2015, the EU’s total outward foreign direct investment stock in China was €168 billion, with exports to China totaling €170 billion in 2016. China is the EU’s second trading partner after the US, with a share of 20% in our imports and 10% in our exports.

In addition to market access limitations, foreign investors cite a number of challenges to establishing and operating businesses in China. These include: rising costs in doing business; difficulty in finding qualified human resources; unclear and inconsistent enforcement of laws and regulations; corruption; opaque and selectively enforced investment approval procedures; licensing barriers that favour domestic firms; an unreliable legal system; lack of effective administrative and legal resources; forced transfer of technology and new barriers on cross border data flows. The list goes on.

“China demonstrates leadership when it is needed,” BusinessEurope director general told EURACTIV, mentioning last years’ G20, the Paris Climate Agreement and President Xi’s defence of globalisation, as well as his push to major multilateral institutions to join China’s One Belt, One Road Initiative (OBOR) just in May.

“But we need to see more action from China, more engagement in bilateral and multilateral trade discussions, more willingness to commit,” he added.

Ambassador Yang Yanyi said China is ready to add new dimensions to the cooperation between the two economic partners.

“For instance, given that China has embarked on an ambitious transition to a new model of economic development based on innovation, and innovation remains essential in the European integration process, we should make it a high priority to enhance cooperation in science and technology and innovation,” the Ambassador said.

“There is also the need to further promote cooperation between small and medium-sized enterprises (SMEs) and give full play to their role as principal driving forces in economic development and regional integration.”

China’s economic repositioning, through the OBOR, signals a global infrastructure spending spree worth an estimated $1 trillion.

“Not surprisingly, the US and Japan are not pleased. Most Europeans are interested but cautious,” said Shada Islam, director of Europe and geopolitics at Friends of Europe.

And rightly so. Research has found that large infrastructure projects delivered in China have a patchy record. Half were poorly managed, featuring cost overruns, lack of real economic benefit in the areas where they were built, and little in the way of returns to investors.

“China may not always be the gentlest of interlocutors, but many countries are ready for a change,” added Islam.

“After all the world needs to get better connected. Global infrastructure needs are enormous. Better connectivity is crucial for trade, to attract investments and to achieve some of the most crucial anti-poverty goals included in the Agenda 2030 Sustainable Development Goals (SDGs),” she continued.

Some analysts are confident that steel overcapacity can be addressed through the OBOR projects. Thousands of jobs will be created for Chinese workers, as well as foreign nationals, noted Islam.

“The way ahead is going to be complicated and difficult. China will need to learn how to deal with complex demands and painful facts on the ground in its myriad partner countries,” Islam concluded.

Chinese interest in the investment treaty is essentially driven by the willingness to protect its offensive interests in FDI projects in the EU, said Pascal Kerneis, heading the European Services Forum. “The agreement with the EU is the natural prolongation, if not the final destination of the OBOR initiative. But to succeed, the talks will need to deliver both ways” he insisted.

The potential is there and the EU-China summit this week will be a testing ground for a new start, if the two partners are really serious about making a difference, as the Ambassador seems to believe.
Member states disagree on whether it is appropriate to create an EU mechanism to protect strategic sectors despite pressure exerted by the EU’s largest countries.

Hostile takeovers, the acquisition of cutting-edge technologies and restricted access to foreign markets led to unbalanced trade relations between Europe and its biggest partners, in particular China.

Amid the social unrest caused by globalisation and growing inequalities, the European Commission is considering levelling the playing field by bolstering its trade instruments.

Among the ideas under discussion, the Commission is pondering whether to set up a European mechanism to veto foreign investment in strategic sectors.

“Concerns have recently been voiced about foreign investors, notably state-owned enterprises, taking over European companies with key technologies for strategic reasons,” the Commission’s reflection paper on harnessing globalisation issued on 10 May said.

The institution recalled that EU investors are not welcomed in the same way abroad. And it added that these “concerns” required “careful analysis and appropriate action”.

The warning of new measures followed demands by the largest member states for a new instrument to block certain foreign buyouts.

In a letter sent last February, Germany, France and Italy called for fresh action at EU level, as the bloc “should have more scope to investigate individual takeovers and, where applicable, block them”.

**RECIPROCITY**

The issue of reciprocity as regards to market access came top of the agenda again following Emmanuel Macron’s election as France’s new president and his push for the “Buy European Act”.

“In trade relations, for example, I see this element of reciprocity, this is

Continued on Page 7
something I can very well imagine,” said Chancellor Angela Merkel in her first joint press conference with Macron.

Diplomats from half-a-dozen member states consulted by EURACTIV.com were waiting for further details before taking a public position.

A Dutch diplomat welcomed the initiative taken by the three governments but added that The Hague is still forming an opinion on the merits of it. “It does however highlight the need for a debate in the Competitiveness Council,” he added.

But EU officials expect opposition from countries eager to attract foreign investment and with better ties with Beijing, including Slovakia, Portugal and Greece.

Representatives of these governments said that they did not have a position yet.

A diplomat from another member state expected a divided Council, as was the case with the modernisation of the Trade Defence Instruments or the revised proposal for an international procurement instrument, still stuck at the Council’s table.

GERMANY, THE SWING VOTE

According to insiders, it will be more difficult this time to predict how member states will position themselves as in the debate for bolstering anti-dumping measures.

Germany joined the protectionist camp led by Italy and France. This could represent a serious blow for the free-marketers, already weakened after the UK decided to leave the EU.

The sources consulted explained that countries would act depending on their trade relations with China, or the protection already provided by the national legislation.

In this regard, the national toolbox is very diverse. Countries like Spain have more room for manoeuvre to block undesired foreign investment, if public interest or national security is at stake.

On the opposite side, the Netherlands did not have any power to block third country buyouts. Only company shareholders can take such a decision.

But the AkzoNobel case has prompted the Dutch government to consider amending national legislation to introduce additional protection mechanisms.

Against this backdrop, an EU official said he did not expect a proposal in September during the State of the Union address. Instead, Commission President Jean-Claude Juncker would clarify what role Europe should play on this issue.

HIDING BEHIND THE COMMISSION?

“The question we need to answer is whether decisions on foreign investment should remain primarily in the member states’ hands or the EU institutions should play a role,” a diplomat explained.

A senior EU official explained that member states are “trying to hide” behind the Commission, as they fear retaliation if they restrict access to their national markets, in particular from China.

Diplomats from member states not aligned with the proposal from the largest states agree.

The Commission will have to “think very well” what to do about it, one of them commented.

Various officials pointed out Germany’s change of mind after the country “got scared” by the acquisition of leading robot-maker Kuka by Chinese Midea.

Internal discussions held inside the executive have not translated into a draft proposal yet. The Commission is considering various options, according to the sources consulted.

One alternative would be to offer non-binding guidelines to deal with foreign investment. Another possibility would be to progressively harmonise national legislation to reach a common European approach.

A third option would be setting up an EU mechanism to block foreign investments, as Berlin, Paris and Rome proposed.

This option would represent adopting retaliation measures to punish China for the lack of access to its market.

Despite the World Trade Organisation allows for retaliation actions in some cases, for the free-marketers in the capitals all options should be exhausted before taking “one of the strongest measures” in the toolkit.

EU officials also hoped that Chinese President Xi Jinping’s speech in favour of globalisation and free trade would ultimately lead to progress on EU/China bilateral investment agreement.

But pressure to take further action is growing.

“Your reflection paper is good but it does not go far enough,” French MEP Françoise Grossetête told Commission Vice-President Jyrki Katainen.

“I would like to see a concrete action plan on the issue of controlling foreign investment in strategic areas that are going to guarantee the employment because jobs are the only social response that we can give to our citizens,” she added during the European Parliament’s plenary debate in May.
The Western Balkans have become China’s preferred access point to the EU, and a corridor to Europe’s north from the Greek port of Piraeus is being financed by Beijing. But Brussels fears EU rules will not be respected, while in northern countries, big ports resent the competition.

All speakers at a panel on infrastructure at the recently held Balkans and Black Sea Cooperation Forum in the Greek city of Serres focused their presentations on China’s role and goals.

Frans-Paul van der Putten, a senior research fellow at the Netherlands Institute for International Relations, emphasised the corridor starting from the Greek port of Piraeus and heading north via Serbia, Hungary, reaching central and northern Europe.

EU, THE PATH OF LEAST RESISTANCE

According to van der Putten, the Black Sea region was China’s only alternative for corridors dominated by the US (Indian Ocean) and Russia (the Arctic). In his view, China’s greatest geopolitical risk is antagonising Russia and the US, while the EU is less of a concern.

In 2016, China Ocean Shipping Company (COSCO), a Chinese state-owned enterprise, acquired the majority stake in the Piraeus Port Authority. The Chinese government considers Piraeus as the main entry point for Chinese exports into the southern, eastern and central EU, as well as the key hub for seaborne transportation across and around the Mediterranean Sea.

Van der Putten argued that the Chinese government is now able to influence the trade routes between China and the EU. The main corridor is Piraeus, but also the Chinese-funded upgrade of the Belgrade-Budapest railway, he said.

The high-speed rail link between Belgrade and Budapest will cost €3.2 billion. China, Serbia and Hungary signed a memorandum of understanding for the reconstruction of the 370-kilometre rail route in December 2014. The deal has created tensions with the EU, as Union
procurement rules have not been respected.
China’s is focusing on Greece and Serbia, but also other countries in the Western Balkans, who are benefitting from low-interest Chinese loans for infrastructure projects, Van der Putten said.

“CHINESE INVESTMENT VITAL”

Jelica Stefanović-Štambuk, a member of the University of Belgrade’s Faculty of Political Sciences, argued that for the largely deindustrialised Serbia, China’s investment is vital.

She gave various examples of Chinese investment accompanying the effort of building transport infrastructure, including the overhaul of Telekom Serbia by Huawei and the acquisition of a steel plant in Smederevo.

“China is growing, the EU is not growing,” Stefanović-Štambuk said.

Ambassador Michael Christides, the secretary general of the Organisation of the Black Sea Economic Cooperation, said that Chinese involvement in the Western Balkans was “provoking second thoughts in northern Europe and especially in Brussels”.

“This is very logical,” he stated, explaining that countries in this region were very eager to attract Chinese investments and funds, in order to improve their infrastructure, while northern Europe, which has already a very developed infrastructure system, is seeing this as a threat.

BIG PORTS’ FEARS

Christides spoke of “fears in the big ports of the north like Rotterdam, like Hamburg, losing a lot of the trade volume”, because of the new projects in the South.

“This is widely discussed in Brussels,” the diplomat said, adding that China did not respect all of the world’s trade regulations.

“I’m afraid that what we see here is a new point of friction between north and south in Europe,” Christides said.

One indication of possible developments is the decision by Hewlett-Packard to relocate a major part of its distribution activities from Rotterdam to Piraeus. The personal computer final assembly locations of HP are, to a large extent, concentrated in China.

Chinese influence is filling a void in the Western Balkans, which is losing hopes for EU accession.

François Lafond, the president of Blue Networks and Opportunities, commented: “China’s decision-making process is very quick. The EU is something different.”
EU companies’ investment opportunities in China will keep on growing but the EU should understand that the super-preferential treatment it received for years is over and should move beyond stereotypes, ChinaEU President Luigi Gambardella told EURACTIV.com.

**Gambardella:** EU, China should move beyond stereotypes

Continued on Page 11

---

**INTERVIEW**

The EU and China are negotiating a comprehensive investment agreement but progress has been slow. What would it take to accelerate talks?

For the time being, Chinese investments in Europe and European investment in China are still governed by bilateral investment treaties between China and nearly all member states of the EU separately. However, since the entry into force of the Lisbon Treaty, the member states are no longer competent to conclude investment agreements.

China and the EU are therefore negotiating a comprehensive agreement that will replace the 25 bilateral agreements currently in force. But a number of issues need still to be addressed.

For example, dispute resolution mechanisms became a politically sensitive issue in the EU with the conclusion of the CETA agreement between the EU and Canada, where a Belgian regional government refused to support the treaty because dispute resolution was entrusted to arbitrators.
In addition, the EU has another philosophy than the Chinese negotiators: the EU wants precise, direct implementable wording, while the Chinese side is open to leaving a margin of manoeuvre for future implementation.

The speed of the talks will depend from both sides. China and EU should both put the conclusion of the agreement high in their agenda and launch negotiations on a free trade agreement, the comprehensive agreement on investment could be concluded very rapidly. Political will is necessary. I am sure that the Chinese government and EU will put its weight behind the file.

Xi promised $124 billion (€110 billion) for the One Belt, One Road plan (OBOR), which aims to bolster China's global leadership ambitions by expanding infrastructure between Asia, Africa, Europe and beyond. Are you confident Europe will use this opportunity to its advantage?

 Infrastructure investment within the OBOR framework – for example in harbours – is beneficial for all sides.

The investments do not only serve China’s interests as world’s leading exporting country. If you look into the Chinese supported investment projects in Africa, or in some European countries like Serbia, you can see how much benefits these projects bring to these partner countries.

The new infrastructures do not only create job opportunities for local people, and local partners, but also change the business ecosystem. Trade supports the emergence of domestic activities. New skills are developed which form the basis of local startups.

**Europeans are demanding that China gives EU businesses access to its market in the same way that EU markets are open to Chinese investment. What will it take for China to practice what it preaches?**

We should not only look at the restrictions which still exist in China, for example, limits on foreign ownership in certain business sectors. In fact, when China sought to attract foreign investment after the start of its economic reforms 40 years ago, Beijing granted international companies in China super-preferential treatment such as exemption from certain taxes.

Today, these super-preferential policies for foreign businesses have been removed, and thus the foreign businesses have to face the same fierce competition in China’s market as the Chinese businesses do. From this perspective, it is normal that some investors are complaining.

China is still a young market economy and the Chinese government continues reducing (the) red tape that foreign investors face. I believe that EU companies’ investment opportunities in China will continue growing.

Is China’s innovation strategy a threat?

Innovation is always threatening the market power of incumbent business. The Austrian economist Joseph Schumpeter described this threat as “creative destruction”.

However, the main difference between China's innovation strategy and the EU is that in the latter the 'strategy' consists mainly of speeches and dispersed subsidies, whereas in China there is a genuine policy, inherited from the practice of central planning.

China has used its successive 5-year plans to move away from being the global economy's source of low-cost labour for manufacturing to become a leading source of everything digital. Innovation is at the core of this strategy.

This could serve as a new model for governments elsewhere. The public sector could play a role in the future as a venture capitalist, incubating and funding companies and universities directly and developing innovation labs.

But this strategy can only be successful under a strong central leadership. Not by dispersing means over regions and countries without clear focus as it happens in the EU. The EU should reform in terms of political structures and processes if it wants to remain on par with China in the innovation race.

Continued from Page 10

Continued on Page 12
Continued from Page 11

**Do you feel that the calls for reciprocity might further hamper EU-China relations?**

In February 2017, France, Germany and Italy submitted a common position on screening investment from abroad to the European Commission.

One of the aims is to be able to block foreign investment on the grounds that European firms enjoy limited market access in the country of origin. Telecommunications services are an example.

While Hong Kong-based Hutchison Whampoa has become a major mobile communications operator in the EU, there are restrictions on foreign shareholding in Chinese mobile operators.

I hope that this issue of reciprocity can be transformed into an opportunity to help those in China who want to further remove these now outdated foreign ownership restrictions in China.

Today, Chinese companies are investing more outside of China than foreign companies in China. On the other hand, the debate on reciprocity should be extended to less visible restrictions, for example, based on competition rules. The EU is indeed increasingly using merger control to restrict foreign takeovers by preventing market consolidation and economic efficiencies.

Do you think China is still seen as ruthless and rapacious, a trade bully, currency manipulator, and a threat to international security through its belligerent posturing in the South China Sea? Or are perceptions changing after the Paris Agreement and Davos when President Xi defended globalisation and championed free trade?

I do believe that China has been insisting on mutually benefiting policies. China has been advocating multilateral cooperation, free trade and supporting globalisation. All these positive attitudes in some way are on the page of the European policies. We need to change our stereotypes when looking at China-related issues.
The United States is on a different page when it comes to free trade and climate change. China could move into the void that the Trump administration is rapidly vacating.

After an unsuccessful G7 summit and Donald Trump’s withdrawal from the Paris Agreement, German Chancellor Angela Merkel now sees an opportunity for deeper Germany-China cooperation, after meeting with Chinese Prime Minister Li Keqiang yesterday (1 June).

For the Bundesrepublik, China has always been an important trading partner. Imports and exports between the two countries have been growing continuously for years. In 2016, China was the most important import nation and Germany’s fifth most important export country.

Germany’s export volume was last year €76.1 billion while China exported €93.8 billion, according to official statistics.

Now that Donald Trump has signalled that the United States will join Nicaragua and Syria in being the only countries not a part of the Paris climate deal, China’s government sees the chance to promote itself on the world stage as a global trading partner and climate warrior.

But this does not come without conditions. There has been a lot of criticism from German businesses and NGOs regarding Chinese protectionism, dumping prices and human rights violations.

To this end, Merkel insisted that any new partnership should work according to international rules, while Li Keqian gave assurances that China will, in the future, rely on “open markets and rule-based global trade”.

It seems that Germany and China will be able to find more common ground on trade and climate change than is currently possible with the US.

In order not to jeopardise this progress, China has indicated it is ready to compromise. Measures include a “solution” that will allow German political foundations to be registered and a mandatory quota for German electric cars will reportedly drop.

Germany’s industry is likely to be satisfied with the meeting. According

Continued on Page 14
to the federal government, eleven contracts and declarations of intent have been signed with companies like Daimler, VW and Airbus, in the e-mobility, recycling and aviation industries.

**EUROPE REMAINS SCEPTICAL**

China, on the other hand, hopes that deeper cooperation with Germany will lead to market economy recognition, which it has been chasing since it was first admitted into the World Trade Organisation in 2001.

Merkel will have to convince her fellow European leaders to support China. This could be difficult, however, given the issue of anti-dumping measures, which would be scrapped, and European fears that they would lose a strategic lever for better access to China’s markets.

Europe also remains sceptical about China’s $900 billion New Silk Road project, which is the biggest development programme since the Marshall Plan. China wants to expand its old sea and land trade routes in Eurasia.

As a precautionary measure, the German chancellor insisted at the bilateral meeting on “equal treatment” for foreign companies by China, before any possible investment protection agreement can be brokered with the EU.
China must abandon ‘China First’ to be a solid partner to Europe

Marietje Schaake is a Dutch Democraten 66 MEP in the liberal ALDE group.

As China becomes an increasingly important partner for the EU, now is the time to take a strong stance on human rights and make sure Beijing provides fair access to European businesses, writes Marietje Schaake.

Marietje Schaake is a Dutch Democraten 66 MEP in the liberal ALDE group.

With Trump turning away from the EU, many see cooperation with China as a natural reflex. However, we must recognise that there are still many obstacles in the relationship, both in the economic and the political sense. China acts based on what it perceives as its own interest: China first. On climate, the European and Chinese interest seems to converge. On trade, security and human rights, China is charting a very different course. The EU-China summit is an opportunity to stress that the EU is willing to cooperate, but that this can only be done on the basis of respect for international laws and agreements.

Last January in Davos, before CEO and ministers from all over the world, Chinese President Xi Jinping delivered a speech in which he promoted globalisation. Highlighting the value of free, rules-based trade was a clear move to counter the ‘America First’ narrative of Donald Trump. The rhetorical role reversal between the US and China, was remarkable. The question is now whether China will actually turn these words into actions.

Chinese economic growth has made it a key global trade player alongside the EU and the US. China has benefitted greatly from access to other markets and the rules that the World Trade Organisation has set. But while the EU is an open market, generally allowing for fair and equal

Continued on Page 16
treatment of foreign companies, the Chinese market remains closed and difficult for foreign companies. European businesses consistently face problems as Chinese companies often receive help from the government, for example through un-transparent subsidies or simplified procedures. Big infrastructure contracts always seem to be awarded to Chinese contractors. Often, companies with technologically advanced products, need to transfer knowledge before they are allowed into the market at all. These are problems that must be addressed. We may be able to cooperate more closely with China on advancing international rules, but only if China will enforce those rules on its own market in a fair way.

The EU can only convincingly persuade China if the member states form a united front. China does not hesitate to try to divide the member states. By targeting specific sectors, or threatening to take counter measures, China has in the past pressured EU countries to change their positions. Unfortunately this has been effective. If member states only focus on the short term and narrow economic interests instead of the long-term collective interest of the EU, it will be difficult to leverage our weight. In the end, more and fairer market access in China, as well as committed participation by China to adhere to and enforce global rules, is a bigger interest for the EU.

The EU-China summit will focus mostly on climate and trade. While these are important topics, they must not push other issues off the agenda. They should not overshadow the problems with human rights in China. Journalists are jailed, the death penalty is often carried out and in different parts of the country, minorities are repressed. The importance of the European market for China means that we have a possibility to address the dismal human rights situation in an integrated way. European leaders must also address the provocations and instability in the South China Sea. Although it is unlikely that China will change its position, the EU must make clear that international law is also our guiding principle.

While there may be opportunities for more cooperation, Europe cannot be naïve about the fundamental differences that remain. China should let go of ‘China first’ if it wants to be a convincing global player.
Just hours after President Donald Trump pulled the United States out of the Paris climate agreement, the EU and China tried on Friday (2 June) to find common ground to ease trade tensions that have divided them in recent months.

Speaking at the EU-China business summit before the formal gathering of political leaders on Friday, Trade Commissioner Cecilia Malmström regretted that EU companies continue to face barriers in China, not without acknowledging that it was time to depart from the old model of partnership, in response to a changing world.

According to the most recent survey, nearly half of EU firms said it got harder to conduct business in China last year. That has hampered EU investment in China, which is at its lowest level in years while China investment in the EU reaches record levels.

“Reciprocity should be the guiding principle of our relations,” slammed Malmström.

The European Commission has raised concerns in the past about Chinese overcapacity, primarily in steel, aluminium and solar panels, and the limited access EU companies get to the country’s public markets.

EQUAL PARTNERS

With China seeking to reposition itself with the One Belt, One Road initiative (OBOR), which signals a global infrastructure spending spree worth an estimated $1 trillion, the pursuit of a level playing field has become the cornerstone of a renewed partnership.

At the same time, the issue of “aggressive” foreign takeovers by foreign state-owned companies was raised by Germany during a meeting in Berlin after last October Chinese home appliance maker Midea bought

Continued on Page 18
German robot maker Kuka, and chip manufacturer Sanan acquired Optoelectronics.

Some member states are now pushing the EU to come up with legislation to protect ‘critical infrastructure’.

Refuting claims that the EU is surrendering to protectionism, the Commissioner said she was eagerly awaiting the translation into action of Chinese president Xi’s call in Davos.

“The rules-based multilateral system, with the World Trade Organisation at its centre is today often questioned. Yet it is that system which ensures trade is fair and open. We should maintain and strengthen our shared commitment to it. It is in our common interest,” said Malmström, not mincing her words.

The European Union is China’s biggest trading partner. China is the EU’s second largest. The trade in goods between the two partners is worth over €1.5 billion every single day.

In 2014, the European Union accounted for nearly 16% of total Foreign Direct Investment into China.

“There is scope for much more,” said European Commission President Jean-Claude Juncker. China accounts for less than 5% of foreign investment in the EU. And last year, China’s investors spent nearly five times as much on acquisitions in the European Union than European companies did in China.

While Chinese investment into the European Union increased by 77% in 2016, the flow in the other direction declined by almost a quarter. To put that into context, EU investment into China last year was roughly 3% of what we invested into the United States, said Juncker.

CAUTIOUS EUROPE, UPBEAT CHINA

Without taking a defensive stance, Chinese Premier Li Keqiang said China was working hard to promote a trade balance with Chinese tourism to Europe now far greater than EU tourism in China. Foreign investment opportunities, he said, were far different from when China first opened up its market.

“I do hope you can put things into context. We find the problems, but we are working on them … Our ranking is getting better,” he said, noting that despite slower growth, the size of the Chinese economy pumps more into trade than is often perceived. “Every year there are more than 13 million new jobs being created,” he added.

“The future for China and Europe will be bright and splendid,” PM Li concluded.

A number of Chinese businessmen reiterated Li’s message. Chen Feng, president of the HNA group, a Fortune Global 500 company headquartered in China with businesses spanning across aviation, holding, tourism, capital and logistics, said that the partnership between the EU and China is stable. “Of course we have problems but we can find solutions to move the partnership forward,” he said.

Philippe Varin, chairman of Areva, conceded that there could be ways to break with the past and revitalise the partnership through the energy market by implementing the carbon pricing market, setting up common standards in the area of safety and waste management for example.

CULTURAL INTELLIGENCE

Chinese entrepreneurs also begged for understanding. “You have lived in a place where you set rules. So you are used to rules, but in developing countries rule-making is perceived differently,” Feng added.

“You need to allow time to China and understand each other better,” he continued.

The two partners are determined to use the EU-China Tourism Year in 2018 to increase visitor flows and investment on both sides, but also as an occasion for greater cultural exchange.
EU, China turn from trade to climate action to cement relations

The EU and China confirmed today (2 June) their decision to step up their cooperation against climate change. But disagreements over trade soured the end of the summit, as Beijing refused to sign the joint declaration.

"Today, we are stepping up our cooperation on climate change with China. Which means that today, China and Europe have demonstrated solidarity with future generations and responsibility for the whole planet," European Council President Donald Tusk said during a press conference limited to just two questions.

Chinese Prime Minister Li Keqiang underlined the importance of having a "stable relationship" between the EU and China "to counter the uncertainties in this world".

Both sides clashed over trade-related issues, especially the recognition of China’s ‘market economy’ status.

The disagreement on this issue meant that the joint declaration previously drafted could not be formally adopted.

European Commission President Jean-Claude Juncker said that they discussed some “controversial issues”, such as the Chinese overcapacity in steel production.

He added that Europe would also like to see greater access for its companies to the Chinese market. “It is not a tragedy, but it is something that can be improved.”

But Tusk expressed his satisfaction after concluding “the most fruitful and promising” bilateral summit held to date.

He said “the most important political outcome” is that both sides found what we have in common on several issues, although they need more time to work out on the details.

The renewed commitment expressed by Europe and China on the fight against climate change, two

Continued on Page 20
of the largest polluters, followed US President Donald Trump’s decision to withdraw from the Paris Agreement.

The US represents around 15% of global CO2 emissions, the second largest emitter after China.

In 2015, a total of 195 countries committed in Paris to “holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change”.

“We are convinced that yesterday’s decision by the United States to leave the Paris Agreement is a big mistake, bigger than not ratifying the Kyoto Protocol, because Paris is fairer,” Tusk said.

Trump argued that the international accord was “very unfair” to the American economy and would destroy 2.7 million jobs by 2025.

The EU and China denied that the agreement would hamper the output of national economies.

Fighting climate change and promoting the low carbon energy transition “are mutually reinforcing objectives to achieve sustainable, secure and competitive economies”, the EU-China draft joint declaration said.

Germany, France and Italy also rejected Trump’s claims, and ruled out the possibility of renegotiating the accord.

“We deem the momentum generated in Paris in December 2015 irreversible and we firmly believe that the Paris Agreement cannot be renegotiated since it is a vital instrument for our planet, societies and economies,” the leaders of the three countries said in a joint statement published on yesterday.

‘IT’S YOUR RESPONSIBILITY’

“There is no need to renegotiate a treaty that is fit for purpose”, Commissioner for Climate Action and Energy Miguel Arias Cañete added.

Cañete, visibly upset by Trump’s decision when speaking with reporters, stressed that the fight against climate change cannot depend on the result of national elections.

“It is an international agreement” and “once it is in place you have to fulfil your responsibility”, he insisted.

He commented that he was “pretty sure” that Trump didn’t read the 29-article agreement.

Contrary to the US president’s comments, he highlighted that the withdrawal would take at least four years to materialise.

According to article 28 of the treaty, parties can only withdraw from the agreement after three years from the date on which it entered into force, which was last November.

The withdrawal takes effect one year after the notification has been received.

Despite Trump’s decision, Cañete said that US businesses, communities and citizens would continue engaged fighting against climate change.

His words came after businessman and former major of New York Michael Bloomberg decided to move forward with Paris commitments despite the federal government’s decision.

“Americans are not walking away from the Paris Climate Agreement,” Bloomberg said on Thursday. “Just the opposite — we are forging ahead. Mayors, governors, and business leaders from both political parties are signing on to a statement of support that we will submit to the U.N. — and together, we will reach the emission reduction goals the United States made in Paris in 2015.”

For information on EURACTIV Special Reports...

Contact us
Davide Patteri
davide.patteri@euractiv.com
tel. +32 (0) 2 788 36 74

Other relevant contact
Daniela Vincenti
daniela.vincenti@euractiv.com
tel. +32 (0) 2 788 36 69