

THE CHINA-EU CAI WILL RESHAPE WORLD POLITICAL AND ECONOMIC LANDSCAPE

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On the evening of December 30, 2020, Chinese President, German Chancellor Merkel, French President Emmanuel Macron, European Council President Charles Michel and European Commission President Ursula von der Leyen held a video meeting and jointly announced the completion of the China-European Union Comprehensive Agreement on Investment (CAI) negotiations as scheduled.

The conclusion of the China-EU investment treaty negotiations on schedule will not only expand, enhance and consolidate the China-EU comprehensive strategic partnership, but also reshape the world political and economic landscape, just as the previously concluded Regional Comprehensive Economic Partnership Agreement (RCEP) has done.

The Chinese and European leaders attending the meeting spoke highly of this achievement. The Chinese Ministry of Commerce spokesman pointed out that the China-EU CAI, benchmarking high-level international economic and trade rules with a focus on institutional opening-up in rules, regulations, management and standards, is a balanced, high-level, mutually beneficial, win-win agreement.

It delineates regulations on open market access, fair competition and sustainable issues including environmental protection, safeguarding of the rights and interests of workers, and so on, while respecting relevant international commitments.

According to the agreement, China and the EU will open up reciprocal market access in the area of a number of previously protected or restricted investment sectors; it is the first time China has accepted some of these terms, demonstrating a sign of China's 'powerful ambition' as described by some foreign media.

Initiated in Feb 2012 at the 14th China-Europe Summit in Beijing, the CAI negotiations are a multi-stage long-distance run that demands willpower, perseverance, sincerity and competition, one which took nearly eight years to complete. The negotiations have gone through 8 stages and

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35 rounds of heated debate. The closer we get to the end, the higher the frequency, the faster the speed. Even when the Covid-19 pandemic was raging in 2020, the negotiations were not interrupted but completed as scheduled before the New Year's bell struck in 2021.

With a total trade volume of over 480 billion euros and a consumer population of nearly 2 billion people, China and the EU have finalized the investment agreement. This is not only a milestone in the history of modern China-EU relations, but also a watershed in the reconstruction of the world political and economic landscape.

Observers believe that this marks one of the most significant decisions made by Europe independently since the end of the Cold War, a courageous action taken by Europe to strengthen strategic mutual trust with China in the face of huge pressure and interference from the United States, and the first major action taken by the European continent to strengthen unity, self-determination and the free choice of partners after Britain's exit from the EU. This marks the deepening of the multi-polarization of world political power and will promote the evolution of big power relations towards a more balanced, stable and sustainable direction.

The China-EU CAI, concluded in 2020, is all the more remarkable because it highlights China's role as a stabilizing anchor in maintaining world order and improving global governance. Over the past year, China has not only swiftly and effectively contained the epidemic at home, but also played a constructive role as a major country in the global fight against the epidemic. In addition, China's rapid economic recovery has not only injected hope and confidence into the sluggish world economy, but also helped the world economy gradually climb out of such a dark tunnel through the dual tracks of domestic and international cycles.

Europe, a major region with the largest concentration of developed countries and a strong voice in economy, trade, investment and politics is firmly standing shoulder to shoulder with China in times of trouble. This has undoubtedly brought new hope for peace, stability and development in a turbulent and treacherous world, and strengthened China's status as a major power.

The China-EU CAI contains the key points of WTO reform, upholds free trade and multilateralism, and stresses that the globalization of trade and investment is a popular trend that cannot be reversed. We can only improve and optimize the rules instead of trying to force back the wheel of history. China and Europe not only have made efforts to and will continue to cooperate strongly in the frontline battle against the epidemic and economic recovery, but have also reached high consensus in the maintenance of international multilateral institutions such as the WTO.

This demonstrates changes in the world geopolitical relations and shows that countries, regardless of their political, social and economic systems can find their commonalities and footholds through negotiation and seeking common ground while putting aside differences.

It proves that the division of labor and distribution of the global industrial chain, supply chain and value chain is reasonable and inevitable, and any simple cutting, or brutal separation and random reorganization based on ideology and values is completely unrealistic. The WTO system and rules that meet the benefits of all parties can be negotiated and reformed, rather than simply seeing parties restarting from scratch or starting all over again. Even less may we judge right and wrong in a zero-sum or one-win mindset.

The China-EU CAI is of even greater significance to the redrawing of the world economic map. For China, it helps to lower the threshold of access to the European market, provides a higher level of market openness and a good business environment, further facilitating the acceleration of Chinese business, capital, projects, and workers going global and attracting more European partners to pursue high-quality Belt and Road cooperation that features extensive consultation, joint contribution and shared benefits, to allow Chinese development and construction abroad to flourish.

In addition, such measures will also trigger a new round of reform and opening up in China, making for a China further open to foreign investment, especially European investment, as well as eliminating trade barriers and restrictions, promoting relaxation of technology transfer requirements, helping to push forward reform of Chinese companies, particularly state-owned companies.

Thus there can be an enhancement of immunity and competitiveness via enhancing their own abilities, and an optimisation of the market economy business environment. We will see improved labor and environmental standards in the course of taking on more social responsibilities.

The China-EU CAI is also great news for Europe, as it is expected to act as a pacemaker for its economic recovery and revitalization of national strength. The 10-year economic crisis has heavily stricken most countries in Europe and seriously shaken their confidence in EU integrity. The COVID-19 has seriously impacted the EU economy negatively. In 2020, the economic contraction of the Eurozone alone reached 8.7%. Unprofitable integration has led to the exit of the UK from EU. If the economy is not revitalized, the integration process may further deteriorate.

China's huge consumer market, secure and stable political environment, cost-effective investment environment and huge investment capacity are undoubtedly the best hope for Europe to restart its economy and create new prosperity.

While the China-EU investment agreement is a cause for celebration, there is no room for blind optimism. First, the agreement still needs to be ratified by the legislatures of the signatory countries, so there is still a bumpy road before it enters into force.



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Additionally, the US, in the need to maintain its hegemony and the traditional transatlantic relations, will inevitably continue to interfere in and disrupt China-EU cooperation. Furthermore, China will have to deal with a new round of growing pains as it tries to implement the agreement.