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Subject:

Flash - Meeting with BusinessEurope, EU-CN Business Association and EUCCC

On the 25<sup>th</sup> of June 2014, and I attended a meeting with Business Europe, the EU-China Business Association and the EU-China Chamber of Commerce (EUCCC). The purpose of the meeting was two-fold: (i) for the EUCCC ( ) to present key findings of their 2014 Business Confidence Survey for China and (ii) for myself to present the state of play on the EU-China Investment Agreement Negotiations.

On the Business Survey findings, the following points worth mentioning:

- European business is very "young" in China: the average EU company has been in China for just 10 years at the most.
- 2/3 of the companies replying to the survey supported the view that business in China is becoming more difficult.
- SOEs are viewed as the main competitor, although the largest market share is in the hands of privately owned companies. Having said that, SOEs are expanding faster (31% in 2013 has come to be 36% in 2014).
- Talent shortage (ie inability of companies to bring qualified staff from headquarters) is viewed as a greater problem in comparison to increasing labour costs.
- China still accounts for 50% of global growth.
- 55% of companies believe they are treated unfairly in comparison to local companies. Interestingly enough, 11% of EU companies stated they are being treated better than Chinese companies. EUCCC explanation is that this 11% represents companies operating in special economic zones; EUCCC clarified that it is not an EU industry request to claim for "special" treatment and they only want to be on an equal level footing with their Chinese competitors.
- 48% of companies established in China regularly review alternative options, ie compare China to other Asian markets.
- Air quality has been the top challenge cited by EU companies participating in the survey.
- The Shanghai Pilot Free Trade Zone is seen by industry as the "guinea pig" for the implementation of announced reforms and the industry is very keen to see them happening although they do not believe that much progress will be noted within the next one to two years.
- Greatest expectations with respect to the EU-China investment agreement are placed on the market access component, followed closely by investment protection.

On the investment agreement negotiations, I gave a short update of the 3<sup>rd</sup> round which took place in Beijing. Even though it was the first round during which there was a text on the table (CN text proposal) it was not a real negotiating session, but rather an effort to understand the China approach as reflected in the text and compare it with Chinese treaty practice in general and with existing MS BITs in particular. Also mentioned that discussions covered technical and conceptual aspects of market access; no sector-specific discussion and no particular requests from either side.

others' expectations at an early stage.

Industry representatives raised questions on the level of existing protection under MS BITs and the possibility of ISDS, the specific coverage of market access negotiations, the estimated duration of the negotiations, and the EU's approach to SOEs. I replied on the divergences found in MS BITs, that market access negotiations will cover services and non-services sectors and that we are still at a very early stage of reflection on a possible approach to SOEs, although we are aware of the issues.



*European Commission*  
*DG Trade, Investment Unit*