EU-CHINA TRADE IN TROUBLED WATERS

EVENT REPORT | OCTOBER 2021

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Trade between the EU and China encounters political issues as global tensions rise and climate change mitigation measures are destined to influence patterns of production and exchange. At the same time, economic developments in both China and Europe seem highly uncertain. This report sets out to deal with a number of these topics.
Chinese companies blame “misinformation” for difficult political climate in EU

Chinese business chief wants climate dialogue instead of CBAM

From Chinese companies: open, fair environment is key, dialogue should prevail
62% of Chinese companies in Europe believe that the political climate has deteriorated for them. In a recent survey, they blame “media disinformation” among other factors, a line commonly used by the Chinese Communist Party to discredit criticism.

In a report commissioned by the Chinese Chamber of Commerce to the EU and delivered by Roland Berger, a consultancy firm, Chinese companies called for a better business environment. The report claimed that the overall ease of doing business in the EU had decreased “drastically” for Chinese companies.

In particular, respondents said the political climate had deteriorated. They also pointed to the frozen ratification process of the investment agreement between China and the EU, the foreign investment screening mechanism, and supply chain due diligence rules as reasons for their assessment.

According to the report, “59% of Chinese enterprises believe that disinformation and misinformation pose a threat to their operations.”

Asked what kind of “disinformation and misinformation” companies...
were worried about, Roland Berger’s Bing Li, one of the report’s authors, remained vague but talked about “supply chain-related issues”.

One of the main “supply chain-related issues” in China that was often discussed in European media in the past year was the persecution and mass incarceration of Uyghur people in Xinjiang. In 2020, an investigative report found that the Chinese government forced Uighur people to work “in factories that are in the supply chains of at least 82 well-known global brands[.]”

Multiple sources and investigative teams have corroborated the persecution of the Uyghur people. Nevertheless, the Chinese Communist Party keeps dismissing such reports as fake news.

In 2021, the EU imposed sanctions on four Chinese officials implicated in the Chinese government’s persecution of Uyghur people. In a retaliatory move, the Chinese government sanctioned European scholars and politicians, for example, Reinhard Bütikofer, a member of the European parliament.

Responding to this, the European parliament decided to put the ratification of the common agreement on investment (CAI) between China and the US on hold. Thus, the human rights violations by the Chinese government were among the main drivers of the deterioration of the political climate between the EU and China.

The report by the Chinese Chamber of Commerce and Roland Berger, however, omits these matters entirely. Even when it asks Chinese companies about the possible causes of negative public opinion in Europe towards China, actions by the Chinese government are not found amongst the answers. Instead, the report talks of media disinformation or “lack of mutual understanding and dialogue between China and the EU.”

A survey conducted by Sinofon in the fall of 2020 showed that more than 50% of citizens in most EU member states that were polled thought advancing human rights and democracy in China should be one of their countries’ foreign policy priorities. However, many EU citizens also thought that promoting trade and investment with China should be a priority.

Currently, EU policy on China seems to focus more on human rights than on the promotion of trade. In her speech on the state of the European Union this September, commission president Ursula von der Leyen announced that the commission would propose a ban on products made by forced labour.

The ban is a reaction to the reports of the persecution of Uyghur people and the exploitation of their forced labour by the Chinese government. Whether the next report on the business environment for Chinese companies in the EU will acknowledge this remains to be seen.
Chinese business chief wants climate dialogue instead of CBAM

By Janos Ammann | EURACTIV.com

China wants more dialogue with Europe and a multilateral approach to climate measures, according to the chairman of the Chinese Chamber of Commerce to the EU. In an interview with EURACTIV, Xu Haifeng also detailed China’s data security law, which he said was the equivalent of the EU’s data protection rules.

He also said that the Chinese business community was not dependent on the Chinese Communist Party, pointing out that private businesses were more numerous than state-owned businesses in China.

Xu said 95% of the Chinese population are “satisfied or very satisfied with the central government”, adding it is a clear sign that people approve of and support the Communist Party.

He spoke to EURACTIV after the Chinese chamber of commerce to the EU (CCCEU) presented its report on the economic relations between China and the EU on Monday, (18 October).

The crisis around Evergrande showed some flaws in the Chinese growth model, namely its reliance on unproductive investment. How will China rethink its growth model and how will this impact trade with Europe?

Evergrande has concentrated its business in China and its domestic market. So, for the EU, the direct exposure to this company would be very limited. I also think that Evergrande is an individual case in the Chinese real estate sector. Its

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effects on the financial institutions are controllable, according to the Chinese Central Bank. In my opinion, the majority of the property market in China is stable. So, I don’t see the possibility that it will have an impact on China’s market structure or economic policies. Also, we see that China’s economy is strong currently, so we are pretty confident of the economic growth of China.

As the Chamber of Commerce, you are a part of the united front of the Chinese Communist Party (CCP). How are you advancing the goals of the CCP in Europe?

I can only see this in a very broad picture. For the last 40 years, China has had great growth and especially the lives of the people have been greatly improved. Now, more than 95% of Chinese citizens are satisfied or very satisfied with the central government. So I read this as approval for the CCP to lead. Given the economic achievements and the 800 million people who have been lifted out of extreme poverty in China, I really think that the Chinese people are approving of the party and of course the government.

The CCP’s central committee has called for the development of a “backbone of business people that can be relied on at critical moments.” At the same time, you say you want to increase trade and business with Europe. Why should Europe accept this, if these dependencies can be exploited politically by the CCP?

I don’t think there is a dependency on the party, since, in the Chinese business community, there are state-owned companies and private companies. 60% of GDP, 70% of innovation, 80% of urban employment, and 90% of companies are from the private sector. And, you know, for the economy to grow and for the people to have a better life, they need to improve and open up the market. The government should try to open the market. And when the companies go abroad to boost their trade between China and the EU, they can get better revenues and better lives. I think it’s not related to the party, but rather to businesspeople.

The ratification of the Comprehensive Agreement on Investment between China and the EU has been suspended after the Chinese government sanctioned members of the EU Parliament and European scholars. What do you expect from the EU now?

The business communities really hope that governments can have high-level dialogues to build mutual trust and boost mutual understanding on this. It’s really up to the two sides to decide how to move forward. But from the business community, we hope that this can go forward.

How do you evaluate the EU Commission’s proposal for a Carbon Border Adjustment Mechanism (CBAM)?

The EU’s intention is to prevent carbon leakage and to maintain the competitiveness of European companies. But this poses questions, not only to China, but also other EU partners. So, I think it’s important to have communication and coordination with the multilateral conventions. There should be more dialogue with China and other trade parties to get better methods of dealing with these issues.

Does the CBAM provide an incentive for China to improve its climate policies?

Fortunately, China embraced a stricter policy and more incentives for the green transition. China will also coordinate with the Europeans to reinforce the fight for carbon neutrality. The CBAM is not the only measure we can take, I think we have many ways.

There has been quite a crackdown by the Chinese government on the tech sector, and Jack Ma (a billionaire businessman) was taken away for a while. How do you want to give European companies and investors confidence that they can trust the business environment in China?

For this, you have to know that China has more regulation on large tech companies. It’s really about the supervision of this sector to avoid monopolies and to have sustainable growth. Actually, China now also has a new data security law in force since September, which means that we have a personal information protection law like the GDPR in the EU. China and the EU need to coordinate to ensure cross-border data flow.

But for the EU to allow data flows to China, China needs a regulation that is equivalent to the GDPR. Is China’s law equivalent to the GDPR?

Yes. The personal information protection law is similar to the GDPR. It protects the privacy of the citizens and protects cross-border flows. It also regulates data trade or data exchanges.

This personal information law seems to protect a lot of personal information. Is it also applicable in Xinjiang?

You know, Xinjiang is a part of China, of course. So, yes, definitely.
The Chinese business community’s message to the EU is clear: an open and non-discriminatory business environment is key while bilateral cooperation and dialogues should always prevail.

Xu Haifeng is the Chairman of the China Chamber of Commerce to the EU (CCCEU).

2021 is critical for the development of both China and the European Union (EU). Surviving the test of the pandemic, China’s economy this year has gotten off to a good start, with economic activity showing strong resilience and vitality. As for the EU, the accelerated rollout of Covid-19 vaccines has fuelled the bloc’s economic recovery amid ongoing twin green and digital transitions.

The pandemic is still wreaking havoc, but we can see a glimmer of light at the end of the tunnel: scientists in China, Europe and beyond have been quick to develop jabs while manufacturers across the globe ramp up production. As the Chinese economy continues to bounce back and the 27-country EU emerges from a double-dip recession, we know they are a big win with efforts from all walks of life.

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More has been achieved in a much challenging time. For China and the EU, trade volume registered growth, hit a record high, and is maintaining strong momentum. Since the second quarter of last year, China has traded more goods with the EU than any other country or bloc in the world. It is hard to imagine that the two recorded bilateral trade of merely USD 2.4 billion back in 1975, when they set up diplomatic relations, whilst we now see a staggering EUR1.6 billion worth of imports and exports coming and going each day.

There were more: China-Europe freight train services surged by 50% in 2020; the China-EU Geographical Indications Agreement came into force in March this year, and by July 2021, the two sides have mutually recognized and protected 244 geographical indications.

The vast markets of China and the EU offer huge opportunities for enterprises, even during the pandemic. Powered by a pioneering spirit, enterprises from both sides are seeking opportunities during the Covid-19 crisis. Thanks to the resilience of both markets and the global supply chain, many companies have witnessed a turn from loss to profit.

We estimated that Chinese enterprises recorded modest growth in 2020 with a total turnover of EUR 150.3 billion in the 27 EU member states, up 1.4% year-on-year. Last year, Chinese-invested enterprises in the EU employed about 320,000 Chinese and foreign employees, 10,000 more than last year. Nearly 80% of the employees of Chinese enterprises in the EU were citizens of an EU member state, an increase of 7 percent compared to a year ago.

However, they also have been concerned about the ease of doing business in the EU.

According to the overall evaluation by Chinese enterprises, the ease of doing business in the EU in 2021 declined for the second consecutive year with significantly lower scores for the political climate and the business environment in comparison to the past.

The declined sentiment came following a number of events, including the European Parliament’s “freezing” of debates on ratifying CAI, the EU and member states tightened FDI screening, the Commission put on the table a new regulation against foreign subsidies, the international procurement instrument is under debates, and many more.

For Chinese businesses, Europe’s significance as an overseas investment destination has been rising. But, is Europe still welcoming Chinese companies and Chinese investment?

We do hope the answer is yes. To the best of our knowledge, most Chinese enterprises in the EU are marathon runners, eyeing on long-term development in the bloc. This is beneficial to local employment, economic development, and technological innovation in the long run. But to make this kind of commitment sustainable, it is key to have an open, fair and non-discriminatory business environment.

We proposed nearly 70 recommendations to achieve this goal. We hope that for the EU-China relations, cooperation and dialogues would prevail, because that is crucial for stable and lasting Sino-EU economic and trade ties that are supposed to not only do good to enterprises on both sides, but also serve the interests of the EU, China and the rest of the world.