

REPORT

Chinese investments in Europe: Comparing perceptions across Western and Central Europe

Wednesday 3rd of October 2018, 14:30 – 18:00
Egmont Palace, Brussels

- The conference co-organized by Think Visegrad - V4 Think Tank Platform and EGMONT - The Royal Institute for International Relations took place on Wednesday, October 3, 2018 in Brussels. The main aim of the conference was to take a closer look at the EU-China relationship regarding investments. The discussions tackled issues related to the scope and the political background of investments in the EU and covered the different perceptions of Central European countries involved in the 16+1 format.
- The event featured Philippe Duponteil (European Commission), Rudolf Furst (Institute for International Relations), Amanda Rohde (Friends of Europe), Weinian Hu (CEPS), Tobias Gehrke (The Egmont Institute) and Justyna Szczudlik (The Polish Institute of International Affairs). Thomas Renard (The Egmont Institute) and Alexandr Lagazzi (EUROPEUM Institute for European Policy) took on the moderation of the two panels. 45 people participated in the discussion, which was also live-streamed.

The discussion was opened by **Mr. Philippe Duponteil**, Head of Unit for Far East at the DG TRADE in the European Commission, who started with a *brief overview* of the relationship between China and the EU, and insisted on the growing interdependence of both players when it comes to trade. M. Duponteil reminded the audience that today *China is the EU's second largest trade partner*, and *EU is number one trading partner for China*. Nevertheless, Mr. Duponteil noted that the EU trade deficit in goods

with China is the result of an *imbalanced trade relationship*: while China enjoys open market conditions in Europe, it is more complicated for European exporters who meet several discriminatory barriers on the Chinese market. He then noted that the non-goods trade relationship (investments and services) represents a promising potential of growth.

Mr. Duponteil then talked about the necessity of a comprehensive deal with China, pointing that the EU's position is to stand for free and progressive trade.



Two main concerns were raised: the difficulty (and sometimes the missed opportunities) for foreign companies to make business in China because of regulatory barriers, and the long-term aspect of competitiveness - e.g. China often investing in Europe in sectors that the country has kept itself closed to global investors. Thus, M. Duponteil declared that the main instrument to rebalance this lack of reciprocity was the series of negotiations towards a *Comprehensive Agreement on Investments*. He then concluded his intervention by talking about *connectivity* and the responsibility it brings for each major player in a globalized world.

Mr. Thomas Renard (Egmont Institute), moderator of the first panel, passed on the floor to the first speaker, **Ms. Amanda Rohde** (Friends of Europe) who *set the context* of the discussion by bringing the debate within the *US-China trade war and why it matters for Europe*. Ms. Rohde noted that the public opinion showed little concern about the possible consequences of the US-China dispute for the European Union and its global repercussions in general. In this context, she argued, it is necessary for the EU to look at its own strategic interests regarding investments with China and to push for transparency, cooperation and healthy competition in order to create stronger ties with the country.

Next to speak was **Ms. Weinian Hu (CEPS)** who identified two main issues regarding the EU-China investments: the *barriers to market access* and *SOEs (state-owned enterprises) dominant position*. In this context, the competition is no longer between a

private enterprise and another private enterprise, she pointed, but between a private enterprise and a state. Therefore, it creates an unfair competition and market distortion - Chinese SOEs operations often being supported by favorable foreign policies and easy access to government funds. Ms. Hu also mentioned the 18th Round of EU-China Comprehensive Agreement on Investments negotiations in July 2018, and the issues related to sustainable development, labor law and human rights that needs to be taken into account.

To conclude the first panel discussion, **Mr. Rudolf Furst** (Institute for International Relations) highlighted the *role of the Eastern periphery of the EU* and the *regional format of the 16+1 cooperation*, strongly supported at its creation by Eastern countries and by Beijing to encourage economic relations. Mr. Furst said that the EU used to be perceived by Chinese as *a big Western partner* with France, Germany and the United-Kingdom, with smaller states being overlooked. What about the East and Central post-communist economies?, Mr. Furst asked. He noted that nowadays, the rising influence of China in Central Europe with the 16+1 is more and more perceived as an issue for *EU cohesion*, raising concerns about an European fragmented trade policy.

A first round of questions from the audience gave the opportunity to keynote speaker **Mr. Philippe Duponteil** to share several concerns about the added value of the 16+1 initiative in regards to an already existing and very strong engagement with China,



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reminding that there are exclusive EU competences for trade and competition policy.

The next panel discussion was about the *difference of perceptions across Western and Central Europe regarding Chinese investments*.

After a brief introduction by **Mr. Alexandr Lagazzi** from EUROPEUM Institute for European Policy, moderator of this second round of discussions, first to speak was **Ms. Justyna Szczudlik** (The Polish Institute of International Affairs). She focused her intervention on two points: the Polish approach towards Chinese investments and a brief recap on Chinese investments in Poland. Ms. Szczudlik explained that the Polish approach of Chinese investments has changed in recent years: Before, it was for the government a way to diversify the sources of financing (upgrading infrastructures...) counterbalancing the decreasing EU investments. Nowadays, the narrative has changed: China is no longer perceived as a *money provider*, but as a *partner*.

Mr. Rudolf Furst (Institute for International Relations) then took on the floor to talk about the Chinese investments in Czech Republic. He backtracked on the relationship between the country and Asian investors, stressing that *Japan is number 2 after Germany regarding the foreign investments in*

Czech Republic. M. Furst said that Czech Republic is a good place for investments and industry, and used to be overlooked by the Chinese in the past, like the other post-communist countries in Europe.

Mr. Tobias Gehrke (The Egmont Institute) presented Germany's perspective on Chinese investments in an international and European context. Germany is *the second receiver of Chinese investments in Europe*, where the car industry has an important place. However, Mr. Gehrke noted a change in the public discourse since 2015: the rhetoric of policy makers is much more cautious when it comes to foreign direct investments in Germany.

To conclude, **Mr. Lagazzi** asked the panelists about the *contrast of rhetorics on the 16+1 framework* within the V-4 countries. For **Mr. Rudolf Wurst**, Czech Republic has a pragmatic approach on the 16+1 agenda. He stressed that even if the 16+1 is useful for certain industries, concrete outcomes are sometimes missing. **Ms. Justyna Szczudlik** said that Poland is critical about the 16+1 because it seems to bring no real economic benefits for the country. The panelists then agreed that the 16+1 framework is useful for some *Balkans states* who are not in the EU, because it is upgrading their development. They noted that in the Western Balkans, Chinese presence is considered as an alternative to the EU (especially in Serbia).