The EU-China investment relationship
Recent developments & future policy options

DG TRADE Civil Society Dialogue – 20 June 2011
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Civil Society Dialogue: EU-China Investment

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Agenda

- Overview of the current EU-China investment relationship
  - Background and legal framework
  - Investment environment in China & EU
- Possible ways forward
  - Policy options
  - Next steps: Public consultation & impact assessment
- Discussion
Background EU investment policy

- Lisbon Treaty: EU exclusive competence for FDI
- July 2010: Communication on EU future investment policy (China identified as potential partner for stand-alone investment agreement)
- President Barroso and Trade Commissioner de Gucht reaffirmed interest in possible agreement with Chinese counterparts and established EU-China Investment Joint Taskforce in July 2010
- March 2011: European Parliament Resolution on future European investment policy stresses need to protect right to regulate and ensure policy coherence for development, human rights, environment and corporate social responsibility
Untapped potential for investment flows between the EU and China

- EU and China are **key trading partners** (2nd EU trading partner after the US).

- China is viewed as an **increasingly strategic market** by EU investors (EUCCC 2011 Business Confidence Survey)

- The **EU is the largest foreign** investor in China (20% of FDI into China), however this represents **less than 3% of the EU's total overseas FDI**.

- **Chinese FDI into EU** currently only represents **less than 1%** of all FDI into the EU
EU-China FDI flows

EU FDI Outflows by destination 2009

China 2%
Switzerland 16%
Brazil 3%
USA 28%
European Countries not EU 14%
Other 37%

Legend:
- China
- Switzerland
- Brazil
- USA
- European Countries not EU
- Other
EU-China FDI flows

China FDI Outflows by destination 2010

- Brazil: 17%
- Canada: 16%
- Hong Kong: 13%
- USA: 6%
- Cuba: 11%
- Australia: 6%
- Argentina: 6%
- EU: 4%
- Other: 21%
No level playing field for EU investors

• **Investment environment in China:**
  – Numerous barriers to access and operate in the market
    • Direct market access barriers: closed “strategic” sectors, foreign ownership caps, joint venture requirements, burdensome investment screening
    • Indirect barriers: poor implementation, opacity of the law, poor IPR protection
    • Discriminatory treatment of foreign investors (subsidies, licensing and authorisation…)
  – EU side’s interest in a new agreement lies thus mostly in gaining better market access and ensuring national treatment of EU investors

• **Investment environment in the EU:**
  – EU market largely open for FDI, few barriers
  – Increasing plans of Chinese companies to invest in EU
  – Chinese side particularly interested in investment protection at the EU level (instead having to deal with 26 Member State).
Legal Framework for EU-China Investment Relationship

• Patchwork of Bilateral Investment Treaties (BITs) between 26 EU Member States (except Ireland) and China
• Framework for investment (establishment) in services sectors: WTO (GATS) commitments & DDA negotiations
• EU-China Partnership and Cooperation Agreement renegotiations trying to look at investment but incomplete

=>Lack of comprehensive EU-China legal framework for investment
Policy options for future EU-China investment relations

- **A comprehensive investment agreement** covering both pre-establishment (i.e. access to the foreign market) and post-establishment

- **A stand-alone investment protection agreement** to replace the 26 BITs with one single agreement for the EU covering investment protection, but not market access

- **No separate agreement**; continue to cover investment under existing dialogues and broader agreements (e.g. update of 1985 PCA)
Way forward….

- **Exact scope and coverage still open**
- Initial step: Impact assessment & consultations to assess potential benefits of different policy options
- We are here to learn about key concerns of civil society
- Public consultation was launched on 5 May and will run until 5 July. Accessible through DG TRADE website: [http://trade.ec.europa.eu/consultations/](http://trade.ec.europa.eu/consultations/)