



Briefing

CCCEU acts as a responsible bridge-builder in Europe

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Robust growth helps Brussels fulfil dreams

Closer China-EU economic interaction after Brexit can help the 27-member bloc win a golden decade

With the UK regretfully leaving the 28-member bloc on 31st January, the China Chamber of Commerce to the EU (CCCEU) reflects on how Brexit affects the future of China-EU economic interaction, with a special focus on the possible impact and future developments for Chinese companies investing in the European Union (EU).

After taking fully on-board opinions and concerns of various stakeholders, the CCCEU makes public five recommendations to sustain and accelerate China-EU economic activities in the post-Brexit business environment to help achieve the continent's golden decade of inclusive growth of 2-3% annually during the 2020-2029 period.

Pragmatic approach: mitigating the negative impact on businesses

Neighbours can easily move away but neighbouring countries cannot. Brexit is an unexpected reality now, so the whole EU has to face up to it, despite a setback for European integration. The approach suggested by the CCCEU follows the Chinese saying “turn bad things into good ones”. It is pressing to work on a smooth transition, which will limit the impact of Brexit and make it possible to move towards a new decade of prosperity.

The changes provoked by Brexit will be unsettling for Chinese companies in the EU. They will probably face increased red tape and higher administrative expenses, more logistics costs, burdensome customs procedures, higher import duties and reduced freedom of movement for their employees between branches in the UK and the EU. Companies will need time to react to sudden changes in the market structure and business processes.

It is urgent for EU and UK authorities to mitigate the impact of Brexit by reducing insecurity and market fluctuations. For enterprises, legal certainty and predictability are vital for a smooth continuation of their internal and external processes, from production and trade, to investment and innovation cycles. An uncertain post-Brexit scenario is likely to hinder or even lead to the termination of these activities.

To limit losses and disruptions for the businesses, including Chinese companies in the EU and the UK, we hope both sides can reach a post-Brexit norms in an urgent manner and they should be

comprehensive, balanced and fair, without affecting the interests of third parties. The legal principles and norms regulating trade and investment between the UK and the EU are of great significance. Chinese businesses will benefit from legal certainty and predictable market conditions which will help boost the prosperity of the EU and the UK.

Newer vision: ushering in a golden decade for Europeans

The year 2020 represents the beginning of a new decade, a new political cycle for EU institutions, and a historic year to renew the agenda of China-EU Strategic Partnership and Cooperation. The EU leadership has already formulated its key priorities to realize a green and digital transition, which also tops China's economic agenda. Chinese enterprises in the EU are also committed to these priorities. Chinese companies in the digital sector are investing in the EU, especially in research and innovation, and aim to jointly develop technologies for the future. In their involvement in EU countries, they also support local development and job creation.

But a bolder vision for the new decade, which considers the long-term effects and results of political choices on businesses and the private sector, is highly needed for the EU-27. It is also the ambition of the CCCEU and its members to support European

growth and to raise the average annual growth – 1.6% in the past decade, and 1.9% in the past 25 years – to between 2% and 3%. However, we insist that this growth be of high quality, green and inclusive, where the EU-China cooperation can deliver significant results.

“to help achieve a golden decade of inclusive growth of 2-3% annually in the European continent”

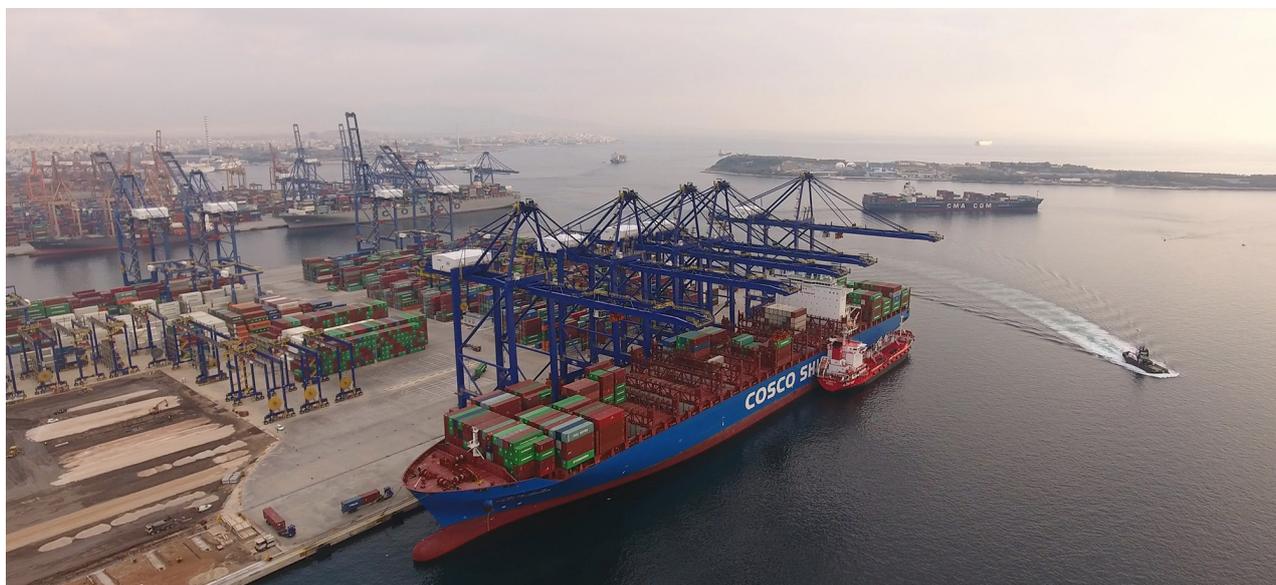
Needless to say, the common goal for China and the EU is a decade of growth and prosperity. China and the EU are two global engines for development and growth. Together, they constitute a market of 1.9 billion consumers and, through economic interaction and global supply chains, they contribute to the wellbeing of these people and the world. In parallel, we also want to sustain the development of the middle class in both China and the EU, which is expected to surpass 1 billion individuals in this decade.

Ground reality: Chinese businesses create jobs in the EU

Learning from the past gives us the key to unlock the potential for the future; and the CCCEU urges the EU leadership to consider how China-EU economic interaction fared in the past decade.

The contribution of Chinese enterprises to EU economy is undeniable. After the 2008 economic crisis, Chinese foreign direct investments (FDI) has been growing exponentially. A 2019 report by the Mission of China to the EU shows that Chinese FDI reached US\$ 8.11 billion, and this investment has contributed to boosting economic growth in the continent. The opening of numerous research centres in Europe, where highly educated European researchers and innovative Chinese companies work side-by-side, has also paved the way for further industrial upgrading by means of new discoveries. Also, the engagement of Chinese enterprises in the EU has further stimulated job creation: by 2018, Chinese enterprises created up to 330,000 direct jobs and millions of indirect jobs, which is a key finding in our first flagship report released in October 2019.

The CCCEU stresses that these positive trends should be sustained and supported. The cooperative approach between the EU and China made it possible to pave the way for stable and long-term economic interaction, which ultimately benefits companies and citizens. Looking back at the past decade, including the achievements and unresolved crises, and based on the proposed solutions, allows us to learn from history in order to better prepare for the future.



COSCO Shipping cargo ship in the Piraeus terminal © COSCO Shipping Ports Limited

Trust building: a pressing issue that both sides must address

In the past years, a wave of scepticism about, and mistrust against, Chinese entities has pervaded certain sections in Europe and created an unfavourable atmosphere in some sections of the media. Chinese FDI in the EU was subject to political decisions, with some countries arguing in favour of FDI screening mechanisms. This resulted in the 2019 Regulation establishing a framework for the screening of FDI into the EU and calls seeking a slowdown in high-tech cooperation such as in 5G application. Mistrust is increasing, which is our major concern; to facilitate win-win cooperation, building and boosting trust is a responsibility of all Chinese, and Europeans for sure.

The CCCEU is concerned about the impact that a strict screening mechanism can have on the development of China-EU economic interaction. In fact, stringent regulations can limit or even hinder the investments of Chinese companies in the EU, thus hampering the development of local businesses established by or linked to these enterprises. The result can be an economic setback for both these enterprises and the EU, since its citizens and businesses would not be able to collaborate with Chinese companies investing in the EU.

The CCCEU urges a reassessment of existing regulations to understand to what extent that they hinder economic interaction between Chinese companies and their European counterparts. The aim of these regulations should not be to prevent FDI a priori, and they should not endanger either the EU's commitment to an open economy or the mutual trust between European and Chinese companies. Indeed, the EU and China should remain committed to safeguarding multilateralism and pushing for further cooperation with openness to trade and mutual trust. Only in this way, Chinese companies in Europe can sustain its contribution in the continent and a decade of 2-3 percent growth annually is possible.

Starting line: towards a successful 2020 EU-China Summit

The 2020 EU-China Summit, at which Chinese top leader will meet the EU and member states' leaders, will be held in Germany in September and will be a historic moment for bilateral relations because it is expected to inject strong impetus to the political, economic and cultural partnership. In preparation for the summit, which must be taken as a turning point in economic interaction, the EU and China should pay close attention to business sector by listening to their voices and opinions.

In the view of the CCCEU, it is vital to make sure that the 2020 Summit will have a positive impact for the decade to come, especially in matters related to trade and investment. For this to happen, paying particular attention to the economic actors active in China-EU interaction is key. Both sides should set up working groups to start preparatory work as soon as possible. They should aim to sign a comprehensive agreement on investment (CAI) and announce the launch of a free trade agreement feasibility study, with the aim of completing negotiations by 2025. The EU should commit to investment facilitation, instead of raising more barriers. We also notice that China and the EU, together with the rest of the world, are committed to realizing the UN's SDGs and so at this summit, the development of the Eurasian continent and Africa, in particular, should be discussed. Many of our members operate globally and contributing to global development is also high on their agenda.

The CCCEU has called on the EU and China to listen carefully to the unresolved issues that Chinese enterprises face when investing in the EU, and to take them into account in the formulation of their next strategic partnership document, so that both European and Chinese businesses can benefit.

About CCCEU and Briefing

This document was produced by the research team of the China Chamber of Commerce to the EU (CCCEU), with valuable contributions from external experts and our members, which we warmly thank. The CCCEU is a platform between China and the European Union, which serves the best interests of Chinese enterprises investing in the EU. Established in August 2018, the CCCEU speaks on behalf of its 60 members and represents more than a thousand Chinese enterprises in the EU.

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