Dear [Art. 4.1(b)],

Thank you for your letter of 10 May 2021. On behalf of Ms Weyand, I am happy to respond to the questions you have raised regarding the EU-China Comprehensive Agreement on Investment (CAI).

To begin with, let me recall that CAI is part of our broader China strategy, where we combine bilateral/multilateral engagement with autonomous tools with a view, among others, to offsetting the distortive effects of China’s economic model on the EU internal market and on third countries. CAI also addresses some long-standing requests of the EU to increase access to the Chinese market and to improve the conditions under which European investors operate in China. These goals would be achieved through legally binding commitments to remove barriers to investment and discrimination, and by improving predictability, transparency and level playing field.

CAI largely binds the existing levels of autonomous liberalisation. The added value of doing this through an international agreement is that it prevents backsliding and makes the conditions of market access for EU companies clear and independent of China's internal policies. Importantly, it allows the EU to make use of a robust state-to-state dispute settlement together with a monitoring mechanism established at Vice Premier level.

[Art. 4.1(b)]
On **mode 4**, the EU takes largely equivalent commitments on business visitors and intra-corporate transferees to its existing (WTO) GATS commitments. The said provisions are limited to facilitating the temporary stay of key personal (business visitors and intra-corporate transferees) which are essential for setting up and running the business. CAI does not deal with labour market liberalisation nor with visas.

We are, of course, very much aware that the main barriers for European companies in China go well beyond market access restrictions. CAI introduces important **level playing field** disciplines, Art. 4.2

With respect to **SOEs**, the Agreement seeks to discipline the behaviour of SOEs when engaging in commercial activities by requiring them to act in accordance with commercial considerations and not to discriminate in their purchases and sales of goods or services. A mechanism for transparency on demand is also present. CAI sets out clear and broader definitions of state-owned and state-controlled enterprises (beyond mere ownership stakes) and explicitly includes “enterprises granted special rights or privileges and designated monopoly”, at all levels of government and in all economic sectors.

On **subsidies**, CAI fills one important gap in the WTO rulebook by imposing transparency obligations on subsidies in the services sectors (as goods are already covered). Additionally, CAI obliges China to engage in consultations in order to provide additional information on subsidies that could have a negative effect on the investment interests of the EU (whether on goods or services). The above commitments are enforceable under state-to-state dispute resolution.

On **standard-setting**, CAI provides for equal treatment of investors with regard to their participation in the development of state led standards. To enable such participation, the Agreement creates an obligation to make publicly available, in a timely and transparent manner, the lists of such standardisation working groups and technical committees, their members, and setup. This obligation de facto targets China as the standard setting in the EU is industry led.

My colleagues remain at your disposal should you need more information.

Yours faithfully,

Maria MARTIN-PRAT

e-signed

C.C. : Art. 4.1(b)