



CCCEU REPORT ON THE DEVELOPMENT OF
CHINESE ENTERPRISES IN THE EU IN 2022

STRIVING
for a
**COMMON
FUTURE**

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Preface



Chairman of the China Chamber of
Commerce to the EU
Xu Haifeng

In 2022, the interplay between geopolitical dynamics and the Covid-19 pandemic, among other challenges, has been weighing on the world economy, the global value chains and supply chains. Amidst the complex and bleak global economic circumstances, China and the EU, two major markets and two major forces in the world, have risen to the challenge and taken on the mission of promoting development and prosperity together.

The past two years have seen China become and remain the largest trading partner of the European Union (EU); electric vehicles from China are charged and running on European streets; consumer electronics made in China, like smartphones and tablets, have become the new reading companions for Europeans; Nuremberg sausages, Bordeaux wine and other European GI products continue to sell well in Chinese marketplaces; hi-tech R&D centres, data centres and manufacturing bases have sprung up in succession across the continent. All these examples are embodiments of the well-knit network of China-EU investment, trade and economic exchanges, which has been serving the interests of both sides and making both winners.

Behind seemingly easy achievements is hard work. As the major force to advance China-EU economic and trade relations, Chinese enterprises have been attaching increasing importance to the EU in their overseas investment and business strategies, and are committed to exploring opportunities in the green economy, digital economy, sustainable development and other key market segments. Taking through challenges head on, the pioneering entrepreneurs are powerful propellers of China-EU economic exchanges and cooperation.

This year, the China Chamber of Commerce to the EU (CCCEU) and Roland Berger continue to co-operate in preparing the chamber's annual flagship report titled *CCCEU Report on the Development of Chinese Enterprises in the EU in 2022: Striving for a Common Future*. With this report, we aim to honestly present the prospects and challenges of Chinese enterprises in the EU and evaluate their experience and perception of the EU market that they have long been working hard to serve. The report also dives deep into areas that have a bearing on the development of Chinese enterprises in the EU, including the EU political situation, the economy, human resources, R&D, infrastructure, business services; and particularly zooms in on key sectors such as the green economy, digital economy and sustainable development. The report concludes with nearly a hundred constructive suggestions aimed at promoting China-EU development and cooperation.

A famous saying from ancient Chinese history goes: "those looking to succeed seize the opportunity when it arises." Looking into the future, mutually beneficial cooperation will remain the cornerstone of China-EU relations. We hope that China-EU economic and trade cooperation will be the guiding light to help the two partners weather difficulties and challenges, strengthen their competitiveness and contribute to world development. Chinese enterprises stand ready to join hands with all stakeholders to strive for a better future for China, the EU, and the world at large.



Global Managing Director of
Roland Berger, President and
Managing Director of
Roland Berger Greater China
Denis Depoux

In 2022, as the already troubled global economy is further weakened by rising inflation, energy shortages and supply chain disruptions, China-EU trade relations are also under pressure. Despite the challenging circumstances, China-EU economic and trade cooperation has managed to maintain growth momentum and has played a key role in driving the global economic recovery. China and the EU share common aspirations, broad strategic consensus and extensive mutual benefits over the long term. Sound and stable economic and trade relations between them, particularly at a time when the global economy is fraught with uncertainties, are of great importance to economic development across the world.

China and the EU are important to each other. In 2021, trade between the two sides reached EUR 696.3 billion, up by 18.4% year on year. As the largest trading partner of the EU, China is the destination for around 10% of all EU exports and has been so for many years. At Roland Berger, a Europe-originated strategy consultancy that has long been present in China, we are lucky to witness China-EU economic and trade relations, as well as their bilateral cooperation, expand and deepen. We are convinced that such a partnership is bound to last and grow sustainably.

2022 is the fourth year that the China Chamber of Commerce to the EU (CCCEU) has teamed up with Roland Berger to present the development of Chinese enterprises in the EU in an annual report. This year's report, titled *CCCEU Report on the Development of Chinese Enterprises in the EU in 2022: Striving for a Common Future*, shows that amidst a tumultuous global economic landscape, about 70% of Chinese enterprises in the EU remain positive on the long-term outlook of China-EU economic and trade relations, speaking volumes of the good basis for cooperation between business undertakings on the two sides. We believe that mutual benefit and win-win cooperation remain the fundamentals that define China-EU economic and trade relations, and that temporary uncertainties will not undermine the confidence in cooperation over the long term. We hope that our report this year will enhance trust and communication between enterprises in China and the EU, and foster even closer cooperation that will contribute to a future of sustainable development.



Executive Summary

In 2022, the world economy has been facing considerable uncertainties and risks, especially when rising inflation, energy shortages and supply chain disruptions are exerting downward pressure. Despite the difficult circumstances, **China-EU economic and trade cooperation is still maintaining long-term growth momentum, reflecting the complementary and mutually beneficial nature of the cooperation** and injecting stability, certainty and positivity into the global economy and trade.

In 2022, the CCCEU and Roland Berger have joined hands for the fourth year to release this year's version of our annual report titled *CCCEU Report on the Development of Chinese Enterprises in the EU in 2022: Striving for a Common Future*. Premised on the principle of seeking common ground while shelving differences, this report seeks to identify new opportunities to expand and deepen China-EU cooperation, and offers nearly a hundred suggestions falling into 12 categories.

This report contains six chapters:

Chapter 1: Resilient China-EU economic and trade relations offset instability and inject vitality into global development and prosperity. During 2021 and 2022, China-EU trade in goods has maintained the fast-growing momentum. By the end of June 2022, China had remained the EU's largest trade partner in goods. In 2021, China-Europe freight trains hit a new record with more than 15,000 trips and contributed to the resilience and stability of the value chains across Eurasia. Chinese enterprises are keen on making greenfield investments in the EU. Statistics show that in 2021,

greenfield investment by Chinese investors in the EU reached EUR 3.3 billion, up by 51% year on year. The new geopolitical landscape, rising inflation all over the globe, energy shortages and supply chain disruptions have exerted downward pressure on the global economy and slowed the global economic recovery. Looking ahead, China and the EU should continue to work together based on their broad common interests and deep capacity for cooperation to inject more stability and positivity into the complex and volatile global environment.

Chapter 2: Chinese enterprises in the EU keep marching forward despite pressure, with positive prospects over the long term. In 2021, it is estimated that the aggregate revenue of Chinese enterprises in the EU-27 added up to EUR 163 billion, and 41% of surveyed enterprises expect their 2022 revenue to register an increase. In 2022, the ratings by Chinese enterprises on the EU business environment recorded a decline for the third year, with the political environment, economic and industrial environment and business service environment being the main factors dragging down the sentiment. The top three impediments for Chinese enterprises with respect to the EU's business environment are: 1) a complicated policy environment that makes it difficult for enterprises to fit in; 2) the fast roll-out of EU's unilateral economic and trade instruments raises concerns for Chinese enterprises; and 3) the impact of negative public opinion, with which Chinese enterprises are struggling to find effective communication pathways to cope. Despite the aforementioned frustrations, 70% of surveyed enterprises believe that China-EU trade and economic relations will keep improving.



Chapter 3: Green economy: China and the EU are jointly promoting the development of, and the transition toward, a green economy. Chinese enterprises have been actively engaged in green development in the EU. In the energy sector, they have brought sophisticated solutions to the EU. In the manufacturing sector, Chinese battery manufacturers have ramped up investment to foster supply chain stability in the EU. In the green finance sector, Chinese enterprises are strong advocates of green bonds and green credit loans. In decarbonising transport, there is much space for stakeholders from both sides to improve communication about the deployment of rail networks and public charging facilities. At the same time, the two sides should cooperate more at the intersections of the green economy and the digital economy and unlock the digital potential of the green economy.

Chapter 4: Digital economy: build an equal, open partnership based on mutual trust and benefit. China and the EU have the building blocks for cooperation across the value chains of the digital economy and can bring more resilience and vitality to bilateral cooperation by leveraging their respective strengths. Chinese enterprises expect equal market entry in information and communications technology (ICT), data circulation, semiconductors, artificial intelligence (AI) and other sectors where they still face hurdles. In the emerging digital segments where new business models cluster, the two economies have much room for cooperation thanks to the complementarity between them.

Chapter 5: Corporate social responsibility (CSR) – Chinese enterprises embrace sustainable development, striving to create economic benefits and fulfil social

responsibility at the same time in the EU market. Chinese enterprises focus their CSR activities in five major aspects: social work and people’s wellbeing; environmental protection; consumers’ rights and interests; social equality and diversity; and workers’ welfare. According to our survey, 58% of Chinese enterprises indicated that they have long paid attention to CSR and made concrete CSR efforts to contribute to local societies in the EU.

Chapter 6: Suggestions for China-EU development and cooperation. The report concludes with suggestions on promoting development and cooperation between China and the EU. The nearly a hundred practical recommendations cover 12 aspects: deepening mutual trust and sustaining the China-EU comprehensive strategic partnership; rising to the challenges facing the global economy; safeguarding the multilateral trade system; promoting high-quality development of China-EU economic and trade relations; jointly stabilising the global value chains and supply chains; ensuring a fair and open business environment and eliminating the negative impact of unilateral instruments; stepping up cooperation in finance and investment; bolstering China-EU green economy cooperation; advancing China-EU digital cooperation; facilitating Chinese enterprises to fulfil social responsibility; intensifying innovation, culture and people-to-people exchanges; and enhancing cooperation on third-party markets.

We welcome any feedback on this report along with any suggestions you may have.



Chapter 1

Stable and cooperative China-EU economic and trade relations offset instability and inject vitality into global development and prosperity

Since 2021, under the double whammy of changes unseen in a hundred years and a once-in-a-century pandemic, geopolitical turbulence, black swans and grey rhinos have pushed the world economy further into uncharted waters. Despite the challenging and complicated global environment, **China-EU economic and trade cooperation, featuring mutual complementarity and mutual benefit, has been accelerating and injecting stability, certainty and positive energy into the world economy¹.**

Thanks to the joint efforts of both sides, the China-EU comprehensive strategic partnership has been deepening, as witnessed by the all-dimensional, multi-tiered communication and cooperation guided by the China-EU Summit. On 1 April 2022, the 23rd China-EU Summit took place via video link. In the evening of that day when Chinese President Xi Jinping met with European leaders via video link, he underscored

1. Xinhua News Agency, Active China-EU trade brings hope to global economic winter, 31 March 2022

that China and the EU, as two major forces, big markets and great civilizations, should offset uncertainties in the international landscape with stable China-EU relations, deepen economic globalisation through open cooperation, and meet global challenges through solidarity and collaboration. On 8 July 2022, Han Zheng, member of the Standing Committee of the Political Bureau of the Communist Party of China Central Committee and vice-premier, and Frans Timmermans, executive vice-president of the European Commission, held the third China-EU High-level Environment and Climate Dialogue via video link, with both sides agreeing to deepen cooperation on energy security, green energy industry, green technology innovation, carbon market, biodiversity conservation, chemicals management, green transportation, green finance, green buildings and zero-waste cities². On 19 July 2022, China and the EU held the 9th High-Level Economic and Trade Dialogue via video link. The two sides had pragmatic, frank and fruitful discussions on global economic challenges, supply chains, bilateral trade and investment, and cooperation in financial services; The two sides reached a series of consensuses and deliverables on macro-economic policy coordination, cooperation on value chains and supply chains, World Trade Organization reforms, further market opening-up, implementing the China-EU Agreement on Geographical Indications, animal and plant inspection and quarantine, two-way opening-up of the financial sector and regulatory cooperation, among others³.

China-EU economic and trade relations have maintained rapid growth in both quantity and quality. In 2021, trade value between China and the EU exceeded USD 800 billion for the first time, and two-way investment kept increasing steadily

2. Ministry of Foreign Affairs of China, Foreign Ministry spokesperson Wang Wenbin's regular press conference, 12 July 2022

3. Ministry of Commerce of China, Press conference on the 9th China-EU High-Level Economic and Trade Dialogue, 20 July 2022



to top USD 270 billion⁴. Behind the impressive numbers is the optimising China-EU trade structure, with prominent growth observed in aerospace, biology, photovoltaic and electronics⁵. In the same year, China-EU freight trains, the so-called iron camel caravans, hit new records in both the number of trips operated and freight volume. Against the backdrop of the pandemic, the stable operation effectively bolstered the stability of global industrial and supply chains. As of 1 March 2022, the China-EU Agreement on Geographical Indications, a new stimulant to bilateral economic and trade cooperation, had been in effect for a year. In the meantime, the economic and trade relations between China and major EU Member States have been stable, vibrant, and fruitful.

As two major economies, it has become imperative for China and the EU to deepen cooperation⁶. As two major forces upholding world peace, two big markets promoting shared development and two great civilizations promoting human progress, China and the EU share broad strategic consensus and common benefits. The green and digital transformations hold big potential and will add a strong tailwind to bilateral economic and trade relations⁷. Going forward, the two sides have more to expect from economic and trade cooperation. Not only will they contribute to global economic recovery, but they will also have a bigger role to play in managing the pandemic and developing green and digital economies among others.

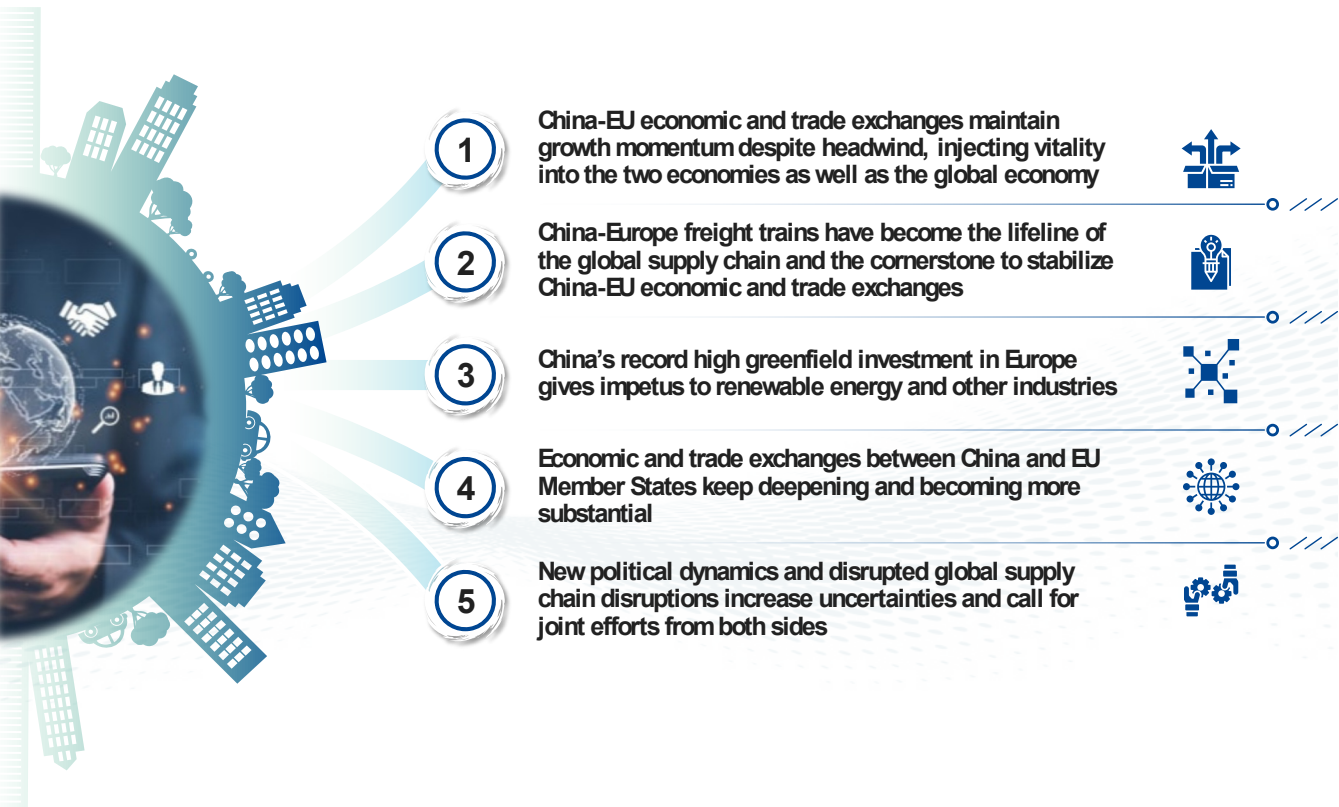
4. Ministry of Commerce of China, Minister of Commerce Wang Wentao presented the Ministry's work of promoting high-quality development of commercial affairs with stability at the core, 1 March 2022

5. Xinhua News Agency, Active China-EU trade brings hope to global economic winter, 31 March 2022

6. www.comnews.cn, China-EU economic and trade relations at a crossroads, 13 April 2022

7. Xinhua News Agency, Active China-EU trade brings hope to global economic winter, 31 March 2022

01 Stable and cooperative China-EU economic and trade relations offset instability



1. During 2021 and 2022, economic and trade engagement between China and the EU maintained growth momentum despite challenging times and injected vitality into the two economies as well as the global economy

1.1 China-EU bilateral trade in goods has been increasing in both quantity and quality, with a high degree of trade complementarity being a propeller for long-term growth



1.1.1 China-EU bilateral trade in goods has maintained a steady increase, strong resilience and vitality

During 2021 and 2022, there has been rapid growth in China-EU trade in goods.

In 2021, according to Eurostat, China-EU bilateral trade in goods was valued at EUR 696.3 billion, up by 18.4% year on year. China accounted for 10.2% of the EU's exports and 22.4% of its imports, respectively. In the first half of 2022, bilateral trade was worth EUR 413.87 billion, a year-on-year increase of 28.1%⁸. Overall, China-EU bilateral trade in goods is based on a solid foundation and is expected to maintain sound growth.

In 2021, China remained the EU's largest trade partner in goods and was heavily weighted in the total trade value of the single market. In 2021, EU imports of goods from China and exports of EU goods to China were worth EUR 472.7 billion and EUR 223.5 billion, up by 22.7% and 10.2%, respectively, compared to the previous year. In the first half of 2022, China made up 10% of the EU's total exports⁹.

1.1.2 China-EU trade in goods is characterised by structural complementarity, with the share of manufactured goods and high-value products growing at a faster pace.

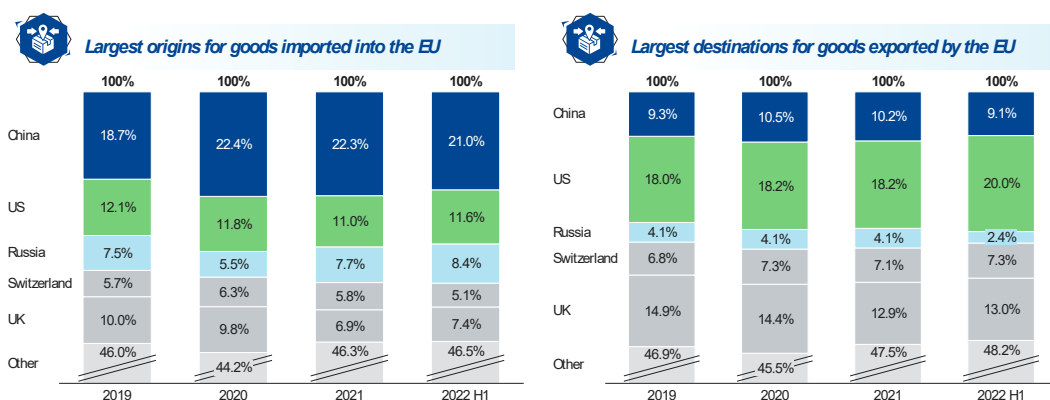
Complementary cooperation has become deeper in manufacturing goods, which are the most traded (over 90%) between the two sides¹⁰. In 2021, driven by the development of the new energy vehicle industry in both markets and the growth of the stay-at-home economy fueled by the pandemic, two-way trade in machinery and vehicles, and miscellaneous manufactured goods saw remarkable growth. Specifically,

8. Eurostat (retrieved 17 August 2022). Note: Eurostat China trade figures do not include Hong Kong SAR

9. Eurostat (retrieved 17 August 2022)

10. Including machinery and vehicles, other manufactured goods (shoes, clothes, furniture, building fixtures and fittings, etc.), articles made of different raw materials (leather, rubber and wood, paper, metals, etc.) and chemicals

02 Principal partners for EU exports and imports of goods



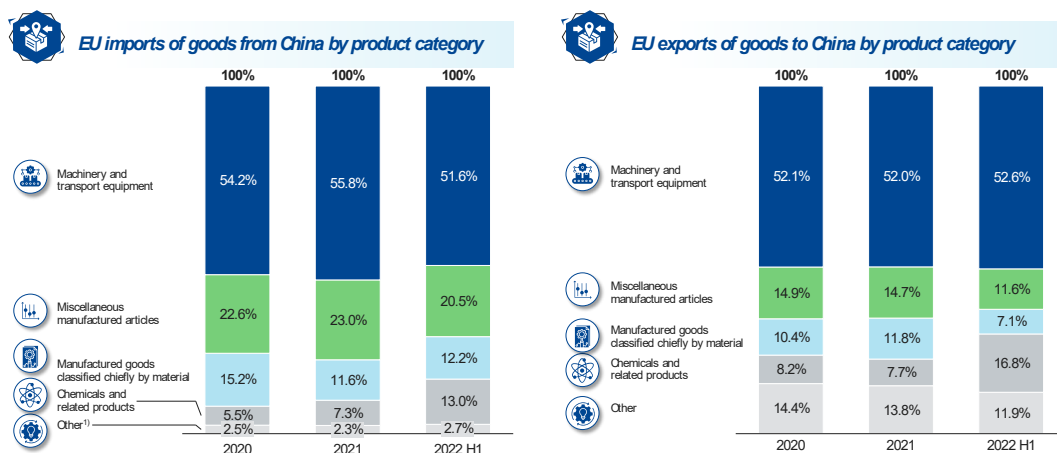
Source: Eurostat (retrieved 17 Aug 2022)

of the two groups, EU imports from China grew by 26% and 24%, and the increases in the opposite direction were 10% and 25%, respectively¹¹.

China has long been the EU's largest source of manufactured imports, in which the share of high-value manufactured goods has been rising in recent years. In 2021, the EU imported EUR 1.46 trillion worth of manufactured goods, up by 19% year on year. 31% of such import demand, about one percentage point higher than in 2020, was satisfied by China, and the percentage further grew to 32.5% in the first half of 2022. **China is the third largest destination of EU manufactured goods.** Among the EUR 1.78 trillion worth of manufactured goods that the bloc exported in 2021, 10.8% went to China, maintaining the same level as in 2020; in the first half of 2022, the share remained around 10%. In addition, **China-EU high-tech trade saw**

11. Eurostat (retrieved 17 August 2022)

03 EU trade with China by product category



1) Other includes food and live animals, beverage and tobacco, mineral fuels, lubricants and related materials, animal and vegetable oils, fats and waxes, inedible crude materials (except fuels), commodities not classified elsewhere

Source: Eurostat (retrieved 17 Aug 2022)

notable growth, especially EU imports of high-tech goods from China. Among all the manufactured goods that the EU imported from China in 2021, high-tech products, which include nine subcategories, namely Aerospace, computers and office machines, electronics-telecommunications, pharmacy, scientific instruments, electrical machinery, chemistry, non-electrical machinery and armament¹², made up 38%¹³. The increase from 34% in 2017 speaks volumes for the optimised China-EU trade structure¹⁴.

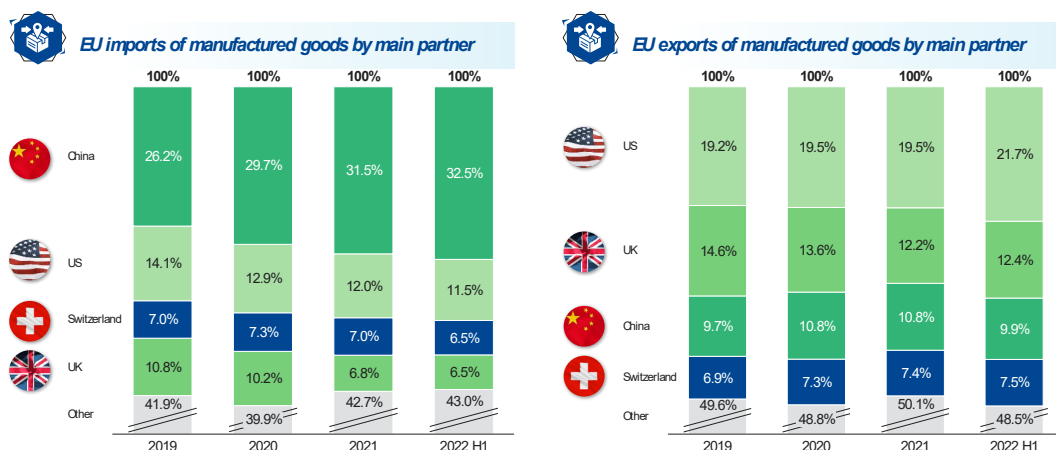
1.1.3 The China-EU Agreement on Geographical Indications has been in force for a year and keeps generating trade and cultural benefits

12. Eurostat, Annex 5 – High-tech aggregation by SITC Rev.4, (retrieved 1 July 2022)

13. Eurostat, High-tech products: increase in extra-EU trade, 5 March 2022

14. Eurostat, A third of EU's high-tech product imports come from China, 30 April 2018

04 EU trade in manufactured goods by main partner



Source: Eurostat (retrieved 17 Aug 2022)

The China-EU Agreement on Geographical Indications keeps generating reciprocal benefits. As of 1 March 2022, the 1st anniversary of the Agreement, a total of 244 geographical indications (GI) products had been mutually recognised and protected. In Q1 2022, trade exchanges of tealeaves, beer, apple, and cheese & dairy products increased by 54%, 21%, 69% and 56%, respectively¹⁵. **The Agreement keeps injecting new vitality into China-EU economic and trade cooperation and is stimulating businesses on both sides to cooperate more actively.** On 16 September 2021, the Seminar on European Geographical Indications was held in Chengdu, China, where more than 35 GI products (including wine, pumpkin seed oil, etc.) were on display. On 24 September 2021, the EU Geographical Indications Seminar was held as part of the

15. chinanews.com.cn, MOFCOM: Deepening China-EU cooperation will benefit both, 29 April 2022



China International Catering Industry Expo. Over 16 GI products from 11 EU Member States were on display. From 5-10 November 2021, the 4th China International Import Expo (CIIE) was held in Shanghai. During the six-day event, around 300 products¹⁶ across seven food categories were on display at the EU Food Booth. On 26 July 2022, the EU Geographical Indications Pavilion was unveiled at the 2nd China International Consumer Products Expo and showcased several dozen GI products from the EU each day. On 29 July 2022, the first Global Geographical Indications Products Expo and Permanent Forum on the China-EU Agreement on Geographical Indications took place in Luzhou, Sichuan.

1.2 China-EU trade in services is maintaining consistent growth and holds great potential in the future with support from the improving global business environment for services trade and deepening China-EU bilateral cooperation

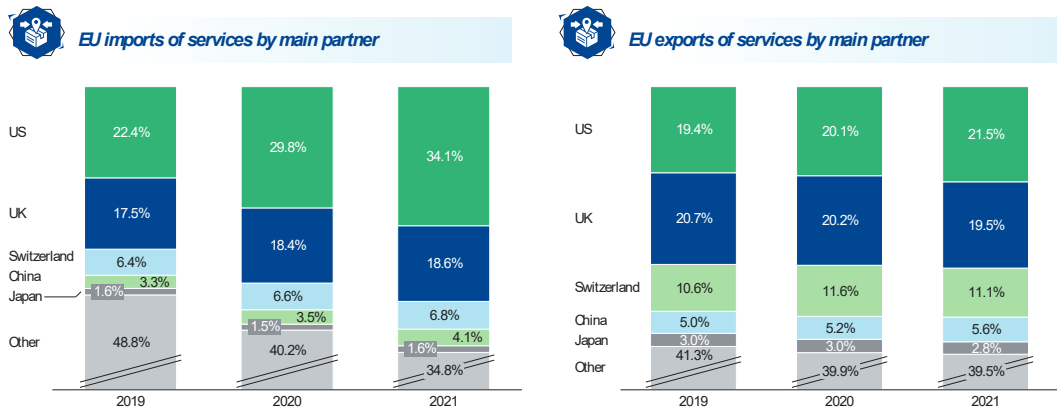
1.2.1 China-EU bilateral trade value in services is growing rapidly after China became the EU's bigger trading partner in services

Bilateral trade flows continue to expand and have reached above pre-pandemic levels. In 2021, services exports from China to the EU amounted to EUR 36.47 billion, up by 17% from 2020 and 9% from the pre-pandemic level in 2019. EU exports of services to China were EUR 57.01 billion, an increase of 22% from 2020 and 7% from 2019's EUR 53.25 billion.

China is the EU's fourth largest trading partner in services, and its share has been on the rise. In 2021, China ranked fourth among the EU's services trading partners, accounting for 5.6% of EU exports and 4.1% of its imports. China's share of EU

16. Delegation of the European Union to the People's Republic of China, "Colours by Europe": European food and drink delights Chinese visitors at CIIE 2021, 9 November 2021

05 EU trade in services by main partner



Source: Eurostat (retrieved 17 Aug 2022)

international trade in services went up by 0.5 percentage points compared to 2020¹⁷, and is expected to improve further.

1.2.2 Trade in traditional services keeps rising, while trade in knowledge-intensive services shows tremendous potential

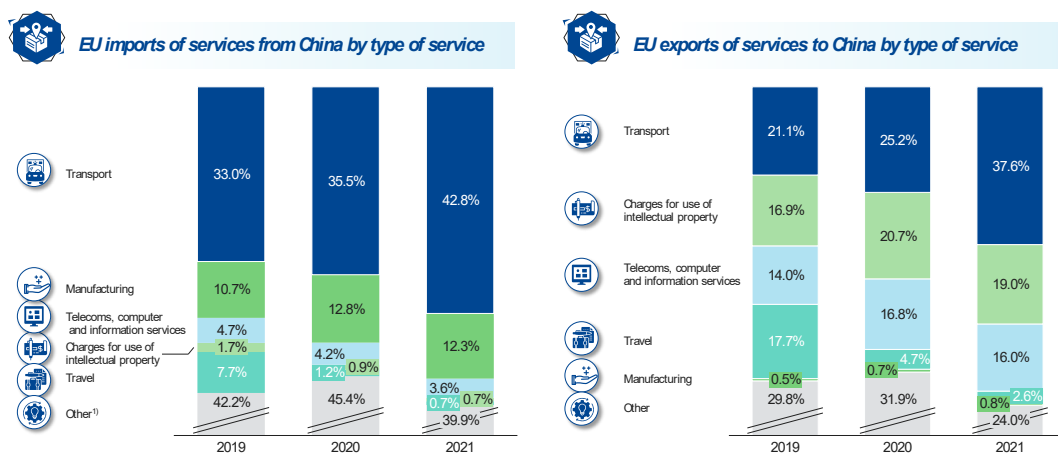
Traditional services have been the key driver behind accelerating China-EU trade in services. Transport and manufacturing, notably, remain an important engine.

In 2021, underpinned by the buoyant trade dynamics and soaring shipping rates, the EU's exchange of transport services with China accounted for the largest share of the bloc's total trade in services, with imports and exports taking up 42.8% (up by 41.6%) and 37.6% (up by 81.8%) year on year, respectively.

17. Eurostat (retrieved 17 August 2022)

Knowledge-intensive services contribute a significant share to the EU's total services exports to China. In 2021, in the EU's exports of services, charges for the use of intellectual property and telecoms, computer and information services accounted for 19.0% and 16.0%, with a yearly increase of 11.7% and 15.7%, respectively¹⁸. In 2021, China's exports of personal culture & entertainment services, charges for the use of intellectual property, telecoms, computer and information services increased 35%, 26.9% and 22.3% year on year, respectively¹⁹. **As China's culture and entertainment and digital IT industries, among others, continue to develop, more space will be created for services exchanges between China and the EU.**

06 China-EU trade in services by type of service



1) Other includes maintenance & repair services, insurance services, construction, financial services, personal, cultural & recreational services, government services, and other business services

Source: Eurostat (retrieved 17 Aug 2022)

18. Eurostat (retrieved 17 August 2022)

19. Information Office of the Ministry of Commerce of China, Head of Department of Trade in Services and Commercial Services present annual result of trade in services in 2021, 31 January 2022

1.2.3 China-EU trade in services stands to increase further, especially services related to the digital economy and financial markets

a) Services trade, as a growing part of total world trade, will further benefit from updated, better rules

If the international business environment keeps optimising, the share of services in global trade is expected to rise steadily. According to an analysis by the WTO, the share of services in global trade will increase to 33% by 2040 from 22% in 2020²⁰. Global consensus on updated rules governing services trade will effectively slash administrative costs for services providers in foreign markets and promote global exchanges in services. In December 2021, 67 WTO members issued the Joint Statement Initiative on Services Domestic Regulation, which, according to an estimate, will help reduce the cost of global services trade by around USD 150 billion every year²¹. It will also make it easier for Chinese enterprises to set up commercial entities overseas, obtain business licenses and relevant qualifications, and provide cross-border services²².

b) China and the EU cooperate to diversify services trade in the realm of the digital economy

Cooperation between China and the EU on the digital economy is expanding in depth and breadth. Since 2021, leaders of the two sides have discussed enhancing collaboration in the digital economy on multiple occasions. In October 2021, when Chinese President Xi Jinping spoke with the European Council President Charles Michel on the phone, the latter said that the EU is willing to deepen pragmatic

20. www.gov.cn, Ministry of Commerce interpreting the negotiation results on the WTO Joint Statement Initiative on Services Domestic Regulation, 8 December 2021

21. WTO, Services Domestic Regulation in the WTO

22. www.gov.cn, Ministry of Commerce interpreting the negotiation results on the WTO Joint Statement Initiative on Services Domestic Regulation, 8 December 2021



cooperation with China in digital economy²³. **In practice, extensive cooperation on digital services between China and European countries has been unfolding.** By the end of 2021, China had signed the Memorandum of Understanding on E-commerce Cooperation with Italy, Austria, Iceland, Hungary and Estonia, and put in place bilateral e-commerce cooperation mechanisms with these partners. The China-CEEC dialogue mechanism on e-commerce cooperation that involves Albania, Hungary, Serbia, Montenegro and Slovenia was launched in June 2021²⁴.

1.2.4 Deepening financial cooperation between China and the EU enhances capital market connectivity and offers guidance to the development of global green finance

In 2022, China and the EU continue to make efforts to promote financial cooperation and encourage financial institutions to contribute their share to facilitate capital flows between the two markets. In September 2021, China Focus Forum was held during the International Private Equity Market 2021, offering a channel for the private equity markets of China and France to connect. On 4 November 2021, the Annual Event of the International Platform of Sustainable Finance (IPSF), whose founding members include China and multiple European economies, organised at the United Nations Climate Change Conference (COP26) published the IPSF Common Ground Taxonomy - Climate Change Mitigation Instruction Report (the “CGT”). In June 2022, 17 more economic activities were added to the CGT, effectively broadening the horizons of China-EU cooperation on green finance²⁵.

23. www.news.cn, Xi Jinping speaks with European Council President Charles Michel on the phone, 15 October 2021

24. Yao Ling, Digital economic cooperation brings additional vitality to China-EU trade and digital trade has more to offer in the future, 2022

25. The European Commission, Common Ground Taxonomy Instruction Report - updated, June 2022

2. China-Europe freight trains have supported the global supply chain and helped stabilise China-EU economic and trade exchanges

2.1 China-Europe freight trains have become more accessible and convenient, contributing to the resilience and stability of the China-EU value chains despite global supply chain disruptions

2.1.1 Driven by extended geographical coverage and increased cargo categories, China-Europe freight trains achieved rapid growth in both volume and value of cargo

In 2021, China-Europe freight trains made more than 15,000 trips and transported USD74.9 billion worth of cargo. In the first quarter of 2022, China-Europe freight trains made 3,630 trips and delivered 350,000 twenty-foot equivalent units (TEUs), up 7% and 9%, respectively, year-on-year²⁶. In terms of geographical scope, as of 2021, the China-Europe freight train network connected 180 cities in 23 countries, two countries and 88 cities more than the previous year²⁷. By the end of July 2022, the freight train network had laid out 82 operating routes, reaching nearly 200 cities in 24 European countries, gradually "connecting points into lines" and "weaving threads into a network"²⁸.

The network transports from China to Europe more than 50,000 types of goods under 53 categories that include not only wood, automobiles and parts when the cargo service was launched, but also mechanical and electrical products, food, etc.²⁹.

26. The National Development and Reform Commission of China, Zoom in on Chinese economy | China-Europe freight trains hit new record in 2021 and became a major lifeline in Eurasia supply chain, 21 February 2022

27. The National Development and Reform Commission of China, Zoom in on Chinese economy | China-Europe freight trains hit new record in 2021 and became a major lifeline in Eurasia supply chain, 21 February 2022

28. Guang Ming Daily, China-Europe freight trains operated over 1,000 trips for 26 consecutive months, 28 July 2022

29. The National Development and Reform Commission of China, Why the "circle of friends" of China-Europe freight trains is continuously expanding? 18 May 2022



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CCCEU Report on the Development of Chinese Enterprises in the EU in 2022



2.1.2 China-Europe freight trains operate efficiently with high predictability and stable costs even when hub ports globally are grappling with congestion

In terms of operational efficiency, the entire railway transportation time between China and Europe has now been shortened from 24 days at the beginning of the launch to 12 days³⁰. Despite the challenges posed by the pandemic, China-Europe freight trains manage to operate 20 to 25 days each month³¹, offering a predictable and reliable transport solution at a stable cost. In 2022, the rail service continues to prosper. In each of the past 26 months, over 1,000 trips were made by China-Europe freight trains. The overall proportion of fully loaded containers carried by the trains has been stable at a high level of above 98%, and the figure has been maintained for both departing and returning trips. The transit time is also stable at 15 to 20 days. The predictable, reliable and efficient logistics service has opened a new route to channel trade flows between the two continents, and carries strength and confidence along the way³².

2.2 The booming China-Europe freight train service has attracted European investors and created logistics business opportunities

More logistics business opportunities and economic benefits have come into being along the China-Europe freight train routes. For example, Cargotor, a subsidiary of the Polish State Railways (PKP), is working together with the Polish government to build in Malaszewicze the largest logistics centre in Europe, which is specifically designed to handle rail freight traffic between Europe and China. DB Cargo of Germany established DB Cargo Transasia to increase rail freight transport

30. www.gov.cn, "Iron camel caravans" marching towards a bright future – upon the 50,000th trip of the China-Europe freight trains, 29 January 2022

31. The National Development and Reform Commission of China, Zoom in on Chinese economy | China-Europe freight trains hit new record in 2021 and became a major lifeline in Eurasia supply chain, 21 February 2022

32. People's Daily, China-Europe freight trains, the accelerator fueling China-EU trade, 2 August 2022



between China and Europe³³. Finnish logistics company Nurminen Logistics and Kazakhstan Railways have hammered out plans to build new routes for container trains³⁴. Undoubtedly, such investment activities will bring economic benefits and job opportunities to the regions along the China-Europe freight train routes and promote the development of the local economy, especially the logistics industry.

2.3 China-Europe freight trains, the green artery of trans-continental trade, are compatible with the Decarbonising Transport in Europe project and stand ready to make way for innovation

The China-Europe freight train carrier has taken carbon footprint calculation and carbon trading, among others, into consideration to explore the potential of low-carbon transport and facilitate realising the EU's carbon neutral targets. In November 2021, GEFCO, a leading European logistics provider, launched its first carbon-neutral train from Europe to China. According to the operator of Chang'an China-Europe freight trains, over the long term, it might become common practise for them to purchase carbon emission allowances and invest in emission reduction projects³⁵.

33. globaltimes.cn, Germany freight road provider launched new plans to connect 18 European countries straight to China, 30 November 2021

34. www.rail-metro.com, Kazakhstan and Finland jointly launched container train service between China and Europe

35. www.railfreight.cn, First carbon neutral China-EU freight train departed from Slovakia to China, 22 November 2021

Voices of Chinese Enterprises: China COSCO Shipping Corporation Limited - Commit to supporting the China-EU economic and trade development over the long term with concrete actions

China COSCO Shipping Corporation Limited (COSCO), after nearly 60 years of operation in the European market, has built up a 5,000-strong team and a business network that covers 25 European and Mediterranean countries. Over the decades, along with the evolution of global value chains, COSCO has always been an active contributor to China-EU economic and trade relations. In the context of the current digital transformation, COSCO embraces the power of digital to expand its capacity by setting up financial management system (FMS), warehouse management system (WMS), transportation management system (TMS) and control towers in order to boost operation efficiency and optimise customer experience. In 2021, COSCO recorded a container throughput of 4.8 million TEUs, local export cargo throughput of 1.87 million TEUs and Intra-Europe Trade (IET) 470,300 TEUs. COSCO is devoted



COSCO SHIPPING donates to Finland's Ähtäri Zoo for panda conservation project, 14 December 2021. Source: COSCO Shipping (Europe) GmbH



to operating in the European market and will continue to contribute its share to advance the China-EU economic and trade relations.

Aiming long-term in Europe, COSCO is committed to upholding the principle of win-win cooperation and achieving common progress along with the development of China-Europe freight trains. “The China-Europe freight trains,” said COSCO, “release the logistics and trade potential of the inland shipping routes across Eurasia and created more space for intercontinental development. In this regard, we share common interests with our local European partners. For example, the China-Europe Land-Sea Express Route, which is operated by COSCO, collaborates with European railway companies and has established joint ventures with some of them, aiming to share development results with local stakeholders while promoting our own business.”

In addition, COSCO has also been active in fulfilling its social responsibilities. For example, when the conservation and research programme of loaned pandas in Finland was caught up in financial difficulty, COSCO promptly donated EUR 300,000 through its affiliated foundation to the Finnish zoo running the programme.

3. China’s greenfield investment into Europe rose to a record level, injecting impetus into multiple industries, including renewable energy

3.1 The growth optimism of Chinese companies drives their greenfield investment in Europe

In 2021, Chinese foreign direct investment (FDI) in Europe increased despite headwinds. In the year, China’s outbound direct investment amounted to RMB 936.69

billion, with a year-on-year increase of 2.2%³⁶. The same period saw Chinese FDI in Europe increase by 33% to EUR 10.6 billion, from EUR 7.9 billion in 2020³⁷. **Breaking down the investment shows that China's greenfield investment in Europe has experienced rapid growth in the past two years.** One example is the record high greenfield investment of EUR 3.3 billion in 2021, up 51% from 2020 and 2.42 times the average level between 2015 and 2019 (EUR 1.36 billion)³⁸. Significantly, 88% of the Chinese greenfield investment is funded by private capital, 6% more than in 2020.

Chinese enterprises' increased growth optimism in Europe is fueling their greenfield investment. Chinese enterprises, such as Contemporary Amperex Technology (CATL) and Great Wall Motor, have set up manufacturing bases in Europe to optimise their global supply chain and serve local customers with proximity. Others are making greenfield investment in a bid to comply with European industrial policies and supervisory regulations. One of the examples is ByteDance, which opened its European data centre in Ireland to comply with data protection regulations in Europe.

3.2 Accelerated investment of Chinese enterprises in Europe's emerging industries fosters new growth drivers, and promotes the development of new energy, new consumption and new technology

Mirroring the consumption recovery in 2021 as well as the development of new energy and advanced technologies, Chinese investment in Europe is concentrated on four major sectors: consumer products; automotives; health, pharma and biotech; information and communications technology (ICT); and energy. Driven by the acquisition of the Philips home appliance business by Hillhouse Capital,

36. Ministry of Commerce of China, 2021 Statistical Bulletin of China's Outward Foreign Direct Investment, 24 January 2022

37. Rhodium Group, Chinese FDI in Europe 2021 Update, 27 April 2022

38. Rhodium Group, Chinese FDI in Europe 2021 Update, 27 April 2022



investment in consumer products surged to EUR 3.8 billion, accounting for 36% of total investment. Activity in the automotive industry was driven by EUR 2.4 billion of greenfield investments in electric vehicle (EV) batteries, representing 23% of the total. ICT, the fourth largest sector, received EUR 941 million, or 8% of total investment³⁹. Most investments in the automotive sector went to the new energy vehicle industry. China's top power battery manufacturers, such as CATL, Envision AESC and SVOLT Energy, have all built or planed to build battery plants in Europe. Chinese enterprises have been active in investing in Europe's technology sector, bringing in fresh support to innovations in the high value-added industry. Examples include Chinese medical manufacturer Mindray's purchase of Hytest Invest OY, a Finnish medical device maker.

Voices of Chinese Enterprises: China Soft Capital - When investing in Europe, invest for the long term, invest with confidence, and invest in green deals

China Soft Capital Management Group (China Soft Capital) is a leading Chinese investment institution with assets under management of more than RMB 30 billion and focuses on sectors such as fintech, information technology, smart manufacturing, low-carbon industries and environmental protection. It has established a business presence in Europe and aims to cultivate the EU market by following the market's development direction. Inspired by the China-EU green partnership and China's "3060" carbon goals, China Soft Capital started to put more emphasis on investment opportunities in green economy, clean energy and related technologies. As of today, China Soft Capital has initiated and participated

39. Rhodium Group, Chinese FDI in Europe 2021 Update, 27 April 2022

in projects in the aforementioned sectors, including green farming and ecological agriculture projects in Northern Europe; clean energy projects in Southern Europe and Central and Eastern Europe. It is also working with Chinese renewable energy companies to keep identifying new investment opportunities to realise its own “green transition”. China Soft Capital is also dedicated to collaborating with local European enterprises in exploring the potential of clean energy and coming up with feasible renewable energy solutions. Going forward, it will follow up on the need for green financing between the two markets and facilitate green cooperation between China and Europe by way of raising a designated photovoltaic industry fund, etc.



China Soft Capital Management Group holds the “Unifying Knowledge and Action for a Carbon-Neutral Future” academic forum, 26 February 2022. Source: China Soft Capital Management Group



4. China's economic and trade relations with most EU Member States continue to deepen

4.1 As important partners to each other, China and Germany share a trade partnership characterised by strong industrial complementarity, close cooperation in technology, and sound and stable economic and trade ties

4.1.1 China and Germany have a highly complementary structure of trade in goods. Bilateral trade in manufactured goods is being driven by Germany's post-pandemic recovery and China's manufacturing industry upgrade.

China and Germany are important trade partners for each other. As of 2021, Germany had been China's largest trading partner in Europe for 47 years in a row⁴⁰, and China had been Germany's largest trading partner for six consecutive years⁴¹.

Manufactured goods constitute a significant share of the trade between the two partners. Thanks to China's manufacturing industry upgrade and Germany's post-pandemic recovery, bilateral trade has experienced rapid growth. Among all categories, manufactured goods account for more than 95% of the China-Germany trade in goods. In 2021, as the German economy started to rebound from the pandemic, demand for manufactured goods from China picked up. In parallel, China's demand for quality goods made in Germany also grew along with the transformation and upgrade of its manufacturing industry. Machinery and transport equipment make up the largest share of bilateral trade, accounting for 54% of total imports and 69% of total exports, up by 24% and 9% year on year, respectively. In the category of

40. Zheng Chunrong, Blue Book of Germany: Annual Development Report of Germany (2021), retrieved from www.ydylcn.com, September 2021

41. Xinhua News Agency, The People's Republic of China was Germany's most important trading partner in 2021 for the sixth consecutive year, 19 February 2022

machinery and transport equipment, trade exchanges of high-value manufactured goods posted remarkable growth. To illustrate with numbers, in 2021, Germany's import of motor vehicles, industrial machinery, machinery specialised for particular industries and automation equipment went up by 65%, 35%, 34% and 34% year on year, respectively. Its export of metal processing machinery, automation equipment and machinery specialised for particular industries increased by 19%, 16% and 12% year on year, respectively⁴².

4.1.2 China and Germany have close cooperation in investment and technology, and maintain sound and stable economic and trade relations

Germany is the largest source of direct investment from the EU to China. By the end of 2021, there were 11,836 approved investment projects by German firms in China, with a cumulative investment of USD 38.09 billion. Total FDI stock from China to Germany, according to Chinese Ministry of Commerce, amounted to USD 16 billion by the end of 2020⁴³. **Investment in both directions focuses on the high-tech field.** While Germany prefers projects in China's automobile, chemical and power generating equipment sectors, China's investment in Germany is mainly in the automobile and ICT industry⁴⁴.

China and Germany have close cooperation in technology. Among all European countries, Germany makes the largest amount of technology exports to China. By the end of 2021, China had imported 26,801 technology contracts from Germany, involving an accumulated contract value of USD 96.59 billion. In 2021, 761 technology contracts, mainly related to transport, telecoms and electronics, were imported from Germany with a combined value of USD 6.33 billion, up by 107.8% from 2020⁴⁵.

42. Eurostat (retrieved 30 May 2022)

43. www.ydylcn.com, Country profile – Germany, 2022

44. Ministry of Foreign Affairs of China, China's relationship with Italy, February 2022

45. www.ydylcn.com, Country profile – Germany, 2022



4.2 The China-France partnership has long been stable, creating firm ground for cooperation in smart and green manufacturing, mutual recognition of consumer goods, and two-way investment

4.2.1 China-France economic and trade relations are generally stable and improving as bilateral trade maintains an upward trajectory and trade in manufactured goods and consumer goods witnesses notable growth

Supported by stable economic and trade relations, bilateral trade between China and France has been growing steadily. The two countries are crucial trade partners for each other. In 2021, trade in goods between China and France was worth EUR 64.7 billion, up by 21.1% from the previous year. France's imports of goods in the year increased by 13.3% year on year and reached EUR 40.75 billion. In 2021, China was the sixth largest partner for France in imports of goods, behind Germany, Belgium, the Netherlands, Italy and Spain⁴⁶.

Manufactured goods constitute the key driver behind growing China-France bilateral trade. Smart manufacturing and green manufacturing have formed a new arena for close cooperation. More than 90% of goods flowing between China and France fall under the category of manufactured goods. In November 2021, the two countries jointly launched the third batch of China-France Industrial Cooperation Pilot Projects, including projects in smart manufacturing and green manufacturing. This served to deepen strategic bilateral cooperation in the high-value-added, environmentally-friendly manufacturing industry. In July, Air China, China Eastern Airlines, China Southern Airlines and Shenzhen Airlines placed an order for almost 300 aircraft from Airbus, demonstrating the strong momentum of bilateral trade in the manufacturing sector.

46. Eurostat (retrieved 30 May 2022)

Thanks to the China-EU Agreement on Geographical Indications, more products are mutually recognised by the two markets, and bilateral trade for agricultural goods has shown rapid growth. In 2021, France exported EUR 3.95 billion (+30% year on year) worth of food, beverages and tobacco to China, accounting for 16% of France's total export of goods⁴⁷. France also accounts for a quarter of the first EU GIs in China, the largest share among all EU Member States.

4.2.2 Initiated seven years ago, China-France cooperation on third-party markets has yielded rich fruit, and the momentum is set to continue

China and France have complementary industrial profiles, thus having great potential and broad prospects in developing third-party markets together. French enterprises have unique advantages in fields including advanced manufacturing and environmental protection as well as engineering and construction, while Chinese companies have rich experience in fields such as infrastructure, energy, equipment manufacturing and the internet⁴⁸. While cooperating in third-party markets, the two partners can play to their respective strengths, which are highly complementary, and create an all-win situation. By 2022, **China and France had been joining hands in third-party markets for seven years and have achieved tangible results.** In March 2019, China's State Construction Engineering Corporation, France's engineering group Egis and the Republic of Congo's government jointly launched the No. 1 National Highway franchise project in the Republic of Congo. By 2022, it had been three years since the highway was put into operation. It is expected that the highway will bring in a revenue of EUR 6.07 billion in its 30 years of operation⁴⁹.

47. Eurostat (retrieved 30 May 2022)

48. National Development and Reform Commission of China, China and France signed the fourth round of demonstration projects on third-party market cooperation, 14 February 2022

49. Department of Commerce of Guangdong Province, How the Belt and Road Initiative creates triple win results, 2 December 2020



The fourth round China-France third-party market cooperation pilot project list further deepens bilateral cooperation. At the outset of 2022, China and France signed the fourth round of the third-party market cooperation pilot project. The list includes seven projects in such areas as infrastructure, environmental protection and new energy with a total value of USD 1.7 billion, and engages companies and financial institutions on both sides. The cooperation, reaching Africa, Central and Eastern Europe, and other geographical areas, has adopted a great variety of modes including joint financing, joint investment, Chinese EPC+French investment, etc., and is bound to benefit the economic and social development of third-party stakeholders⁵⁰. As China and France keep developing projects in third-party countries, their cooperation across industrial chains will deepen and bring more common progress.

4.3 China and most EU Member States have maintained open economic and trade relations, sound momentum in investment and extensive cooperation

4.3.1 China and the Benelux countries have extensive trade and investment ties, and they work closely on smart agriculture and clean energy transition

China and the “Low Countries” or Benelux countries, namely Belgium, the Netherlands, and Luxembourg, have extensive trade and investment ties. The Netherlands is China’s second largest trading partner in the EU, and Belgium, the seventh largest. Luxembourg has long been an important destination for China’s investment in Europe. China has close exchanges with these three countries across land, air and maritime trade routes. For example, one-third of the containers handled by Rotterdam Port come from China, and Amsterdam Airport Schiphol is one of the busiest hub airports handling passengers and cargo between China and Europe.

50. The National Development and Reform Commission of China, China and France signed the fourth round of demonstration projects on third-party market cooperation, 14 February 2022

China and the Netherlands have complementary advantages in developing smart agriculture and renewable energy, indicating mutual benefit through cooperation. In terms of smart agriculture, the two countries held the Forum on Doing Business in Smart Agriculture and Future Food during which delegates from both sides shared insights on bilateral cooperation in the two sectors. In 2021, the 17.5-hectare smart greenhouse jointly built by the Dutch company Food Ventures and China's Evergrande Modern Agriculture Group went into operation. In March 2022, Chinese tech giant Tencent led funding for the Netherlands-based Future Crops to support the latter's soil-substrate-based farming technique.

In renewable energy, businesses in both countries have been working in tandem to strive for an energy transition. In November 2021, China Export and Credit Insurance Corporation (Sinosure) and Dutch FPSO specialist SBM Offshore reached consensus on cooperation in future projects, and agreed that Sinosure will provide insurance cover and financing to support SBM's collaboration with Chinese enterprises in the area of ocean infrastructure and renewable energy. On 23 August 2022, Chinese Premier Li Keqiang held a virtual meeting with Dutch Prime Minister Mark Rutte. Li Keqiang pointed out that China is ready to work with the Netherlands to enhance political mutual trust, leverage the two sides' complementary strengths, tap the potential of cooperation, and strengthen dialogue and communication. China also wishes that the two sides will, on the basis of mutual respect and equality, keep deepening practical and open cooperation in fields of economy, trade, transportation, innovation and climate action, and properly manage differences. More Dutch quality agricultural products are welcome to enter the Chinese market, and China is ready to increase the number of direct flights while ensuring pandemic prevention to facilitate personnel exchanges, communication and cooperation between the two countries.

China and Luxembourg have achieved tangible results in their cooperation in finance, cargo shipping, etc. Luxembourg is one of the most important hubs for



cross-border RMB business in Europe and an important centre for cross-border investment between China and Europe. Luxembourg has become an offshore RMB business hub in Europe and a major gateway to the EU for Chinese capital. In addition, Luxembourg has not only joined the Belt and Road Initiative, but also been working with China to build a Silk Road in the air linking Luxembourg and China's Zhengzhou, capital of Henan province. As of June 2022, there were eight air cargo routes between Luxembourg and Zhengzhou Airport serving 14 destinations, and cover more than 100 cities in 24 countries. There are 14 scheduled flights per week and the figure increases to 29 per week in busy seasons by adding chartered flights⁵¹.

There is enormous room for China and Belgium to cooperate in the life sciences sector and others. Belgium is recognised worldwide for its advanced biotech and pharmaceutical industry, and therefore sets a good example for China which seeks to pursue its own biotech blueprints. The Sino-Europe Life and Health Industry Cross-Border Cooperation Platform under the Investment Promotion Agency of the Ministry of Commerce of China has established work ties with the health cluster of Wallonia, Belgium. The collaboration aims to precisely matchmake overseas biotech, innovative pharmaceutical R&D and other life and health resources with demand in the Chinese market⁵².

4.3.2 Trade between China and Italy, Spain and other countries in Southern Europe has seen rapid growth as consumer goods and digital economy hold big potential for further cooperation

Two-way trade between China and Southern Europe⁵³ has achieved high growth as the global pandemic winds down. In 2021, the total trade value between China

51. Henan Daily, 14 June 2022, Silk Road in the air between Zhengzhou and Luxembourg opens

52. China News Service, Upon the 50th anniversary of bilateral diplomatic ties, China and Belgium expect to deepen cooperation in biopharma industry, 9 September 2022

53. Southern European countries include Italy, Spain, Malta, Portugal, Cyprus and Austria

and Southern Europe (as a whole) was EUR 111.6 billion worth of goods, up by 20% year on year. Breaking it down, Southern Europe imported EUR 81.6 billion from China and exported EUR 30 billion to China, increasing by 22% and 17% year on year, respectively⁵⁴.

China and Italy have expanded pragmatic cooperation under the framework of the Belt and Road Initiative. Italy was the first G7 country to sign the memorandum of understanding to join China's Belt and Road Initiative. In terms of trade, Italy is the fourth largest partner for China in the EU, and China is the largest partner for Italy in Asia. In 2021, bilateral trade value added up to USD 73.95 billion, up by 34% from the previous year⁵⁵. In the same year, the 14th meeting of the China-Italy Economic Cooperation Mixed Committee and the 6th meeting of the China-Italy Working Group on Third-Party Market were held. During the World Winter Sports Expo in Beijing and the China International Import Expo in Shanghai, the Italy-China Business Forum organised multiple cooperation matchmaking meetings and opened an online platform for SMEs in both countries to communicate during the pandemic. In 2022, the China-Italy Year of Culture and Tourism, the two partners are ready to make new breakthroughs in exchanging exhibitions, twinning among Italian and Chinese UNESCO world heritage sites and sharing digital resources, among other things.

China has extensive cooperation with Spain and Portugal on renewable energy. For example, in terms of renewable electricity generation, China Three Gorges Corporation (CTG) has 1.2-1.4 million KW of installed capacity, and the figure is expected to reach 2 million KW by 2023 or 2024. In Portugal, CTG established a strategic partnership with Energias de Portugal (EDP) and the two signed a new round of agreement on strategic cooperation. Cooperative interactions like those help

54. Eurostat (retrieved 17 Aug 2022)

55. Ministry of Foreign Affairs of China, China's relationship with Italy, June 2022



Chinese enterprises become an important contributing force in the renewable energy market in EU countries such as Spain and Portugal.

4.3.3 China and the Nordic Countries, including Finland, Denmark and Sweden, have broad prospects for cooperation in new energy vehicles, biopharma and green economy, among other fields

China and multiple Nordic countries have been actively seeking opportunities to cooperate in new energy vehicles, biopharma and other hi-tech sectors. Chinese car manufacturers such as BYD, Geely Auto, SAIC Motor, NIO and Xpeng are making great efforts in developing the new energy vehicle market in Nordic Countries. Besides, Chinese enterprises are also exploring cooperation opportunities in biopharma, green economy and other sectors. The Executive Director of FinnCham Beijing mentioned that Finland looks forward to cooperating with China in such areas as personalised medicine and health solutions, and has joined the initiative for establishing the Nordic Health Cities – China Alliance for Trade in Services to promote cooperation between Nordic enterprises and their Chinese counterparts in healthcare and green sector. In November 2021, Danish Foreign Minister Jeppe Kofod, during his visit to China, signed cooperation documents related to climate change, environmental protection, water resource management, intellectual property rights and food safety.

4.3.4 Cooperation with China has helped Central and Eastern European Countries (CEEC) achieve local economic growth, energy transition and infrastructure renovation

Bilateral trade between China and CEEC⁵⁶ has been growing at a fast pace. In 2021,

56. CEEC include both EU and non-EU members; trade figures for 2021 may include the following EU members: Bulgaria, Croatia, the Czech Republic, Estonia, Greece, Hungary, Latvia, Poland, Romania, the Slovak Republic, and Slovenia.

total bilateral trade was valued at EUR 100 billion, up by 24% from the previous year. Imports from China to CEEC were EUR 86.8 billion (+27% year on year) and exports from CEEC to China were EUR 13.2 billion (+6%)⁵⁷.

Investment from China has stimulated infrastructure renovation and energy transition in CEEC. As of 2021, 11 Central and Eastern European Countries had received a total of EUR nearly 16.3 billion in investment from China⁵⁸. In 2022, **a series of flagship infrastructure projects in the CEEC built by Chinese enterprises were successfully completed.** On 19 March 2022, the section linking Belgrade and Novi Sad, the capital and a major city in north-central Serbia, of the Belgrade-Budapest railway opened to traffic. On 13 July 2022, the Montenegro North-South Expressway priority section, constructed by a Chinese firm, became operational. On 26 July 2022, the Pelješac Bridge in Croatia, the largest EU-funded, China-built infrastructure project, opened to traffic. These projects set fresh examples for China-CEEC cooperation. In addition, China and the CEEC are also joining hands in promoting energy transition and providing strong support for the CEEC to develop green economy from the pandemic. The short period from 2021 up to now has witnessed China's SEMCORP open its lithium-ion battery separator film plant in Hungary, and major energy cooperation projects contracted to Chinese firms, including the Ulog hydropower plant and Dabar Hydropower Plant in Bosnia-Herzegovina and the Pancevo gas-fired combined heat and power (CHP) plant in Serbia, be signed or begin construction.

5. Challenges including new geopolitical dynamics and disrupted global supply chains create new uncertainties for China-EU economic and trade relations, and call for joint efforts from both sides

57. Eurostat (retrieved 30 May 2022)

58. Rhodium Group, Chinese FDI in Europe 2021 Update, 27 April 2022



Global supply chains and industrial chains have been severely disrupted by the Covid-19 pandemic and waves of trade protectionism. The Russia-Ukraine conflict earlier this year has made matters even more complicated. Due to the domino effect created by frequent turbulence in global commodity markets, stock markets and forex markets, conflicts and sanctions, bottleneck problems such as shortages of raw materials, components and parts, soaring freight rates and logistics congestion have become more pronounced. At the same time, energy prices and inflation are hovering at high levels. Tighter monetary policies of both the Federal Reserve and the ECB could lead to a growing risk of debt crises across the world. The global food crisis is becoming more pronounced. Climate change is causing more extreme weather events. All these factors are adding more risks and downward pressure to the global economy. Both the World Bank and the IMF cut their global growth forecasts for 2022 and 2023. In June 2022, the World Bank forecast global growth to slump from 5.7%, as projected in 2021, to 2.9%, down 2.8 percentage points⁵⁹. In April, the IMF predicted that global growth would slow from 4.4% to 3.6% in 2022 and 2023, 0.8 percentage points lower than projected in January⁶⁰.

High inflation across the world raises the risk of stagflation. In 2022, soaring inflation is haunting the whole world. In April, CPI inflation in the EU and the US came in at 8.1% and 8.3%, hitting a 40-year and 30-year high, respectively⁶¹. Russia and Ukraine are among the world's major providers of energy and food, and also the largest suppliers of natural gas, crude oil and food for the EU. The ongoing war is disrupting supply from both countries and pushing up energy and food prices, which will **eventually lead to higher production costs and less purchasing power**. In April 2022, the US CPI growth for energy and commodities reached 30.3% and 13.0%⁶².

59. The World Bank, Global Economic Prospects, 7 June 2022

60. IMF, World Economic Outlook, April 2022

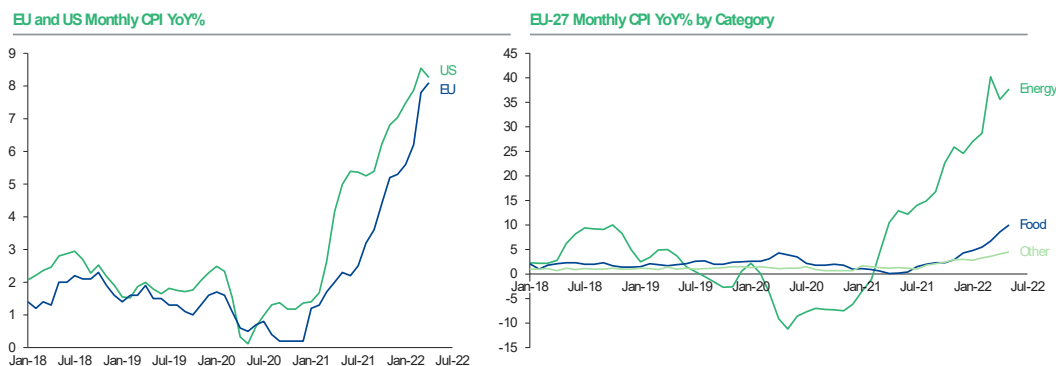
61. OECD Data (retrieved 1 June 2022)

62. OECD Data (retrieved 1 June 2022)

Energy crises, food crises, recurring pandemic outbreaks and tighter monetary policies rolled out in succession will all slow the global economic recovery and raise the risk of stagflation.

The energy crisis and supply chain disruptions have pushed up both the cost and risk of global trade in goods. From the start of 2021, on the one hand, renewable energy supply has been constrained by frequent extreme weather events, and the inventory of biofuels (e.g., coal) keeps draining as the energy transition strategy is rolled out. On the other hand, demand for energy keeps rising along with economic recovery. The result is an energy demand-supply imbalance. Labor shortages caused by the recurrence of pandemic outbreaks and disrupted domestic supply chains translate into uncertainties in the global supply chain. Geopolitical tensions have upended global commodity markets and pushed commodity prices persistently high. In particular, prices of staple food, such as wheat, corn and rice, have been pushed to

07 CPI evolution of EU and US



Source: OECD Data (retrieved 1 June 2022)



all-time highs. At the same time, global food reserves are at an all-time low⁶³. In the first seven months of 2022, the Federal Reserve raised its benchmark interest rates four times in 2022, including two straight 0.75 percentage point increase. The ECB caught up in July and enacted its interest rate hike. **All these moves trickle down to higher production and transaction costs and will end up eroding the global economic recovery.**

Voices of Chinese Enterprises: Chinese Chamber of Commerce in Germany (CHKD) - Build a professional image and speak up about shared values

The Chinese Chamber of Commerce in Germany (CHKD) currently has nearly 350 members, accounting for more than 90% of all Chinese companies in Germany. Germany, a major EU Member State, has close trade ties with China. Driven by the vision that “Chinese companies are not only part of the German market but also part of German society”, the CHKD actively engages in German legislation as an interest group approved by the German parliament (Bundestag), and has therefore established channels to communicate with government organs directly, effectively and within the compliance framework so that the voice of Chinese enterprises is heard by the government. Moreover, the CHKD also advises its member companies to **speak up, expand their “circle of friends” in Europe on the basis of consensus on values and professional competence, build mutual trust and consolidate the foundation for win-win cooperation with their German and other European peers to maintain a transparent and fair market**

63. The United Nation, Global Food Crisis 2022, May 2022

environment together, and eventually contribute to the sound growth of China-EU economic trade relations.

At a time when the global economy is riddled with uncertainty, the CHKD suggests Chinese companies **make all-round efforts to have their voice heard. Specific measures** may include: 1) **setting up a dedicated communication department** to proactively reach out to local governments; 2) **building and enhancing the professional image** (i.e., engaging more with professional industrial media) and speaking from the perspective of business rather than ideology; 3) **expanding presence in Europe through partnership with local companies;** and 4) **deepening understanding of European society and building trust with local communities.** Recognising the philosophy of “corporate wealth comes from society”. “Chinese companies also attach great importance to sustainable development and social justice issues.” Therefore, Chinese enterprises should work to give back to society, seek common progress with local communities, and make their voices heard through active social participation.



CHKD co-organises the China-Europe New Energy Vehicles Forum in Munich Trade Fair Centre, 8 September 2021. Source: CHKD



Going forward, China and the EU should **join hands to confront the challenges ahead**. The two sides share broad common interests and stand on solid ground for further cooperation. By deepening cooperation with each other, China and the EU can bring stability and positive energy to the complicated and turbulent international landscape. At a time when the global political and economic dynamics are undergoing profound changes, sound and stable China-EU relations are important to world development and prosperity⁶⁴. As two major forces in a multipolar world and pillars underpinning world economic recovery, China and the EU should keep up dialogue with each other to deepen mutual understanding, expand consensus and cooperate to address global challenges⁶⁵.

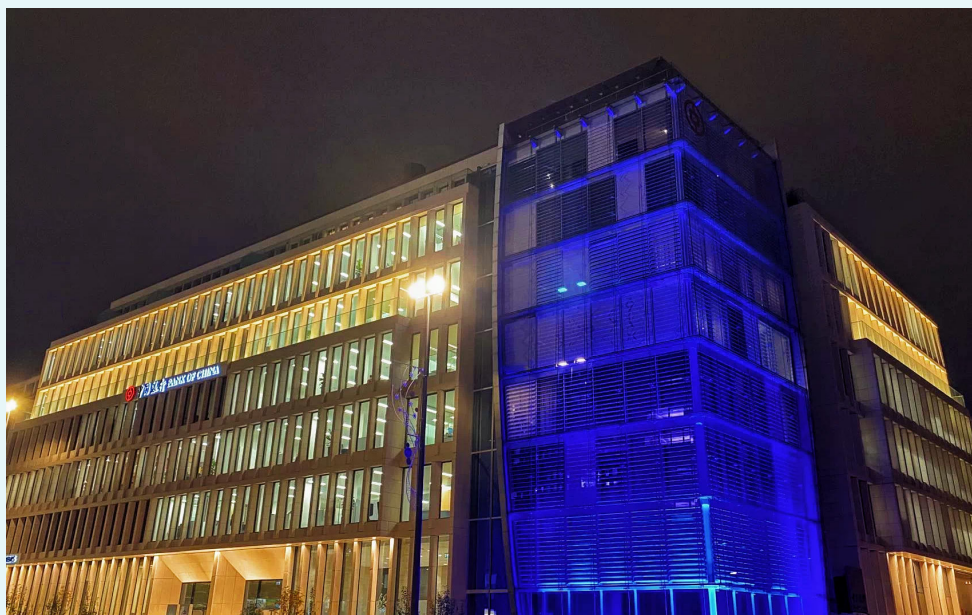
64. Ministry of Commerce of China, Press Conference on the 9th China-EU High-Level Economic and Trade Dialogue, 20 July

65. Ministry of Foreign Affairs of China, Virtual meeting between State Councilor and Foreign Minister Wang Yi and EU High Representative for Foreign Affairs and Security Policy Josep Borrell, 29 March 2022

Voices of Chinese Enterprises: Bank of China (Europe) S.A. - Serving as a bridge Between the Chinese and European markets and fostering cooperation and growth

In 2022, by consolidating Bank of China (Luxembourg) Co., Ltd. and Bank of China (Central and Eastern Europe) Co., Ltd. in Hungary, Bank of China implemented regional integrated management and established Bank of China (Europe), which covers 15 subsidiary institutions in 13 European countries. Bank of China (Europe) has long been dedicated to serving the common development of financial markets and enterprises in China and Europe, pursuing common progress with businesses from both sides, bridging the financial markets in China and Europe, and contributing to the economic growth of both China and Europe.

Bank of China (Europe) helps open up convenient investment channels and promote the interconnection of China-EU capital markets. The bank



Bank of China (Europe) rallies with UNICEF and lights up its building in blue on the World Children's Day, symbolising the lighting up of children's future. Source: Bank of China (Europe)



issues green and sustainable development bonds to facilitate SMEs and sole proprietorships entering the Chinese capital market. At the same time, Bank of China (Europe) has also been working to advance the China-EU Stock Connect scheme to promote connectivity between the stock markets on the two sides.

Bank of China (Europe) facilitates bilateral economic and trade cooperation and promotes mutual trust and mutual recognition of China-EU economic and trade exchanges. By issuing green sustainable development funds, the bank strives to help small and medium-sized enterprises and even individual enterprises to have more access to the China's capital market. Of the bank's portfolio of strategically important commodities (e.g., grain, energy, oil, etc.), 60% of the underlying assets are big local European enterprises, and 40% are of Chinese background.

Bank of China (Europe) is committed to serving as a bridge linking the financial innovations between China and Europe. Already a participant in the carbon mortgage and carbon trade, it is one of the first Chinese banks to register in the carbon trading market and has hammered out specific financing arrangements for big local enterprises. This will effectively boost the connectivity between the Chinese and European carbon markets. By participating in such pioneering explorations as carbon mortgage and carbon trade, Bank of China (Europe) will enable more green financial products and services to enter the market.

Bank of China (Europe) links the green efforts of China and Europe to achieve common green growth. The bank has been contributing to the green development of China and the EU by making efforts in green development and clean energy sectors. In the realm of sustainable finance, it has participated in four syndicated loan facilities and issued a total of EUR 350 million in loans whose interest rates are linked to social responsibility and ESG indicators. With respect to green finance, the bank participated in the syndicated loan facility for the largest solid waste management company in Ireland, realizing the first breakthrough of credit extension in the field of circular economy. Bank of China (Europe) successfully issued a three-year green bond worth EUR 500 million.

Chapter 2

Chinese enterprises in the EU: keep marching forward with resilience and promising prospects over the long term

In preparation for the 2022 flagship report, the CCCEU, in cooperation with Roland Berger, conducted a survey of Chinese enterprises in the EU in June and July 2022 and received 125 valid responses. With the additional 20 Chinese enterprises and institutions that accepted our in-depth interviews, the total number of respondents in the 2022 report reaches about 150, surpassing that of previous years by a wide margin.

The survey and interviews cover enterprises from a broad range of industries, including automobiles, energy, financial services, manufacturing, hi-tech, biopharma, information and communications technology (ICT) and infrastructure construction. Of different sizes (large, medium and small), varying years of operation in Europe (over 10 years, 5-10 years, below 5 years) and diversified ownership profiles (state-owned, private-owned, European enterprises under Chinese control, research institutions, etc.), the representative samples ensure the reliability and relevance of the survey.



1. In 2022, Chinese enterprises in the EU remain a vital source of local economic growth, tax revenue, job opportunities, R&D progress, etc.

In 2021, the global economy returned to growth and saw demand picking up. China's GDP in the year reached RMB 110 trillion (USD 17.7 trillion based on the average exchange rate of the year). The increase of 8.1% over the previous year and the average two-year growth of 5.1%⁶⁶ got the country's 14th Five-year Plan off to a good start. In the same year, GDP increased by 5.3%⁶⁷ in both the euro area and the EU, with the EU's GDP amounting to EUR 14.45 trillion. The economic recovery in China, the EU and the world at large has laid a solid foundation for bilateral investment and trade exchanges.

By the end of 2020, Chinese investors had set up 2,800 enterprises in the EU⁶⁸, covering its all 27 member states. As the economy and society gradually returned to normalcy on both sides, Chinese enterprises, particularly privately-owned ones, stepped up their investment in the EU and directed more capital to greenfield projects, with a clear preference for the emerging green and digital sectors.

1.1 Chinese enterprises remain a significant contributor to the EU's tax revenue

Chinese enterprises contributed more tax in the EU as their revenue rose. In 2021, the aggregate revenue of Chinese enterprises in the EU-27 added up to EUR 163 billion. In balance, despite the multiple pandemic waves and global supply

66. National Bureau of Statistics of China, Press conference of the National Bureau of Statistics of China on national economy, January 2022

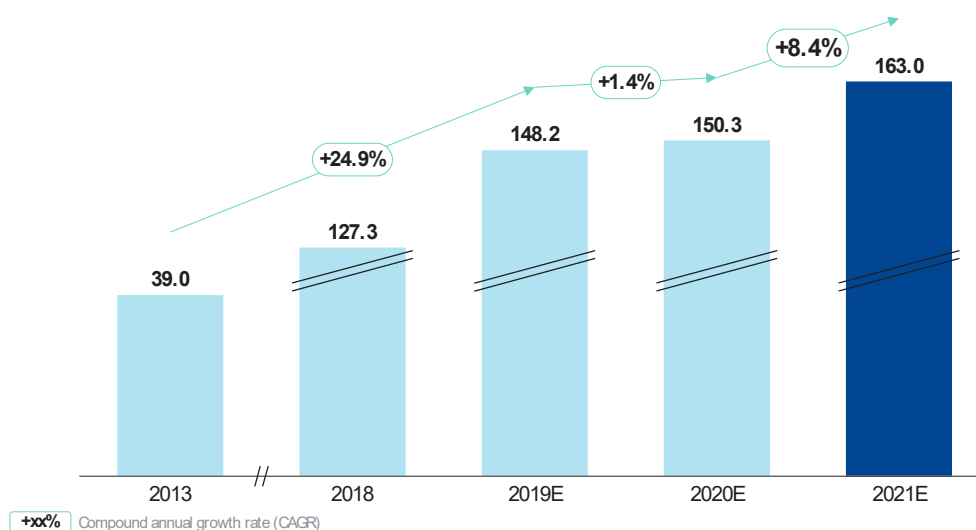
67. Eurostat, retrieved GDP data, March 2022

68. Ministry of Commerce and National Bureau of Statistics of China, 2020 Statistical Bulletin of China's Outward Foreign Direct Investment, September 2021

08 Revenue evolution of Chinese enterprises in the EU



Revenue of Chinese enterprises in the EU (in billion EUR)



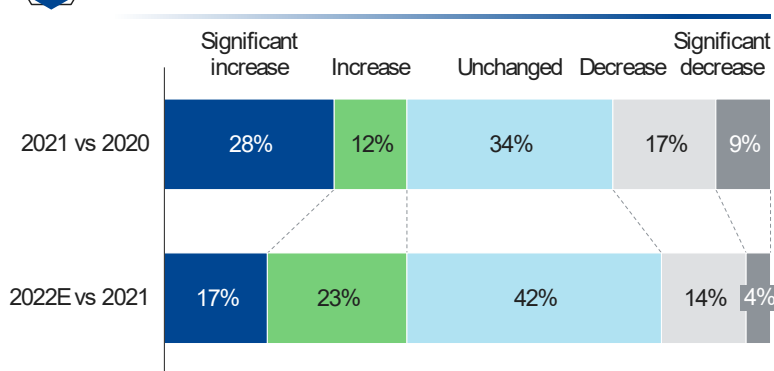
Source: Flagship report questionnaire survey.

chain bottlenecks, Chinese enterprises in the EU, encouraged by the economic recovery of both markets, showed strong resilience and saw their business gradually rebound to pre-pandemic levels. Specifically, more than 70% of survey respondents reported about the same or slightly higher level of earnings before interest and tax (EBIT) compared to 2020, and about 30% saw their EBIT “increase significantly”. **The aggregate revenue of Chinese enterprises in the EU is forecast to increase by 8.4% year on year in 2021.**

09 2020-2022 earnings before interest and taxes (EBIT) change of surveyed Chinese enterprises in the EU



Earnings before interest and taxes (EBIT) YoY%



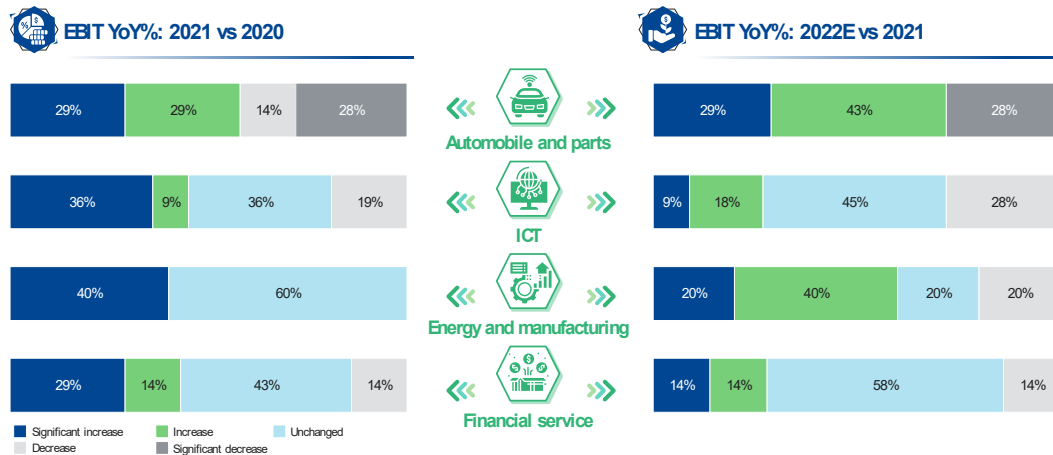
Source: Flagship report questionnaire survey.

Chinese enterprises in the EU are confident of achieving revenue growth in 2022.

The survey shows that as the pandemic ebbs, the confidence of Chinese enterprises in their profitability in 2022 rises: 40% of respondents expect their 2022 EBIT to increase slightly or significantly, about half of them expect theirs to remain at about the same level as the previous year; and only 19% forecast a potential decrease, less than the 26% in 2021. Nonetheless, the challenging external environment, characterised by volatile energy prices, persistently high inflation and global supply chain disruptions, could weigh on the growth outlook in the near future.

Growth expectations of Chinese enterprises in Europe are uneven, depending on sectors. Fueled by the development of renewable energy, more players in the automobile and solar energy sectors reported EBIT increases. Telecoms companies

10 2020-2022 EBIT change of surveyed Chinese enterprises in the EU by sectors



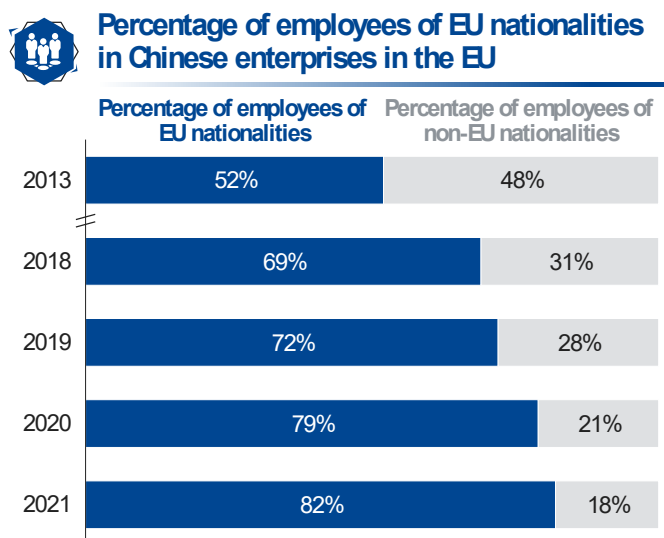
Source: Flagship report questionnaire survey.

saw their revenue shrink remarkably due to the EU’s market access restrictions. In the energy and manufacturing sectors, some experienced falling revenue because of supply chain disruptions, while others found new income drivers by tapping into the renewable energy field. Among enterprises in the financial services sector, about 60% expect their 2022 EBIT to maintain the 2021 level.

1.2 Chinese enterprises help fuel local employment growth and the development of local talents

The proportion of Chinese companies employing local employees continues to increase. Ever since 2018, the share of local workers in Chinese enterprises in the EU has been rising steadily. Statistics show that in 2021, more than 80% of employees

11 Percentage of local employees in surveyed Chinese enterprises in the EU



Source: Flagship report questionnaire survey.

in Chinese firms came from EU Member States, up by three percentage points from 2020. The momentum is going on: about half of surveyed enterprises have plans to hire more European employees in 2022, a marked increase from the 30% a year ago. Specifically, about 30% of surveyed Chinese enterprises expect their local headcount to expand by 11-50 in 2022, about 15% of them expect 51-250.

About 50% of the middle and senior management of Chinese enterprises in the EU are local citizens. In 2021, among all middle and senior management positions, including general manager, deputy general manager, department head, etc., around 40% were from EU Member Countries, the same level as 2020. Interviewed Chinese

enterprises emphasized that local executives play an important role in helping them understand the local market and local culture.

Chinese enterprises fuel job creation in the EU. As Chinese enterprises ramp up investment to build R&D centres, data centres, manufacturing bases and local sales teams, they keep delivering job opportunities to the local market. For example, the new wireless communication product factory that Huawei announced to build in France in February 2022 is expected to generate EUR 1 billion of revenue and create 500 direct job opportunities. During its 20 years' operation in Europe, Huawei has built a 15,000-strong team in Europe and created nearly 223,000 jobs directly or indirectly⁶⁹. After taking over Piraeus Port in Greece, China's COSCO has invested more than EUR 1 billion to build and revamp the port, creating more than 3,000 direct and 10,000 indirect local jobs⁷⁰.

1.3 Chinese enterprises keep contributing technological innovations to the EU

In 2021, Chinese enterprises filed 16,665 patent applications in the European Patent Office (EPO), increasing by 24% year-on-year on top of the 10% growth from 2019 to 2020. Among the 30 leading countries of origin for applications, Chinese enterprises recorded the highest rate of growth and the fourth largest number of applications. Patent filings in digital communications and computer technology saw remarkable growth. With 3,544 filings, China's Huawei filed more patent applications in 2021 than any other company⁷¹. As EPO Chief Business Analyst Aidan Kendrick said, continued

69. Huawei, Huawei wireless product plant in France targets European market, 27 February 2022

70. Embassy of the People's Republic of China in the Hellenic Republic, Ambassador Xiao Junzheng accepted an exclusive interview to the Daily on the COSCO-Piraeus deal and China-Greece economic and trade cooperation, 29 March 2022

71. European Patent Office, Annual Review 2021, April 2022



growth of applications from China in 2021 “represents an extremely dynamic development”⁷².

1.4 Chinese enterprises drive the deepening of bilateral economic and trade cooperation

Chinese enterprises strive to engage their European partners in bilateral trade through resource sharing and joint technological research and development. For example, China’s State Grid Smart Grid Research Institute Co., Ltd. has been promoting advanced power transmission technology in Europe. The reliable and cost-saving solutions it offers are a strong support for the EU’s grid connection regime. In the field of smart logistics, Chinese enterprises lead the world in both hardware (e.g., automated guided vehicles) and software (e.g., automated sorting system). By cooperating with local European peers, they help improve logistics and warehousing efficiency in the EU market and, in turn, contribute to the efficiency of bilateral trade.

2. Ratings of Chinese enterprises on the EU business environment recorded a decline for the third year

This year’s report tracks changes in the business climate of Chinese enterprises in the EU and refers to recent academic literature. According to feedback from interviewed companies, as the EU has defined China as a partner, competitor and a "systemic rival" all at the same time since 2019 , values are increasingly being linked to trade and economic policies, and the trend of "inward-looking" and protectionism has become more obvious. From 2H 2021 to 1H 2022, the EU speeded up the development of a series of unilateral economic and trade instruments, including the new foreign

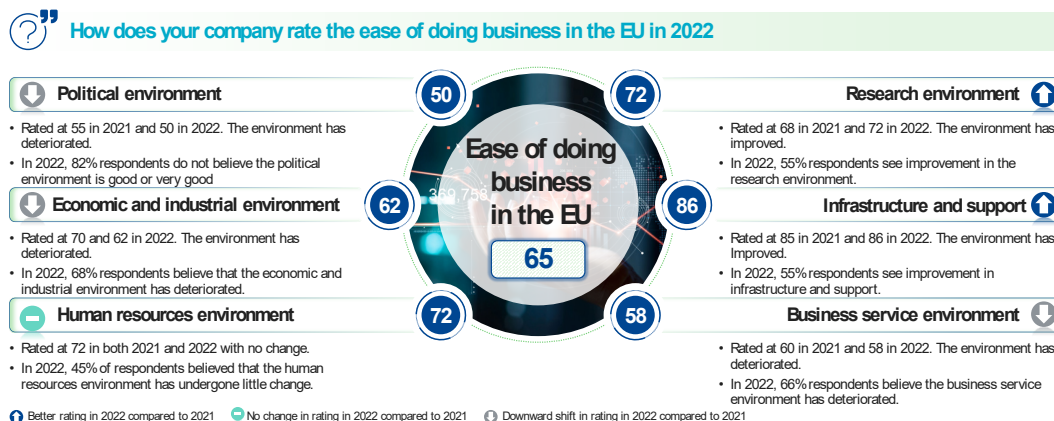
72. Xinhua News Agency, Chinese companies file record number of European patent applications in 2021, April 2022

subsidies legislation (FSR), the International Procurement Instrument (IPI) and the Directive on Corporate Sustainability Due Diligence (CSDD), etc. Brussels also seeks to collaborate with “like-minded allies” to realise partial “decoupling” from China in certain crucial and strategically important sectors. All these moves, plus a relatively negative public opinion environment, cast a shadow on the outlook for the business environment in the EU for Chinese enterprises.

The results of the joint survey by the CCCEU and Roland Berger on the EU business environment for Chinese enterprises happen to coincide with the academic research results of the Peking University-Bank of China Centre for EU Economic and Strategic Research (the “PKU-BOC Centre”). According to the PKU-BOC Centre’s paper titled *EU business environment and China-EU economic and trade cooperation under new circumstances*, the EU, a single market mainly consisting of developed countries, has an overall enabling business environment⁷³. Yet the pace of improvement of the business environment started to slow down in 2016 in comparison with the world average. Its business environment ranking has slipped along with most of its Member States where the number of procedures, time and cost for starting a business have all increased significantly. The PKU-BOC Centre paper built models to analyse the crucial factors behind the change of the business environment in the EU, including unemployment rate, inflation, Gini coefficient, etc. The analysis forecasts that, in 2022, the business environment in half of all EU Member States will deteriorate by varying degrees. This conclusion is largely in line with the feedback collected in the survey covering more than a hundred Chinese enterprises in the EU.

73. Peking University-Bank of China Centre for EU Economic and Strategic Research, *EU Business Environment and China-EU Economic and Trade Cooperation under New Circumstances*, 2022

12 Quantitative ratings of the EU business environment by Chinese enterprises in the EU



Source: Flagship report questionnaire survey.

2.1 Ratings of the EU business environment by Chinese enterprises recorded a decline for the third year

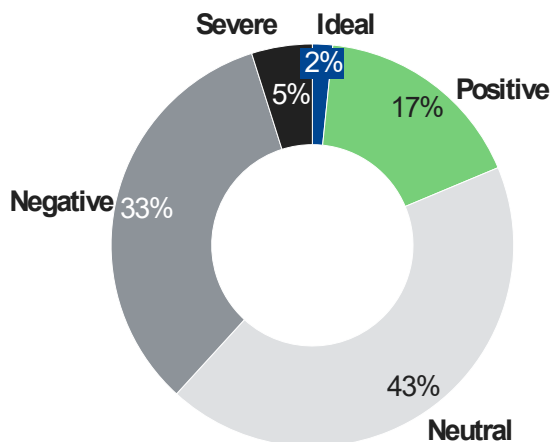
Rating results of surveyed/interviewed enterprises and institutions on the EU business environment: The overall rating from 2019 to 2022 was 73, 70, 68 and 65, respectively, pointing to a downward trend. According to this year's survey, 53% of respondents believe that between 2H 2021 and 1H 2022, the EU business environment for Chinese enterprises deteriorated. The overall lower rating is due to modest ratings for the political environment, economic and industrial environment, and business service environment.

2.1.1 Ratings of the political environment declined for the third year due to the politicisation tendency in the business sector

During the survey, **38% of respondents said that their business operations have been negatively affected by the political environment**, and 5% of them believe that the EU business environment over the last year was negative. Behind the downward trend in ratings lies the common struggle of the surveyed Chinese enterprises: the EU's overall policy, unilateral economic and trade instruments and relatively negative public opinion of Chinese enterprises render the efforts of Chinese enterprises somewhat futile when they try to integrate into the local market; the fact that the economic and trade policies of the EU and those of its Member States are susceptible to changes and tend to be inconsistent among themselves also creates difficulties.

13 Ratings of the political environment for Chinese enterprises in the EU

Q How does your company rate the political environment in the EU from the point of doing business?



Source: Flagship report questionnaire survey.



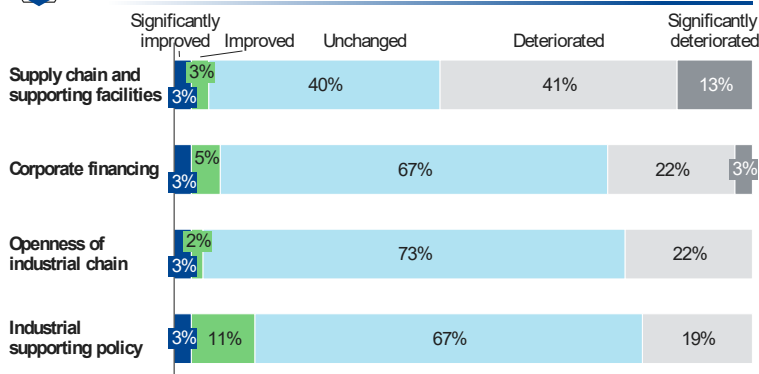
2.1.2 Ratings of the economic and industrial environment decreased due to the impact of the macroeconomic situation and supply chain bottlenecks

The geopolitical dynamics, the Covid-19 pandemic and supply chain disruptions have been taking a mounting toll on the global economy and also on the enterprises operating in the EU, as confirmed by more than 80% of the surveyed enterprises. Research shows that there is a strong negative correlation between macroeconomic factors in the EU, including the unemployment rate, CPI, interest rate, etc., and the business environment. Such a correlation explains the link between the deteriorating macroeconomy and the less favourable business environment⁷⁴. Among the indicators of the industrial environment for Chinese enterprises in the EU, supply chain disruptions, including instability of both supply and price, are a common pain point shared by 54% of the surveyed enterprises.

14 Indicators of industrial environment for Chinese enterprises in the EU



From 2H 2021 to 1H 2022, does your company see any change in the following aspects in your industry?



Source: Flagship report questionnaire survey.

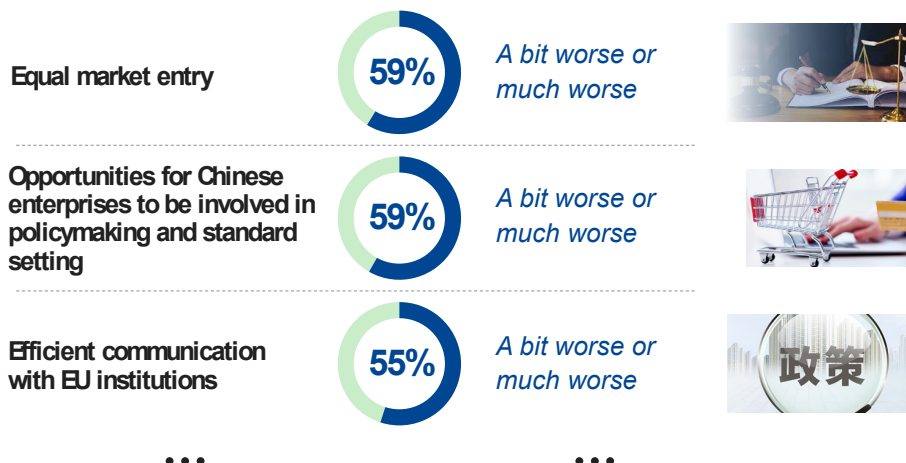
74. Peking University-Bank of China Centre for EU Economic and Strategic Research, EU Business Environment and China-EU Economic and Trade Cooperation under New Circumstances, 2022

2.1.3 Ratings of the business service environment decreased due to ambiguous rules concerning corporate approval and market entry and a lack of communication

According to the quantitative research of the PKU-BOC Centre, data from the World Bank shows that the fall in rankings of most EU Member States in terms of ease of doing business is due to their lower score in the indicator “starting a business”, implying increased time, cost and number of procedures to start a business in those countries⁷⁵. In terms of the business service environment, the PKU-BOC Centre also observed diminished fairness in market entry and transparency of rules for Chinese

15 Major indicators of declining business environment in the EU

Q From 2H 2021 to 1H 2022, what does your company think of the change in the following business services?



Source: Flagship report questionnaire survey.

75. Peking University-Bank of China Centre for EU Economic and Strategic Research, EU Business Environment and China-EU Economic and Trade Cooperation under New Circumstances, 2022



players in the EU. Moreover, in a public opinion environment “shaped by others”, Chinese enterprises have only limited ways to communicate with the EU and its Member States with less than satisfactory efficiency, and this led to higher time and monetary cost in responding to new policies.

2.1.4 Ratings of research environment and that of infrastructure and support improved

In 2021, the EU launched Horizon Europe, its 9th Framework Programme for Research and Innovation. “The most ambitious ever European research and innovation programme”⁷⁶ will last seven years and has a budget of around EUR 100 billion, 25% more than the 8th Programme. Leveraging on its research area that features

16 Ratings of the research environment for Chinese enterprises in the EU

Q Which of the following statements best describe the industry of your company from 2H 2021 to 1H 2022?



Source: Flagship report questionnaire survey.

76. European Commission, EU budget: Commission proposes most ambitious Research and Innovation programme yet, June 2018

openness, diversity and large number of research institutions, the EU is seeking to convert advanced research results into wealth-generating innovations. Against this background, Chinese enterprises can enhance cooperation on the R&D front with the EU by building R&D centres, laboratories and manufacturing bases or by merchandising high-value-added products in the EU market.

2.1.5 Ratings of the human resources environment were unchanged as the EU talent market saw little disruption

68% of the surveyed Chinese enterprises reported that their recruitment in the EU market has been running smoothly or at a normal pace, and that local talents are important in helping advance their localisation initiative. A small number of respondents affirmed in the interview that their main difficulties related to human resources are namely two, rising local labour costs and the cumbersome visa application process for expatriates, but these may be mitigated by adjusting the hiring structure and by seeking help from embassies.

2.1.6 Infrastructure and support, including transport and logistics, have become more intelligent and accessible thanks to more extensive telecommunication infrastructure coverage

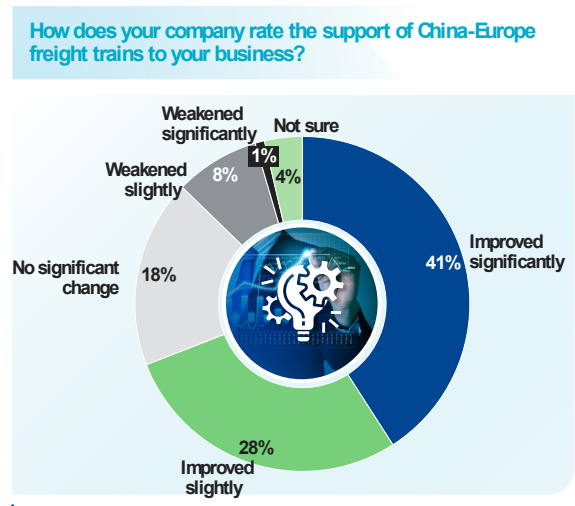
Quite a few EU Member States are closely connected with China through infrastructure construction projects concerning multiple modes of transportation. Chinese enterprises in the EU have been valuable contributors to the improvement of infrastructure and supporting facilities in the EU. For example, in 2022, the China-built Peljesac Bridge in Croatia opened to traffic; the first urban rail contract for a Chinese manufacturer in the EU is about to be delivered; and the China-Europe freight trains have improved connectivity between the two continents in the midst of the pandemic and port congestion.

17 Ratings of ease of hiring for Chinese enterprises in the EU



Source: Flagship report questionnaire survey.

18 Ratings of support of China-Europe freight trains as part of infrastructure and support for Chinese enterprises in the EUs



Source: Flagship report questionnaire survey.

2.2 Enterprises feel more pressure under the new geopolitical dynamics and global economic situation

As pointed out by the research of the PKU-BOC Centre⁷⁷, some macroeconomic factors, including inflation and unemployment, are closely correlated with the overall business environment in the EU. The global supply chain and industrial chain bottlenecks have become more apparent since 2021. The Russia-Ukraine conflict, which started in early 2022, is still wreaking havoc on the global economy and fueling instability in global financial markets, raw material supplies, energy prices and logistics networks. According to the Summer 2022 Economic Forecast released by the European Commission on 14 July 2022, average annual inflation will peak at historical highs in 2022, at 7.6% in the euro area and 8.3% in the EU⁷⁸. In the same document, the European Commission projected that growth in the euro area and the EU would moderate to 1.4% and 1.5%, respectively⁷⁹. To rein in inflation, both the US and the EU have chosen to tighten monetary policy. As of July 2022, the Federal Reserve had raised interest rates four times within a year. The ECB also ended the era of negative interest rates with a half-point interest hike. Tightened monetary policy in major developed countries may end up escalating the debt crisis and fostering market instability.

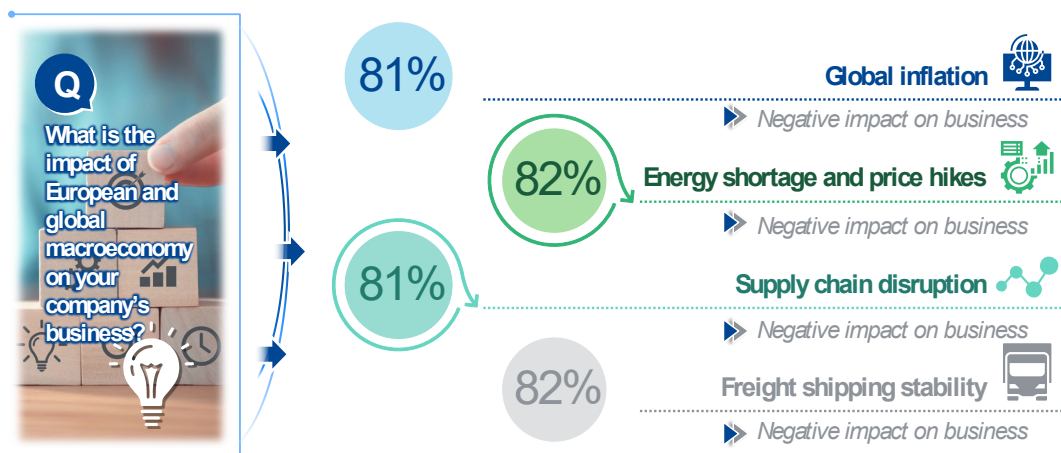
External instability around the EU's business market has, to some extent, affected the confidence of Chinese enterprises. 80% of the surveyed enterprises said that their business has been negatively affected by new geopolitical dynamics and major changes in global and European macroeconomies. For example, operating costs have been rising along with high inflation fueled by increasing energy and raw material costs. Freight costs have been under pressure as sea and land shipping routes are

77. Peking University-Bank of China Centre for EU Economic and Strategic Research, EU Business Environment and China-EU Economic and Trade Cooperation under New Circumstances, 2022

78. European Commission, Summer 2022 Economic Forecast: Russia's war worsens the outlook, July 2022

79. European Commission, Summer 2022 Economic Forecast: Russia's war worsens the outlook, July 2022

19 Negative impact of macroeconomic situation on Chinese enterprises in the EU



Source: Flagship report questionnaire survey.

congested, and airfreight rates are hovering high because of sanctions. 83% of the surveyed respondents admit that they have been negatively affected by disruptions in freight transportation.

2.3 Chinese enterprises are concerned that unilateral economic and trade policies might morph into protectionist measures

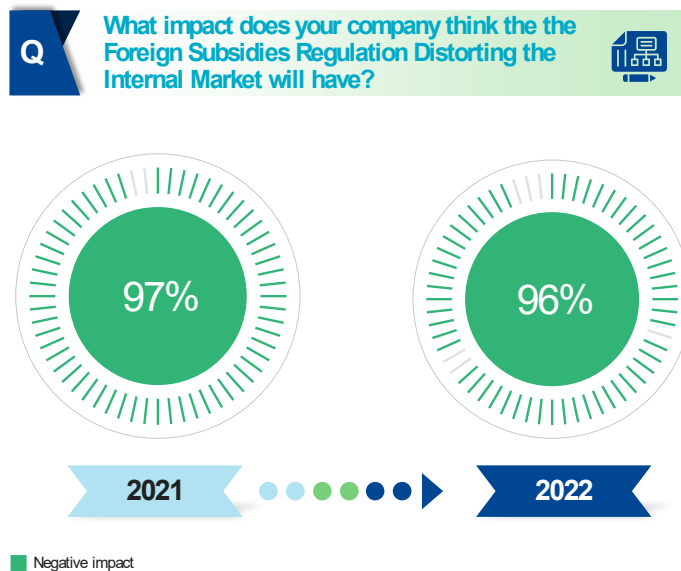
The relationship between China and the EU has been put to the test since 2021 as a result of differences on other issues beginning to bleed into the economic and trade sphere. The various unilateral economic and trade policy instruments that the EU has launched in recent years have dampened the business confidence of Chinese enterprises operating in the single market. Between 2H 2021 and 1H 2022, the EU

accelerated the development of a variety of unilateral trade tools, exacerbating Chinese enterprises' concerns about the EU's tendency for "inward-looking" and protectionism on economic and trade aspects.

2.3.1 New Foreign Subsidies Regulation may put Chinese investment activities under triple scrutiny

On 30 June 2022, the European Council, the European Parliament and the European Commission reached political agreement on the Foreign Subsidies Regulation (FSR). In July 2022, the European Parliament's Committee on International Trade voted unanimously on the text of the FSR and the new rules are expected to start being applied in mid-2023. Since the proposal for the regulation was presented on 5 May,

20 Percentage of surveyed enterprises concerned about the negative impact of the Foreign Subsidies Regulation



Source: Flagship report questionnaire survey.



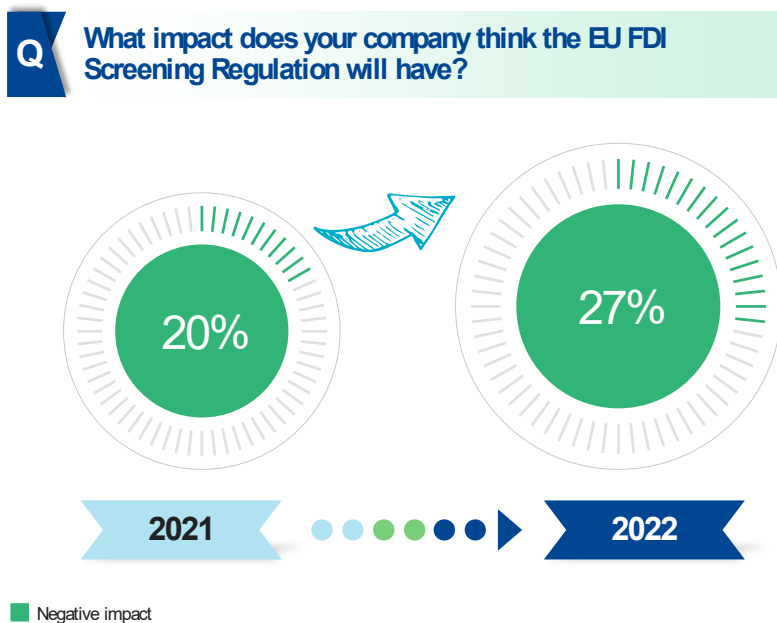
2021, Chinese enterprises have been concerned that the new rules would be a new barrier for foreign businesses operating in the EU, as their transactions may trigger a third scrutiny in addition to anti-trust and FDI screening, increasing the cost, time and uncertainty.

In the 2021 survey, 97% of respondents expressed concern about the negative impact of the FSR. This year, the same concern was repeated by 96% of respondents. Some enterprises said that many key concepts concerning foreign subsidies in the new rules, like the financial contribution, distortive effects, and balancing test, are ambiguous. The concept of foreign subsidies is too broad as it targets both state-owned and privately-owned enterprises, and the executive organ of the FSR is granted too much discretion. All these factors mean additional uncertainty for Chinese undertakings in the EU.

In July 2021, the CCCEU, in an effort to speak for Chinese enterprises in the EU, submitted its feedback to the European Commission on its FSR proposal. Members of the CCCEU have been operating in Europe for a long time and have made a tremendous contribution to the EU's economic growth. They would appreciate it if the European market remains open, competitive and fair. Some of the comments that the CCCEU made were taken into consideration by the European Commission and are reflected, either fully or partly, in the proposal for the draft regulation, particularly those related to the thresholds triggering investigation, etc.

The CCCEU noted that Chinese enterprises understand that the EU meant to create a better market environment for local businesses, but any policy tools introduced and adopted by the EU institutions should ensure legal certainty for the business community and openness and fairness in the market. They should also avoid having a discriminatory impact on foreign companies or lead to new distortions by offering privileges to locally-owned EU companies, for instance in acquisition transactions or procurement processes.

21 Percentage of surveyed enterprises concerning about the negative impact on the EU FDI Screening Regulation



Source: Flagship report questionnaire survey.

2.3.2 Chinese enterprises have greater concerns on the EU FDI screening mechanism

In October 2020, **the EU FDI Screening Regulation** entered into force. According to the regulation, FDI seeking to acquire critical infrastructure, critical technologies or dual-use items, supply of critical inputs, access or the ability to control sensitive information, and media might be deemed as a danger to security or public order and should be of concern and screened by the EU Member States. By May 2022, 18



Member States had adopted FDI screening mechanisms⁸⁰. The European Commission has called on all Member States to set up FDI screening mechanisms. According to the Second Annual Report on the Screening of Foreign Direct Investments into the Union, Member States have reported 1,563 requests for authorisation and ex-officio cases in 2021. Of these investment dossiers, roughly 29% of the cases were formally screened. Of the dossiers formally screened, 1% were blocked, 23% involved approval with conditions or mitigating measures, and 3% were withdrawn.

In the 2021 survey, 20% of the respondents noted that the EU's FDI screening mechanisms had a negative impact on their business, and 42% of them were concerned that the mechanisms may have more negative implications in the future. The 20% figure in 2021 increased to nearly 30% in 2022.

During the in-depth interviews, Chinese enterprises noted that the tool's vague criteria for investments that "affect security or public order" and that the situation varies from country to country. Rigid screening of foreign investment in sensitive sectors would make market entry and approval more difficult and increase time and compliance costs. For example, in late 2021, the Italian government vetoed the attempt by China's Zhejiang Jingsheng Mechanical to set up a joint venture with Applied Materials to buy the US-based group's screen-printing equipment business in Italy, saying that the takeover could have consequences in the strategic semiconductor sector.

2.3.3 Prevent the International Procurement Instrument from becoming new trade barriers

The EU introduced the International Procurement Instrument (IPI) to open up third-country public procurement markets. It may apply "IPI measures" to economic

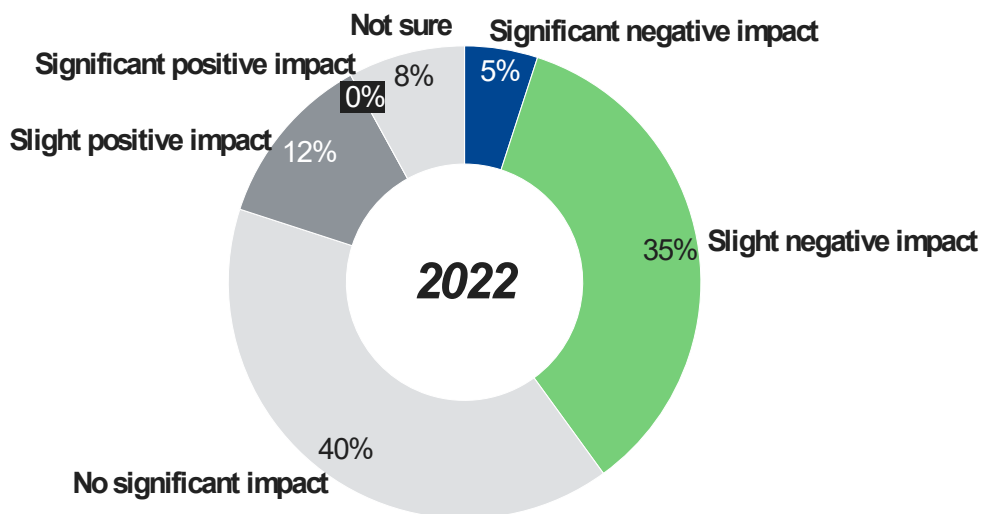
80. The European Commission, List of screening mechanisms notified by Member States, May 2022

operators originating in a country that does not offer the EU “reciprocity” in access to its procurement markets in their procurement tenders by imposing a reduced score or a price penalty. Countries that have joined the World Trade Organization’s Government Procurement Agreement (WTO GPA) and bilateral trade agreements with the EU are unaffected by this instrument. On 29 August 2022, the EU’s IPI took effect.

In our survey, 40% of the surveyed Chinese enterprises believe that the IPI may pose restrictions or disqualify them in public procurement procedures, implying higher entry barriers, more risks and higher compliance costs.

22 Impact of the International Procurement Instrument

Q What impact does your company think the International Procurement Instrument will have?



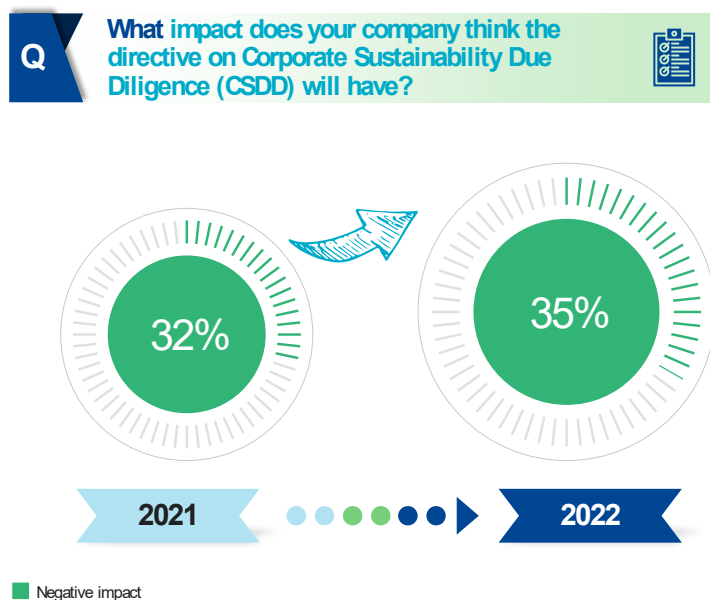
Source: Flagship report questionnaire survey.



2.3.4 The Corporate Sustainability Due Diligence (CSDD) directive may lead to market fragmentation

In recent years, the EU has been raising its compliance requirements on corporate sustainability due diligence and supply chain regulation. In February 2022, the European Commission adopted a proposal for a directive on Corporate Sustainability Due Diligence (CSDD) to foster sustainable and responsible corporate behaviour throughout the global supply chain. In CCCEU's 2021 survey, 32% of the respondents expressed concerns about the potential negative impact of the CSDD directive. This figure rose to 35% this year. They are concerned that such due diligence requirements

23 Percentage of surveyed enterprises concerning about the negative impact of the CSDD directive



Source: Flagship report questionnaire survey.

would further enable “non-technical” factors to stand in the way of doing business and cooperation in the EU market. The directive may raise compliance costs for Chinese textile and photovoltaic entities to enter the EU market. Business operators are also concerned that a directive of this kind may cause market fragmentation, more strict value chain inspection and more uncertainties.

In response to the CSDD proposal, the CCCEU actively sought to engage in the legislative procedure by submitting its feedback to the EU in a bid to safeguard its members’ interests. The CCCEU noted that it is supportive of all international and multilateral initiatives but pointed out that the proposed CSDD rules are likely to create unbalanced, disproportionate and ambiguous obligations for all business operators, including CCCEU members, and eventually impede the European Commission’s goal of creating more legal certainty and a level playing field for all businesses in the EU. Therefore, the CCCEU urged the Commission to reconsider these aspects and to improve the proposal accordingly.

The CCCEU also voiced serious concerns about excessive administrative burden and disproportionate liability on companies, as well as the insufficient transition period for businesses to adapt to the transposed due diligence rules. In particular, the CSDD proposal requires subject companies to exercise due diligence throughout their entire value chains, both directly and indirectly, at a level that goes beyond their control and capabilities.

2.3.5 The EU should be prudent in launching the Carbon Border Adjustment Mechanism

The Carbon Border Adjustment Mechanism (CBAM) is viewed as a key measure of the “Fit for 55” package proposed by the EU in 2021 designed to cut the risk of carbon leakage and encourage trading partners to meet the EU standards of carbon



mitigation. The proposal for the CBAM was adopted by the European Parliament on 22 June 2022 and is expected to enter into force in December 2022. By then, it will become the first carbon tariff in the world.

Opinions on the CBAM diverge among leading exporters of steel and aluminium products. Countries that have made rapid progress in carbon mitigation, such as the US and Japan, have begun developing carbon border tariffs. However, most countries are against, or are questioning, the CBAM as they believe it is trade protectionism in disguise⁸¹.

Some interviewed enterprises said that they understood the high requirements proposed by the EU for the purpose of environmental protection and climate change. However, the instrument will have a negative impact on China-EU trade in the mid-to long-term, particularly on the trade of iron and steel, aluminium, electricity, cement and chemical fertilizer. Chinese enterprises interviewed believe that the EU should reduce the constraints on countries caused by imposing thresholds, facilitate communication, deepen cooperation on the carbon market, and jointly conduct research on carbon pricing mechanisms. After all, a green transition can only be realised through global cooperation.

2.3.6 Export controls on dual-use items for both civilian and military purposes pose obstacles to China-EU technological exchanges

On 9 September 2021, the Export Control Regulation entered into force and tightens controls on trade in dual-use items – civilian goods and technologies with possible military or security use. The regulation introduced a novel “human security” dimension, so the EU can respond to the challenges posed by emerging dual-use

81. Peking University-Bank of China Centre for EU Economic and Strategic Research, Development, Transformation and Cooperation of Green Economy in China and the EU, 2022

technologies, especially cyber-surveillance technologies. It also simplified procedures to allow the Commission to amend the list of items or destinations subject to specific forms of control, thereby making the export control system more agile and able to evolve and adjust to circumstances.

Energy, telecommunications, aerospace, computers and other industries where Chinese enterprises are strong are covered by the reformed dual-use regulation. Therefore, in the 2022 survey, 23% of Chinese enterprises expressed concerns about the regulation, reasoning that it would make technological exchanges more difficult and raise entry barriers, etc. In the newly issued EU General Export Authorisations for Intra-group Technology Transfers (EU007) and for Encryption (EU008), China is not on the list of destinations to which exports are permitted. The surveyed Chinese enterprises are concerned that when the EU is to export certain technologies to China, or when affiliated entities of a multinational group are to transfer software or technologies intra-group, the necessity to apply for individual licenses or global licenses would mean higher administrative costs.

2.3.7 Anti-coercion tools pose sanction risks to Chinese enterprises

On 8 December 2021, the European Commission released the Proposal on the Protection of the Union and its Member States from Economic Coercion by Third Countries. The aim is to prevent “coercive actions by third countries” and deter them from restricting or threatening to restrict trade or investment to bring about a change of policy in the EU in areas such as climate change, taxation or food safety. The regulation would empower the Commission to take such measures as imposing tariffs, quotas, restricting access to EU financial markets and restricting intellectual property protection on non-EU nations. The regulation requires a qualified majority vote among EU Member States and support from the European Parliament to enter into force. During interviews, Chinese enterprises expressed concerns about potential



sanctions risks and hope that economies use reciprocal trade tools under unified international policy standards instead of resorting to tools targeted at specific sectors.

2.4 Chinese enterprises are concerned about the EU’s “decoupling” tendency in hi-tech, digital and green sectors

In 2022, recurring Covid-19 outbreaks and geopolitical conflicts continue to disrupt the global industrial chain, making supply chain bottlenecks more pronounced. On the supply side, the shortages of raw materials, energy and semiconductors have had negative implications for highly globalised industries such as high-tech and automotive manufacturing. When supply shortages are coupled with production capacity restructuring, both production costs and prices go up. In terms of transportation, the congestion of land, sea and air routes is far from easing. Some European areas face a shortage of truck drivers. At the same time, transport costs have been rising due to the Russia-Ukraine conflict, adding more pressure on supply chain stability.

In addition, the EU and the US are seeking to enhance the resilience of local manufacturing in critical strategic areas such as the digital and green sectors, and are encouraging key enterprises to restructure their supply chains by introducing enabling policies. They are also calling for “friend-shoring” of supply chains in key hi-tech sectors such as semiconductors to cut strategic dependence on countries including China. The scope of supply chain reshaping is gradually expanding from 5G, rare earths and semiconductors to emerging industries such as photovoltaic and renewable energy, highlighting the tendency to generalise the concept of strategy and security. Although the effect of the “friend-shoring” policy remains to be seen, the mid-and long-term impact on global supply chains and industrial chains cannot be underestimated. According to the survey, 81% of Chinese enterprises are concerned about the negative impact of supply chain disruptions on their business.

2.4.1 Obstacles presented by the EU toolbox on 5G cybersecurity hinder Chinese enterprises' business

In February 2020, the EU launched the EU toolbox on 5G Cybersecurity, which includes a series of strategic and technical measures and corresponding actions to reinforce their effectiveness. The way the toolbox defines “high-risk suppliers” has a clear impact on Chinese telecom enterprises in the EU. In particular, the EU urged its Member States to conduct reviews and reduce their dependence on high-risk suppliers as soon as possible. The surveyed Chinese enterprises said that such measures have created obstacles for them in multiple countries, and some were even forced to tear down the facilities that were already in place. This is not only a waste of resources but also goes against the original aspiration of the EU to develop the digital economy. Along with the business loss of Chinese enterprises comes the risk of local European employees losing their jobs.

Europe has long been the leader in advancing 5G general technology standards. Its effort has gained the recognition of China and many other countries, which have adopted the same standards in their own territories. The CCCEU hopes that Europe can continue to be a champion of unified global 6G standards, speed up innovation, and gain economic growth and long-term competitiveness.

In the past three decades, Europe has been the leader in developing mobile network standards, and it is indeed necessary to take cybersecurity measures to prevent Europe from unfair and abusive behaviour. However, such measures should be in line with the EU's commitment to a more resilient and open global economy and a soundly functioning global market. Cybersecurity is a common challenge for countries all over the world, and to tackle it, governments should work together to build a trustworthy environment. Trust is based on facts; facts should be verifiable; and verification should be based on common standards.



2.4.2 The EU might reduce cooperation with Chinese enterprises in the areas of rare earth magnets, solar panels, etc.

The second EU-US Trade and Technology Council (TTC) took place in Paris in May 2022. According to the joint statement, the EU and the U.S. are seeking to reduce their reliance on rare earth magnet and solar panel supply chains from China, which plays a leading role in the global supply chain⁸². In the survey, Chinese enterprises said that they are concerned that such a lack of strategic mutual trust and the description of China as a "systemic rival" would cause spillover effects in more areas and would be closely followed with a negative impact.

The industrial chains of China and the EU are deeply interdependent and have broad common interests. As the EU's largest trading partner in goods, China also relies heavily on EU exports of high-end equipment and medical devices, among others. "Decoupling" will exacerbate market fragmentation, raise confrontation, and ultimately harm the economic recovery and technological progress on both sides.

2.4.3 The EU might further reduce reliance on Chinese enterprises in key areas of the green energy transition

As far as green energy is concerned, Chinese players have both technological and cost advantages. However, the EU (and its allies) have voiced their intention to wind down their "strategic" reliance on Chinese green supply chains. During interviews, surveyed Chinese enterprises expressed expectations for China and the EU to maintain the good momentum of cooperation on green technology by leveraging their complementary strengths for common progress. Also, they hope to have transparent communication with EU policymakers for better understanding and mutual trust, avoid the potential economic loss embedded in supply chain decoupling, and to have a level playing field and policy environment to run business in the EU.

82. EU-U.S. TTC, EU-U.S. Joint Statement of the Trade and Technology Council, 16 May 2022

2.4.4 New laws on EU standardisation might undermine legitimate rights and interests of non-EU enterprises

In February 2022, the European Commission officially released new EU Strategy on Standardisation, aiming to increase the influence of European enterprises and undermine the legitimate rights and interests of non-European enterprises in standardisation activities by modifying the procedures and rules of standardisation organisations. This policy may pose a challenge to multiple industries that require close international cooperation on standards, including telecoms, electronics, electricians, etc. It may also have a negative impact on non-EU enterprises that are involved in standardisation activities in the single market.

2.4.5 Exclusive cooperation arrangements between the EU and some countries and regions may weaken China-EU economic and trade ties

In recent years, the EU has been pulling closer to certain countries and regions. Following the move to create the TTC in June 2021, the European Commission announced in April 2022 that it would launch an EU-India TTC to address challenges in sectors including trade and technology security. Besides, the EU is also conducting a trade and investment dialogue with China's Taiwan at a higher level to step up cooperation in the semiconductor industry.

Surveyed Chinese enterprises are concerned that such moves would fragment the existing industrial structure and hurt China-EU cooperation in critical areas. The CCCEU suggests the EU grants fair and transparent market entry to suppliers of new digital infrastructure, including that related to 5G and electronic devices. Also, it would be wise if the EU engages non-EU entities in setting standards for the ICT industry so that the EU ICT standards, consistent within the single market, are in line with international ones. The EU-US TTC, a transatlantic forum to foster cooperation in supply chains, telecoms technology and investment screening, etc., might fragment



the existing industrial structure. Blocking China out when setting standards for critical sectors will further impinge on the consistency of international standards.

In July 2022, the 9th China-EU High-Level Economic and Trade Dialogue was held and led to broad consensus on macroeconomic policy coordination, industrial chain and supply chain cooperation, two-way opening up of financial markets, regulatory cooperation, etc. Chinese enterprises believe that equal dialogue, enhanced cooperation based on mutual trust, common efforts to safeguard multilateralism, and sound development for win-win results will serve the interests of both sides.

2.5 Negative public opinion toward Chinese enterprises complicates the long-term development of Chinese enterprises in the EU

As the EU keeps launching new trade policies and instruments, Chinese enterprises in the EU find themselves surrounded by increasingly unfavourable public opinion, and attacked by unfounded statements related to data security and competition. More than half of all surveyed Chinese enterprises confirmed that the negative public opinion in the EU has hampered their business activities, and are concerned that the passive public opinion may have hurt mutual trust between the two sides.

Some interviewed enterprises said that when doing business in the EU, they have to spend a lot of time and financial resources to address and protect themselves from false accusations, which include "using Chinese service will cause private information leakage", "local companies might be subject to compliance investigation along with their Chinese business partners" or "Chinese partners may breach rules and exit the partnership midway". Some respondents said that due to the negative public opinion toward China, they have already lost some local business partners and customers, and have to bear higher operating costs. In short, negative public opinion toward China has made the EU business environment less attractive.

2.6 Despite setbacks, enterprises expect the CAI to facilitate investment

On 30 December 2020, after 35 rounds of talks over a seven-year period, China and the EU announced that they had concluded negotiations for a Comprehensive Agreement on Investment (CAI), signalling that bilateral cooperation had entered a new era of higher-level opening up and greater market access. The CAI goes way beyond conventional bilateral investment agreements. For the first time, China has made a commitment in the form of a negative list in all industries, including service and non-service industries, to achieve full integration with the foreign investment negative list management system established by its Foreign Investment Law. The EU is also committed to improving market access for Chinese companies.

Yet in May 2021, the European Parliament passed a motion to freeze the review of the CAI, casting a shadow over the future of the agreement. Nevertheless, there are positive voices of support. For example, in the video conference held among the leaders of China, France and Germany on 5 July 2021, leaders of both France and Germany expressed their support for reviving the EU-China investment pact. The Ministry of Foreign Affairs and Ministry of Commerce of China also pointed out that the CAI is a balanced, mutually beneficial and win-win investment agreement, and passing it at an early date would serve the common interests of both China and the EU.

Despite the setbacks, Chinese enterprises remain optimistic about the future of the CAI. In the surveys conducted in both 2021 and 2022 in preparation for the flagship report, around 70% of respondents believed in the positivity that the CAI could foster. In a long-term perspective, manufacturing and the services industry on both sides, especially European business undertakings in China, will benefit from the CAI. In another survey, as many as 74% of Chinese enterprises and 67% of European



enterprises agreed that the CAI, after it enters into force, will be a boon to the local manufacturing industry⁸³.

Voices of Chinese Enterprises: China Certification & Inspection Group Europe B.V. - Advance China-EU economic and trade development, and direct more efforts into the green sector

China Certification & Inspection Group Europe B.V. (“CCIC Europe”), a wholly owned subsidiary of the CCIC Group, is an independent third-party quality service organisation approved by the Dutch government. With a team of more than 200



CCIC Europe inspects pandemic control supplies during the Covid-19 outbreak.
Source: CCIC Europe

83. China Council for the Promotion of International Trade, China-EU Comprehensive Investment Agreement Implementation Outlook Research Report, 2022

professionals and executives, of whom 30% are well-experienced inspection and appraisal experts and senior inspection engineers, CICC Europe has an extensive operation network that covers all countries and regions in Europe, especially major cities, ports and cargo hubs.

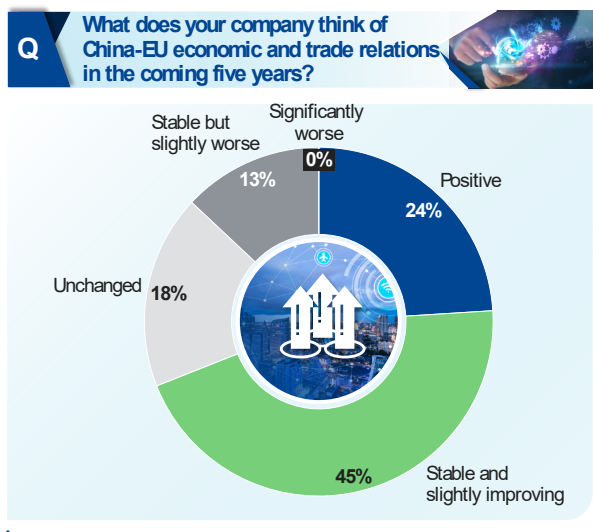
In recent years, CCIC Europe has been an active contributor to the sound development of China-EU economic and trade relations by providing a wide range of quality services, including inspection, appraisal, certification, testing and consulting, etc. Guided by the consensus between China and the EU in renewable energy, green economy and other sectors, CCIC Europe will leverage on its extensive network and the technological competence in carbon footprint and green accreditation to step up cooperation with enterprises and institutions with respect to technologies and standards, expand its business scope related to the green economy, and contribute to the development of green economy in both continents.

3. Chinese enterprises are optimistic about China-EU economic and trade relations in the long run

3.1 China-EU economic and trade relations are expected to keep improving over the long term, and mutually beneficial bilateral ties will last

69% of surveyed enterprises believe that China-EU economic and trade relations will keep marching forward. Among them, 24% saw an overall optimistic picture. The optimism is not groundless – it is based on the concrete economic gains achieved by businesses on both sides, and also on long-lasting consensus and mutually beneficial bilateral collaboration.

24 Outlook of surveyed Chinese enterprises on China-EU economic and trade relations in the long run



Source: Flagship report questionnaire survey.

In the 2021 survey, 60% of all respondents believed that **China and the EU have stood together through thick and thin, and the crucial, mutually beneficial and mutually reinforcing partnership is still firm**. This year, the figure rose to 70%, along with increased bilateral trade exchanges over the past year. The major force for advancing China-EU trade and economic relations is key cooperative programmes and collaboration in relevant areas.

3.2 The EU, as a key market in Chinese enterprises' global strategy, has a distinct and long-lasting allure.

The 2022 survey shows that 80% of respondents attach more importance to the EU market in their global strategy going forward. About 70% are convinced that their

25 Forecast of Chinese enterprises in the EU on positive trends of China and the EU maintaining cooperation and development in trade and economy

Q Among the positive trends in the China-EU relations from 2021 to 2022, which ones does your company think will last?

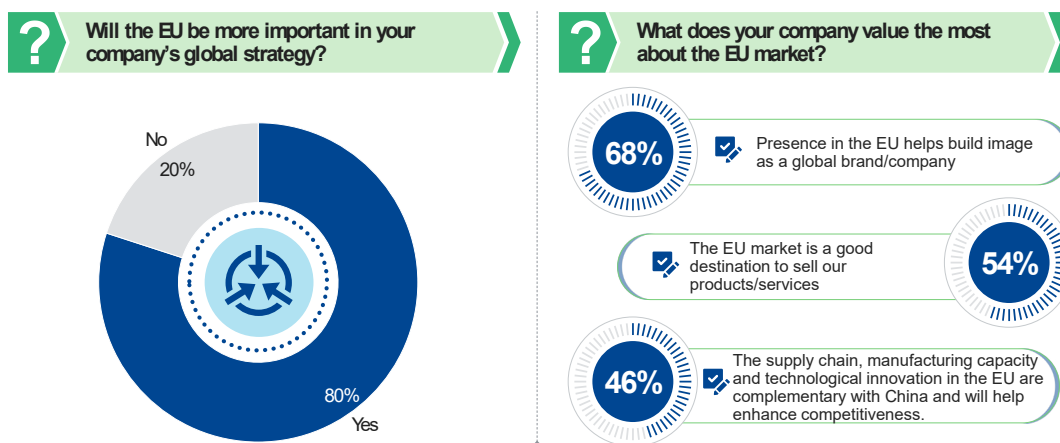
Intertwined interests	China and the EU remain each other's major trade partner in goods, and trade exchanges keep growth momentum.	71%
	China has become the EU's fourth largest trade partner in services, and bilateral trade in services keeps accelerating.	52%
Flagship projects	China-Europe freight trains promote Eurasia connectivity and stabilize global supply chains	43%
	China and the EU cooperate on the Belt and Road Initiative	40%
Active Investment	China outbound investment into the EU is gaining strength.	36%
	Private sector investment leads Chinese investment in the EU.	28%

Source: Flagship report questionnaire survey.

presence in the EU will contribute to their image as a global brand. 50% of them believe that the EU market is full of vitality and that China and the EU can cooperate for win-win results based on their complementary strengths. Enterprises that were interviewed pointed out that "the European market is an ideal place for businesses striving for sustainable development as it values research and innovation and is full of opportunities."

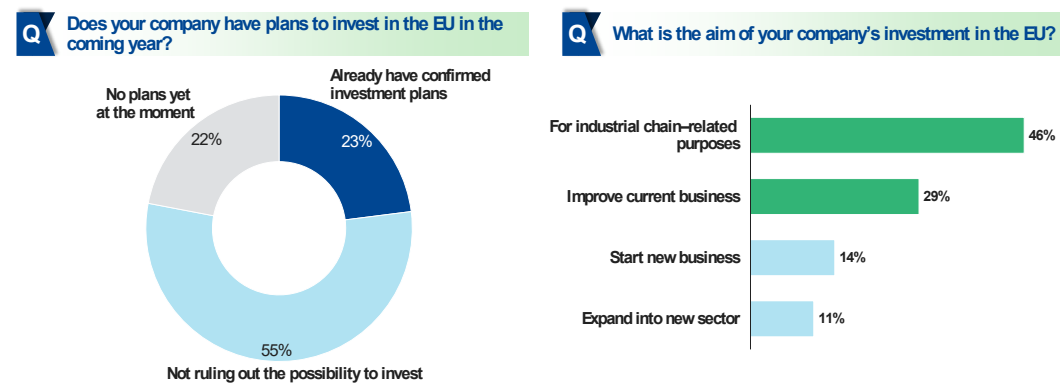
3.3 Most surveyed enterprises will continue to invest in the EU and expand and optimise their value chains

26 Ratings of surveyed Chinese enterprises on the importance and attractiveness of the EU market



Source: Flagship report questionnaire survey.

27 Investment plan of surveyed Chinese enterprises in the EU in the coming year



Source: Flagship report questionnaire survey.

Chinese firms continued to invest in Europe in 2021. Approximately 80% of the surveyed enterprises had developed EU investment plans for the coming year, with the majority planning to expand their presence across the industrial chain.

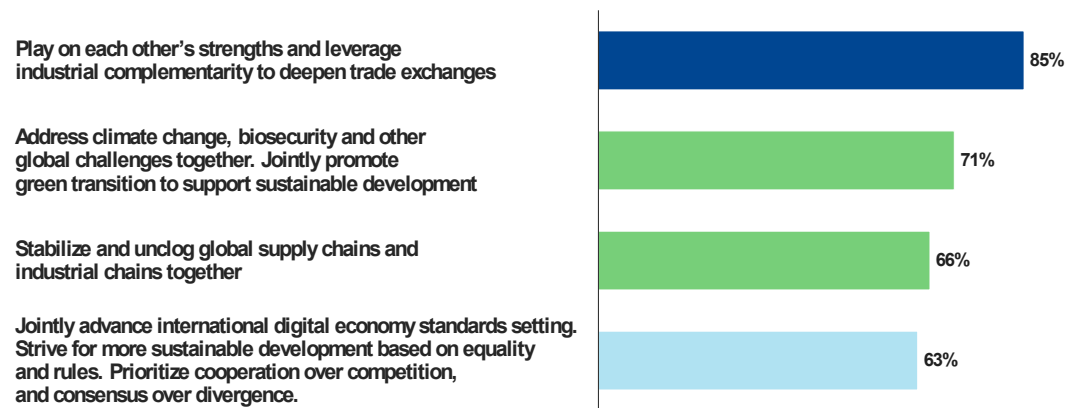
3.4 Chinese enterprises expect win-win cooperation with the EU in the future

3.4.1 Broad common interests in economic and trade areas form a solid foundation for long-term bilateral cooperation

As the international macroeconomic environment becomes more challenging, stable and sustainable cooperation between China and the EU will contribute to global economic and trade growth, and an improved macroeconomic environment will push bilateral cooperation to a higher level. 85% of surveyed enterprises firmly believe that

28 Common value propositions underpinning long-term China-EU trade and economic relations

Q What are the common value propositions that underpin China-EU trade and economic cooperation in the long term?



Source: Flagship report questionnaire survey.



the long-lasting complementary industrial chains of the two sides constitute a strong driving force and will keep unleashing cooperation opportunities, particularly in some key sectors. For example, in the photovoltaic (PV) industry, China has built up its advantages in the past decade and offers good performance and a good price at the same time by leveraging on the realised economies of scale. In this regard, China can be a support to the EU's PV sector.

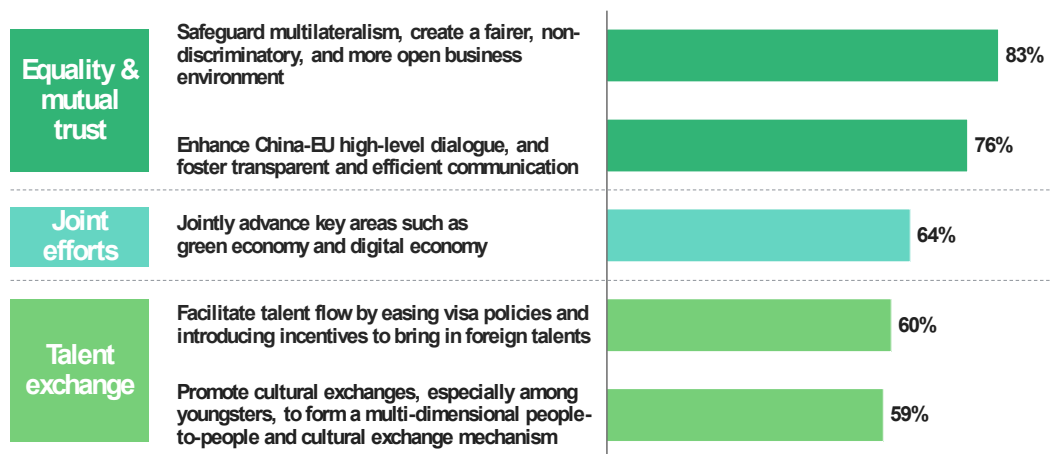
3.4.2 Higher-level opening up, fair market access, and multi-dimensional transparent communication will benefit Chinese enterprises in the EU

Standing on solid ground for cooperation, China and the EU should treat each other as equals, communicate based on mutual trust, deepen pragmatic cooperation, boost mutual confidence and maximise common interests. Surveyed enterprises expect EU

29 Expectation of surveyed Chinese enterprises on economic and trade cooperation in the EU



Among the following factors, which ones serve as incentives to your company to conduct economic and trade cooperation in the EU?



Source: Flagship report questionnaire survey.

institutions to adjust their policies and improve communication pathways to create a more enabling environment for Chinese enterprises to thrive in the EU market over the long term.

Chinese enterprises face rising operation costs and uncertainties in the EU because of unilateral trade tools developed by the EU in recent years. Among all surveyed enterprises, more than two-thirds expect fairer and more open market entry and supportive policies.

In addition, transparent communication channels and participation in industrial standard setting will also improve the business environment for Chinese enterprises in the EU. In the 2021 survey, about 40% of respondents believed that it was the lack of communication channels that directly led to negative public opinion toward China in the bloc.

30 Ratings of surveyed Chinese enterprises on the importance and attractiveness of the EU market



Source: Flagship report questionnaire survey.



Voices of Chinese Enterprises: Chinese Chamber of Commerce and Industry in France (CCICF)- Establishing a communication channel between China and France and assisting in the growth of the French economy

Chinese Chamber of Commerce and Industry in France (**CCICF**) is a remarkable contributor in enhancing mutual trust and friendship between the business communities of the two countries, and foster China-France economic and trade cooperation.

Actively engage in economic and trade exchange events and tell the China story well. Since 2019, the CCICF has jointly held or participated in more than 50 major events



CCICF, the Paris Ile-de-France Chamber of Commerce and Industry and the China Europe International Business School co-organise a forum to promote China-France investment dialogues. Source: China Europe International Business School

concerning bilateral economic and trade relations, including exchanges and signing cooperation agreements with the Association of Chinese Enterprises in France, Paris Ile-de-France Chamber of Commerce and Industry, and Foundation Prospective & Innovation.

Build a bridge connecting the business communities of both sides, and help Chinese enterprises adapt to the French market. In an effort to enhance understanding on compliance and boost mutual trust between the Chinese and French business communities, the CCICF has held seminars with local human resources and social security bureaus.

Foster solidarity among member enterprises, and promote the development of key industries in France. The “Cloud sharing” forum and the China Focus Forum held during IPEM 2021 are both good examples in this regard.

Voices of China: Association of Chinese Investment Enterprises in the Netherlands - Remain Optimistic about long-term China-Netherlands economic and trade cooperation, and support Chinese enterprises to grow in the EU

The Association of Chinese Investment Enterprises in the Netherlands (“ACIEN”) is an independent organization with legal person status established in 2005 by Chinese enterprises operating in the Netherlands. After many years of development, ACIEN has become the most representative and influential Chinese organization in bilateral economic and trade relations between China and the Netherlands.

Thanks to close bilateral economic and trade exchanges in recent years, the Netherlands has become China’s second largest trading partner in the EU. The two countries have complementary strengths in many sectors, including renewable energy, and therefore share a solid foundation for win-win cooperation. With the green economy becoming a



trend in both the EU and the world at large, the ACIEN has observed that Chinese new energy companies, including new energy vehicle makers, have ramped up investment in the Netherlands. In particular, large emerging private owned enterprises in China have also started to join the Dutch market in the past two years. When operating in the EU, Chinese enterprises practice the concept of developing in the framework of compliance and cooperating to achieve win-win results, seeking to contribute their share to the EU's green economic goals.



ACIEN holds a business networking event to celebrate the 50th anniversary of Sino-Dutch diplomatic ties, June 23, 2022. Source: ACIEN

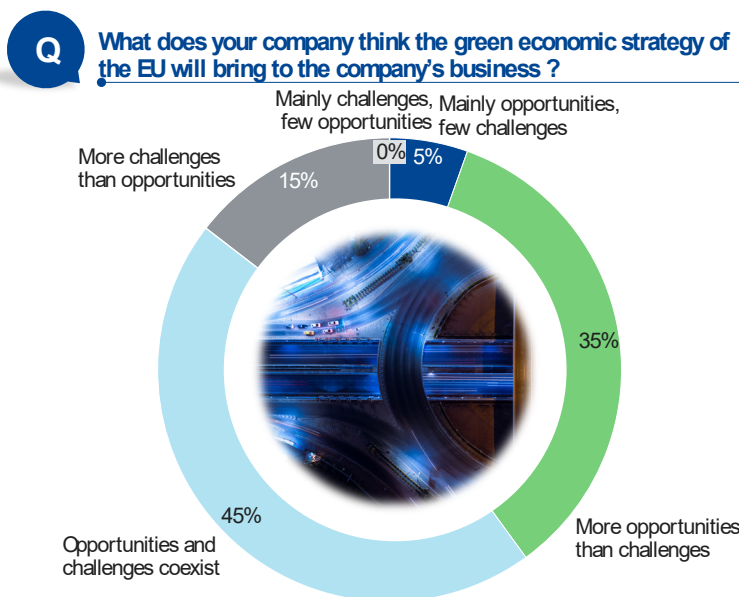
Chapter 3

Green economy – China and the EU are jointly promoting the development of and the transition toward a green economy

Green economy cooperation continues to serve as a powerful engine, driving China-EU economic and trade cooperation. Amidst a worsening global economy, China and the EU continue striving to achieve economic and trade recovery by fuelling a green recovery. Chinese enterprises in Europe have been actively engaged in green development in the EU, and have extensive cooperation with local governments and enterprises in areas such as energy transition, low-carbon industries, and green finance.

According to the survey, 85% of Chinese enterprises believe that the EU's green economy strategy will bring more opportunities than challenges. The consensus between China and the EU on green economy and relevant policies enacted by the EU will bring more opportunities for Chinese enterprise and enable the two sides to make more contributions in battling climate change and realising decarbonisation targets.

31 Impact of EU's green economy strategy on Chinese enterprises in the EU



Source: Flagship report questionnaire survey.

1. Conceptual consensus between China and Europe on the green economy is advancing legislative and policymaking efforts on both sides. The accelerated green transition of the EU is further unleashing market demand. Chinese enterprises' competitiveness in the green sector has been improving under the guidelines of carbon dioxide peaking and carbon neutrality policies.

Green transition is vital for China to realise sustainable development and act as an engine to drive Europe's economic recovery. The EU has set the goal of achieving carbon neutrality by 2050 in the European Green Deal. Global energy shortages are

also pushing the EU to accelerate its energy transition. As the REPowerEU plan rolls out, the EU will ramp up its investment in wind and solar energy. China announced its commitment to achieve carbon dioxide peaking before 2030 and carbon neutrality before 2060, and has implemented a raft of measures and policies surrounding the dual-carbon goals. China and the EU are aligned in their high-level development strategy, and such alignment forms a firm policy ground for enterprises in the two markets to strike more green deals.

1.1 The EU is implementing the European Green Deal to speed up green transition, and to further release the potential of green sectors

1.1.1 The EU has set 2030 targets under the guidance of the European Green Deal, creating an enabling policy environment for Chinese enterprises to invest and achieve growth in the green economy sector

The EU has translated climatic and environmental challenges into opportunities to update policies. In the European Green Deal, released at the UN Climate Change Conference (COP 25) in December 2019, the European Commission announced its target to make Europe the first climate-neutral continent by 2050⁸⁴. On 2 May 2022, the 8th Environment Action Programme came into force and set out priority objectives for 2030: achieving the 2030 greenhouse gas emission reduction target; enhancing adaptive capacity to climate change; developing a circular economy; pursuing zero pollution; protecting biodiversity; and mitigating climatic impacts induced by production and consumption activities⁸⁵.

On 14 July 2021, the European Commission launched the “Fit for 55” package, the centrepiece of the EU’s green policies. The legislative package aims to update climate,

84. European Commission website, European Green Deal

85. European Commission website, Environment action programme to 2030 (the 8th Environment Action Programme)



energy, land use, transport and tax policies so that they will support the single market in reducing net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. Specifically, it covers new legislation related to expanding the EU carbon market, banning the sale of gasoline-powered vehicles, taxing aviation fuel, increasing renewable energy capacity, and levying a carbon border tax. The content of the policy package includes but not limited to the following:

a) The **Carbon Border Adjustment Mechanism (CBAM)**: The CBAM will put a carbon price on imports of a targeted selection of products so that ambitious climate action in Europe does not lead to “carbon leakage”. On 15 March 2022, the Council reached agreement (general approach) on the CBAM regulation. On 22 June 2022, the European Parliament voted to adopt its position on the CBAM. The co-legislators will negotiate the final law. Compared with the Commission’s proposal, the Parliament’s amendments expanded the scope of the directive and might accelerate the pace of decarbonisation and green transition of the EU against the backdrop of the Russia-Ukraine conflict and global energy shortages, among other challenges.

b) **Reform of the EU emissions trading system (ETS)**: 1) reducing the cap on carbon emission and increase annual emission reduction rate; 2) revising the rules on free allocation of allowances and market stability reserve; 3) gradually phasing out the free allowances allocated to aircraft operators, align with the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), and integrate maritime transport into the ETS for the first time; 4) creating a separate ETS for the transport and construction industries; and 5) adopting rules to govern the Innovation Fund and the Modernization Fund, and requiring Member States to invest all income from emissions trading to projects related to climate and energy. On 20 May 2022, the EU Council adopted a mandate for negotiations with the European Parliament on the proposal for a decision on the obligation to notify CORSIA offsetting requirements.

c) **Amendment to the Renewable Energy Directive (RED):** The EU Council set a binding EU-level target of 40% of energy from renewable sources in the overall energy mix by 2030, and requires all Member States to increase their national contributions as set out in the integrated national energy and climate plans (NECP). The Council and the Parliament will now enter a trilogue to agree on the final text of the directive.

d) **ReFuelEU Aviation** and **ReFuelEU Maritime.** The ReFuelEU Aviation initiative requires fuel suppliers to provide an increasing share of sustainable aviation fuels (SAF) in EU airports. The ReFuelEU Maritime initiative proposes limiting the carbon intensity of the fuels used on board ships to encourage ships calling at European ports to uptake sustainable maritime fuels and zero-emission technology. On 2 June 2022, the Council agreed on a general approach for the two proposals. In the Parliament, the draft reports were voted upon on 7 July 2022.

1.1.2 Global energy shortages stimulate the EU to speed up negotiations on new climate policies, and create more opportunities for renewable energy and other green sectors

The more ambitious energy system decarbonisation plan of the EU represents new opportunities for the renewable energy sector. The European Commission launched the REPowerEU initiative on 18 May 2022⁸⁶. Guided by the targets set in the initiative, renewable energy capacity building in Europe will speed up, and sectors like wind power and photovoltaics will receive more investment. Realizing the REPowerEU targets by 2030 calls for an additional investment of EUR 300 billion. Enhanced policy support and unleashed demand will present optimal opportunities for renewable energy enterprises in Europe. At the same time, the EU has recast the EU Gas Regulation and the EU Gas Directive. The newly recast EU Gas Regulation integrates renewable gas and hydrogen as critical components in the future gas market. It

86. European Commission website, REPowerEU, 18 May 2022



refines the existing rules on the natural gas market that govern third-party access, separation of transmission and distribution system operators and independent regulators, and puts in place a comprehensive legal framework for cross-border hydrogen networks in the EU.

1.2 In response to China's "dual carbon" goals, Chinese enterprises are actively engaged in developing the green economy and working to improve their competitiveness

1.2.1 China has integrated the dual carbon goals into the 14th Five-Year Plan and formulated the "1+N" policy framework to achieve carbon dioxide peaking by 2030

a) **Adhering to the goal of carbon dioxide peaking before 2030 and setting the tone for China's "dual carbon" development strategy.** In September 2020, during the general debate of the 75th session of the UN General Assembly, Chinese President Xi Jinping announced that China would strive to achieve carbon dioxide peaking by 2030 and carbon neutrality by 2060⁸⁷. The country's 14th Five-Year Plan, adopted by the National People's Congress in 2021 stressed formulating an action plan to reach the goal of carbon dioxide peaking by 2030. In October 2021, the State Council launched the Action Plan for Carbon Dioxide Peaking Before 2030, emphasising on cutting carbon emissions in a steady and orderly manner⁸⁸. By the end of May 2022, the proportion of carbon emissions covered by industries and sectors with "dual carbon" policies in place accounted for approximately 95% of the country's total⁸⁹.

87. National Energy Conservation Centre of the National Development and Reform Commission of China, Working towards carbon dioxide peaking and carbon neutrality, 11 November 2021

88. State Council of China, Action plan for carbon dioxide peaking before 2030, 24 October 2021

89. China International Capital Corporation Limited, Carbon policy China (15): "1+N" dual carbon policy covers 95% of carbon emissions, 11 May 2022

b) China's carbon trading market, with a sound start and refining trade mechanism, has injected new momentum into China's low-carbon transition.

China has entered the third stage in developing its domestic carbon trading market: Administrative Measures for Carbon Emissions Trading (for trial implementation) (No.19 Order of the Ministry of Ecology and Environment) were introduced on 1 February 2021, and the national carbon trading market was unveiled in July 2021. On 30 March 2021, China's Ministry of Ecology and Environment issued the Notice of Public Consultation on the Interim Regulations on the Management of Carbon Emissions Trading (revised draft)⁹⁰. On 5 July 2022, the General Office of the State Council included the Interim Regulations into the State Council's 2022 Legislative Work Plan⁹¹. To put in place a national carbon emissions trading market, which is also the goal of China's domestic carbon emissions trading market, China is making efforts to strengthen the legal and policy framework for the national carbon market in a bid to accelerate the low-carbon transition.

c) Biodiversity has become a crucial policy proposition for China. Political guidance on the protection of biodiversity has been reflected in multiples laws such as the Environmental Protection Law and the Biosecurity Law. In the National Park Law, the Protected Natural Reserve Law and the Wetlands Conservation Law to be enacted soon, **biodiversity protection will also be a crucial element.** On 15 October 2021, heads of state from nine countries and ministers from 99 countries adopted the Kunming Declaration during the first stage of the 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15). Major content of the Declaration includes: 1) integrating biodiversity issues into all decision-making processes; 2) phasing out subsidies that hurt biodiversity and directing the

90. Ministry of Ecology and Environment of China, Notice of public consultation on the interim regulations on the management of carbon emissions trading (revised draft), 30 March 2021

91. State Council of China, Notice by the General Office of the State Council of issuing the legislative work plan of the State Council for the year 2022, 14 July 2022



subsidies elsewhere; 3) strengthening the role of law in protecting biodiversity; 4) acknowledging the rights of indigenous peoples and local communities and ensuring their sufficient and effective participation; and 5) putting in place an effective mechanism to supervise and monitor progress⁹². The second stage of COP15 will be held in Montreal, Canada from 7 to 19 December 2022, and China will continue to act as chair of COP15 in guiding substantive and political affairs.

1.2.2 Chinese enterprises are increasing investment in "dual carbon" related industries and technologies to engage in the green economy system and build up competitiveness in the green sector

a) To achieve the goal of carbon neutrality in a broad sense, Chinese enterprises are channelling their major efforts to such sectors as green electricity and green supply chains to pave the way for the free flow of products across the global market. On 24 May 2022, Huawei integrated the green concept into its procurement process, aiming to realising carbon reduction targets related to its top 100 suppliers by 2050. Geely Auto noted that 100% of its tier 1 suppliers will be using sustainable electricity by 2050. Chinese enterprises are extending the low-carbon concept across the entire supply chain and have made their commitment and explorations in decarbonizing their supply chain and using renewable electricity.

b) Major enterprises in crucial industries have released their decarbonising plans to contribute to the realisation of China's "dual carbon" goals. Major enterprises in energy, steel and other relevant industries, such as the State Power Investment Corporation Limited and China Baowu Steel Group, have announced that they will strive to achieve carbon dioxide peaking by 2023 or 2025, earlier than the government's timeline. **Financial institutions are actively developing green finance products**

92. UN News, Kunming Declaration gives stronger impetus to the development of a new global biodiversity framework, 13 October 2021

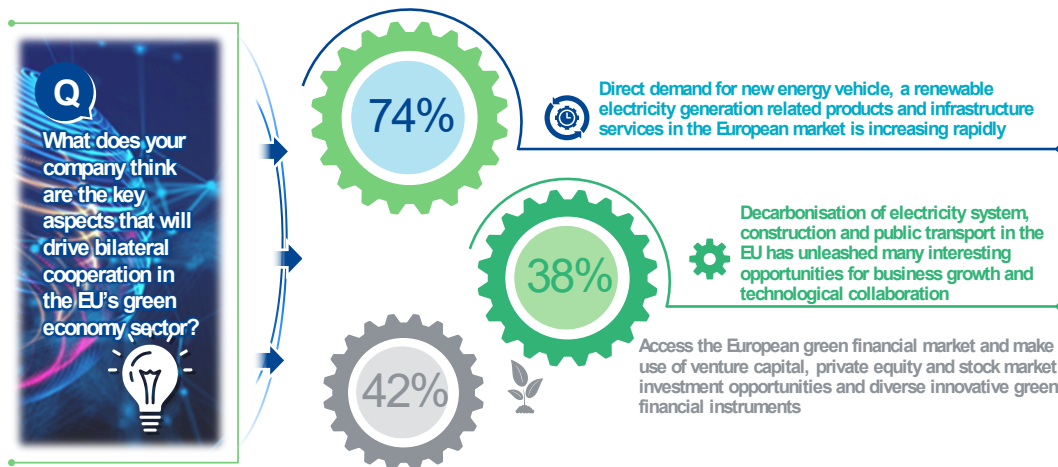
and providing a variety of funding options to support green investments. In 2021, Industrial and Commercial Bank of China and China Construction Bank announced that they would underwrite the first "carbon neutrality bonds" in China. Bank of China has supported multiple energy companies to debut their carbon neutrality bonds. **Hi-tech companies have also joined the carbon neutrality cause.** For example, on 12 January 2022, Tencent announced its carbon neutrality targets and plans. On 12 March 2022, Ant Group declared its goal of achieving net zero emissions by 2030.

2. Chinese enterprises are actively engaged in the EU's green initiative and support its climate targets

The European Green Deal is a long-term development strategy with the core objective of realising carbon neutrality. Implementing the strategy will overhaul the policies in at least eight key areas: 1) **accelerating climate change mitigation measures**, increasing climate ambitions for 2030 and 2050 under the climate and energy framework; 2) **driving decarbonisation of the energy sector** by providing clean, affordable and secure energy supplies, upscaling energy efficiency and relying more on renewable energy for power generation; 3) **adopting an industrial strategy** for a competitive, green, digital Europe; 4) **renovating buildings** to make them energy and resource efficient; 5) **embracing sustainable and smart mobility** to reduce unabated transport emissions; 6) **putting in place a fair, healthy and environmentally friendly food production and consumption system** by taking more green and low-carbon measures; 7) **protecting and restore ecosystem and biodiversity**; and 8) **implementing a zero-pollution action plan for toxic-free air, water and soil.**

At the global level, the Conference of Parties to the UN Framework Convention on Climate Change (COP26) has upheld multilateralism, reiterated the principle of common but differentiated responsibilities, enhanced global consensus on advancing low-carbon energy transition, made progress on the core concerns of developing

32 Top three interested aspects of surveyed Chinese enterprises in green economy cooperation in the EU



Source: Flagship report questionnaire survey.

countries such as adaptation, finance, etc., and created a new start for global climate change governance and green, low-carbon and sustainable development.

The business community is the major force to achieve low-carbon and green transition targets. Chinese enterprises from a wide range of industries, including transport, architecture, shipping, energy, finance and internet were present at COP26. During the conference, they shared the concrete actions that they had taken and technological innovations related to green transition to help advance the sustainable development of the global market.

When it comes to China and the EU, the two sides should step up cooperation in the green economy, encourage more enterprises in both markets to make green deals,

jointly formulate a set of green finance standards with global influence, communicate and coordinate more in making green policies, enhance cooperation in sectors like the carbon market and biodiversity, promote green and sustainable development in third-party markets, and work together to build a prosperous modern society where net zero greenhouse gas emissions or carbon neutrality is a reality.

2.1 Chinese enterprises are leveraging their strengths to support Europe's decarbonisation target

Decarbonising the energy system, a crucial link in realising the EU's decarbonisation target, requires massive efforts to harness clean energy. The policies that the EU has launched in this regard focus on the **energy system integration strategy** (smart grid, electrification of transport, batteries, etc.), **the hydrogen strategy** (hydrogen storage, hydrogen fuel cells, etc.), **the offshore renewable energy strategy** (wind, solar, tidal, etc.), **the renovation wave initiative** (renovating buildings, phasing out fossil fuels in heating and cooling, etc.), **the methane strategy** (reducing methane emissions) and the **Trans-European Networks for Energy** (linking the energy infrastructure of EU countries).

In May 2022, the European Commission initiated the REPowerEU plan. The plan rests on three pillars, namely **speeding up the roll-out of renewable energy capacity, diversifying energy supplies and promoting energy efficiency**, to achieve energy independence and green transition. This plan will amplify the EU's demand for renewable energies such as **wind, photovoltaic and green hydrogen**, implying a good investment opportunity for Chinese enterprises.

2.1.1 Chinese enterprises can assist Europe in rolling out renewable energy capacity and power transmission systems to realise the goal of energy integration



a) To promote the green transition of its energy system, the EU will implement a large-scale energy transmission and energy storage infrastructure plan to boost the safety and efficiency of the electrical grid.

In 2020, the Ten-Year Network Development Plan (TYNDP)⁹³ accessed 154 transmission projects, of which 97 are cross-border projects, and 26 storage projects representing 485 GW of storage capacity. As the EU implements its decarbonising policies, renewable energy is playing a bigger role in power generation. Building a smart power transmission network and increasing the storage capacity of the power system can effectively boost the efficiency of renewable energy. In the future, investment and technological progress in the power transmission sector will concentrate on high-voltage transmission lines, transformer substations, submarine cables, etc.

b) Supported by advanced ultra-high-voltage power transmission technology and extensive experience in long-distance power transmission, Chinese electrical grid enterprises are in a good position to provide safe and reliable solutions to support the EU's electrical grid upgrades.

The ultra-high-voltage transmission technology can transmit a large capacity over a long distance, matching the current needs of the EU. By the end of 2020, China had launched 30 ultra-high-voltage power transmission projects, including 14 for alternating current transmission and 16 for direct current transmission⁹⁴. Chinese enterprises, with their extensive expertise and professional teams, can provide mature technology, solutions and advanced equipment to supercharge the EU in implementing its power grid blueprint.

c) Chinese enterprises are promoting advanced transmission technology in Europe to support the continent's energy system integration strategy.

On 14 February 2022, European transmission network operator TenneT announced that

93. Entsoe website, Ten-Year Network Development Plan, 2020

94. China Energy News, Investment in power grid will go to the most important area, 9 February 2022

the consortium composed of Global Energy Interconnection Research Institute Co., Ltd., McDermott of the United States and C-EPRI Electric Power Engineering Co., Ltd. won the bid for Borwin6 offshore wind power flexible direct current transmission project as the EPC contractor, marking the entry into Europe of advanced transmission technology from China. At the same time, electricity grid equipment manufacturers from China are also sharing mature and cost-effective solutions with the European market. For example, Zhejiang Chint Electrics became a participant in Europe's backbone transmission and distribution network by engaging in the 400kV transformer project of Spain's Aldesa Group⁹⁵.

2.1.2 With stable wind power equipment manufacturing capacity and rapidly evolving products, Chinese enterprises are well-positioned to assist the EU in accelerating the build-up of offshore wind capacity

a) **A sharp increase in the demand for offshore wind power in Europe and increasing strengths of Chinese enterprises mean great potential for China-EU cooperation in the sector.** The REPowerEU initiative has driven up the EU's demand for offshore wind power capacity. On 18 May 2022, at the North Sea Summit, four EU Member States, Denmark, Germany, Belgium and the Netherlands declared that they would build the "Green Power Plant of Europe", and pledged to raise the total offshore wind capacity to 65GW by 2030 and further expand to 150GW by 2050, a four-fold and ten-fold increase on top of the current level, respectively⁹⁶.

b) **The capability of Chinese enterprises to update products based on state-of-the-art technologies and keep launching high-capacity turbines with increased unit output matches the demand in the North Sea offshore wind power market.** In 2021, China's Mingyang unveiled its 16MW offshore wind turbine, which is rated the

95. Chint Electronics, 2021 interim financial report of Zhejiang Chint Electronics, Co., Ltd., 28 September 2021

96. Leaders' Summit on offshore wind in the North Sea, Esbjerg Declaration on the North Sea as a Green Power Plant of Europe, 18 May 2022



largest in the world. The new model can better adapt to deep-sea sites and the windy North Sea. In late 2021, Mingyang started to collaborate with a top-tier European offshore wind farm on a floating offshore wind pilot project in Northern European waters to explore the application of innovative technologies. Besides, Chinese wind turbine manufacturers are also bringing their R&D assets into the EU with one example being the research centre of China's Envision Energy in Bristol, U.K.

c) In the rapidly developing offshore wind power sector, Chinese enterprises have established themselves with stable and large capacities, and quick response to market needs, and are well equipped to assist the EU in advancing its offshore wind power plans. Chinese wind turbine manufacturers now account for 63% of offshore wind installations globally⁹⁷. In April 2022, Italy witnessed the inauguration of its largest near-sea wind farm in the southern port of Taranto. As power prices keep rising, the EU can make use of the mass-produced, cost-effective wind turbines in its offshore wind power projects and offer more choices to the power market.

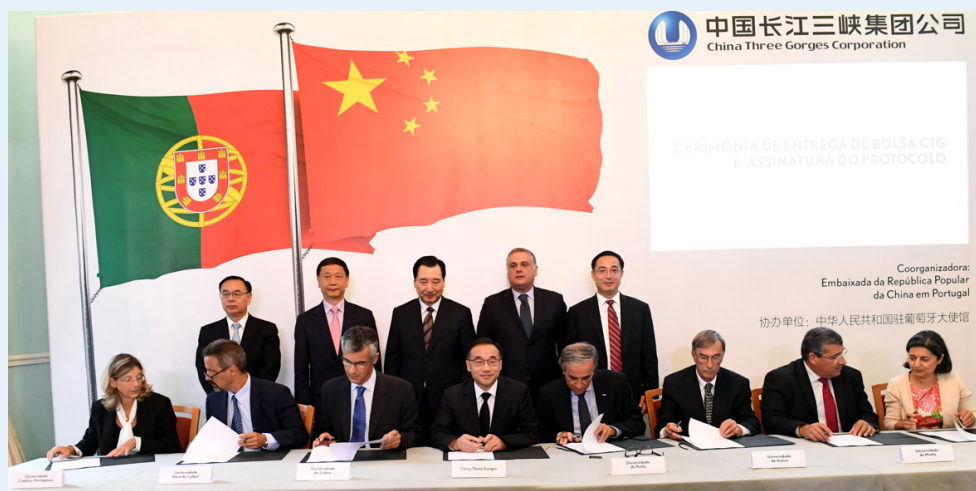
Voices of Chinese Enterprises: China Three Gorges (Europe) Co., Ltd. - Establish and deepen trust with stakeholders via close and transparent communication, and contribute to the local green industry and economy

China Three Gorges (Europe) Co., Ltd. ("CTG Europe"), established in 2011, is a long-term investor in the renewable energy area and a valuable contributor to the EU's energy transition and decarbonisation initiative. Since 2021, the company has

97. Bloomberg, Wind turbine maker plans first big Chinese-built plant in Europe, 24 September 2021

been investing more in greenfield projects in Europe, aiming to become a leading renewable energy enterprise. To this end, CTG Europe hired its first foreign CEO to keep close contact with local governments and European partners to build mutual trust, and explore new opportunities to cooperate in renewable energy projects.

CTG Europe has signed a new round of agreement on strategic cooperation with Energias de Portugal (EDP) to expand the partnership in more areas: the two will cooperate closely in renewables, hydrogen and storage under the guidance of a clear cooperation mechanism to avoid potential conflicts of interest. CTG Europe is also committed to communicating and collaborating with local governments and enterprises to put in place a mutual trust mechanism.



CTG Europe signs a cooperation agreement to endow scholarship fund to Portuguese university students. Source: CTG Europe



2.2 Chinese enterprises are supporting Europe to advance its energy transition strategy by producing and using more clean energy including sustainable batteries

At the heart of the EU's efforts to mobilise industry for a clean circular economy are **sustainable batteries (lithium-ion batteries)**, **circular economy** (recycling and reuse) and **raw material supply**, which are crucial to secure affordable clean energy solutions and new business models to reduce the carbon footprint.

2.2.1 Chinese battery manufacturers are investing in the EU to meet the growing demand for batteries charged by the rapid growth of the local new energy vehicle market

a) **The EU is stepping up efforts to support its new energy vehicle industry by developing local battery technology and production capacity.** In July 2021, the European Commission released the "Fit for 55" action plan. The plan effectively bans the sale of new petrol and diesel cars including hybrid vehicles (HV) from 2035⁹⁸. Currently, electric vehicles account for more than 10% of new car sales in Europe, a 13-fold increase in the five years since 2016. To reduce the reliance on foreign supply chain partners and to make Europe a global leader in sustainable battery production and use, the EU has launched the European Battery Alliance to build up battery technology and production capacity⁹⁹.

b) **Chinese enterprises have sound technology and experience in producing power batteries in large scale.** Innovations of leading Chinese battery manufacturers, such as CATL's cell-to-pack (CTP) technology and BYD's blade battery, have enabled the production of new battery models with fewer components and manufacturing

98. European Commission, Fit for 55 package, July 2021

99. European Commission, European Battery Alliance , June 2022

procedures, achieving a lower defect rate and lower cost at the same time. China is also a global leader in battery-related technologies including high-nickel layered oxide cathode material, synthetic graphite, wet diaphragm, etc. Therefore, Chinese enterprises are well equipped to offer tested solutions to the EU power battery market and fast forward the commercialization process.

c) **In response to the anticipated gap between the demand and supply of power batteries in the European market, Chinese enterprises can channel their investment and safeguard the integrity and security of the European renewable energy value chain.** By 2023, demand for electric vehicle (EV) batteries will increase to 406GWh while supply is expected to be 335GWh only, representing a shortage of 17%, which will expand to around 40% by 2025¹⁰⁰. Given that local European power battery manufacturers have had a relatively late start, leveraging on the investment by Chinese players can boost the production capacity and therefore preserve the value chain stability of Europe's new energy vehicle industry. **Thanks to the long-term and stable partnership with European car producers, Chinese enterprises have begun building their power battery manufacturing capacity in Europe.** The sound partnership with leading Chinese battery manufacturers, such as CATL and EVE Energy, are recognised and valued by European car brands including BMW, PSA and Volkswagen. On 4 April 2022, CATL's first cell production base outside China, located in Thuringia, Germany, received production approval. EVE Energy announced plans to construct a plant in Hungary to produce cylindrical battery cells. China's Gotio Hi-tech acquired a Bosch plant site in Germany to build its first overseas manufacturing plant.

100. Global Times, China's EV battery sector sees over 30% supply shortfall despite higher output, July 2021



Great Wall Motor holds a signing ceremony with European car dealer Emil Frey Group, Munich, Germany, 8 August 2022. Source: Great Wall Motor Deutschland GmbH

Voices of Chinese Enterprises: GWM Germany - Achieve full-scale localisation and ensure a level playing field in Europe

On 18 November 2021, Great Wall Motor Germany Co., Ltd. ("GWM") opened its German subsidiary and European headquarters in Munich. As the operational centre covering the European market, the headquarters is equipped with R&D, sales, management and other essential functions. By the end of 2022, the total headcount in the headquarters will increase to near 200. GWM believes that taking root in Europe is vital to gain recognition from local customers. Therefore, it is committed to realising full-scale localisation in R&D, production, sales and services, and safeguarding a level playing field in the European market.

GWM caters to the demand of local customers based on localised R&D functions.

GWM plans to launch localised models in Europe to meet local customer demand. Specifically, the sub-brand ORA will provide European customers with at least five new EV models, and the sub-brand WEY, at least six plug-in-hybrid-electric vehicles (PHEVs) and high-end all-electric models. By 2025, GWM expects to unveil at least ten global debut models tailored for the European market and upgrade the driving experience of local customers by utilizing new merchandising channels and models, as well as building new charging and service systems and digital user ecosystems. GWM has been devoted to R&D localization for long. As early as in 2016, it established its vehicle R&D base in Europe. In 2021, the local R&D activities expanded to parts and components. The R&D of GWM's European headquarters focuses on vehicle integration, parts and components development, electronic powertrain platform development and integration, smart driving and connected vehicles. Nearly 80% of all employees in the headquarters are hired locally in Europe.

GWM meets European customers' lead time requirements with localized supply chain.

GWM, with the establishment of the European headquarters, will strengthen and expand collaboration with its local suppliers through, for example, investing in upstream and downstream supply chains. Thanks to the mature automobile industry in Europe and the long-term partnership between GWM and its local partners along the value chains, the localisation of GWM's production has been smooth. The company's power battery division, Svolt Energy, has chosen to build a cell module plant and a module pack plant in Saarland, Germany. Its components subsidiary Nobo Automotive Systems has set up car roof production sites in Jückerhein and Bremen, which have effectively improved overall supply chain stability and efficiency.



2.3 Based on their consensus on green finance, China and the EU will continue to scale up green finance and facilitate cross-border green investment

2.3.1 China and the EU have cooperated closely to formulate green finance standards, and improved the comparability and consistency of global standards on sustainable finance

The G20 Sustainable Finance Study Group (SFSG) launched its first G20 Sustainable Finance Roadmap in October 2021. The roadmap pointed out key development directions and 19 specific actions such as improving the comparability and consistency of global sustainable finance definition standards, and establishing globally unified sustainable disclosure criteria, offering valuable guidance to the development of sustainable finance at both global and national levels. In addition, the second edition of the China-EU Common Ground Taxonomy on Sustainable Finance was released in June 2022. This move shows that both China and the EU are keen in advancing bilateral cooperation in sustainable finance.

2.3.2 Flourishing China-EU green bond transaction leads the development of global green finance

Both China and the EU attach great importance to green bonds. The EU plans to issue EUR 250 billion worth of green bonds by the end of 2026, and become the world's largest green bond issuer. In 2021, China issued more than RMB 600 billion of domestic green bonds, an increase of 180% year on year. The People's Bank of China released the Green Bond Endorsed Projects Catalogue (2021 Edition) to align the criteria to define green projects among relevant regulatory authorities and improve the pricing efficiency in the green bond market¹⁰¹.

101. People's Daily, China's green debt ranked the first in the world, 8 March 2022

Issuance of multiple green bonds under the framework of the China-EU Common Ground Taxonomy – Climate Change Mitigation (CGT) speaks volumes of the initial success of bilateral green bond cooperation. On 13 December 2021, China Construction Bank Macau offered USD 500 million three-year floating-rate green bonds, which marked the world's first CGT green bond. On 11 May 2022, Industrial Bank Hong Kong completed the bookkeeping and pricing for USD 650 million three-year CGT green bonds targeting the international capital market.

Voices of Chinese Enterprises: China Construction Bank - Implementing the concept of green finance and promoting new financial practices

China Construction Bank (Europe) Co., Ltd. ("CCB Europe") was founded in Luxembourg in 2013, and has set up six branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary since 2015. CCB Europe facilitates Chinese enterprises in their going global initiative. Looking to build a strong presence in the European market, CCB Europe is dedicated to providing financial services to support economic cooperation and interaction among European multinational companies, leading local enterprises and Chinese enterprises, thus playing a positive role in promoting China-EU economic and trade cooperation.

CCB Europe acts on green concept to fulfil its social responsibilities. CCB Europe is marketing and offering more ESG (environmental, social and governance)-linked green loans than before. By the end of 2021, the loan balance of ESG-linked projects accounted for nearly 30% of its total credit assets in Europe. The bank is active in issuing, underwriting and investing in green bonds. In 2021, it issued EUR 800 million of green bonds and listed on the Luxembourg Stock Exchange. It is also actively participating in green bond issuance and underwriting projects of fellow European banks. Besides, CCB Europe has been expanding the investment scope of ESG-linked bonds. In 2021, it assisted CCB Corporation, Wind Information Technology Co., Ltd. and the International Green Finance Research Institute of



Central University of Finance and Economics in compiling the CCB-Wind Green ESG Bond Issuance Index and Yield Curve to help European investors better understand China's green bond market.

CCB Europe acts as a bridge to facilitate China-EU economic and trade exchanges. In 2021, CCB Europe held a total of 14 online cross-border matchmaking events in Europe. Each of the events focused on a particular sector of a European country, for example, the silver economy in France, the biopharma industry in Spain, cross-border e-commerce in the Netherlands, smart manufacturing in Italy, China-Europe freight trains in Poland, etc., and effectively fostered business cooperation between the two markets.

CCB Europe is adopting multiple marketing strategies to attract overseas investment into the Chinese capital market. It is actively engaged in China's domestic inter-bank market and has ramped up investment in RMB bonds.



China Construction Bank's EUR 800 million green bond is listed in Luxembourg, 7 May 2021.

Source: CCB Europe

CCB Europe is harnessing the strengths of both sides to explore new development opportunities. It underwrote panda bonds issued by the governments of Poland and Hungary. Leveraging the strength of Luxembourg as the green bond listing and trading hub in Europe, CCB Europe has put in place a full-fledged service system to provide quality Chinese bond issuers with all types of services related to setting up special purpose vehicles (SPV), account opening, bond issuance, marketing of initial public offering (IPO), etc.

3. Chinese enterprises remain optimistic about long-term cooperation with Europe on the green economy, and expect the two sides to communicate more and cooperate at a deeper and broader level

The European Green Deal has created enormous space for China-EU green economy cooperation. Given the significant opportunities unleashed by the European Green Deal, Chinese enterprises are optimistic about the China-EU green partnership. About 80% of the surveyed Chinese enterprises believe that the China-EU green partnership will continue to improve in the next five years.

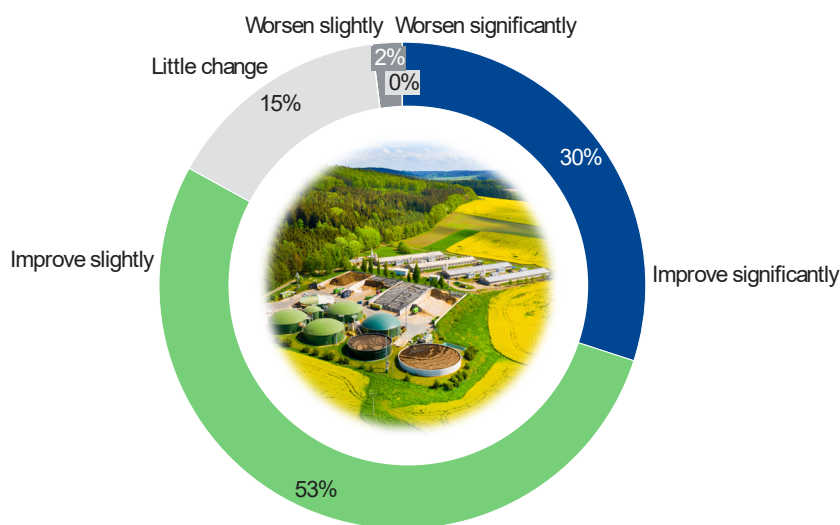
However, deeming China a “systemic rival”, the EU has been paying close attention to its dependence on China in “sensitive” areas such as raw materials, communication facilities, pharmaceutical ingredients, etc.

On 11 May 2022, the European Council on Foreign Relations (ECFR) and Rhodium Group jointly published a policy brief titled “Circuit Breakers: Securing Europe’s Green Energy Supply Chains”. The report discussed how the European green energy transition was “constrained” by China under the impact of Russia-Ukraine conflict and what countermeasures the EU should take. The report recommended reassessing

33 Outlook on China-EU green economy partnership of surveyed Chinese enterprises



What does your company think of green economic cooperation between China and the EU in the coming five years?



Source: Flagship report questionnaire survey.

geopolitical risks that may affect supply chain resilience. It argued that European policymakers need to make green energy supply chains more resilient before any further deterioration in relations with China, reduce over-reliance on China to ensure a safe and green energy supply chain and improve the competitiveness of European local enterprises to maintain their long-term advantage in the global market. The report suggested deepening cooperation with “like-minded countries”, noting that Europe, the United States, Japan and other like-minded countries should align their stance and actions, and that the EU-U.S. Trade and Technology Council (TTC), G7, the Organisation for Economic Co-operation and Development (OECD), and the newly established EU-India TTC can serve as platforms for cooperation.

Chinese enterprises have an edge in advancing the green transition of the EU and the world at large. This is why the report recommended cutting green dependence on China. Chinese enterprises in Europe are paying close attention to the EU's development policies and plans in the green sector. They will actively engage in the European green ecosystem and become a contributor to Europe's green transition to promote the sound development of China-EU green cooperation.

3.1 China and the EU should deepen green cooperation in the energy and manufacturing sectors and seek win-win results

3.1.1 Energy cooperation should focus more on R&D and cutting-edge technologies in the renewable energy sector such as hydrogen and methane

a) **China and the EU have reached consensus on the importance of hydrogen and are promoting international cooperation on technological research in this area**
China and the EU have issued guidance documents to promote the research and development of hydrogen technology, and have reached consensus on the importance of hydrogen to the green economy transition. China's Medium and Long-Term Plan for the Development of Hydrogen Energy Industry (2021-2035) states that it will actively promote innovation in technology, products, applications and business models with an aim to break through the technological bottlenecks in the hydrogen industry¹⁰². Horizon Europe also lists hydrogen strategy as one of the key research priorities¹⁰³. The European Commission has launched a Hydrogen Accelerator which targets producing 10 million tons of renewable hydrogen domestically, plus an additional 10 million tons of hydrogen imports.

102. National Development and Reform Commission of China, Medium and long-term plan for the development of hydrogen energy industry, 23 March 2022

103. European Commission, Horizon Europe, March 2021



Both China and the EU attach great importance to the production of renewable hydrogen and hydrogen transportation. They have reached consensus on specific research topics and key areas, and laid a good foundation for subsequent joint R&D. For example, the Clean Hydrogen Cooperation Alliance will invest EUR 77 million (33.5% of total budget) to support the research and innovation of renewable hydrogen production with the main focus on electrolyser in 2022, and another EUR 98 million in aviation and maritime transport applications (32.6% of total budget). China has clearly stated that it will improve the conversion efficiency of hydrogen from renewable energy and hydrogen production capacity per device. China will also promote research in hydrogen production technology and explore hydrogen storage and transportation methods.

Both China and the EU have expressed willingness for cross-border hydrogen cooperation. China's Medium and Long-Term Plan for the Development of Hydrogen Energy Industry (2021-2035) states that China will encourage joint research and development of hydrogen energy across the globe. Coincidentally, Horizon Europe also seeks to expand international cooperation¹⁰⁴. China and Germany have established the China-EU Energy Cooperation Platform to focus on energy and energy efficiency. The platform can serve as a springboard for further hydrogen energy-related cooperation in the future.

b) E-methanol has become a strategic fuel for the green transition in Europe. Chinese enterprises can assist the EU in optimising its methanol value chain and promoting the use of methanol in the automobile industry. On 28 March 2022, China's Geely Auto launched test runs and demonstration trials of e-methanol

104. Delegation of the European Union to the People's Republic of China, Relations with the EU: research and innovation, retrieved on 22 March 2022

sedans and long-range heavy trucks in the Danish port of Aalborg¹⁰⁵. **As e-methanol technology keeps maturing, China and the EU can further advance industrial and technical cooperation in the green methanol field.** In May 2022, German energy company EEW (a subsidiary of Beijing Enterprises Group), French energy company ENGIE and Dutch methanol producer OCI partnered to develop HyNetherlands, a large-scale hydrogen-based value chain project to provide decarbonisation solutions for industries with high carbon footprints¹⁰⁶.

3.1.2 China and the EU should strengthen interconnectivity of carbon trading systems and assist enterprises in realising green transition

On 22 June 2022, the European Parliament voted in favour of the "first reading" text of the Carbon Border Adjustment Mechanism (CBAM), which is a formal amendment to the "draft legislation" released by the European Commission in July last year. This adopted position of the European Parliament marks a key progress in carbon tariff legislation.

The EU's CBAM will have a systemic impact on global trade and energy use, particularly after it is implemented. Some developed countries have followed suit and formulated their own CBAM directives. Developing countries, in order to save costs, might choose to levy reciprocal carbon tariffs. The revised draft of the CBAM proposal intends to add implicit carbon price deduction rules, so that developed regions and countries such as Europe and the United States can mutually recognise carbon costs and provide a basis for them to jointly formulate global trade rules based on low-carbon emissions. This will be conducive to make global rules for the trade of low-carbon products while restricting the trade of high-carbon products. It will increase

105. State of Green, Europe's first methanol heavy truck conducted demonstration runs in Denmark to advance global carbon neutrality in transport sector, 29 March 2022

106. HyNetherlands, A gigawatt scale green hydrogen value chain, 2022



Subject review meeting of Peking University-Bank of China Centre for EU Economic and Strategic Research, 26 July 2022. Source: Peking University

the impact on export-oriented countries, weaken the export price advantage of developing countries, and create low-carbon trade barriers¹⁰⁷.

Implementing the CBAM ahead of schedule and further expanding its scope may have a significant negative impact on China's exports to Europe. The EU should listen to voices from developing economies including China by actively engaging them in the rule making process instead of rendering them to passive obedience of rules. China and the EU should strengthen dialogue and negotiations, improve the transparency of the CBAM. The two sides should align more on rules, service standards and prices in the carbon market, incorporate more financial functions into the carbon market and optimise financing methods and instruments to promote China-EU cross-border

107. Sina Finance, Impact of EU's carbon border adjustment mechanism and how to respond, 17 July 2022

carbon trading and the liquidity of the global carbon market, and set a good example for the interconnectivity of the global carbon market.

3.2 China and the EU will cooperate in project development, R&D and innovation in key areas such as transport decarbonisation and sustainable agriculture

3.2.1 China and the EU will conduct exchanges and cooperate in transport decarbonisation to advance the establishment of the TEN-T transportation system in the EU

Along with the Trans-European Transport Network (TEN-T)¹⁰⁸, the EU has launched an action plan to boost long-distance and cross-border passenger rail services¹⁰⁹, aimed at doubling high-speed rail capacity by 2030 and tripling it by 2050, and achieving carbon neutrality for trips less than 500 kilometers. **The construction of long-distance and cross-border railways is critical to achieving a green and low-carbon TEN-T. In this regard, Chinese enterprises are well-positioned to support the EU.**

Chinese enterprises have rich experiences in cross-border railway and overseas railway construction, and the decarbonisation effort in railway construction has seen initial progress. Between 2008 and 2016, while China's high-speed rail network continued to expand, it managed to reduce carbon emissions by 14.76 million tons per year¹¹⁰, which is 1.75% of China's total greenhouse gas emissions in the transportation sector. By further expanding railway construction, China is expected to reduce traffic

108. European Commission, Mobility and transport, new transport proposals target greater efficiency and more sustainable travel, 14 December 2021

109. European Commission, Mobility and transport, new action plan: boosting long-distance and cross-border passenger rail services, 14 December 2021

110. Nature, Impact of High-Speed Rail on Road Traffic and Greenhouse Gas Emissions, Lin, Y., Qin, Y., Wu, J. et al., 2021



emissions by 12% by 2050¹¹¹. In the design stage, Chinese high-speed trains employed streamlined design, light-weight materials and regenerative braking system to save energy consumption. In the route planning stage, massive data of total carbon emissions throughout the life cycle of trains were collected as planning reference¹¹². In high-speed railways with a speed of 350-400km/h, the expertise of Chinese enterprises in basic design, engineering and equipment enables them to build low-carbon high-speed railways more efficiently and safely. Chinese and European enterprises can conduct further exchanges on railway system technology and railway decarbonisation methods, such as developing joint railway projects, conducting China-European industrial cooperation conferences, and establishing a China-European R&D cooperation platform.

3.2.2 The EU faces a significant shortage of public charging piles while market demand for charging facilities is on the rise as more new energy vehicles are produced

a) **Along with the rapid development of the new energy vehicle market, a shortage of charging infrastructure in Europe will emerge.** By 2030, the EU will need around 6.8 million public charging piles to achieve the proposed 55% reduction in carbon emissions from passenger vehicles. This means that the EU must install 14,000 public charging piles per week to meet its climate goals set for electric vehicles by 2030¹¹³.

b) **Chinese renewable energy enterprises can participate in the construction of charging facilities, of which Europe is suffering a shortage.** Public charging piles in Europe are mainly within the charging networks rolled out by car manufacturers, such

111. International Energy Agency, the Future of Rail, January 2019

112. World Bank, China's High-Speed Rail Development, 2019

113. European Automobile Manufacturers' Association (ACEA), European EV charging infrastructure masterplan, March 2022

as Ionity, Europe's largest high-performance charging station network established by car manufacturers including Volkswagen and BMW. With Chinese renewable energy vehicle companies expanding their presence in Europe, Chinese car manufacturers can also contribute to expand the local charging pile networks. Such cooperation is undergoing. For example, BYD and Shell will form a pan-European Mobility Service Provider (MSP) partnership, offering them membership access to 275,000 charging points through the Shell roaming network. They will also jointly develop Fleet Solutions and Depot Charging services for BYD customers in Europe.

c) China and the EU should strengthen dialogue and cooperation in setting standards and conducting pilot projects for charging and battery swapping infrastructure, and work together to establish a globally interconnected standard system in the next-generation high-power charging and battery swapping areas. The two sides should encourage relevant associations and enterprises to participate and exchange experiences in pilots and demonstration projects. Public charging pile networks aside, residential areas, the first choice for private vehicle charging, also need a sound product quality standard system and a set of installation and construction standards. **Chinese enterprises have actively participated in the standardisation process of global charging networks and are committed to reducing the inconsistency problem caused by regional differences to maximise the effectiveness of infrastructure.** In June 2022, Huawei Digital Power officially joined the CharIN Association, a global organization dedicated to utilizing the Combined Charging System (CCS) and the Megawatt Charging System (MCS) to improve the interoperability and standardisation of EV and charging facilities, to create a more convenient EV travel experience.



BYD zero-emission pure-electric buses operates as official shuttle for the 2021 United Nations Climate Change Conference (COP26), November 2021. Source: BYD Europe B.V.

Voices of Chinese Enterprise: BYD Company Limited - Harness the green strength to promote the electrification of EU's transport sector

After 27 years of fast growth since its establishment in February 1995, BYD Company Limited (BYD) now operates in four core fields of electronics, automobile, new energy and rail transit. In 1998, as the first step in its overseas development strategy, BYD opened a subsidiary in Rotterdam, the Netherlands, to provide the European market with pure electric vehicles.

As of today, BYD's pure electric vehicles have found their way in 100+ cities in more than 20 European countries. The cumulative mileage of the green mobility solution has added up to 180 million kilometers, an equivalent of carbon emission reduction

of more than 190,000 tons. In recent years, BYD has been devoted to fast forward the electrification of the EU's transport sector. In April 2017, BYD opened its electric bus plant in Hungary. Not only has the plant created new job opportunities to the local community and helped optimize the local industrial structure, the new energy bus it offers also push the EU closer to its aspiration of transport decarbonisation. On 23 March 2022, BYD signed a global strategic cooperation agreement with Shell to improve charging experience for BYD's battery electric vehicle (BEV) and plug-in hybrid electric vehicle (PHEV) customers. In November 2021, a fleet of ten double deck electric buses, produced within the partnership between BYD and Alexander Dennis Ltd (ADL), a British bus manufacturer, provided VIP shuttle service for world leaders during the 26th United Nations Climate Change Conference.

In the future, as the green economy keeps developing, BYD will continue to fulfil its mission of "Technological Innovation for a Better Life", and bring more new energy products to customers in the EU. Under this mission, BYD not only is providing integrated new energy transport solutions to the local market, it also creates more cooperation and employment opportunities for its local partners, suppliers, trade associations, schools, etc.

3.2.3 China and the EU should continue to advance negotiations on the roadmap for bilateral cooperation in science and technology innovation under Horizon Europe, and collaborate on research projects in priority areas such as food technology, agriculture, biodiversity and decarbonisation of the transportation sector.

As of August 2021, China and the EU had agreed on two flagship programmes under the Horizon Europe framework, namely, Food, Agriculture and Biotechnology



as well as Climate Change and Biodiversity¹¹⁴. The two sides should continue to advance negotiations on the roadmap to bilateral cooperation in science and technology innovation, and collaborate in fields such as **water resources and pest management**. In terms of transport decarbonisation, the EU-China Surface Transport Flagship Initiative, established under the Horizon 2020 Framework Programme, has launched new R&D collaboration schemes to **boost clean and sustainable urban transport, reduce the impact of transport on air quality, and promote multimodal transport**¹¹⁵.

In agriculture: 1 March 2022 marked the first anniversary of the official entry into force of the EU-China Geographical Indications Agreement. China is the second largest export destination for EU geographical indication products. Geographical indications (GIs) are important intellectual property rights. The agreement, which enables China and the EU to better protect GI products, is not only a milestone in China-EU economic and trade cooperation, but also marks major progress in bilateral cooperation in intellectual property protection. Wolfgang Burtscher, Directorate-General for Agriculture and Rural Development of the European Commission, said that both the EU and China are bestowed with rich GI resources, and the EU is willing to work with China to execute the agreement and strengthen cooperation in promoting GI products. The two sides should expand bilateral trade in agricultural products, bring benefits to enterprises and consumers of both sides, and promote rural economic development.¹¹⁶

114. Delegation of the European Union to the People's Republic of China, Relations with the EU: research and innovation, 2022

115. Delegation of the European Union to the People's Republic of China, EU-China surface transport flagship initiative, 2020

116. People's Daily, China and Europe keep good momentum of cooperation in multiple fields, 2 April 2022

3.3 China and EU can strengthen cooperation in green and digital economy and jointly explore digital potential in the green field

a) **The shift from road transport to railways and waterways calls for the construction of multimodal transport hubs.** Chinese enterprises can use 5G technology to help the EU improve the efficiency of multimodal transport and achieve the goal of decarbonising the transportation system. For example, the EWG multimodal transport hub, located at the border between the EU and Ukraine, will become the first inland multimodal transport hub in Europe to use its own 5G network for internal communication and technical equipment operations. Huawei, along with Vodafone, participated in EWG's 5G construction.

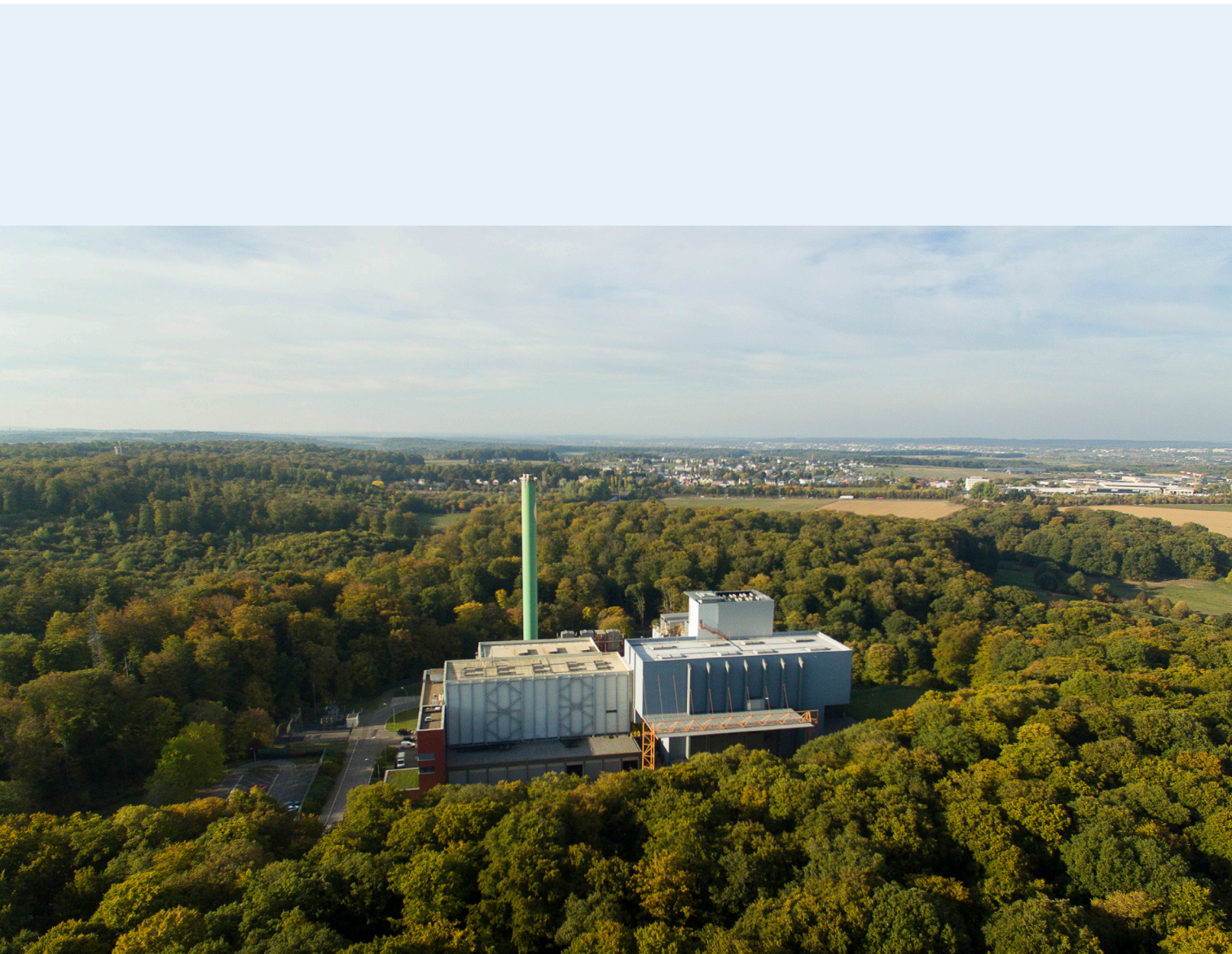
b) **Digital energy management is vital to improve efficiency. Chinese enterprises can use ICT technology to help renewable energy players in the EU to improve operating and decarbonising efficiency.** For example, Huawei has supplied smart string inverters to an agrivoltaic power plant with vertically mounted bifacial panels developed by the German clean energy company Next2Sun. While using energy tracking algorithms to improve energy efficiency, the smart string inverters have enabled 90% of the land area to remain available for agricultural purposes. On the Greek island of Karpathos, Huawei has supported local operators to provide stable power supply through the iSolar solution, which can provide more than 50% of the total power consumption for a single plant, reduce more than 51% of fossil energy consumption and cut carbon emissions by at least 10 tons per year.



Voices of Chinese Enterprises: Energy from Waste (EEW) - Pursue green development and contribute to mutually beneficial China-EU cooperation based on mutual trust

EEW Energy from Waste GmbH (EEW), a leading company in the generation of power and heat from the thermal recycling and disposal of waste, is a world-class player in terms of equipment quality, operational efficiency, technical performance and emission indicators. After being acquired by Beijing Enterprises Holdings (BEHL), **EEW still maintains a highly independent operation model**. EEW issued the first green bond in the industry and was well received by the market with an oversubscription of six times. After the EU released the "Fit for 55" package to accelerate green energy transition, EEW is looking to diversify its green project portfolio by investing more in emerging industries such as chemical recycling and synthetic methanol.

The success of EEW is credited to **the mutual trust with Beijing Enterprises Holdings Limited (BEHL) and BEHL's full respect for EEW's management team and corporate culture** which puts people at the centre and gives employees enormous trust and recognition. During the Covid-19 pandemic, the two parties conducted most communication online. It is the mutual trust and shared business vision of both parties that has ensured the strategic stability of EEW and the long-term and effective fulfilment of their vision.



EEW solid waste management plant in Leudelange, Luxembourg. Source: EEW Energy from Waste GmbH



Chapter 4

Digital economy – Build an equal, open partnership based on mutual trust and mutual benefit

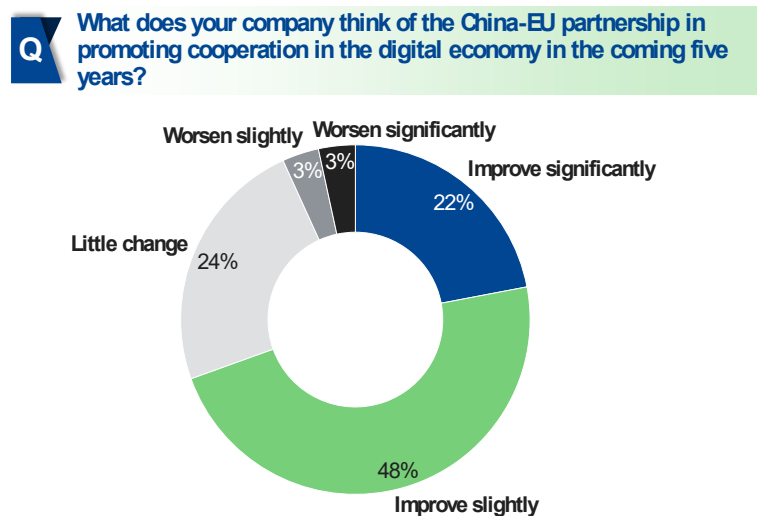
1. China and the EU have the building blocks for cooperation across the digital economy’s value chains, and they can boost its resilience and vitality

Digital economy is a key area for global competition in the context of the global technology and industrial revolution. While Chinese enterprises cannot participate in the EU’s digital transition as much as they can in its green transition, businesses from the two sides can step up cooperation in many segments of the digital industry, such as data sharing, Internet of Things, artificial intelligence (AI), smart cities and digitalisation of conventional industries.

The EU, in the string of strategic documents it has launched in recent years to guide the development of the digital sector, is striving to fortify its digital competitiveness across all dimensions, and put in place a comprehensive framework that can safeguard the EU’s sovereignty, cybersecurity and development to advance the digital transition of society.

China also attaches great importance to developing the digital economy and has elevated doing so to the level of national strategy. In an article by Chinese President Xi Jinping published on 15 January 2022 titled *Unceasingly Make Our Country's Digital Economy Stronger, Better, and Bigger*, the Chinese leader called for continuous efforts to build a stronger digital economy, and stressed that developing the digital economy is a strategic choice to seize the opportunities arising from the new round of technological revolution and industrial changes¹¹⁷. For this purpose, China has introduced detailed plans and guidance documents with clear targets and priorities. At the same time, more international exchanges are taking place between China and other countries.

34 Outlook on China-EU digital economy cooperation of surveyed Chinese enterprises



Source: Flagship report questionnaire survey.

117. Qiushi, Unceasingly Make Our Country's Digital Economy Stronger, Better, and Bigger, 15 January 2022



70% of the surveyed Chinese enterprises believe that the partnership between China and the EU in the digital economy will become closer in the long term. China and the EU have the building blocks to cooperate in pursuing a stronger digital economy and they can achieve common progress if they leverage their respective strengths.

1.1 The EU will keep adopting new legislation to guide the digital transition, which constitutes a crucial aspect in its social and economic development

The EU's digital economy strategy evolves around three cardinal points: 1) digital sovereignty: reduce dependency on other parts of the globe for technologies and rules; 2) cybersecurity: safeguard the integrity of personal privacy and government data; and 3) digital development: drive technological innovation and improve digital circulation.

1.1.1 Following the guidance of the General Data Protection Regulation (GDPR) and the 2030 Digital Compass, the EU will introduce detailed laws on the topic of “digital sovereignty”

To safeguard its “technological sovereignty” and “digital sovereignty”, the EU is committed to reducing its dependence on other countries in terms of technologies, supply chains and flow of information, and becoming more resilient against risks and crises. **In November 2021, the EU passed the Digital Market Act. Sitting along with the Digital Service Act**, this new law prescribes the most heavy-handed anti-trust measures and supervision ever on large digital platform companies, or so-called gatekeepers, signifying that the rule of the market economy shall prevail in the digital space in the EU. It will be legislators instead of “gatekeepers” who will set rules for digital market competition. The Digital Service Act set new restrictions on content inspection, targeted advertisements and recommendation algorithms to better protect users’ private information, thereby boosting the confidence of customers in the digital economy.

The Data Governance Act and the draft Data Act launched in 2022 built on and expanded the scope of the General Data Protection Regulation (GDPR) with respect to targeted audience and the definition of data. **The Data Governance Act** aims to enhance the trust of all economic sectors in data intermediaries and boost data sharing among the EU Member States by **regulating data intermediaries**. **The draft Data Act** is designated to ensure fairness in the allocation of data value among the actors in the data economy by **imposing requirements on the manufacturers of connected products and digital service providers**, and to facilitate data access and use of data.

In terms of detailed legislation governing the hi-tech industry, the European Commission put forward the European Chips Act on 8 February 2022 to ensure the security and resilience of supplies, as well as technological leadership of the EU in terms of semiconductor technologies and applications. The Act has three main components: First, a Chips for Europe Initiative. Under the initiative, EUR 11 billion will be made available to strengthen existing research, development and innovation, to ensure the deployment of advanced semiconductor tools, pilot lines for prototyping, testing and experimentation of new devices, etc. The goal is to mobilize EUR 43 billion of public and private investments by 2030. Second, a new framework to ensure security of supplies by attracting investments and enhancing production capabilities, especially that of semiconductors of advanced process. The framework allows for public support for two types of innovative production facilities that are the first of their kind, namely "Integrated Production Facilities" and "Open EU Foundries" (which would dedicate part of their manufacturing capacity to production for other industrial players). Third, a coordination mechanism between the Member States and the Commission to monitor market developments and anticipate crises. The European Chips Act also has measures to prevent, prepare, anticipate and swiftly respond to any future supply chain disruptions together with Member States and international partners.



The Artificial Intelligence Act proposes to prohibit biometric identification systems in publicly accessible spaces and AI-based social scoring. The GDPR will harmonise the requirement into its rules. In June 2021, the European Commission issued modernised Standard Contractual Clauses to restrict transfers of personal data from the EU to third countries and require companies to obtain prior authorisation. By putting limits on data access, the EU aims to reduce its dependence on large foreign digital companies.

1.1.2 The EU continues to work on strengthening the digital and cybersecurity sectors, aiming to build a safer cyberspace for Europe

In March 2022, the European Commission adopted two new proposals for a Cybersecurity Regulation and an Information Security Regulation. These regulations put in place a framework of digital governance, and will help the EU build a strong shield against cyber threats and incidents with better preparedness, and ensure a resilient, secure EU public administration amidst risky and disruptive cyber activities.

1.1.3 Capitalise on the power of technological innovation and data flow in driving the EU's economy and social productivity, and foster new industries

From the GDPR and the Data Governance Act, to this year's draft Data Act, the past years have witnessed the EU's efforts in solving the legal, economic and technological problems that prevent data from being fully used.

Some analysis argues that the series of digital-related laws launched by the EU are not intended to expel internet giants out of the single market. Instead, the rules they set are to regulate unreasonable practices and establish a level playing field for all enterprises in Europe.

The Data Act will make data more accessible and open up opportunities for innovation and development of the digital economy. Statistics show that 80% of non-

personal data in the EU is never used¹¹⁸. The Data Act will make more data available for reuse and is expected to generate EUR 270 billion of additional GDP by 2028¹¹⁹. As such, **it will help the EU break the monopoly of large foreign companies in the digital market and unlock more space for small and medium-sized enterprises to innovate and thrive.**

Other digital initiatives that the EU launched include: the European Digital Identity allows for cross-border authentication among all Member States, opening a new channel for secure and trusted flow of personal data¹²⁰. The European Health Data Space (EHDS) supports the use of health data for innovation, research, policy making and regulatory activities under the precondition that privacy is duly preserved. This framework will also empower the development of relevant sectors, such as AI, high performance computing and cloud, and contribute to the formation of a harmonised digital service market.

1.2 Chinese enterprises respect the EU’s aspirations in developing cyberspace, and are willing to explore ways of cooperation in the digital economy sector

1.2.1 China’s digital economy has experienced massive growth in recent years with a more comprehensive legal framework

According to the 14th Five-Year Plan for National Economic and Social Development issued in 2021, China plans to leverage digital transformation to modernise the means of production, life and governance. The 14th Five-Year Plan for Digital Economy, unveiled in 2022, explicitly calls for “expanding international cooperation” and building a “Digital Silk Road”.

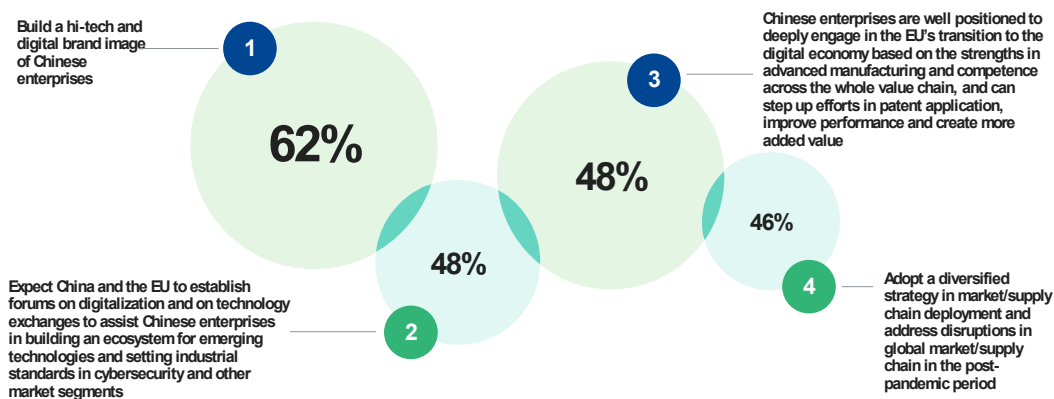
118. European Commission, the draft Data Act, February 2022

119. European Commission, the draft Data Act, February 2022

120. European Commission, European Digital Identity, June 2021

35 Major aspirations of Chinese enterprises for China-EU cooperation in the digital economy

Q What does your company think are the aspirations of Chinese enterprises for China-EU cooperation in the digital economy



Source: Flagship report questionnaire survey.

The digital economy has become a powerful engine behind high-quality growth. In 2021, China's digital economy reached RMB 47.6 trillion, accounting for 43.5% of the GDP¹²¹. In the same year, the cloud computing market was valued at RMB 233.06 billion and will rise to RMB 298.34 billion in 2022¹²². Statistics show that by the end of 2021, China had rolled out 1.43 million 5G base stations, more than 60% of the world's total. In other words, the country has 10.1 5G base stations for every 10,000 people¹²³.

121. iiMedia, Research Report on the Status and Competition Landscape of China's Information Technology and Innovation Industry 2021, April 2022

122. iiMedia, Development Trend of Cloud Computing in China 2022, June 2022

123. Ministry of Industry and Information Technology of China, Communications Industry Statistical Bulletin 2021, January 2022

It is predicted that the global datasphere will grow to 175 zettabytes (ZB) by 2025, and China's share will increase to 48.6ZB, or 27.8% of the global total.

China has also reinforced governance on data handling and data security. Like the EU, China has adopted multiple pieces of legislation to regulate the digital market. In 2021, the Personal Information Protection Law entered into force. The Data Security Law launched in the same year became the first legislation regulating data security. Chinese enterprises will develop in full compliance with the Personal Information Protection Law, and are able to bring more vitality to the European market.

1.2.2 Chinese enterprises have long been contributors to social development in the EU during the many years of operation in the European digital sector, while navigating through both opportunities and challenges

Chinese enterprises are valuable contributors to fast-forward the European digital industry and to digitalise people's lives. In critical sectors like telecom equipment, Chinese enterprises, represented by Huawei and ZTE, have assisted Europe in laying the cornerstone of its digital sector by participating in such new infrastructure projects as 5G and terrestrial/submarine cables. In 2021, Three, an Austrian telecom operator, ZTE and Qualcomm executed a 5G network demonstration using a standalone (SA) coverage layer based on 700MHz (n28) and the world's first supplemental downlink (SDL) band 1400MHz (n75). China's Alibaba has teamed up with Graphcore, a U.K.-based artificial intelligence company, to accelerate hardware development for algorithms like computer vision and natural language processing.

However, the wall put up around the hi-tech and telecom sectors in Europe is making matters difficult for Chinese enterprises operating in the EU. **There exists the "decoupling risk" for China and the EU in the hi-tech and digital sectors.** Surveyed Chinese enterprises expressed concerns on over the EU's unilateral economic and trade policy instruments , such as the 5G cybersecurity toolbox, Regulation on

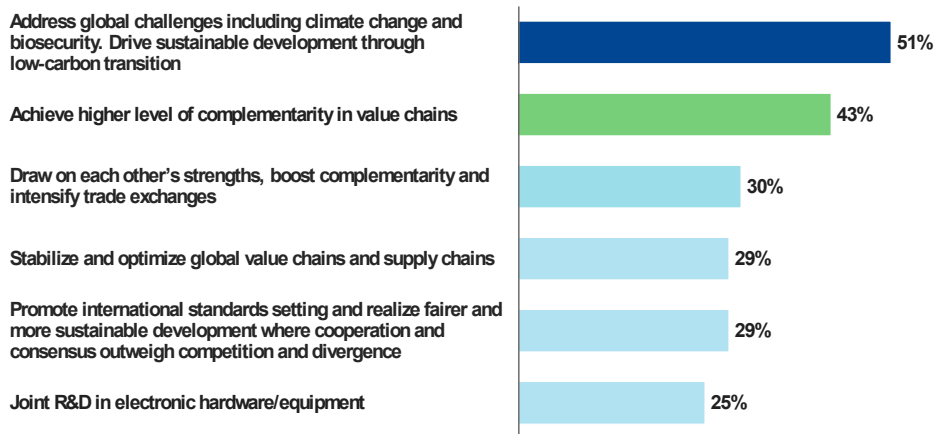


Foreign Direct Investment Screening, the Foreign Subsidies Regulation, the Dual-Use Regulation controlling items for both civil and military purpose, the Directive on Corporate Sustainability Due Diligence, and the toolkit to mitigate foreign interference in research and innovation, might cause “decoupling” of the two economies in the hi-tech sector and the fragmentation of international technological standards. Surveyed Chinese enterprises also said that there still exist voices and implicit barriers in the EU trying to exclude China from participating in digital projects and research and innovation projects. Some in the EU are saying that the EU should cooperate with so-called like-minded countries. Rhetoric like this will only exacerbate the risk of “breaking” the supply chains and value chains. **Chinese enterprises in the EU hope that the “decoupling risk” does not materialise for it would lead to higher costs and lower efficiency.**

Cybersecurity is another concern for Chinese enterprises. The EU’s Cybersecurity Act has a negative impact on the operation and sales activities of Chinese enterprises in the single market. Legislation of some EU Member States provides for different treatment based on the country of origin of manufacturers, putting Chinese enterprises in a less favorable business environment. Negative remarks without basis in the name of cybersecurity is the most severe and far-reaching risk confronting Chinese enterprises in the EU. Negative remarks about Chinese enterprises, which are not backed by solid facts, in the public sphere by politicians create market pressure on foreign enterprises, and coverage in local media tends to side with their own politicians. A mutual recognition mechanism is still absent between China and the EU with respect to cybersecurity. It is expected that the two sides develop a set of mutually recognised testing standards, reduce trade barriers put up in the name of cybersecurity, alleviate concerns of stakeholders, and set up cybersecurity working groups to find solutions based on mutual understanding and transparent communication.

36 Major directions of cooperation between China and the EU in digital economy

Q What does your company think are the major directions of cooperation between China and the EU in the digital economy?



Source: Flagship report questionnaire survey.

2. Chinese enterprises operating in the ICT, data circulation, semiconductor, AI and other sectors still face hurdles, and they expect the EU market to be more open and provide a level playing field that allows for both cooperation and competition

2.1 Chinese enterprises encounter invisible barriers when trying to compete in the European telecom infrastructure sector, and expect fair and non-discriminatory market access

From 2G to 4G, Chinese enterprises have long been dedicated to supporting the EU in advancing its infrastructure digitalisation. However, when the EU is rolling



out 5G networks, Chinese enterprises operating in European countries are severely affected by the EU's legal instruments such as the 5G cybersecurity toolbox. The EU's 5G cybersecurity toolbox follows the logic of generalised concept and vague implementation measures. The deliberately generalised security concept is designed to block Chinese telecom equipment suppliers, and this may end up becoming the tool of EU Member States to exclude or restrict foreign investment and technologies in real practice. Arrangements as such have caused interruption to the European business of Chinese enterprises, and some Chinese enterprises are explicitly named as targets of discrimination. Against such a backdrop, **China-EU cooperation in the telecom sector has ground to a halt.** The prospects of Chinese telecom companies in other European countries are discouraging. For example, in 2021, a Swedish appeals court dismissed the appeal by Huawei against its exclusion from the country's 5G networks, and required Huawei equipment in existing infrastructure to be removed by 1 January 2025¹²⁴. In addition, there are sanctions against optical fiber cables from Chinese enterprises in the name of anti-dumping. **Many Chinese enterprises interviewed voiced their concern about the politicisation of business issues. They also believed that the negative public opinion on Chinese business undertakings in Europe had caused frustrations for them.**

The aforementioned practices targeting Chinese enterprises will not bring any direct economic benefits to Europe. An analysis as early as in 2019 predicted that a ban on buying telecom equipment from Chinese firms would add about EUR 550 billion to the cost of 5G networks in Europe¹²⁵. **Despite the unfavorable business environment riddled with uncertainties, Chinese enterprises are still optimistic about bilateral cooperation in the digital sector between the two sides, and hope to contribute to the EU's digital transformation through joint efforts.** China

124. Global Times, Swedish court dismisses Huawei appeal over 5G network ban, June 2022

125. Reuters, Europe's 5G to cost \$62 billion more if Chinese vendors banned: telcos, June 2019

and the EU should cooperate more in the R&D of information and communication technologies in an open spirit and realise win-win results by leveraging each other's strengths. The two sides should also exchange insights and explore possibilities of cooperation with respect to 6G networks, R&D of crucial technologies, harmonised global standards, distribution of spectrum and other 6G-related topics. They should also reciprocally reduce and eliminate restrictions and engage in each other's key projects for common benefit.

2.2 China and the EU can create the right conditions for cooperation in the semiconductor, AI and other hi-tech sectors based on their mutually complementary value chains

In the 2030 Digital Compass, the EU pointed out the importance of advanced technologies such as semiconductors and AI. In the semiconductor sector, for example, the European Chips Act aims to double the EU's share in the global market to 20% by 2030 and mobilise EUR 43 billion of investment to reach this goal. Chinese enterprises perform well across the entire semiconductor value chain, especially in the upstream part of silicon wafer fabrication, and are willing to cooperate the European partners and help Europe translate the ambitious goal into concrete results.

2.3 China and the EU should strengthen communication and cooperation in data governance mechanisms and facilitate legal and secure cross-border data flows, which will stimulate cooperation in such areas as public health, climate change and environment protection that concern the wellbeing of all humankind.



3. New business forms in the digital economy hold great potential for China and the EU to engage in win-win cooperation to meet the increasing consumption demand in the sector

In recent years, the Chinese market has witnessed the emergence of many new digital business forms which have bred multiple novel industries, such as livestream e-commerce and digital leisure. Chinese enterprises can share the experience accumulated in the process to fast-forward the development of similar industries in Europe based on the ubiquitous digital tools at the consumer end, thereby bringing in a higher level of digitalisation and convenience.

3.1 Chinese enterprises are well positioned to help make Europe's logistics industry more digitalised and intelligent

Leveraging software and digitalised hardware to make warehousing and logistics more intelligent and efficient has become the mainstream and brought extensive benefits to the business community and society at large. Chinese enterprises enjoy a technological advantage in both hardware (e.g., Automated Guided Vehicles used to transport goods automatically) and software (e.g., automatic sorting system). China's Geek+ Technology, a global leader in autonomous mobile robots (AMR), has partnered with Decathlon, the leading sports goods retailer, to upgrade the latter's e-commerce logistics platform by saving warehouse space and simplifying procedures, meeting the retail giant's increasingly high requirements of frequency, speed and precision. China's Cainiao Network and AliExpress have signed a new agreement on strategic cooperation with the Correos, the national postal service of Spain, to enable more small and medium-sized enterprises in both China and Europe to engage in global cross-border trade. This partnership has accelerated the realisation of "global delivery within 72 hours", and solved the "last mile delivery" problem by borrowing such solutions as reception boxes and pick-up points used in China.

3.2 In the retail sector, e-commerce services provided by Chinese enterprises can advance the development of the European consumer market and upgrade the consumer experience

Europe is a large e-commerce market and has far more potential. The percentage of e-shoppers in the EU-27 countries has been rising consistently in recent years to reach 73% in 2020 and 75% in 2021¹²⁶. It is estimated that e-commerce revenue in Europe will reach USD 570 billion by 2025¹²⁷.

In the e-commerce sector, Chinese enterprises support their European partners in the form of service packages, and by bringing their mature technology systems and experience to Europe. For example, German shopping platform Ritzi uses Apsara Live, the cloud computing technology powered by China's Alibaba Cloud, which provides livestream solutions for merchants on its platform. Chinese e-commerce company JD.com, in an attempt to explore new retail forms in overseas markets, has opened two robotic pick-up shops under the name of Ochama in the Netherlands, becoming the first omnichannel retailer in the country to offer all types of goods, including fresh food and groceries in one shopping app.

3.3 Chinese enterprises can support Europe in optimising the digital payment infrastructure and bring convenience to both merchants and consumers

Digital payments have become a way of life across the world; and Chinese enterprises have brought new business opportunities to European merchants by serving the large number of Chinese consumers in Europe. Statistics show that in 2019, the percentage

126. Ecommerce Europe, 2021 European E-Commerce Report, September 2021

127. Statista, Europe: retail e-commerce revenue forecast from 2017 to 2025, May 2021



of Chinese tourists traveling in the U.K. and France who used mobile payments increased to 65% in 2019 from 60% the previous year¹²⁸. Nearly 8% of surveyed British retailers said that they were keen to recommend using Chinese mobile payments Alipay or Wechat Pay to fellow merchants as a new way to improve efficiency and revenue. Cooperation between Chinese and local European enterprises is also intensifying. In 2022, Worldline, the fourth largest payment and trade service provider in the world, announced it would cooperate with a Chinese digital payment platform and integrate more convenient payment solutions. After the integration, thousands of European merchants will be able to reach more than 1 billion customers in Asia without revamping their systems.

Voices of Chinese Enterprises: China Unicom (Europe) Operations Limited - Build an “international circle of friends”, cooperate and compete based on complementary strengths and for win-win results

Established in 2006 in the U.K., China Unicom (Europe) Operations Limited ("China Unicom Europe") offers end-to-end global integrated telecommunication services and solutions to corporate and individual clients in Europe, Africa, the Middle East and Central Asia.

Along with its expanding business, China Unicom Europe has found the optimal mode of cooperation, which is to **be an active contributor to the development of the industry and build an “international circle of friends”**. In practice, it adopts a “match + lead” market development strategy, engages in multi-dimensional cooperation with local European telecom operators in business, technology and applications, and strives to build a mutually beneficial ecosystem for cooperation and improved services by drawing on local resources and local practices.

128. Nielsen, 2019 New Trends for Mobile Payment in Chinese Outbound Tourism Whitepaper, 2020

China Unicom Europe actively cooperates with leading local companies and with their assistance extends its services to end users, and also **attract business partners by building platforms that pool in the resources it has accumulated over the years.** At the Shanghai 5G Innovation and Development Summit & China Unicom Global Industry Chain Partnership Conference held in 2019, China Unicom formed an 5G International Cooperation Alliance with eight international telecom operators to develop 5G technologies and accelerate 5G progress. In the same year, China Unicom Global initiated the Union for Partners, or the UP Program. The Program, which has 13 leading operators in the world as its founding members, is designated to promote global cooperation in the sector, encourage its members to create a mutually beneficial ecosystem through exploring, developing and sharing resources to boost synergy and lay a firm foundation for sustainable development of the industry.

Operating with compliance forms the basis of China Unicom Europe's operations. It pays close attention to following the requirements on corporates in local policies and regulations, and has created a responsive mechanism to keep pace with policy updates. China Unicom Europe also has a compliance team consisting of experts from the headquarters and local European legal firms to screen and interpret new policies. In China Unicom Europe, the Board of Directors is the governance body. It convenes compliance meetings on a quarterly basis to evaluate risks and formulate response plans.

China Unicom Europe seeks to deepen cooperation with all stakeholders in the EU by drawing on each other's strengths to address common challenges and embrace opportunities together.



China Unicom Global Limited invites global telecom operators to join the 5G International Cooperation Alliance, 2019. Source: China Unicom Europe



Chapter 5

Corporate social responsibility (CSR) – Chinese enterprises embrace the concept of sustainable development and keep striving to create economic benefits and fulfil social responsibility at the same time in the EU market

Widespread global consensus on sustainable development is giving rise to a systematic transformation that involves all social sectors. In the EU, Chinese enterprises, as active participants in local society, are acting on the concept of sustainable development, shouldering social responsibility along with local EU enterprises, and bonding with local governments, business partners and individuals. They are also making corporate strategies and operation plans that are flexible enough to allow space for CSR activities.

1. Both China and the EU advocate corporate social responsibility and share a common philosophy in governance that is supported by solid policy basis and tested by extensive experience in the business arena

1.1 The EU is a pioneer in leading enterprises to fulfil social responsibility and march toward the goal of sustainable development

The EU is one of the first economies to integrate CSR in its policies and legislative framework and its early strategies have turned out to be effective. In 2011, the European Commission adopted a renewed EU strategy for Corporate Social Responsibility (2011-14) to achieve profitability and job growth while mitigating the impact of climate change. **This strategy offered valuable guidance to governments, the public and the capital market to measure, monitor and manage undertakings' performance and their impact on society**¹²⁹. On 22 October 2014, the EU adopted the Non-Financial Reporting Directive (NFRD) and required its Member States to transpose the CSR requirements into their national law. To alleviate the burden on small and medium-sized enterprises, the NFRD only applies to large public-interest entities with an average number of employees, i.e., more than 500, including companies whose securities are listed on regulated markets in the EU, as well as banks, insurance companies and any other company designated by the Member States. The NFRD requires large public-interest entities to report in accordance with its provisions for the first time in 2018 along with their annual reports so that stakeholders can learn about the development, business operations and financial performance of the undertakings, and hold them to greater account for the impact of their activities on society and the environment. On 21 April 2021, the European Commission adopted the Corporate Sustainability Reporting Directive (CSRD), which will amend the reporting

129. Jörg-Markus Hitz, Nico Lehmann, Real Effects of a Widespread CSR Reporting Mandate: Evidence from the European Union's CSR Directive, 19 February 2022



requirements of the NFRD: 1) extending the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises); 2) requiring the audit (assurance) of reported information; 3) introducing more detailed reporting requirements, as well as the obligation to report in accordance with mandatory European sustainability reporting standards; and 4) requiring companies to digitally “tag” the reported information so that it is machine readable.

Seeing the unemployment rate increase and social injustice deepen during the Covid-19 pandemic, the EU and its Member States started to make efforts on the legislative and policy front with an eye to improve social justice and workers’ welfare. In May 2021, EU institutions, European social partners and civil society representatives co-signed the Porto Social Commitment, aiming to transform the European Pillar of Social Rights Action Plan principles into action and provide better social protection against the impact of the Covid-19 pandemic¹³⁰. The EU plans to launch a series of instruments to better protect workers’ rights, such as the EU Strategic Framework on Health and Safety at Work 2021-2027, etc. Besides, it also adopted the European Disability Strategy and the Gender Equality Strategy to ensure that enterprises comply with the social legislation that safeguards equal human rights and to create fair and safe workplaces.

1.2 China supports the Sustainable Development Goals (SDGs) of the United Nations and has made concrete efforts to implement them, including optimising relevant regulation mechanisms, thus laying the foundation for enterprises to fulfil their social responsibility.

130. Porto Social Summit, Porto Social Commitment, 7 May 2021

1.2.1 China has set up a social responsibility supervision framework and put forward clear goals for sustainable development

As a party to both the 2030 Agenda for Sustainable Development and the Paris Agreement, **China has clear goals and a specific timescale to guide its sustainable development.** In March 2022, China's State Assets Supervision and Administration Commission established the Social Responsibility Bureau and designated the new unit to undertake functions related to the "dual carbon" goals, safety, and environment, social and governance (ESG) affairs. In April 2022, China Enterprise Reform and Development Society released the Guidance for Enterprise ESG Disclosure, which requires enterprises to report under the three primary dimensions of environment, social and governance metrics using qualitative and quantitative indicators. The release of this guidance fills the gap in the field of corporate ESG disclosure standards in China.

1.2.2 More and more Chinese enterprises are involved in building the framework of social security and responsibility, aspiring to achieve corporate and social progress at the same time

Listed companies in China are taking the lead in disclosing ESG performance, and their number is increasing as the concept of sustainable development has become a consensus in Chinese society. In 2021, 25.3% of companies listed on China's A-share market published their 2020 ESG report. The period between 2009 and 2021 saw a consistent increase in the number of ESG reports disclosed by enterprises listed on the A-share market. In 2021, 1,125 enterprises published ESG reports for 2020; and as many as 83.3% of all constituents of the Shanghai Shenzhen CSI 300 Index made the disclosure¹³¹.

Chinese enterprises are voluntarily engaged in the cause of social security and responsibility, knowing that fulfilling their social and moral responsibility is a win-

131. China Europe International Business School, Corporate Social Responsibility White Paper 2021, 11 April 2021



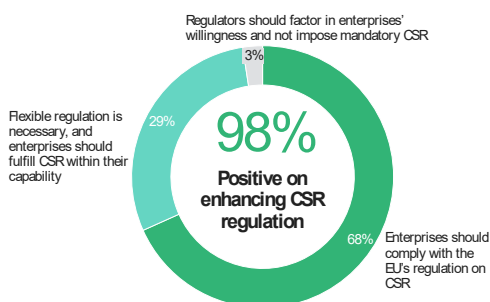
win for both corporates and society. Alibaba, a leading Chinese internet company, leveraged its advanced technology and assisted the Ministry of Public Security in creating a missing children alert system which is connected to dozens of popular apps. By July 2021, the system, likened to the Chinese version of the U.S. Amber Alert system, had issued more than 500 million alerts and helped 366 missing or abducted children find their way home.

1.3 Chinese enterprises in the EU are answering the EU’s call for corporate social responsibility and its regulation, and are voluntarily taking on their social responsibility

Chinese enterprises are generally positive about the EU’s advocacy and legislative efforts in CSR initiatives and have responded with concrete efforts.

37 Opinion of surveyed Chinese enterprises on the EU’s corporate social responsibility (CSR) regulation

What does your company think of the series of CSR directives and the underlying purpose to enhance CSR regulation?



Which of the following statements best describes your company's response to the Corporate Sustainability Reporting Directive (CSRD) adopted by the European Commission?



Source: Flagship report questionnaire survey.

2. Chinese enterprises keep making CSR efforts in five dimensions, bringing in fresh vitality to the EU's job market and social development

Based on the 17 UN SDGs, local policies in the EU and their own operation context, **Chinese enterprises' conduct their CSR activities in five major aspects: social work and people's wellbeing, environmental protection, consumers' rights and interests, social equality and diversity, and workers' welfare.** According to our survey, 58% of Chinese enterprises indicated that they have paid attention to the topic of CSR for long, and have made concrete CSR efforts to contribute to local society in the EU.

2.1 In the area of social work and people's wellbeing, Chinese enterprises are seeking to contribute their share to social governance in the EU in the form of monetary funds or supportive actions according to their capability

Chinese enterprises' efforts in this dimension cover **infrastructure construction, difficulty and poverty alleviation, food security, education, industrial and technological progress, healthcare in the post-pandemic era,** etc. More than 40% of surveyed Chinese enterprises in the EU are aware of CSR in social work and people's wellbeing, and have translated such awareness into meaningful actions.

In times of natural crises and diseases, Chinese enterprises in the EU actively provide economic and medical assistance to shield local people against disruption. In mid-July 2021, when Germany was hit by massive floods unseen in 100 years, WindMW GmbH, with full support of China Three Gorges International, responded to the German government's call and donated EUR 20,000 to three eligible foundations. In November 2021, using the library kit and high-throughput automated equipment provided by China's MGI Tech, the National Pandemic Center at the Karolinska Institute in Sweden, detected the first Omicron variant in the country.



Valuing the concept of “putting people first”, Chinese enterprises focus on developing local talents and promoting education. Take Huawei’s investment in European ICT talent, for example. By October 2021, the Chinese telecommunications company has established 147 ICT Academies in Europe and developed around 20,000 certified professionals. Huawei is also cooperating with many universities in implementing joint talent development projects. With respect to supporting startups, Huawei plans to invest USD 150 million globally to support talents in the startup ecosystem. Boosting diversity in the workplace and empowering women in the IT industry are also part of Huawei’s mission. To this end, it has established two Women Innovators Incubators that have funded 17 startup teams to support more women entrepreneurs.

2.2 In terms of environmental protection, Chinese enterprises in the EU are committed to reducing their carbon footprint and contributing to the EU’s “carbon neutrality” target

Among the major current environmental issues, including **climate change, industrial pollution, greenhouse gas emissions, waste management, energy efficiency, natural resource conservation**, etc., waste management and energy efficiency are high on the agenda of Chinese enterprises. Among the respondents of our survey, more than 34% have taken measures in these fronts.

EEW Energy from Waste GmbH (EEW) is a European leader in generating electricity from waste incineration, and has accumulated extensive expertise and experience in the sector. The company’s waste incineration plant, located 100 kilometers west of Berlin in the town of Premnitz, Brandenburg, generates electricity by handling not only the household waste of the more than 8,000 residents in the surrounding area, but also the waste of other regions, and it meets the electricity and heat demands of the local population and of industrial parks.

In order to avoid environmental pollution and reduce carbon emissions, Chinese enterprises are devoted to realizing energy-efficient, intelligent, green and low-carbon operations. The new biopharmaceuticals contract manufacturing facility set up by China’s Wuxi Biologics in Dundalk, Ireland, utilizes the continuous manufacturing technique to avoid waste of production materials, and ensures complete chemical reaction to reduce pollution. It has also put a series of green concepts into practice to cut energy consumption, boost resource utilization efficiency and mitigate environmental impact.

In July 2021, Bank of China, Luxembourg Stock Exchange and the CCCEU jointly organized the China-EU Green Economic Cooperation and Development Summit. The summit addressed such topics as the “carbon neutrality” practices of China and the EU, sustainable development, China-EU green finance cooperation and green corporate social responsibility, and called for greater cooperation in the green economy, finance, and other areas. Bank of China Luxembourg, as a representative of the business community, released the Green Action Initiative.

2.3 In the dimension of consumers’ rights and interests, Chinese enterprises in the EU are committed to upgrading the consumer service experience

Consumer service, personal data protection, safety and reliability of products, and consumers’ rights and interests are all important for customer welfare. Among them, personal data protection is a priority for Chinese enterprises in the EU, as confirmed by 50% of our survey respondents.

BYD’s zero-emission electric bus made its way to the UN Climate Change Conference.



In November 2021, the two-week UN Climate Change Conference (COP26) officially opened in Glasgow of Scotland, U.K. BYD's zero-emission electric bus was chosen to operate the official shuttle service for the event and provided transportation for government leaders and delegates. It was also showcased in the conference venue. By presenting the zero-emission green mobility solutions, BYD provided a catalyst to the UN's "Race to Zero" campaign.

2.4 In the dimension of social equality and diversity, Chinese enterprises in the EU ensure diversity of their teams, and make sure that vulnerable groups are granted equal treatment and opportunities in the job market

Chinese enterprises in Europe support gender equality and people suffering from critical diseases. 55% of surveyed enterprises expressed their deep commitment to these two aspects.

Chinese companies are committed to social equality and to improving the well-being of vulnerable groups. In 2021, WindMW, a subsidiary of China Three Gorges Corporation (CTG) donated EUR 2,000 to a medical center dealing with autism in Bremerhaven, and EUR 2,000 to the association for children and adolescents with disabilities in Bremerhaven and surrounding areas. In Greece, in an effort to bond with the local community, CTG's Greek project team donated EUR 6,000 to a retirement home and a school for disabled children.

Huawei is a contributor to the education of vulnerable groups. In partnership with the European Union for the Deaf, Penguin Books and Aardman Animations, Huawei has developed StorySign, a free mobile app that translates texts from selected books into sign language. The software empowers deaf children to learn sign language and read with mobile phones, enabling them to enjoy reading with more ease and making interactive family reading time possible. It is a transformative innovation that has

changed the story of deaf literacy.

2.5 In the dimension of workers' welfare, Chinese enterprises seek to create workplaces that offer good work experience as well as training and development opportunities

Labour equality, labour rights, preventing child labour, safe workplaces, vocational education/training and workers' welfare are all important topics under the labour theme. 46% of all surveyed Chinese enterprises indicate that labour equality and vocational education/training are high on their agenda.

Firmly believing that everyone is entitled to access opportunities for education, training and life-long learning, Chinese enterprises are devoted to creating training and development opportunities for local employees in the EU by offering internal training programs through partnership with universities or collaboration with relevant EU institutions.

Voices of Chinese Enterprises: Huawei - Empower the sustainable development of the European society with technology

Since establishing its first European R&D center in Sweden 20 years ago, Huawei has been teaming up with European partners in advancing innovation and achieving common progress. Huawei now has more than 15,000 employees in Europe, of whom around 70% are recruited locally, and indirectly supports more than 224,000 jobs. The story of Huawei in Europe is one of IT innovation and talent development, for it has long been devoted to empowering the sustainable development of European society within the capability of a technology company. In recent years, **Huawei has invested more efforts in technological innovation and supporting the EU in achieving its green aspirations.** Huawei launched the



TECH4ALL initiative in many European countries to help safeguard biodiversity with the latest digital technology (e.g., bird protection project in Italy, chamois protection project in Greece, wetland species protection project in Austria, etc.). With respect to collaborating with local European governments, Huawei Portugal signed a memorandum of understanding with DNS.PT Association and INCoDe.2030 to help Portugal in developing specialized talents in the STEM areas (Science, Technology, Engineering and Mathematics).

Huawei has taken solid steps to assist the EU in realising its green transition.

In 2021, by harnessing solar and other renewable energies, Huawei helped its European customers generate 84.2 billion kWh of green power, save 2.3 billion kWh of electricity and reduce 23.8 million tons of carbon emissions, the equivalent of planting 32 million trees.



One staff is deploying “Nature Guardian” device in Austria’s Neusiedler See-Seewinkel National Park to protect biodiversity with digital technology, 2021. Source: Huawei

Huawei has solar projects in Spain, Greece, the Netherlands, Portugal and Belgium. Through these projects, Huawei integrates its innovative PV solutions to the customers' electricity generation facilities and assists them in utilising green energy.

Huawei supports the EU in the roll-out of telecom infrastructure. By developing 5G networks and AI capabilities in Europe, Huawei has also laid a sound foundation to fulfil its social responsibility by, for example, promoting smart transportation, smart agriculture, etc.

China and the EU face “decoupling” risk in the hi-tech sector. Unilateral economic and trade policy instruments may cause the two sides to “decouple” in the hi-tech sector, and end up being confined to their own territory. China and the EU should promote open academic exchanges, and reduce trade barriers and legal frictions. Only by doing so can both parties achieve common progress.

Faced with the negative impact of the EU's economic and trade policy instruments, Huawei suggests reducing trade barriers imposed in the name of cybersecurity, working together to solve problems in a targeted way, and promoting fair, open and non-discriminatory industrial cooperation. Governments on the two sides can sign agreements to guide cooperation in setting air quality standards and exploring solar energy solutions, etc., developing harmonised carbon emission standards, and avoiding linking climate change mitigation with human rights issues.



Swedish National Television SVT features high-throughput gene sequencer of MGI Tech Co., Ltd., 2021. Source: BGI Group

Voices of Chinese Enterprises: BGI Group - Fulfil the social responsibility of a life sciences company and drive the development of EU society with the power of technology

BGI Group is a leading life sciences company in the world. It is devoted to fulfilling its social responsibility, as shown by its donation of Covid-19 test kits, medical equipment and laboratories, free screening and treatment of rare diseases across the globe, and its efforts to improve workers' welfare, workplace gender equality, etc.

BGI Group, since it entered the EU market in 2010, has been fulfilling its corporate social responsibility by harnessing its expertise as a hi-tech company specialising in life sciences. It offers advanced technology to support the EU in environmental

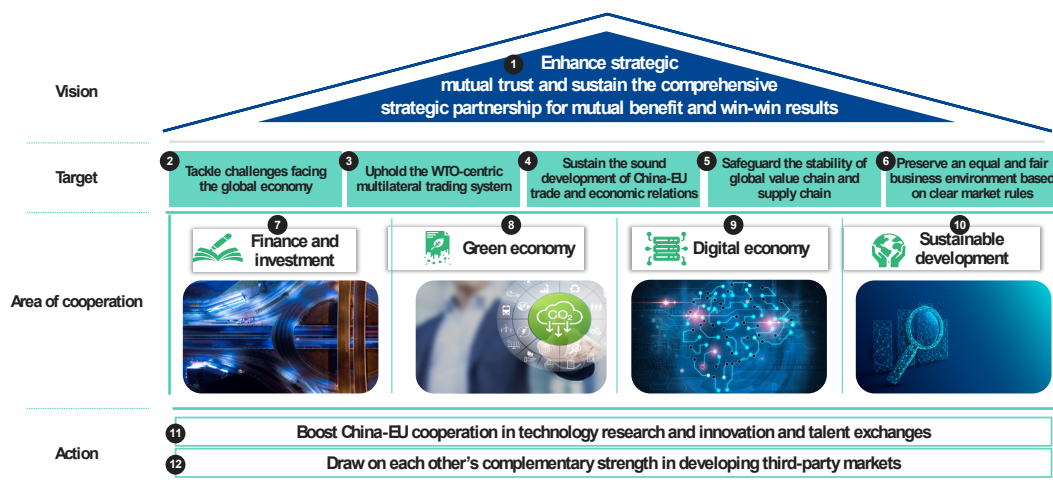
protection and its pursuit of carbon neutrality. For example, BGI Group has cooperated with German universities to decode the genome sequencing of green algae, which absorbs large amounts of carbon dioxide. Such research will help humankind to decipher the mechanism of green algae and learn more about the fundamental science of climate change mitigation. In terms of hiring and developing local talents, BGI Group is committed to improving the percentage of local employees in its team. It has collaborated with the University of Copenhagen to jointly develop talents in the biotech and pharmaceutical areas. It has also set up an R&D base in Latvia and created job opportunities for the local community.

As the Covid-19 pandemic fades, BGI Group will shift its focus from nucleic acid PCR tests to genomic sequencing, which is the core business of the company and will be the centerpiece in its European business plan. In the past year, BGI Group has stepped up investment in this regard, including efforts to build local supply chains in Europe and a local sales force. Production activities and services related to genomic sequencing will be the key elements in its European operations.

Chapter 6

Suggestions for China-EU development and cooperation

38 Suggestions for China-EU development and cooperation



In 2021 and 2022, China-EU economic and trade relations have been moving forward and deepening despite challenges. The two sides share common interests in a variety of key issues, including the green economy, digital economy and sustainable development, and therefore have great potential to carry the cooperation forward. The same can be said of their cooperation in the realm of emerging industries where their goals align. This annual flagship report, based on concrete facts, has put forward nearly a hundred practical suggestions covering 12 development topics, aiming to deepen consensus, foster cooperation and advance development.

1. Deepening mutual trust and sustaining the China-EU comprehensive strategic partnership for mutual benefit and win-win results

The double whammy of profound geopolitical changes and the Covid-19 pandemic, both unseen in a century, have brought many global challenges and call for enhanced global cooperation. Despite the setbacks that have occurred in recent years, the theme of mutual benefit and win-win cooperation that defines the China-EU relations remain unchanged. At a time when geopolitical conflicts are worsening and relations between major countries are going through changes, China and the EU have many common goals, such as promoting world peace, achieving further development and advancing cooperation, all forming the foundation for the two sides to show mutual respect, seek common ground while shelving differences, and continue to grow their comprehensive strategic partnership for mutual benefit and win-win results.

1.1 Promoting high-level diplomatic interactions for strategic guidance

The business community is delighted to see high-level interactions between China and the EU, such as the 23rd China-EU summit held on 1 April 2022, the third High-Level Environment and Climate Dialogue and the ninth China-EU High-Level Economic and Trade Dialogue held in July 2022. It is expected that the high-level dialogue between the two sides



will continue on such fronts as economy and trade, green development, culture, human rights, cybersecurity, technological innovation and global governance with enhanced mutual trust, and continue to offer strategic guidance to the business community.

1.2 Maintaining the hierarchical high-level dialogue mechanism

China and the EU should step up coordination on a new round of high-level economic, trade and digital dialogues to deepen and deliver concrete results for the China-EU green and digital partnership¹³². Strengthening communication and cooperation on climate change, biodiversity and sustainable development will provide political guidance for the development of China-EU economy and trade relations. Exchanges and dialogue mechanisms between the two sides serve as a firm ground for bilateral economic and trade cooperation. Therefore, China and the EU should continue to advance their relations through dialogue, maintain mutual respect, and aim for mutual benefit and win-win cooperation.

1.3 Eliminating the impact of sanctions and promoting pragmatic cooperation

China and the EU should strive to eliminate the impact of mutual sanctions imposed in 2021 through dialogue and clear the way for pragmatic cooperation, especially in key sectors such as economy and trade, technology, energy, pandemic response, climate change, and coordination in multilateral institutions¹³³.

1.4 Calling on the EU to form its own perception of China

The business community has taken note that China has called on the EU to form its own perception of China, adopt an independent China policy, work with China for steady and sustained growth of China-EU relations, and add stabilising factors to a turbulent world; China-EU cooperation is the mainstream, and competition and

132. Xinhua News Agency, Wang Yi co-chairs the 11th Round of China-EU High-level Strategic Dialogue with EU High Representative for Foreign Affairs and Security Policy Josep Borrell Fontelles, 29 September 2021

133. www.comnews.cn, China-EU economic and trade relations at a crossroads, 13 April 2022

confrontation are undesirable, The business community called on the EU side to view the China-EU relationship from a strategic and long-term perspective to ensure the overall direction of a healthy relationship.

1.5 Advocating dialogue and cooperation in the context of geopolitical crises

The business community expects that in the context of geopolitical crises, China and the EU advocate dialogue and cooperation and offset the complex changes in the international landscape with stable China-EU relations. The two sides need to take the lead in defending the international system with the UN at its core, an international order underpinned by international law, and the basic norms governing international relations based on the purposes and principles of the UN Charter, and jointly reject the resurrection of rival-bloc mentality and oppose attempts at a new Cold War with a view to maintaining world peace and stability¹³⁴.

1.6 Strengthening the complementarity of China's and the EU's development strategies

As the EU and China have launched their long-term development plan, i.e., the NextGenerationEU and the 14th Five-Year Plan, respectively, the business community hopes that the two sides strengthen the complementarity of their development strategies, explore more complementarity between China's new development philosophy and paradigm and the EU's trade policy for open strategic autonomy, enhance the understanding of each other's strategic intentions, strengthen trust, and fully explore the potential for bilateral cooperation.

1.7 Seeking synergy between China's Belt and Road Initiative and the EU's Global Gateway strategy

134. Xinhua News Agency, President Xi Jinping meets with European Council President Charles Michel and European Commission President Ursula von der Leyen, 1 April 2022



The EU's Global Gateway is a contribution to narrowing the investment gap in the world with respect to infrastructure construction. Working together, the two sides can create synergy between the Global Gateway and the Belt and Road Initiative, and expand the scope and deepen the bilateral cooperation mechanism.

1.8 Formulating the China-EU 2025 Strategic Agenda for Cooperation at an early date

The business community expects that the China-EU 2025 Strategic Agenda is formulated at an early date to promote the comprehensive strategic partnership and advance bilateral cooperation and mutual progress.

2. Rising to the challenges for the global economy and safeguarding stability through joint efforts

With the Covid-19 pandemic, the war in Ukraine, climate change, supply chain bottlenecks exerting downward pressure on the global economy, and energy, food and refugee crises unfolding in parallel, world development is wrestling with multiple challenges. Against this difficult backdrop, China and the EU should step up policy coordination, and promote the stability and growth of the world economy with open bilateral cooperation. They also need to focus on areas that have a bearing on the future of humanity such as climate change and sustainable development, and promote further development of global governance through dialogue¹³⁵.

2.1 Enhancing communication and coordination in macroeconomic policy

As the world political and economic landscape is undergoing profound changes, healthy and stable China-EU relations, particularly China-EU economic and trade relations, will benefit global development and prosperity. Therefore, the two sides

135. Xinhua News Agency, President Xi Jinping has a virtual meeting with German Chancellor Olaf Scholz, 9 May 2022

should jointly tackle global economic challenges and strength coordination of macroeconomic policies to uphold global economic and financial stability. They should also leverage mechanisms such as the China-EU dialogue on macroeconomic policies and the China-EU Economic and Financial Dialogue. The business community expects the two sides to step up communication in monetary, fiscal and tax policies, and contribute to global economic recovery and development through joint efforts.

2.2 Working together to tackle the risk of global stagflation

From the outset of 2022, the global economy has been seeing an increased stagflation risk. In particular, the EU predicts that inflation would remain undesirably high in the second half of this year. Factoring in the downward pressure associated with higher energy consumption and higher energy prices in winter, international institutions have begun to slash their global economic forecasts. Expanding China-EU cooperation is conducive to boosting confidence in both global and European markets, raise the forecast on the EU's economic recovery, stabilise the European economy and financial markets, and also sustain China's economic recovery.

2.3 Cooperating to safeguard global food security

China and the EU should work together to tackle food crises, stabilize global food market, and safeguard global food security,

2.4 Stepping up cooperation to ensure global energy security

China and the EU should uphold the principle of mutual benefits and win-win cooperation, strengthen communication and coordination with each other on energy security, expand exchanges and cooperation in energy transition, and improve the level of cooperation in technological innovation, to inject positive energy into the stability of the global energy market and green development and strive for more pragmatic results.



3. Safeguarding the multilateral trading system centred around the WTO

China and the EU, which together account for one-third of the world's GDP, are highly dependent on and benefit from the globalised economic ecosystem and the rule-based multilateral system. The two sides should harness multilateral platforms such as the G20, the UN and the WTO to advance the Global Development Initiative, safeguard the WTO-centred multilateral trading system, and promote solidarity and cooperation among countries.

3.1 Promoting the Global Development Initiative

The Global Development Initiative proposed by Chinese President Xi Jinping is committed to promoting stronger, greener and healthier global development, consolidating political consensus on accelerating development, building a platform for development cooperation, promoting the exchanges and mutual learning of the development experience, and enhancing international synergy of coordinated development. China and the EU should work together on the platform of the Global Development Initiative and promote the building of a community with a shared future for mankind.

3.2 Continuing the dialogue under the framework of the China-EU Joint Working Group for WTO Reform and supporting necessary WTO reforms

The WTO's 12th Ministerial Conference (MC12) took place from 12 to 17 June 2022 at the WTO headquarters in Geneva. The conference epitomised the solidarity among WTO members and their determination to weather the formidable challenges facing the world, and boosted the confidence of the international community on the multilateral trading system. The business community expects that China and the EU will continue to support WTO reforms and add momentum to tackling global challenges and strengthening world economic recovery¹³⁶.

136. Xinhua News Agency, Promote necessary reform of the WTO, 18 June 2022

3.3 Optimising global trade in services under a multilateral framework

China and the EU can build on the negotiation results of the Reference Paper on Services Domestic Regulation in the WTO, and keep cutting red tape, slashing trade cost and facilitating trade in services, revitalise the WTO's negotiation function, and provide valuable reference for the negotiation approach on other topics in the WTO.

3.4 Promoting China-EU sustainable finance development under a multilateral framework

Leveraging such platforms as the G20 Sustainable Finance Working Group and the International Platform on Sustainable Finance (IPSF), China and the EU should work to update the Common Ground Taxonomy: Climate Change Mitigation, advance global cooperation on green investment and financing, guide cross-border climate investment and financing activities and lower the cost of green certification for cross-border transactions.

4. Promoting continuous, high-quality development of China-EU economic and trade relations

4.1 Continuing to tap into the growth potential of China-EU bilateral trade

The significant increase in China-EU bilateral trade during the challenging pandemic time demonstrates the two economies' complementarity and the vitality of their economic and trade cooperation. It also epitomises the fact that goods from the EU meet the demand of the Chinese market, and that China can serve as a safe and reliable manufacturing base for EU business undertakings. Therefore, the two sides should commit to creating a better policy environment for each other, optimizing the trade structure and further unleashing trade flows.

4.2 Adapting to changes in each other's industrial structures and exploring new areas of cooperation



The increasing demand for quality consumer goods and medium- to high-end manufacturing equipment in the Chinese market is opening more opportunities for European exporters. In sectors such as trade in services, green industry, digital industry and other emerging market segments, China and the EU can also seek to cooperate more. Besides, the two sides can make more progress on the China-EU free trade zone strategy, investment in third-party markets, and the implementation of projects concerning the alignment of the Belt and Road Initiative and the Euro-Asian connectivity strategy¹³⁷.

4.3 Further implementing the China-EU Agreement on Geographical Indications

The business community calls on China and the EU to release the second batch of geographical indications at an early date to expand bilateral trade in agricultural products, and meet the increasing demand for each other's supplies in the two markets. Enhancing China-EU cooperation on geographical indications will promote bilateral relations and unlock more options for the two peoples in their pursuit of a better life.

4.4 Deepening cooperation in animal health and food safety

China and the EU welcome the signing of the Memorandum of Understanding on Deepening Cooperation on Animal Health and Quarantine Matters, which calls upon the two sides to deepen cooperation in areas such as animal health and safety of imported and exported food.

4.5 Fostering a diverse partnership

China and the EU should foster a diverse partnership that reaches across governments, international organisations, trade associations and enterprises, and

137. Social Sciences in China, China-EU economic and trade relations: the ballast and propeller, 2 February 2022

work together to build the Global Alliance for Trade in Services. They can make full use of the China International Fair for Trade in Services, the China International Import Expo and other platforms to develop more sound and diversified trade relations. The joint research centre of the Equipment Industry Development Centre of China's Ministry of Industry and Information Technology and the European Commission has made progress on cooperation concerning new energy vehicles and other sectors, and relevant agreements are expected to be signed at an early date¹³⁸.

5. Safeguarding the stability of global value chains and supply chains

5.1 Upgrading China-EU freight transport facilities for higher capacity

China and the EU should support the construction of new stations for China-Europe freight trains, improve the throughput of railway ports and enhance the reloading efficiency in change of gauge to reduce operation costs. The two sides should also construct more transit hubs to form a hierarchical cargo collection and distribution system that has more extensive market coverage. In the future, tourism train routes can be opened to further enhance connectivity between the two continents¹³⁹.

5.2 Enhancing cooperation in maritime transport

China should step up cooperation with EU Member States along crucial maritime shipping routes, promote the construction and operation of overseas ports along with local partners, build fleets of long-range cargo ships, and jointly ensure the safe and unimpeded passage through international shipping lanes. The shipping and maritime affairs authorities of China and the EU should put in place a mechanism for regular communication, and enhance safety management, ship inspection, talent

138. Ministry of Commerce of China, Press conference on the 9th China-EU High-Level Economic and Trade Dialogue, 20 July 2022

139. Economic Daily, Promote continuous and sound development of the China-Europe freight trains, 16 September 2021



development and exchanges and cooperation on major topics under the framework of the International Maritime Organization.

5.3 Enhancing China-EU cooperation in aviation logistics

China and the EU should work together to enhance international air freight capacity, improve the allocation efficiency of crucial resources such as traffic rights and slots, support carriers on both sides to build an international air freight route network, jointly develop world-leading aviation logistics companies, and enhance the transnational response capability of their aviation logistics networks.

5.4 Promoting the development of China-Europe Land-Sea Express Route

China and the EU should join hands in accelerating the roll-out of the China-Europe Land-Sea Express Route to bring China closer to Eastern and Southern Europe, and safeguarding the speed and security of international logistics supply chains. The two sides should implement pilot projects under the Smart Customs, Smart Borders and Smart Connectivity initiative to make trading activities more efficient¹⁴⁰.

5.5 Promoting the digitalisation of China-Europe freight trains

China and the EU should cooperate to digitalise China-Europe freight trains to enable rapid exchanges and sharing of railroad, customs, container and customer information, and promote standardisation of documents, certificates, goods and information¹⁴¹. Chinese and EU enterprises can work together to build intelligent intermodal rail hubs by following the model of the EWG (East-West Gate) intermodal terminal in Hungary where advanced network technologies are utilised to boost efficiency and improve the working environment. These initiatives will help promote

140. Nanfang Daily, Land-Sea Express Route shortens freight shipping from China's great bay area to Central Europe by seven to ten days, 5 August 2021

141. Economic Daily, Promote continuous and sound development of the China-Europe freight trains, 16 September 2021

employment, investment and tax savings, and in turn contribute to the long-term economic sustainable growth and competitiveness of cities along the train routes¹⁴².

5.6 Intensifying coordination and cooperation in pandemic response and mitigate the impact of the pandemic on value chains and supply chains

China and the EU should accelerate the mutual recognition of vaccines and digital vaccination certificates. Specifically, the European Medicines Agency is expected to recognise China's Sinovac-CoronaVac vaccine at an early date. The two sides should expedite mutual recognition of vaccines manufactured in each other's territory and the subsequent mutual recognition of digital vaccination certificates so that the people-to-people exchanges between the two continents can return to normalcy. China and the EU should also share their vaccine technology with each other as a joint effort to rein in the global pandemic.

6. Safeguarding a fair and open business environment based on clear rules and eliminate the negative impact of unilateral instruments

Chinese enterprises, like the ones in the EU and those in other parts of the globe, are independent legal entities that follow the rules of the market and strictly comply with local laws and policies in their operation. The business community expects that China and the EU work together to optimise the business environment for enterprises in Europe by eliminating discriminatory treatment, lower barriers to market entry and create a fairer and more transparent policy environment.

6.1 Clarifying the rules of the EU framework for screening of foreign direct investment

Given the ambiguity of the EU framework for screening of foreign direct investment

142. China Daily, Huawei and Vodafone support Hungarian EWG to build Europe's first 5G railway port, 21 October 2021



(FDI) in defining sensitive investment and the inconsistency of the rules and standards exercised in different Member States in this regard, Chinese enterprises expect the EU to avoid generalising the concept of strategic security and reduce the time and compliance costs of Chinese investors to promote the investment of Chinese enterprises in the EU.

6.2 Reducing the legal uncertainty and compliance cost brought by the Foreign Subsidies Regulation

The Foreign Subsidies Regulation should further clarify the definition and scope of key concepts such as foreign subsidies, distortive effect and balancing test, reduce legal uncertainties, and refrain from leaving excessively wide margin of discretion to the enforcer of the instrument. It is also expected that the EU will harmonise the regulations governing foreign investment and minimize the compliance cost of Chinese enterprises, especially those operating in hi-tech and renewable energy sectors, to invest and participate in public procurement procedures in the EU.

6.3 Preventing the International Procurement Instrument (IPI) from becoming a new trade barrier

The International Procurement Instrument (IPI) should reduce the restrictions on Chinese enterprises when they bid in a public procurement project in the EU. The business community expects that the EU will grant fair access for Chinese enterprises to participate in large public procurement projects (e.g., infrastructure and charging network construction) and that the EU will use the instrument prudently and resolve the so-called non-reciprocity issue through dialogue and coordination.

6.4 Preventing the Corporate Sustainability Due Diligence (CSDD) directive and the ban on products produced with forced labour from fragmenting the market

The EU should reduce compliance cost for foreign enterprises and avoid using similar directives to fragment the market. The business community calls for revision of the directive to prevent it from aggravating enterprises' concerns on the requirements for value chain due diligence and increasing uncertainties and provide more legal certainty and a level playing field.

6.5 Clarifying the definition of dual-use items for both civilian and military applications

Chinese enterprises expect the EU to clarify the definition of dual-use items, which is currently ambiguous, to facilitate hi-tech trade exchanges between the two sides, and to reduce the administrative cost that may arise from the requirement for individual or global export licenses in event of software or technology transfer from the EU to China between affiliated companies of a multinational corporation.

6.6 Exercising prudence in launching the Carbon Border Adjustment Mechanism (CBAM)

The Carbon Border Adjustment Mechanism (CBAM) may have negative impact on China-EU trade in the mid- to long-term, particularly in the trade of iron and steel, aluminum, electricity, cement and chemical fertiliser. The EU is expected to reduce the constraints among countries caused by the thresholds imposed under the CBAM, foster dialogue and cooperation on the carbon market, and jointly carry out research on carbon pricing mechanisms. After all, green transition can only be realised through global cooperation.

6.7 Exercising prudence in launching other unilateral policy instruments

The EU is expected to exercise prudence in launching unilateral policy instruments such as the proposal for an "anti-coercion instrument" to avoid potential trade risks. The business community hopes that reciprocal trade tools can be used more under



harmonised international policy standards instead of resorting to tools targeted at specific sectors. Alleviating the negative impact of unilateral trade instruments will contribute to the sound development of the European market and the common prosperity of China and the EU in the trade and economic sectors.

6.8 Providing fair access to supportive instruments

As the EU has embarked on the path to economic recovery and kicked off the NextGenerationEU (NGEU) stimulus plan, Chinese enterprises expect the EU and its Member States to grant support in different sectors, and ensure that they enjoy non-discriminatory treatment in accessing such supportive policies. Non-discriminatory treatment will help create a law-based, equal and transparent policy environment for Chinese enterprises in the EU and it aligns with the EU's original aspiration of establishing a fair market.

6.9 Enhancing effective communication between governments and enterprises

Chinese enterprises expect EU officials and relevant institutions help them understand new policies and regulations accurately, offer guidance for enterprises in formulating development strategies through enhanced communication between government and enterprises, and among enterprises themselves.

6.10 China and the EU should reduce constraints on bilateral trade in services

China and the EU should commit to cutting trade costs, advancing reform, carrying out pilot programs to promote innovative development of trade in services, expanding opening-up, liberalising market access in the services sector, improving the level of opening-up in cross-border trade in services, and improving the governance system and rules of international trade in services. The two sides should comply with the WTO's Reference Paper on Services Domestic Regulation, and make sure that trade-related policy measures are objective, transparent, reasonable and

follow fair procedures, that the approval process is completed promptly, and that the negotiation results of the reference paper are translated to concrete steps at an early date¹⁴³.

6.11 Engaging Chinese enterprises in legislative procedures

The EU should actively listen to the opinions and concerns of enterprises, hold targeted consultation with Chinese enterprises and chambers of commerce when possible, and engage Chinese enterprises and trade associations in the formulation and implementation of policies, including the forced labour product ban, the draft CSDD, the CBAM, etc.

6.12 Returning to the track of pragmatic cooperation

China-EU economic and trade relations are confronted with the challenge of being interpreted from the angle of politics or security issues. The two sides should refrain from derailing their investment and industrial cooperation with such prejudices or attaching non-economic strings in economic and trade negotiations.

6.13 Avoiding market barriers caused by human rights and values concerns

The EU should uphold a clear regulatory framework, adhere to relevant WTO international provisions, create a fair and nondiscriminatory business environment for enterprises, and refrain from using human rights and country of origin as factors for determining relevant market exclusions and adding additional restrictive factors. The EU should also establish pertinent mechanisms between China and Europe to promote cooperation between Chinese and European regulators and legislators.

143. www.gov.cn, Ministry of Commerce interpreting the negotiation results on the WTO Joint Statement Initiative on Services Domestic Regulation, 8 December 2021



7. Stepping up cooperation in finance and investment

7.1 Leveraging mechanisms such as the China-EU dialogue on macroeconomic policies and the China-EU Economic and Financial Dialogue

China and the EU should continue to leverage mechanisms such as the China-EU dialogue on macroeconomic policies and the China-EU Economic and Financial Dialogue, and go deeper in international macroeconomic policy coordination and cooperation in major projects and major sectors.

7.2 Promoting two-way opening-up of the financial markets and regulatory cooperation

China and the EU should enhance the interconnectivity of their financial markets, especially that of bond markets, support qualified financial institutions to invest in each other's markets, and relax the cap on foreign ownership in the financial industry. The two sides should open their financial markets to keep diversifying offshore investment options for investors.

7.3 Driving market and economic development of China and the EU with innovative financial services

Accelerate the interconnectivity of financial markets of China and the EU, and expand two-way financing channels to inject impetus and stability to the real economy. The financial sectors of the two economies should drive their cooperation deeper in green bonds, green credit, carbon mortgage and carbon trading, capital market investment, etc., and leverage such tools as panda bonds and Global Depository Receipts (GDRs) to boost two-way connectivity and opening up and achieve common progress in financial markets of both China and the EU.

7.4 Tapping into the potential of green finance cooperation

China and the EU should enhance the comparability and compatibility of the

standards, classification systems of sustainable finance and the definition of environmentally sustainable activities, to enhance global investors' recognition and market influence of the Common Ground Taxonomy.

7.5 Creating a more enabling environment for the signing of the CAI

The Comprehensive Agreement on Investment (CAI), when put in place, can contribute to the post-pandemic global economic recovery, enhance the international community's confidence in economic globalisation and free trade, and create a wider market access, better business environment and more rule-based predictability to facilitate bilateral investment and cooperation between China and the EU. The business community expects all stakeholders to accelerate the signing and implementation of the CAI and thereby unlock more opportunities for two-way investment and further advance China-EU trade and economic relations.

7.6 Focusing on common interests over the long term and clear all institutional hurdles

The business community expects China and the EU to open up further to each other and facilitate bilateral trade and investment, expand the scope of cooperation, enable smooth and effective communication, boost understanding and address differences on the basis of respecting each other's legitimate interests and concerns, and strive to create a fairer and more reasonable investment environment for enterprises and investors from both sides.

7.7 Fostering an investment environment that features clear regulatory procedures, fairness and transparency

Given the sizeable amount and long project cycle involved in greenfield investments, supportive policies and protection introduced at government level will help raise the confidence of investors. Chinese enterprises expect the EU to ensure clear, fair and transparent regulatory procedures in its market and respect intellectual property rights.



7.8 Removing market access barriers as well as operation and technology restrictions

The business community expects fairer and more open market access and policies, transparent communication channels, opportunities to participate in standard setting, fewer hidden barriers, smooth market access and operation permits, and a stable, fair, transparent and predictable business environment.

7.9 Offering policy support to key sectors

The two sides should provide policy support for the green economy, digital economy and other key sectors, and at the same time ensure fairness in granting support, avoid putting up non-market-based barriers and create a fair and transparent investment environment.

7.10 Providing more comprehensive information and service to facilitate investment

The EU is expected to provide better information services for foreign enterprises investing in the EU, and publish its policies related to the general condition of the EU market, FDI access, FDI screening and other important topics through multiple channels.

8. Promoting China-EU green economy cooperation to accelerate the development of the green economy

8.1 Ensuring fair market access for renewable energy projects

The EU has raised market access barriers on three fronts, namely FDI screening, foreign subsidies regulation and public procurement regulation, making it difficult for some Chinese energy companies to access public procurement projects in the EU. It is suggested that China and the EU reach an agreement on public procurement in renewable energy related industries to ensure fair access so that the Chinese

renewable energy enterprises operating in the EU can give full play to their technological and commercial strengths.

8.2 Exploring technological complementarity and achieving common progress in green technology

China holds nearly one-third of the world's renewable energy patents and is a global leader in the sectors related to the green supply chain, including key minerals, industrial processes, manufacturing and assembly of parts and components, etc. The EU leads the world in the research and development of low-carbon technologies such as smart grid, hydrogen energy networks, carbon capture and storage, and the establishment of safe, recyclable and sustainable battery value chains. Therefore, China and the EU should draw on each other's strengths to create synergy and win-win results.

8.3 Promoting flagship joint R&D programmes and boosting R&D cooperation in green and emerging technologies

China and the EU should strengthen R&D cooperation in emerging energy sectors such as hydrogen and e-methane and set up joint flagship R&D programmes under the guidance of the Horizon Europe initiative to strive for breakthroughs in renewable energy technologies, and encourage Chinese and EU enterprises to jointly roll out pilot projects and integrate their value chains concerning emerging technologies.

8.4 Providing policy support for enterprises focused on developing the green economy

The EU should provide financial support for key sectors related to the green economy and ensure a fair and transparent subsidy granting mechanism. For example, it can increase support for pilot projects of electric buses and electric trucks as well as renewable energy industries, cut tariffs on imported power batteries, shorten customs clearance time of imported production materials, accelerate and expand the roll-out of the charging network, make the application conditions and procedures for



new energy passenger car incentives more transparent, and create a level playing field that is open to competition.

8.5 Jointly creating innovative application scenarios and business model for the green economy

With respect to frontier green technologies and industrial sectors such as e-methanol and methanol vehicles, it is suggested that the EU set up a China-EU green technology joint R&D programme and a top-tier talent development programme under the framework of Horizon Europe. With this, the two sides should step up joint R&D activities to foster innovative business models that meet the new market demand emerging in both markets, accelerate the implementation of supply chain pilot projects by drawing on each other's advantages and promote the conversion of innovative green technologies to wealth-generating products.

8.6 Boosting cooperation on both carbon trading systems

Carbon markets are significant for promoting the transition to a green, low-carbon economy. China and the EU have worked well together in this area. The business community anticipates that the two sides will strengthen their collaboration and exchange views and experiences on effective carbon pricing, particularly in developing further their Emissions Trading Systems¹⁴⁴.

8.7 Carrying out technological cooperation in carbon footprint accounting and carbon monitoring

China and the EU should take the lead in setting fair and harmonised standards in carbon evaluation and carbon auditing and share their experience with other countries which seek to build an effective technological system for carbon evaluation.

144. www.news.cn, Joint Press Communiqué following the Second EU-China High Level Environment and Climate Dialogue, 11 October 2021

8.8 Intensifying exchanges in rail construction and transport decarbonisation

Enterprises from China and the EU can intensify exchanges on rail system technology and rail transport decarbonisation. For example, they can cooperate in developing rail projects, hold China-EU industrial cooperation conferences, establish China-EU R&D platforms on rail technology, etc. With the such cooperation mechanisms in place, China, harnessing its technology, expertise, equipment and experience, can support the EU in developing its rail system and accelerate the roll-out of the Trans-European Transport Network (TEN-T).

8.9 Encouraging Chinese renewable energy enterprises to participate in the construction of the EU's charging facilities

Along with the rapid development of the new energy vehicle market, a shortage of charging infrastructure in Europe is expected to emerge, which Chinese renewable energy enterprises are well positioned to cover. Therefore, the business community calls on the EU to allow Chinese renewable energy enterprises to participate in the construction of charging facilities. At the same time, the two sides should strengthen dialogue and cooperation in setting up standards and launching pilot projects for charging and battery swapping infrastructure, work together to establish a harmonized global standard system in the next-generation high-power charging and battery swapping areas, and encourage trade associations and corporate players to get involved in the process and share their experience in implementing pilot projects.

8.10 Promoting mutual recognition of green projects between China and the EU

China and the EU should accelerate the convergence of their green and low-carbon standards, promote mutual recognition of green projects. At the policy level, the two sides should work together to formulate the energy conservation and carbon mitigation standards governing the green industry, which shall cover data centres, telecom infrastructure, transport, buildings, etc., and use the standards to guide green development.



8.11 Strengthening cooperation at the intersection of green and digital economies

Digital innovation holds the key to achieving low-carbon growth. China and the EU can strengthen cooperation at the intersection of green and digital economies to tap into the digital potential of the green sector. For example, they can build 5G-powered intelligent multimodal transportation hubs and promote digitalized energy management. By doing so, they can drive the green economy and the digital economy to advance in parallel and generate significant synergies.

8.12 Preventing external geopolitical dynamics disrupting China-EU green cooperation

China and the EU should manage differences between them and prevent external geopolitical dynamics disrupting their cooperation in the green sector. They should objectively evaluate and recognise the achievements and contributions of each other in addressing climate change, deepen coordination on environmental policies, strengthen regulatory cooperation and promote joint policy research, address climate change and promote the development of the global green economy.

9. Promoting common global progress and cross-border R&D in the digital sector to create a solid foundation for mutual benefit and win-win results

In the digital economy sector, Chinese enterprises calls on the EU to grant them fairer market entry, especially in the public procurement market, and find the balancing point through cooperation so as to accelerate the EU's digitalisation goal. Specifically, they expect the EU to reduce the differentiated treatment towards China with respect to investment subsidies and refrain from creating invisible hurdles for Chinese enterprises to compete in the market. In terms of regulations governing market

access, it is expected that the EU will harmonise its standards with the international ones, be open and inclusive, and enable Chinese enterprises to communicate and cooperate effectively under the framework of the WTO Agreement on Technical Barriers to Trade (TBT).

9.1 Making the China-EU high-level dialogue on the digital sector and its supporting mechanisms a regular event

As the regulatory system of cybersecurity and data protection in China keep improving, more room for dialogue and cooperation has been created for China and the EU in the areas of online content regulation of large enterprises, cross-border data flow, data protection and personal privacy protection. China and the EU should intensify exchanges and cooperation with respect to the standards of digital governance, and promote the high-level digital dialogue and its supporting mechanisms to become a regular event between the two partners.

9.2 Removing market barriers imposed in the name of cybersecurity

The EU's cybersecurity legislation has a significant impact on Chinese enterprises' operation and sales in Europe, particularly with the discriminatory treatment by some EU Member States against Chinese suppliers in their national laws. For example, among the 27 EU Member States, quite a few, including Romania, Belgium and Sweden, have introduced laws that exclude Chinese suppliers from their 5G projects. Multiple other countries have also kicked off similar legislative processes, adding great uncertainty to operations of Chinese enterprises in the single market. The business community calls on the EU to maintain a fair and non-discriminatory market environment, be open to cooperation, eliminate market barriers put up in the name of cybersecurity, and prevent the EU and its Member States from discriminating and imposing bans against Chinese suppliers in their 5G legislation.



9.3 Promoting China and the EU to establish mutual recognition of cybersecurity standards and certification

China and the EU should consider establishing a 5G/6G cybersecurity working group to remove the trade barriers put up in the name of cybersecurity and lay a foundation for cybersecurity cooperation based on mutual trust. In addition, the two sides should encourage relevant industrial organizations, think tanks and enterprises to discuss and cooperate on the definition of cybersecurity concepts, as well as the implementation of relevant policies and laws in an effort to eliminate misunderstanding and enhance trust.

9.4 Reducing discriminatory treatment against China with respect to investment subsidies, and removing invisible hurdles for Chinese enterprises in entering the EU market

The business community calls on the EU to reduce differentiated treatment of Chinese enterprises with respect to investment subsidies and to ensure fairness and transparency when granting subsidies to enterprises investing in the EU's digital economy so that Chinese enterprises can compete in a fair, open environment governed by market-based rules and free from invisible hurdles. Despite the uncertainty and pressure in the telecom infrastructure sector, Chinese enterprises still expect to restore cooperation with their EU partners and support the EU in laying a firm foundation and create a reliable ecosystem to advance its digitalisation strategy.

9.5 Being open and carry out win-win cooperation in the R&D of information and communications technology by drawing on each other's advantages

At this moment in time, the EU seems to be inclined to technology protectionism. Neither the Horizon 2020 nor the Horizon Europe programmes allow institutions from "non-like-minded countries" to participate in high-tech projects such as quantum communication and cybersecurity. In some countries, joint lab projects between universities and Chinese enterprises have been suspended under the pressure of

governments, indicating a less enabling R&D environment. The business community calls on both China and the EU to cooperate in academia and industry to promote innovation and make the joint R&D process an open, fair, non-discriminatory one. China and the EU are also expected to conduct in-depth exchanges and explore cooperation opportunities in analyzing market prospects and demand, R&D of key technologies, global standardisation and spectrum allocation related to 6G, and sign memorandums of understanding at the government level to promote global consensus on 6G. The two sides should also welcome each other to participate in their major R&D projects by reducing or eliminating relevant restrictions.

9.6 Facilitating cross-border data flow through cooperation

On the basis of protecting personal privacy, business secrets and national security, China and the EU should have thorough communication on the principles, systems, standards and technologies related to the topic of cross-border data flow to ensure that data can flow in an open, orderly and secure way across borders.

9.7 Boosting cooperation to make the EU's logistics sector more intelligent and digitalised

Software and digitalised hardware can make warehousing and logistics more intelligent and efficient. Chinese enterprises lead the world in both hardware (e.g., Automated Guided Vehicles) and software (e.g., automated sorting systems), and expect to step up cooperation with local European peers to share their experiences and technologies and help the logistics industry in the EU become more intelligent and digitalised.

9.8 Ramping up cooperation in digital retailing, digital leisure and other consumption sectors

The business community expects enterprises from China and the EU to ramp up cooperation in such market segments as digital retailing and digital leisure so that



Chinese enterprises can share their experience in internet consumption, digital retailing and digital leisure in both Chinese and global markets with their European peers to advance the European consumer market, upgrade the consumer experience and improve people's living standards in the EU.

9.9 Strengthening bilateral cooperation in optimizing digital payment system

Driven by technological innovation and retail transformation, payment systems are evolving at a fast pace with digital payment becoming an inevitable option for people across the globe. Chinese enterprises expect to cooperate with local stakeholders to optimize the EU's digital payment infrastructure and bring convenience to local merchants and consumers.

9.10 Formulating fairer screening and regulatory policies

Chinese enterprises call on the EU to formulate fairer screening and regulatory policies to bring more certainty and stability to the market and better integrate with the global market. Specifically, Chinese enterprises expect the EU to refrain from letting its political inclinations affect its regulation of the market and enable benign development of the market economy. They also hope that the EU will make policies consistent and clear in scope to avoid misunderstandings and mistakes in implementation.

9.11 Conducting in-depth communication and eliminating the information gap

Chinese enterprises call on the EU to conduct in-depth communication and eliminate the information gap to boost mutual understanding and realise mutual trust and interconnectivity in the real sense. Chinese enterprises stand ready to invite leaders of relevant European institutions to visit their sites and communicate with their senior executives to dispel any misunderstandings about their visions and operations.

10. Listening to the determination of Chinese enterprises to fulfil social responsibility

10.1 Putting prejudice aside and enable Chinese enterprises to give back to society

Chinese enterprises in the EU are committed to strengthening their technological innovation capability, winning the local market with quality products and gaining the trust of the local market. They expect that the EU will put prejudices aside and treat Chinese enterprises with more openness and trust and assist Chinese enterprises in giving back to EU society.

10.2 Assisting the Chinese enterprises in fulfilling social responsibility

Most Chinese enterprises are very active in intensifying efforts to fulfil their social responsibility and have expressed willingness to respond to the EU's future CSR regulations. The business community expects the EU authorities to assist Chinese enterprises in understanding and meeting the disclosure standards and requirements in the Corporate Sustainability Reporting Directive (CSRD), and in being a role model of actively fulfilling corporate social responsibility in the EU.

10.3 Assisting Chinese enterprises in improving people's wellbeing in the EU and recognising their efforts

Chinese enterprises call on the governments and civil society across the EU to recognise the efforts they have made in providing financial and medical aid to local communities and developing local talents, and to avoid political inclinations affecting cooperation in education and R&D. They hope that enterprises from China and the EU can join hands in promoting sustainable economic and social development in the EU.

10.4 Integrating the concepts of efficiency, intelligence, green and low carbon into business operations



The business community expects local governments and investment promotion departments in the EU to assist Chinese enterprises in settling down in the EU market, practicing the concepts of efficiency, intelligence, green and low carbon in the process of selecting and building operation sites. Chinese enterprises also hope that the EU authorities are open-minded and embrace their measures related to renewable energy, energy conservation and emission mitigation.

10.5 Stepping up global cooperation in protecting biodiversity

China and the EU, both important players in global sustainable development and biodiversity conservation, maintain close exchanges and healthy cooperation in a wide range of sectors including biodiversity conservation, and continuously inject momentum into global ecological and environmental governance. To promote global biodiversity, the two should work together to establish a biodiversity-themed fund, build ecological data models and set up joint biodiversity R&D programmes.

10.6 Promoting social justice and diversity

Chinese enterprises stand ready to cooperate with local governments and organisations in the EU to promote social equality and diversity. Enterprises from the two markets can launch cooperation programmes to improve the education and livelihood of vulnerable groups by providing economic and social support, and help promote gender equality by empowering women, thus helping them achieve all-round development.

10.7 Promoting the economic growth of developing countries

China and the EU should cooperate in humanitarian affairs in third countries. In the multilateral sphere, they should jointly promote poverty alleviation, cooperate to combat drugs and crime, and carry out peacekeeping activities in developing countries and regions.

10.8 Actively participating in multilateral cooperation in the area of sustainable development

China and the EU should actively participate in multilateral cooperation of global governance and sustainable development, harness multilateral platforms and mechanisms to share knowledge on sustainable development, exchange and promote best practices, and open more opportunities and space for pragmatic cooperation on global governance topics.

11. Intensifying exchanges in technology, innovation, culture and talents

China and the EU should intensify people-to-people exchange and cooperation to boost mutual understanding and cultural communication. By facilitating talent exchanges, they will also add more vitality to global innovation.

11.1 Promoting mutual recognition of professional qualifications

China and the EU should promote mutual recognition of professional qualifications, especially qualifications of skilled works such as technicians and engineers, to increase the connectivity between education and talent pools of both sides, and reduce the cost and difficulty of recruitment.

11.2 Putting in place reasonable and streamlined visa policies

Given the difficulty in making overseas business trips and applying for business visas in the context of the pandemic, some Chinese enterprises in the EU are facing hiring difficulties, shortages of skilled workers and subsequent business predicament. Therefore, Chinese enterprises hope to have direct communication channels with local government authorities to solve problems in recruitment, position subsidy application, potential fast track for business visa approval, etc.



11.3 Promoting exchanges and cooperation between sister cities in China and the EU

China and the EU should promote enterprises to conduct business and trade exchanges to deepen mutual understanding, promote the common progress of enterprises on both sides and contribute to better China-EU economic and trade relations. The two sides should work to boost connectivity and enable the flow of resources between the two markets, which in turn will benefit global economic

growth. China and the EU should also form sister city relationships as a way to gain more support from local governments for their two-way investment.

11.4 Enhancing cultural and people-to-people exchanges

Affected by the Covid-19 pandemic, cultural and people-to-people exchanges between China and the EU have slowed down. Going forward, the two sides should restore such exchanges to increase mutual understanding and mutual respect, which are indispensable for building sound international relations.

12. Drawing on each other's strengths to develop third-party markets

12.1 Being open-minded in developing third-party markets through joint efforts

A sound China-EU relationship not only benefits the two sides, but also regions like Central Asia and the Middle East as well as the world at large. While cooperating in third-party markets, China and the EU should be open-minded, form synergy by drawing on each other's advantages and expand bilateral cooperation to multilateral cooperation to share the development opportunities with the world.

12.2 Establishing and implement third-party market cooperation mechanism

Building on China-France and China-Germany third-party market cooperation, China and the EU should work to expand their third-party market cooperation mechanism to the EU level, and align the EU's Global Gateway initiative with China's Belt and Road Initiative to create win-win, even all-win, results. The fourth round of China-France third-party market cooperation is in the implementation process where the two countries will give full play to their respective strengths in infrastructure construction, environmental protection, renewable energy, etc. in carrying out pilot projects to bring common benefits for all stakeholders involved.



12.3 Leveraging investment funds and other platforms to support China-EU cooperation in third-party markets

China and the EU should harness such platforms as the Asian Infrastructure Investment Bank, the European Investment Bank, the European Bank for Reconstruction and Development, and the China-EU Joint Investment Fund to promote cooperation between enterprises of both sides, effectively address the problems that enterprises encounter in their global pursuits, join hands to practice the “Silk Road spirit”, uphold multilateralism, and elevate their bilateral relations to a higher level in jointly contributing to global economic governance.

12.4 Introducing supportive policies to create enabling conditions for cooperation between Chinese and European enterprises in third-country markets

China and the EU should promote cooperation between enterprises of both sides in third-party markets by introducing supportive policies, creating an enabling environment and building necessary platforms. For example, China Three Gorges Corporation and its local Spanish partner, a solar project developer, can utilise their existing cooperation mechanism in Europe to guide their cooperation in developing renewable energy projects in South America.

12.5 Developing quality cooperation projects and moving up the value chains

China and the EU should promote cooperation in advanced technologies and use innovation as the stimulus to expand cooperation across the entire value chains while supporting both sides to move up the value chains.

12.6 Setting a good example and attracting more countries to join the cooperation framework

China and the EU should set a good example with their fruitful cooperation, and at the same time mobilise more resources, encourage more countries to join them to expand bilateral cooperation to trilateral cooperation, and eventually contribute to global economic development.

12.7 Innovating the forms of cooperation

China and the EU should innovate in forms of cooperation, including joint production, joint investment, business promotion, etc. Diversified forms of third-party market cooperation will attract more enterprises of different types from different industries to join and enrich China-EU cooperation and contribute to more inclusive global economic growth.

12.8 Harnessing complementary strengths and encourage more enterprises to cooperate

China and the EU should encourage more enterprises to be open to, and engage in, mutually beneficial cooperation. The two sides should leverage their complementary strengths across the value chains to create synergy and ensure a one-plus-one-is-greater-than-two effect in international cooperation.

Conclusion

During 2021 and 2022, profound changes in the international landscape and the global pandemic, both unseen in a century, have posed many challenges to the world and made global recovery more difficult and fragile. Since the establishment of bilateral diplomatic ties 47 years ago, China and the EU have both traversed an eventful journey. Going forward, China and the EU, two major forces in the world, will continue to bring stability to the global economy through extensive trade exchanges and in-depth cooperation.

Looking ahead, the pandemic-torn world needs collaborative action for a shared future. In the short term, China-EU economic and trade exchanges may inevitably encounter uncertainties. Yet the uncertainties are also a reminder that the two sides should work closer together to foster a new type of international relations, build a community with a shared future for mankind, and contribute more to world development. An ancient Chinese sage said that “it is better to rise and take action than to sit and talk” and that “people should honour their words with deeds”. The business community in China and the EU, having witnessed the extraordinary journey of growth of bilateral relations over the past four decades, will continue to join hands to build an even better future for China-EU cooperation.

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Bank of China (Europe) S.A.

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COSCO Shipping (Europe) GmbH

China Railway Group Limited Hungarian
Commercial Representative Office

China Mediterranean Holding (CMH) SAS

CCIC EUROPE B.V.

China Southern Power Grid International Co.,
Ltd.

The Export-Import Bank of China Paris Branch

China Construction Bank (Europe) S.A.

Agricultural Bank of China (Luxembourg) S.A.

China Everbright Bank (Europe) S.A.

China Unicom (Europe) Operations Limited

Huawei Belgium N.V.

ZTE Corporation

Geely Auto Group

China General Technology (Group) Holding Co.,
Ltd (EURO)

BGI SHENZHEN CO ., LTD

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Chinese Chamber of Commerce in Spain

Chinese Enterprises Association in Finland Ry

China Chamber of Commerce in Slovenia

China Chamber of Commerce and Industry in
France

Association of Chinese Enterprises in the
Czech Republic

Polish-Chinese General Chamber of
Commerce

Association of Chinese Enterprises in Ireland

The Association of Chinese Enterprises in
Croatia

Association of Chinese Enterprises in Hungary

Chinese Enterprise Association in Greece

China Chamber of Commerce in Germany

Industrial and Commercial Bank of China
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YC Europe-China One Belt One Road Products
Trade Center (Cyprus) Public Ltd

China Chamber of Commerce in Lithuania

BYD Europe B.V.

Legend Holdings Corporation

Taier Heavy Industry Co., Ltd.

IFLYTEK Co., Ltd

United Investment Europe S.A.

Groupe du Louvre

Energetic Lighting Europe N.V.

Outlet China Co. Ltd.

Westlake Europe BVBA

Shanghai Lingang Overseas Development Co., Limited

Sunward Europe Heavy Industry NV

Association of Chinese Enterprises in Austria

Portuguese Chinese Enterprise Association

Association of Chinese Enterprises in Belgium and Luxembourg

Chinese Chamber of Commerce in Sweden

Chinese Chamber of Commerce in Denmark

Camera di Commercio Cinese in Italia

Chinese Chamber Of Commerce in the Republic of Serbia

Association of Chinese Entrepreneurs in Bosnia and Herzegovina

Cainiao (Alibaba Smart Hub Belgium SRL)

NIO GmbH

SHENZHEN GROWATT NEW ENERGY CO., LTD

North China Power Engineering Co., Ltd. of China Power Engineering Consulting Group

Xinhuanet Europe B.V.

Co-progress Education Investment Company

Southern Media Europe SA

Wonderful Technology Development (Tianjin) Group, Ltd.

Xiamen Torch Group Co., Ltd

Unisound AI Technology Co., Ltd.

China Soft Capital Management Group Co., Ltd.

Hanhua Financial Holding Co., Ltd

China Mobile International France

Beijing Huiyu Import and Export Trade Co.Ltd.

Hikvision Europe

China Telecom (Europe) Limited Company

Henan Civil Aviation Development & Investment Co., Ltd

EEW Energy from Waste GmbH

Xiaomi Technology Netherlands B.V.

Great Wall Motor Deutschland GmbH

Contemporary Amperex Technology GmbH

Tuspark Technology Investment Europe S.à r.l.

Kaiyuan International Germany GmbH



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