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16+1 in the EU - China BIT Negotiations

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EU-China cooperation

The overall legal framework of the EU-China relations is based on a wide range of soft law instruments and few binding agreements. The last over-arching hard-law agreement is the 1985 Trade and Economic Cooperation Agreement (TECA), which is largely outdated because the bilateral cooperation has intensified to reach an unprecedented breadth and intensity. Today there is virtually no area where both sides do not cooperate and their relations are developing within the framework of sectorial high-level dialogues, namely the Economic and Trade Dialogue, the Strategic (Political) Dialogue and the People to People Dialogue[1]. Efforts have been made on the side of the EU, to introduce some form of a legally binding instrument, each time hitting a wall. The most notable one is the launch of negotiations for a Partnership and Cooperation Agreement (PCA) in 2007. After several years of intensive negotiations in two tracks – economic and political, only ¼ of the chapters in the area of trade and economic cooperation were concluded, the positions remained far apart and the initiative has been tacitly abandoned. Following the failed negotiations, investments were carved out to be negotiated as a stand-alone agreement because they were considered to be the single most important issue where both sides have strong incentives to compromise and reaching an agreement is possible[2].

Analytical framework

The concepts of interdependence, power and balance of power provide useful insights why the PCA negotiations failed and an adequate framework to analyze the prospects of concluding a Bilateral Investment Treaty (BIT), as well as the implications that such an agreement would have for the main parties concerned: China, the EU, particularly the 11 CEE Member States, and the 5 Western Balkan countries as participants in the 16+1 forum and potential EU Member States.

According to Keohane, *"interdependence in world politics refers to situations characterized by reciprocal effects among countries"*[3]. But it cannot be seen as "*evenly balanced mutual dependence"*[4]. It is asymmetries in interdependence that provide sources of power for actors in their interaction.*"*[5] More dependent actors incur more costs and have more to lose in case the relationship is discontinued and thus accept to alter their actions or behavior in order to satisfy the less dependent actors. On the contrary, less dependent actors can use the interdependent relationship for their benefit, as a source of power in bargaining

[1] European External Action Service. (November 2015). *EU-China Dialogue Architecture*. Retrieved from https://eeas.europa.eu/sites/eeas/files/2015_november_eu-china_dialogue_architecture.jpg

[2] European Commission, DG Trade. (March 2018). *Overview of FTA and other trade negotiations*, Retrieved from http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf

[3] Keohane, R., Nye, J. (2001). *Power and Interdependence*, Boston, Longman, (3rd ed.).

[4] *Ibid.*

[5] Keohane, R., Nye, J. (1987). *Power and Interdependence revisited*. *International. Organization*, Vol. 41, No. 4. 725-753.

over an issue[6] or to influence more dependent partners to alter their actions in a particular manner, to do something that they would otherwise not do[7].

Given that the topic of this article is investments, power will be analysed outside the scope of hard power and defined from an economic aspect as "*the ability of a state to use economic means to get other countries to do what it wants or to prevent them from forcing it to do what it does not want*".[8] Such means include the size of a country's economy (GDP) and trade (exports and imports), its technological dynamism, international status and the extent to which it is a creditor or debtor country.[9] Nonetheless, economic capabilities can only yield power if there is political capacity, i.e. a powerful government[10]. Moreover, power has to be conceived within a given area, because a country can be powerful in some regards and weak in others[11]. The distribution of power among countries defines the '*balance of power*' between them[12]. Thus, a '*shift in the balance of power*' would mean that one of the partners has become more powerful than the other[13].

Why have the PCA negotiations failed?

The failure of the PCA can be explained with the nature of the EU-China relations and the structure of a PCA. The relationship between China and the EU is based on ***comprehensive strategic partnership***. While there is no definition of a *comprehensive strategic partnership*, a precise definition of EU's *strategic partners* in general, which at the same time takes into account the concept of interdependence, would be a "*key global player which has a pivotal role in solving global challenges – in the sense that the EU cannot hope to solve these issues without the positive contribution of that partner – and which is centrally important to enhance effective multilateralism globally*"[14]. The EU applies the notion of strategic partnership to a number of countries which have nothing in common but the importance that the EU bestows on them (USA, Canada, Russia, China, Japan, South Korea, Brazil, India, South Africa and Mexico). Nevertheless, it can be certainly argued that developments in China have far-reaching consequences, both on a regional and even global level. China plays an important role in maintaining regional security and this in turn affects EU's economic interests and growth, since its exports and investments in Asia depend on the stability and prosperity of the region[15]. This explains the relationship of comprehensive strategic partnership which implies strong interdependence and balanced distribution of power.

[6] Keohane, Nye. (2001). *loc. cit.*
[7] Dahl, R., quoted in Baldwin, David. A. (2008). *Power Analysis and World Politics: New Trends versus Old Tendencies. Theories of International Relations*, Surrey, Ashgate. 511-545.
[8] Subramanian, A. (2011). *The Inevitable Superpower: Why China's Dominance is a Sure Thing*?. *Foreign Affairs* 90(5). 66-78.
[9] *Ibid.*
[10] Chiu, E., Wilett, T. (2012). *Measuring Power and the Rise of East Asia.* Retrieved from http://www.cgu.edu/PDFFiles/SPE/Willett/Econ%20140/Chiu-Willett.%20Quantitative%20measures%20of%20economic%20power.pdf.
[11] *Ibid.*
[12] Haas, E. (1953). *The Balance of Power: Prescription, Concept or Propaganda?*. *World Politics* No.5. 442-477.
[13] *Ibid.*
[14] Renard, T. (April 2011). *The Treachery of Strategies: A Call for True EU Strategic Partnerships,* Egmont Paper 45. Retrieved from http://www.egmontinstitute.be/paperegm/ep45.pdf
[15] Casarini, N. (October 2006). *The Evolution of the EU – China Relationship: from Constructive Engagement to Strategic Partnership*, European Union Institute for Security Studies, Occasional Paper No.64. Retrieved from http://ftp.infoeuropa.eurocid.pt/files/database/000037001-000038000/000037834.pdf

When developing its own concept of strategic partnerships, China did not have a clearer idea than the EU. It sought for a concept which fits well its foreign policy of peaceful rise and the paradigm that there are no allies, nor enemies – only partners. Thus, the term '*strategic partner'* for China covers even wider range of countries than it does for the EU and beside the EU it even includes some EU member-states, such as the '*big'* players – Germany, France, the UK and Italy, but also smaller states such as Ireland and Serbia (which also enjoys the relation of comprehensive strategic partnership which China). Comprehensive strategic partnership implies countless daily interactions between the EU and China in various areas, which means that they are closely interconnected and arguably interdependent. What either one of them does is reflected in a positive or negative way in the relationship.

In the beginning of the 2000s, China saw Europe as another pole in its conception of a multi-polar world and as counterweight to the US dominance[16]. Developing relations with one of the (future) major world powers, according to Chinese predictions, ranked high among the priorities of the Chinese foreign policy. The years that followed revealed that maybe China had raised its expectations too high, to a level that the EU would be unable to reach and made China think that the EU can never be the type of '*pole'* China was hoping to see emerge. The EU never sought to counterbalance the power of the US; on the contrary it has always maintained close ties and considered the US an ally and a '*natural partner*'[17]. Moreover, the economic, financial and sovereign debt crises revealed the weaknesses in the EU's model for governance and economic development, contributed to strengthen the Chinese conviction about the superiority of its model and shifted the balance of power in the negotiations in Chinese favor.

Given that the economic clout is the most powerful tool that the EU has at its disposal, in its foreign relations it seeks to conclude horizontal agreements which use trade as leverage to promote its political objectives and core values. So far it has concluded PCAs with most of the countries in the European Neighborhood Policy, the Southern Caucasus, South-East and Central Asia. Most PCAs leave scope for an FTA and contain '*standard or obligatory clauses'* on human rights, democracy, countering terrorism, prohibition of weapons of mass destruction, etc. which introduce political conditionality. But, when it comes to China, a comprehensive, horizontal agreement is not the usual way to conduct foreign policy. China is very reluctant to accept any political conditionality because it interprets it as interference in the internal affairs of another country, while sovereignty and non-interference are '*sacred'* principles for China. China's economic assent, the subsequent shift in the balance of power in its relations with the EU, as well the economic interdependence incarnated in the strategic partnership make the conclusion of any such agreement a "mission impossible".

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[16] Hanso, H. (2011). *Partners and Rivals: The EU and China. Estonian Foreign Policy Yearbook.* 103-130. Retrieved from http://www.evi.ee/lib/valispol2011.pdf
[17] Renard. (2011). *Op. cit.*

The prospects of concluding a BIT

According to UNCTAD's World Investment Report, China and the EU jointly account for 40% of the global FDI inflows and 45% of the global FDI outflows[18]. The EU is the biggest, while China is the third FDI home economy[19]. Chinese FDI in Europe in 2016 reached a record €35 billion, for the first time more than EU's FDI to China[20]. But, in terms of total FDI stock, China accounts for only 4.2% of EU's outward and 2% of EU's inward FDI[21], which means that there is still untapped potential for increase in FDI on both sides.

Before the Lisbon Treaty came into force, investments were a competence of member-states which negotiated BITs with other countries, including China. Although BITs follow the same general pattern and most of them include provisions on investment entry, investment protection and investor-state dispute settlement mechanisms, they contain some subtle differences which may be crucial in selecting one country over another for specific investments. Thus the negotiations for an EU-China Bilateral Investment Treaty are expected to not only impose a level-playing field among its member-states and avoid a race to the bottom, but also lay the foundations for the future framework of the EU-China economic relations, improve conditions for investors on both sides and increase FDI flows.

What does the EU have to gain?

Today, according to EU officials, EU's market is already fully open to all foreign investment and they would like to see reciprocity from China[22]. What they complain about is the fact that EU's investments to China account for only 4.2% of EU's overall outward investments and explain this with the burdensome investment conditions and limitations, as well as the overall business climate in China. The agreement is envisaged to go beyond the scope of the 28 BITs signed between China and different Member-States by offering not only investment protection, but also market access and liberalization. At present, EU investments in China are allowed or not according to the *Catalogue for the Guidance of Foreign Investment Industries* which still restricts and prohibits foreign investments in some areas or imposes the need for a foreign company to have a Chinese partner that will assume the lead in a joint venture[23]. Although the list in the Catalogue has been reducing in recent years, openness has been driven by Chinese domestic concerns and still fails to meet EU's expectations. If an agreement is reached, it should mean more EU investments in construction, banking, telecommunications, financial services and other sectors which were until now closed or where investments were only limited to joint ventures and there would be facilitation in those sectors which were opened but imposed entry barriers, such as licenses.

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[18] UNCTAD. (April 2018*). World Investment Report.* Retrieved from http://unctad.org/en/PublicationsLibrary/wir2017_en.pdf

[19] *Ibid.*

[20] Seaman, J., Huotari M., Otero-Iglesias, M. (December 2017). *Chinese Investment in Europe : a country-level approach*, Report by the European Think-tank Network on China (ETNC). Retrieved from https://www.pism.pl/files/?id_plik=23889.

[21] European Commission. (September 2017). *Welcoming Foreign Direct Investment while Protecting Essential Interests.* Retrieved from http://trade.ec.europa.eu/doclib/docs/2017/september/tradoc_156044.pdf.

[22] Hanso. *Op. cit.*

[23] Van der Borght, K., Zhang, L. (2010). *The current legal foundation and the prospective legal framework of the PCA*. Men, L., Balducci, G. (eds). *Prospects and Challenges for EU-China Relations in the 21st century: The Partnership and Cooperation Agreement*. Brussels. Peter Lang. 53-79.

From the EU's perspective, investment issues and persistent barriers have been addressed by the EU consistently in various dialogue fora, including in the Partnership and Cooperation Agreement (PCA) negotiations, but it is an area where respective interests diverge. The overall framework for Chinese investment in Europe is already quite open and the EU seeks reciprocity by encouraging China to undertake further market access commitments and reduce the barriers that EU investors face.

What does China have to gain?

At the same time, given China's more and more outward oriented investment policy, it is interested in entering some of EU's remaining restricted sectors and achieving a comprehensive framework for investment access and protection across the EU. After the beginning of the sovereign debt crisis, Chinese FDI to Europe increased at a great speed and Europe became the fastest growing destination of Chinese FDI in the world. China seized the rare possibility that the crisis provided to engage in mergers and acquisitions, to enter companies and sectors where otherwise it would probably not have access. Chinese actions are not always driven by commercial interests and investments that could bring high return in terms of profit. Sometimes high technology and opportunities to buy globally recognized brands seem equally, if not even more important, since they need time to be developed and provide the possibility to '*leapfrog the competition*'[24]. Therefore, an agreement has the potential to be mutually beneficial.

China has been increasingly investing in companies that are able to provide it with technology transfers which would sustain its growth and lead the economy forward. But, this process has been developing alongside China's domestic investments in research and innovation which led to China taking the lead in the number of patents filed in the World's Intellectual Property Organization (WIPO) in 2011 and already achieving the target for R&D spending of 2.5% of GDP set for 2020[25]. While the crisis provided China with a great opportunity to catch up by reducing its dependence on Western and European technology and gain more power in their interdependent relationship, today both sides have an incentive to work together on IPR protection.

Chinese investments have been confronted with increased protectionism in Europe. After the crisis, Europeans are sometimes reluctant to accept Chinese help because they see hidden intentions or are afraid of the possible consequences. The experience with COSCO's entry in Piraeus, the port of Athens was one of the main examples which raised concerns among Europeans that Chinese investors may undermine EU's labor and other standards and that the governments will be too eager to keep the investments and fail to react appropriately[26]. Faced with the increasingly protectionist climate, China strives to make its investments more welcome in order to obtain bigger and better market access. That is another reason why China

[24] Neville, L. (May 2012). "*China in Europe: With a cool head*". *Global Finance*. Retrieved from http://www.gfmag.com/archives/153-may-2012/11747-cover-with-a-cool-hand.html#axzz2S8t36HpS.
[25] Veugelers, R. (August 2017). *China is the world's new science and technology powerhouse*. Bruegel. Retrieved from http://bruegel.org/2017/08/china-is-the-worlds-new-science-and-technology-powerhouse.
[26] Hanemann, T. (September 2012). *How Europe should respond to growing Chinese investment*. Retrieved from http://esharp.eu/essay/14-how-europe-should-respond-to-growing-chinese-investment/.

would be interested in an agreement on EU level. On the other hand, the EU could seize the opportunity to ask for stricter regulation of labor, environmental and other standards.

If we compare China to the other countries with which the EU has successfully concluded BITs, it is obvious that in the relationship with China both the stakes and the interdependence are much higher. Not just for the EU as a whole, but also for all Member States individually. Not all Member States have diplomatic or economic relations with all the countries that the EU is negotiating agreements, but when it comes to China they all try to become China's important partners. Moreover, sometimes Member States deem that the Commission is unable to protect their interests and thus tend to put forward their own preferences and to pursue their own policies in an individual manner. While the European Commission and Parliament act in support of the EU-wide predominant interests and core values, national leaders visit Beijing to promote national interests and even turn the EU towards defending interests rather than values through the European Council. The example of Greece, Hungary and several other Member States blocking criticism and negative mentions of China in Council documents testifies to this. Thus Member States are jointly contributing to the EU's lack of critical pressure in the BIT negotiations, which sometimes makes the balance of power lean towards China.

What about CEE countries?

The 11 CEE countries that joined the EU in 2004, 2007 and 2013 have been until recently often named the "new" Member-States. This implied that they had less power within the EU when it came to policy-making, being policy followers to the "old" Member-States who assumed the role of policy-makers (particularly Germany, France and the UK). However, the European crisis showed that most of these countries actually navigated much better through the turbulent years. With the experience they gained in using – and even in shaping - EU's rules and procedures, they imposed themselves as partners whose weight in EU decision-making processes should not be underestimated. The appointment of a former Polish Prime-Minister as President of the European Council was just one example of this power shift which led to a more equitable representation of the interests of CEE countries on the EU level. This is all the more visible when (some of) these countries act as a block in the defense of their joint interests (Vishegrad, Baltic etc.)

Some scholars point out to the competitiveness among CEE countries to attract Chinese investments as a vulnerability which undermines EU's efforts for further convergence of the CEE region with the EU's core in terms of values like democracy, human rights, market economy etc. Hungary, the Czech Republic and Poland with their recent Eurosceptic rhetoric are the most cited examples. But, Chinese influence on these countries' domestic policies should not be overestimated and another possible explanation for these countries' close engagement with China needs to be also considered. They are among those CEE countries which have embraced the 16+1 cooperation most enthusiastically and proactively sought to draw benefits, unlike some other countries that adopted a rather passive approach (namely Croatia, Slovenia and the Baltic countries).

This has to be put into perspective within the fact that BRI and 16+1 are largely Chinese-led initiatives which have been initially conceived as an extension of Chinese domestic concerns and policies. Such choice of cooperation areas and types of investment does not correspond to the needs and advantages of ***all*** CEE countries equally. While China favors mergers and acquisitions, technology transfers, acquisition of brands and advanced management skills, most CEE countries look for green-field investments that would create jobs and boost the local economies. Moreover, the economies of many of them, considered independently, are often too small to be interesting for China and its companies, which means that there is a clear relation of asymmetric interdependence. Therefore, the cooperation in different areas between China and CEE countries mostly includes those countries that are "willing and able" to match Chinese interests and not all CEE countries benefit equally. This is also reflected in the overall distribution of Chinese FDI in CEE. 6 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia) account for 95% of all Chinese investments in 16+1[27].

There are two ways for CEE countries, especially the smaller ones, to become more interesting for Chinese investors. The first one would be for them to shift their policies from trying to attract FDI in all areas to identify their national and regional "niche" competences and comparative advantages. Then, they should focus on further developing these strengths through research and innovation into their specific "smart specialization". The other option would be to identify areas of common interest and play the card of regional cooperation. This means that they should pool national resources on a regional level to attract Chinese investors and then share the benefits. The 16+1 framework offers the possibility to cooperate on both options.

Total CEE outward investments to China amount to $1.2 billion, while Chinese investments in CEE countries exceed $5 billion[28]. This constitutes 10% of its total investment to the EU and seems to be negligible compared to the intensity of the overall EU-China investment flows. But, it is worth noting that these values represent a 4 times increase compared to the period prior to the establishment of the 16+1 cooperation forum. Nevertheless, there are currently two EU initiatives which may potentially make Chinese investments into the CEE region more difficult in future and lead to these countries' reduced commitments to the 16+1 cooperation.

The first one is related to an EU's draft regulation which would enable ex-ante screening of investments by the European Commission. The Commission justifies the proposal as a way to eliminate investments which "*may affect projects or programs of Union interest on the grounds of security or public order*"[29] and to verify whether "*a foreign investor is controlled by the government of a third country, including through substantial funding*"[30]. This EU-level mechanism would be all the more important for countries which do not have such

[27] Liu, Z. quoted in Kratz, A., Stanzel, A. (14/12/2016). *China's investment in influence: the future of 16+1 cooperation*. Retrieved from
http://www.ecfr.eu/publications/summary/chinas_investment_in_influence_the_future_of_161_cooperation7204.
[28] *Ibid.*
[29] European Commission. (September 2017) *Staff Working Document accompanying the document Proposal for a Regulation of the European Parliament and of the Council establishing a framework for screening of foreign direct investments into the European Union*. Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017SC0297&from=EN.
[30] *Ibid.*

mechanisms on the national level and act as complement or substitute thereof. It is worth noting that only 3 out of the 16 CEE countries have national FDI screening mechanisms (Latvia, Lithuania and Poland), which means that this regulation may have significant implications for the others. If it is adopted, it will be certainly extended to all prospective EU Member States, including the Western Balkans. It may be used as leverage to push third countries, including China, for more openness to EU's FDI and promote a level-playing field for EU companies. More regulated investment policy on the EU's side may exclude some Chinese investments from the EU in general, which naturally rings an alarm in Beijing who sees the new rules as EU's protectionism which is discriminatory for Chinese companies[31]. In addition, some smaller Member States in CEE have also raised concerns that this mechanism could be used by some bigger and more powerful Member States or the Commission to divert investments from and into certain countries[32].

The second initiative refers to the Western Balkans (WB), the 5 CEE countries that are not yet EU Member States. Chinese investments in these countries (both infrastructural and FDI), although insignificant in terms of absolute numbers and amounting to less than 3% of the overall Chinese FDI in CEE, raised concerns in Brussels and contributed to renewed interest in enlargement policy. The Berlin process, and specifically the Trieste summit in 2017, was used to promote the creation of a regional economic integration area that covers, among other issues, investments. This means that the WB countries will work jointly on the establishment of a Regional Investment Platform which would present the overall region as an attractive investment destination and a Regional Investment Reform Agenda leading to harmonization of their respective investment policies, based on an alignment with EU rules and standards. Given Western Balkans asymmetric interdependence with the EU, stemming from their membership aspirations and the fact that the EU is their biggest trading partner and investor, these countries embrace EU initiatives regardless of the implications that they may have on the relations with third countries, notably China.

While it is true that the competitive attitude based on the differences between the countries can be exploited by China for its own gains and profits, it is also an obstacle for China to adopt a more targeted and integrated regional approach which would enable large-scale projects and investments. An increased convergence of the rules in different CEE countries would also facilitate the "learning process" and allow for China and its companies to transfer and use the regulatory know-how and experience gained in one country throughout the CEE region and more broadly in Europe. Moreover, enhanced respect for rules and standards would be beneficial in cases of political and economic instability, investments with low returns or without guarantees, and possible illegal or unethical behavior by individual companies which could result in damage for the reputation of Chinese investments in general.

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[31] Fouquet, H., Shi, T. (January 2018). *Macron Tells China New Silk Road Can't Be One-Way Street.* Bloomberg. Retrieved from https://www.bloomberg.com/news/articles/2018-01-08/macron-calls-for-china-eu-relationship-to-enter-21st-century.
[32] Seaman, J., Huotari M., Otero-Iglesias, M. *Op.cit.*

Conclusions and recommendations

The concept of '*strategic partnership'* was developed in a rather casual way both in the EU and in China. Despite all the ideological and political differences, given the widening and deepening of their bilateral relations, the two have become highly interdependent, especially from an economic point of view. Although the relationship has been experiencing ups and downs and mutual perceptions have been changing, it is difficult not to perceive both the EU and China as two overall equally powerful players in the global arena, with specific leverage in different areas. This means that it will be very difficult, if not impossible, for the EU to impose any type of conditionality on China, as it does with other countries. Thus, during any negotiations (PCA or BIT), the EU has to bear in mind that the same negotiation principles and templates that it applies to other countries do not always apply with China and innovative strategies need to be devised in order to yield mutually acceptable solutions. A failure to achieve this may result in a failure in the negotiations.

Concluding a BIT with China would create a level-playing field for both European and Chinese investors. It has the potential to increase FDI flows in both directions. Improved market access conditions and protection would allow the EU to have a better presence on the Chinese market. China may obtain access to some protected sectors and potentially technology transfers it is interested in. Yet, on the other hand, a solid bilateral framework could further strengthen the regulation in IPR and reduce the perceived risks that Chinese investments could do more harm than good for the EU, especially in terms of social and environmental standards.

The prospects for concluding a BIT are not certain and may take significant time. In the meantime, each CEE country could examine the prospects for developing a "smart specialization" and "niche" areas where it has comparative advantages. A more in-depth analysis should be conducted in each country to identify such areas and possible avenues for cooperation and attracting Chinese FDI. Another option would be for CEE countries to work together on attracting investments by joining forces in areas where they share similar interests. These options could further be explored within the 16+1 framework. Any positive outcome could be further extended to the EU-level.

Unified standards (across Europe, including CEE Member States and the Western Balkans) could provide more stability and predictability for Chinese investors, while their increased adherence to EU and local regulations would be more beneficial for the national economies and local communities. Race to the bottom in terms of social and environmental standards is to be avoided at any cost because, on the medium to long term, it may not only harm the local economy, but also seriously undermine the image of Chinese investments in general. Chinese contribution to the local economy could be strengthened by including more local firms in the production chains as suppliers and subcontractors and engaging in different forms of corporate social responsibility. These aspects could help Chinese investors improve their reputation and become more welcome throughout Europe.

If the negotiations on the BIT go smoothly, they might create a momentum to continue the PCA negotiations or to carve out another part that could be negotiated as a stand-alone agreement. It could be the first step of an incremental progress which could, in the long run, achieve the same results as the '*big bang*' that the PCA was supposed to achieve. It could actually pave the way towards a tighter and mutually beneficial EU-China relationship based on trust. In the meantime, waves of protectionism on either side could entail reciprocity and be harmful for both sides. In addition, China is developing and evolving very fast. Thus, it is possible that this process will be accompanied with further market and economic opening. Moreover, its needs and perceptions on some issues may change and converge with the EU's ideas and in future it may be more inclined to take up binding commitments and strive for openness.

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