**KEY FACTS AND FIGURES**

**CHINA’S ECONOMY**

China’s economy is now comparable to the EU’s in size. China’s market is ten times what it was in 2000 and forty times what it was in 1990. In the last 10 years, it has grown faster than any other major country and it has contributed to more than 50% of global growth.

![GDP Chart](chart)

Source: Eurostat and World Bank (2019)

As China continues catching up with more advanced economies, it will contribute to almost 30% of global growth in the next five years and is likely to become the world’s largest economy by the end of the decade.

- The Agreement establishes rules for bilateral investment between two of the world’s three largest economies.

**EU–CHINA ECONOMIC RELATIONS**

The EU is the first destination for Chinese exports. China is the EU’s third largest trade partner and the third destination for EU exports (after the US and the UK).

![Trade Chart](chart)

Source: Eurostat 2019 for goods, Eurostat 2018 for service

Source: Rhodium Group
Starting from very low levels, bilateral investment has increased significantly over the last ten years. Between 2000 and 2020, EU companies invested some 148 billion EUR in China and Chinese companies some 117 billion EUR in the EU.

Data represents the combined value of direct investment transactions by EU-27 companies, including greenfield projects and acquisitions that result in significant ownership control (>10% of equity).
KEY ISSUES IN EU-CHINA INVESTMENT AND HOW THE AGREEMENT ADDRESSES THEM

While trade volumes between the EU and China are comparable to those between the EU and the US, bilateral investment volumes remain lower by a factor of about 15.

- Investment is an aspect of the bilateral economic relationship that remains relatively underdeveloped.
- About half of EU FDI to China goes into the manufacturing sector, highlighting the importance of establishing a rules-based relationship with China in this area.
- Financial services, business services and health services are significant for EU FDI in China.
- Bilateral FDI is widely spread across Member States and is broadly in line with the size of their respective economies.

The Agreement will rebalance bilateral investment conditions by legally binding China’s current and future levels of openness, removing joint-venture requirements and lowering equity caps in some sectors.

China’s restrictions to foreign investment in the form of outright prohibition, joint-venture requirements, equity caps or authorisation regimes remain the highest in the world. They are higher than in the EU in all sectors of the economy, with particularly large differences in telecoms and financial services.

The Agreement will prohibit forced technology transfers.

Forced technology transfers are a major issue for European companies investing in China. Overall, one out of six EU companies has felt compelled to transfer technology in order to maintain market access but the figure is as high as one out of three in the most innovative sectors (medical devices, aerospace and aviation, environment).

CAI seeks to discipline the behaviour of State owned enterprises (SOEs) by requiring them to act in accordance with commercial considerations and not to discriminate in their purchases and sales of goods or services.

EU investors also often suffer from the unfair behaviour of Chinese SOEs, which make up about 40% of the Chinese economy. Out of China’s ten largest companies, nine are SOEs and Chinese SOEs in China account for about three-quarters of all SOEs present on the Fortune Global 500 list of largest companies by turnover. They are particularly dominant in key sectors such as banking, transport and telecoms, so that EU investors are bound to interact with them either as suppliers or as customers.

Source: OECD (2019)

Source: EUCC 2020 Business Confidence Survey

Source: Fortune Global 500 (2020)

10 largest companies by revenue 2020 (million USD)