

EU-China Relations in the Framework of the BRI A Critical Analysis of EU Regulations on Trade and Investments

Fabio Massimo Parenti¹, Shi Chen²

¹Ph.D. Associate Professor (ASN), International Political Economy, China Foreign Affairs University, Beijing, <http://en.cfau.edu.cn/>; Economic and Political Geography, The Italian International Institute Lorenzo de' Medici, Firenze, www.ldminstitute.com, phone:+86 13241722378, +393899960722, Email: fabiomassimos@gmail.com

²Dr., Assistant Professor in the Department of Diplomacy and Foreign Affairs Management, China Foreign Affairs University (CFAU).

Received 14 January 2019; accepted 30 May 2019; published online 05 July 2019

ABSTRACT

Improving trade conditions is considered fundamental to create jobs, to increase the quality of living conditions, to reduce geopolitical tensions and so on. In spite of the new tendencies in favour of protectionism, which reflect both nationalistic sentiments and geopolitical turmoil in world's strategic regions, China and the EU represent one of the most dynamic trade and economic relation at international level. This trade relation has increased in the last 20 years reaching 42% of global traffic in 2015. In June 2017, for example, the European Council's President Donald Tusk underlined the EU-China strong cooperation and the good perspective for future development. In this respect, Chinese implementation of the BRI is a unique opportunity. However, EU-China relations in the framework of the BRI have to confront with many geopolitical and geo-economic criticalities.

In this paper, we firstly present some main strategic complementarities and problems in the EU-China economic cooperation in the framework of the BRI, emphasizing positive trends of the recent years and at the same time the existing political criticalities. Secondly, we focus on the EU institutional process to amend and issue the new European Trade Defence Rules between 2016 and 2017. The new regulation is aimed to protect EU members from dumped and subsidized imports from not EU member and was thought in relation to China's "market economy status". Thirdly, a section is dedicated to the European Commission's new proposal of regulation to scrutinize inbound investments from third countries. These debates and the related legislative procedures hold important implications for China, because as a matter of facts China is indeed the main, quasi-exclusive, target of the EU antidumping (AD) and anti-subsidize (AS) probes, but also of the new regulations on foreign investments in certain sectors. Finally, concluding remarks with policy advice summarize the main points emerged from the entire analysis.

Keywords: EU-China relations, BRI, TDI, MES, antidumping, anti-subsidizing

JEL Classification: H70, K20, L41

1. STRATEGIC SCENARIO OF CHINA-EU TRADE RELATIONS

Europe and China are demonstrating to be mutually interested in boosting economic development through trade and investments. Forty-three years of diplomatic relations, 15 years of strategic partnership and at least 20 years of speeding up trade relations are a good background to furtherly strengthening these economic linkages. Namely, we can see both sides involved in developing complementary strategies, in spite of the existing divergences still in place in many fields. We refer to the definition of a “market economy” – which does not exist in the accession protocol of the WTO - now translated in an equally vague concept of “market distortions” and to the “human rights” issue – the latter was re-emphasized into the new European strategy on China (European Parliament and The Council, 2016).

1.1. THE ORIGIN OF THE BRI AND ITS CONCRETENESS

The current economic debate on China in Europe is on the Belt and Road Initiative (BRI) promoted by China. It could be criticised as an expansion of the recent explosion of China’s national power. However, the willingness of acquiring a more important role in global trade and the value chain could be tracked back to around 20 years ago. “Going global” strategy, devoted to SOEs and private firm’s internationalization since the end of 1990s and, more recently, the “13th Five Year Plan” (2016-2020) are intertwined strategies (confirmed in the CCP last Congress documents) aimed at improving living conditions and promoting development with the rest of the world. Internationally, the BRI and its current implementation is the main manifestation of the China’s successes obtained until now, representing also a huge opportunity for the EU member states.

The Chinese strategies of the last 20 years have created the conditions for the BRI to be a realistic and attractive project. As said, we refer to the “go west” and “go abroad strategy”. The first was deployed from the late nineties to today, favouring the development of internal China and boosting national interconnection and with neighbouring countries; while the second, from 2000 to today, has guaranteed support for Chinese investments abroad, operated by private national and state champions. The BRwis therefore a consequence of the successes obtained in the past years at domestic level and many investments, which we could define today related to the BRI, actually took place before its official launch in 2013 (e.g., think about the Chongqing-Duisburg railway or Piraeus port). With the BRI, President Xi Jinping

continues therefore what other leader generations have prepared for, promoting continuity within a constant process of reforms and innovation (Xi, 2017). Significantly, the Chinese media and scholars are using the term of Belt and Road Initiatives instead of Belt and Road strategy in all occasions. It reflects the problem that China is facing strong suspicion from related countries. A strategy has certain goals to be achieved and clear plans and approaches towards the goals; while an initiative in this case could be a direction of development for groups of countries. China could act as the major contributor of rules and mechanisms and would be less likely to take the burdens of the BRI. China avoids mentioning any detailed and ultimate goals of BRI. However, the lack of information could be interpreted as a lack of transparency of China and leads to stronger doubts on China's intentions in Europe.

Europe is the destination of the ancient Silk Road as well as the BRI. Considering the distance, transportation and logistics could be a major problem. On the contrary, to deal with the problem, China provides the solutions on infrastructure construction as the support of BRI including the China Railway Express to Europe as well as maritime and air transportation such as Luxemburg-Zhengzhou and Xian-Amsterdam. By these constructions, China could promote further economic cooperation not only at the terminal which is Europe but also the countries along the belt and road through the Eurasian Continent Economic Corridor (Liu & Chen, 2017).

On the EU side, an important year was 2010, when the EU launched 2020 strategy to enhance a win-win cooperation. If we look at the establishment of the European "Partnership Instruments" to promote international cooperation, we can clearly see many areas of mutual interest, which correspond to common priorities in both the EU and China (research, academy, innovation, etc. -European Commission, 2017). However, if these strategies cover many fields, from global challenges to business, from diplomacy to academic development and cooperation, and the relations with China have strongly improved – as a matter of figures – there are still, as said, many criticalities to be addressed. The EU have been facing financial, migration, terrorist crises, showing many limits in terms of poor internal governance and subordination to the US strategies. Consequently, Chinese public opinion and authorities are strongly questioning the reliability of the EU and their general confidence in the hypothetical alternative role played by Europe (Chang and Pieke, 2017). Here we can find a reason of the main Chinese method to approach Europe, which is focused prevalently on bilateral agreements with single countries.

Looking at the infrastructures built, in construction and proposed it is clear that each European region has different role, interest and potentiality in the BRI framework. For example, whilst central Europe can benefit more directly and consistently from railways connection, Italy, and in general Mediterranean region, can benefit more from increase in trade volume by sea (Fardella and Prodi, 2017).

1.2. EUROPEAN CRITICS TOWARD CHINA AND THEIR CONTRADICTIONS

According to Brugier (2017), a negative trend in the EU-China relations started in 2015 when Directorate General on Trade, led by Malmström, put TTIP with North America a top priority (Before the TTIP was blocked: firstly, criticized by France, Germany and an important part of EU's public opinion; secondly, by president Trump, who withdrew from the treaty's negotiation), showing a will to redefine trade rules and standard outside the WTO. Moreover, in 2016, the EU did not recognize the "market economy status" to China and stressed weaknesses on human rights issues (European Parliament and The Council, 2016). Not to mention the 2016 EU global security strategy, very negligent on the China's international role: on security and political issues, the EU position towards China remains ambiguous and unclear. The renewed EU posture towards China is eroding China's confidence towards Europe, as previously mentioned according to the Chang and Pieckke's survey. All of this, in net contrast with a very promising reality, above all if we look at trade and investment data and the China's dynamism (Compared with the China-US trade relations, the exchange with Europe is equally consistent but less unbalanced).

Market economy status (MES) and market principles

The main structural conditions of EU-China relations are clearly written in the European Parliament Resolution on China's market economy status (May 12 2016): The Parliament rejected to grant the status to China in contrast with the European Commission opinion. The final Resolution recognized the important relations with China when it states: "the European Union and China are two of the biggest traders in the world, with China being the EU's second biggest trading partner and the EU being China's biggest trading partner, and with daily trade flows of well over EUR 1 billion between them. In 2015, investment from China into the EU exceeded for the first time investment from the EU into China [...] and the Chinese market has been the main engine of profitability for a number of EU industries and brands". However, in spite of this important results, the resolutions states also: "given the current level of State influence on the Chinese economy, firms' decisions on prices, costs, outputs and inputs do not respond to market signals reflecting supply and demand [...]. China's overcapacity is already having strong social, economic and

environmental consequences in the EU [...]. China is not a market economy and the five criteria established by the EU to define market economies have not yet been fulfilled”.

There are different attitudes of European countries on this issue in 2016. Germany parliamentarians were more in favour of MES for China, but German firms have been among the first in claiming anti-dumping measures against China. On positive attitude, we record the will of the European Commission to cancel the “non-market economy status” to China, as well some Eastern European countries and various experts – according with the expired date of price determination method for China. The Chinese perspective on MES issue has a key focus: many of Chinese officials and scholars believe that after the 15 years’ Non-Market Economic Status as stipulated in Article 15 of The Protocol on China's Accession to the WTO, China will automatically gain MES (Li, 2016). China has been expecting Europe to interact in a positive way on this certain issue for a long time. Hence, China’s reaction against EU Resolution (China complaint has been formalized within WTO dispute settlement body) could be viewed as a reasonable answer.

Generally, MES has been used by European countries as a political instrument to pressure China to open further its market and reduce barriers to European investments in specific sectors. At the same time, this contradictory approach reflects the political weaknesses in the EU space. The symptoms are evident in the following cases: the EU position on Ukraine, the Brexit events, but also the decline of traditional political parties and the concurrent evolution of populist parties (Zheng, 2017). On MES, both the US and EU have not respected the WTO rules. Moreover, what Europe asks on rule of law and market economy mechanism are often full of contradictions. Direct and indirect forms of subsidizes persist in the US and in the EU. Thus, state intervention is not China’s prerogative. On this matters Europe does not consider many forms of European protectionist measures (e.g. on agricultural, steel and chemical products), neither the state interventions in the financial sectors since the 2008 crises. Also recently, for example, the European acceptance of huge state intervention of Italian government to rescue two Italian banks from bankruptcy is in contradiction with substantial rules. Billions of taxpayer money have been used to save two banks (Banca Popolare di Vicenza e Veneto Banca), allowing the free absorption of the latter by Intesa San Paolo and without rigid conditions to give part of the money back. The results, in a critical historical period, is a public intervention without a clear plan for restructuring, allowing higher degree of oligopolistic position for few banks. All against antitrust regulations and said “market economy” principles. Hence, it is even reasonable that there are other factors than market principles, such as the political influence, also considering the strong ties between Europe and the US that someone

interpreted as one of the key factors on EU's decision against China's MES (Hu, 2016).

Free trade and unilateral interpretation of figures

In relation to trade, the problem is that when it is termed “free”, it can create problems of interpretation and falling into ideological consideration. Important to remind that “free trade” was the main strategy through which UK managed its imperial global reach, where the so called “free trade” was carried out in very unbalanced conditions and not rarely imposed through force. The Opium wars against China is quite exhaustive example (see John Stuart Mill and Tocqueville, strong supporter of the war in the name of freedom – quoted in Losurdo 2018). Trade has to be fair, respecting agent's priorities and needs. It cannot be defined in abstract and absolute way as “free”, neither allowing third countries to judge other countries development priorities. As the president Xi Jinping remind during its speech in Davos, there are different market economy modalities, according to geo-historical condition of each country and the related development paths. In fact, over 80 country members of the WTO have already granted China with the market economy status.

Another example to show the extent of misinterpretation on China-EU relations is the following: on June, the European Commission president Juncker stated, “while Chinese investment into the European Union increased by 77% in 2016, the flow in the other direction declined by almost a quarter. To put that into context, EU investment into China last year was roughly 3% of what we invested into the United States [...]. I applaud the ambition of China's reform path. I recognize that reforms have been made and that plans have been established. However, I would like to see implementation speed up – so that your policies are in line with your world vision”. The use of the figures presented does not consider a number of elements: 2016 was exceptional year, coherent with the result of China's reforms, while Europe is still the first source of foreign investments to China. In addition, in 2015 the Chinese investment stock in Europe was 35 billion, whilst the European investment stock in China was almost five times higher... It is not reasonable to judge a rebalancing process, as is occurring in China capital account since 2016, as negative for Europe (see Eurostat and OECD databases).

2. EU TRADE DEFENSE INITIATIVES (TDI), NEW REGULATIONS AND THEIR IMPLICATIONS

2.1. The state of affairs on the EU's TDIs and China

According to Independent report for EP (February 2016), it is possible to identify few main points about EU state of affair on trade defence initiatives:

- (a) Between 1995 and 2014, the EU has launched 99 AD (Anti-Dumping) initiations against China, constituting 28% of the total.
- (b) AD activity actually increased following China's WTO accession in 2001.
- (c) At the end of 2014, the EU had 51 AD measures in force against China (47% of total), affecting less than 2% of bilateral imports. This puts the EU at third place, behind the USA (93 measures in force, 38% of total) and India (76 measures, 37% of total).

Moreover, according to the INTA Report (June 2016), the EU uses trade defence instruments (TDIs) less than many other jurisdictions, and only 0.21 % of EU imports are affected. China has been by far the main target of AD duties imposed by the EU. By October 2016, definitive AD duties against more than 50 different Chinese products were in place. AD duties against Chinese products concern mainly the aluminium, bicycles, cement, chemicals, ceramics, glass, paper, solar panels and steel industries. In most of them China has accumulated massive over-capacity.

The report explains also that AD measures are prevalent over the AS (Anti-Subsidize) measure toward China. By October 2016, definitive AS duties were in place for five Chinese products. This is mainly due to the opacity of the Chinese subsidisation scheme and the lack of cooperation of the Chinese authorities.

In addition, AD measures are not equally applied across all industries within the EU. They are concentrated in the steel and chemical industries (Independent report for EP, February 2016). China's comparative advantage could stem from a genuine cost advantage of Chinese producers. On the other hand, it might stem from dumping activity. Preliminary evidence suggests that similar patterns exist in other countries (Ibid).

2.2 The Institutional process to issue new trade defence regulations

- May 2016: the EP adopted a resolution on China's market economy status. Overwhelming opposition of Member of European Parliament (MEPs) to grant MES to China as long as it did not meet all five EU criteria (The European Parliament includes the five market economy criteria in 2008/2009 with the definition of significant distortions, in line with what the US does. This is key to justify the use of a non-standard methodology. However, not only the criteria to define a "market economy" is not recognized internationally, but also it is not acceptable in relation to China's accession protocol in the WTO.). The EU should use a non-standard methodology in AD and AS probes into Chinese imports in determining price comparability.
- June 19 2016: the EP called on the Commission to submit a proposal along these lines.

- November 9 2016: The Commission elaborated and submitted a proposal to INTA (EP Commission on International Trade).
- June 20 2017: after long discussion and analysis, INTA passed a new legislation proposal through some amendments.
- Oct 3-12: agreement on the new rules between EP and European Council.
- Nov 15 2017: EP adopted a new resolutions (provisional) based on the previous steps, approving amendments on EU's new anti-dumping rules.
- Dec 20 2017: EU puts in place new trade defence legislation. After one year from the initial proposal.

2.3 What implications?

The European Union eliminated the distinction of the type of economy, satisfying the China's request on WTO obligation of China's accession protocol (Article 15, subparagraph (a)(i) states: "The importing WTO Member may use a methodology that is not based on a strict comparison with domestic prices or costs in China if the producers under investigation cannot clearly show that market economy conditions prevail in the industry producing the like product with regard to manufacture, production and sale of that product". However, in the paragraph (d) it is clearly said: "In any event, the provisions of subparagraph (a)(ii) shall expire 15 years after the date of accession"). However, it kept in place the possibility to use non-standard method in price determination for China in case of "significant market distortions". China welcomed that the proposal abolished the "non-market economy status" list, but criticized that it introduced a "market-distortions" clause (Members of Parliament have gathered a broad range of criteria, including for example the exporting country's adherence to and compliance with multilateral environmental agreements (MEAs) and core conventions of the International Labour Organization (ILO), to complement the succinct non-exhaustive list proposed by the Commission. In the construction of normal value, the European Commission will still be able to use domestic prices and costs, but only if exporting producers can clearly show that (i) they are not directly or indirectly affected by distortions, and that (ii) their factors of production are not distorted. With the new proposal this proof should be produced by EC), which prolong the "analogue country" methodology under a new label (In the context of the "analogue country" approach, the domestic prices are replaced by prices and costs from a third ('analogue' or 'surrogate') "market economy" country). The previous abuse of this vague expression is disappeared, but not the substance to justify a discriminatory treatment for China in certain sectors. With the new regulations the social and environmental impact of dumping will be taken into account, when deciding on anti-dumping measures, and the EU Commission has to monitor circumstances in exporting countries, to decide the application of tariffs or not. The EU stressed more on criteria to define "free market" conditions (and "market distortions") than to distinguish the type of the economy. However, the substance of maintaining differential price setting with China remains in place. Something that China considers a strong discriminatory treatment.

The difference respect to the past regulation (at least at this stage) is in the responsibility of the proof. With the new regulation, it will not be China's responsibility to demonstrate the absence of market distortion, but the European Commission investigation. In this way, the European firms will not be penalized directly by the necessity to issue evidence in support of claiming AD or AS measures. When the process to approve the new legislation has been completed on December 20 2017 the European Commission issued the first Report on China (EC, 2017).

The core of the new rules is the use of the "substantial market distortions," which is stated neither in the anti-dumping nor in the anti-subsidy rules of the World Trade Organization (WTO), as a replacement of the "surrogate country" approach. It is not neutral, as said, neither non-discriminatory. The new methodology for calculating dumping margins is a repackaging of "non-market economy methodology. After the adoption of the new regulation, Chinese words portend legal initiatives before the WTO Dispute Settlement Unit. According to Emanuele Scimmia (2017): EU and US are adopting similar move against China's market distortions. Along with Japan the three powers evidently aimed at Beijing's market-distorting subsidies, forced technology transfer and overcapacity in key sectors such as steel and aluminium. However, there is a plenty of contradictions: Trump's new tax code has drawn criticism from major EU countries because against WTO rules (there is a provision that favours US companies, as it reduces the tax rate on their export gains to about 13%). The WTOs could consider this tax code an illegal subsidy. After abandoning TPP and marginalize TTIP, Trump does not seem to be a good ally. Moreover, the contradictions are also inside Europe, as previously mentioned.

3. ON THE NEW EUROPEAN INVESTMENT REGULATIONS

Another important chapter in the EU-China economic relations is related to the new regulation of the Parliament and the Council proposed by the Commission on September 13, 2017. The aim is to establishing a framework for screening foreign direct investments into the European Union. First, we can remind that Chinese investments in Europe – and abroad in general - are a very recent phenomenon. They appear only in the last 10 years and become significant during the last few years, since 2011 and, specifically, the last two years after the EU-China Comprehensive Investment Agreements (2013). On the contrary, European investments in China are older and still higher, as stocks, then those of China in Europe. The capital account imbalance of China towards Europe is reducing, as a reflex of the structural economic transformation in China. The latter is moving up to the production value chain, strongly reducing dependence on trade (in terms of GDP, where China's

export weight to GDP is lower than Italy, Germany or France), increasing wages and domestic consumption on GDP – in 2016 they contributed to 71% to economic growth (Xi Jinping, 2017).

It is clear that a more economically independent China, with higher wages and more domestic competitive firms, plus government legitimate restrictions to support their growth, limited the opportunities for European firms that have taken advantages for decades of lower wages in China than in Europe. However, EU countries used to blame China for poor condition of working and now are putting in place counter-measures, as discussed. Is there a contradiction between rhetoric and material interests of EU firms? EU want to have higher access now to sell products to millions of new Chinese consumers (market seeking investments). Nevertheless, they have to compete locally and it is not only a question of China's government opening up, that is still ongoing according to their needs and priorities.

Now that also China has consolidated its going abroad strategy, outflow investments (market and technology asset seeking) started to overcome inflow investments in non-financial sector since 2014 (according to MOFCOM; see also UNCTAD data the surpass occurred in 2017, with 133 billion in and 183 billion out). Except different data sources, what is important is the radical reduction of China's dependence on foreign investment and the importance of Europe as one of the most important destination of new Chinese investments ((before Africa and US, and after Latin America e Asia, (As Michele Geraci (2017) correctly warns, most of the FDI statistics does not include investment on debt, consequently reducing the role played by Africa in attracting Chinese ODI's)).

The new EU regulation mentioned above is aimed to target two types of investment: the acquisition of technological asset in certain sectors (energy, transport, communications, finance, dual use, raw materials) by state companies for strategic reasons and the acquisition from foreign firms that do not guarantee reciprocity in opening up to investments in their own homes. An accusation is that many Chinese firms are registered as private or foreign even though the state or province have important shares of the capital so influenced and driven by the public. For some analyst, this is a threat, or in contradiction with market economy rules, but, as we explained, it is just a different economic model coherent with the Chinese path of development. In Europe, we have countries that have sold their assets and other have created joint venture or reached forms of compromise with the Chinese counterpart.

The economic relations and flows of investments are increasing integration and generating opportunities. It is important to find acceptable rules for parties involved,

but reciprocity should consider differences in order to respect each other. However, the current rejection in the new regulations on China's market economy status makes it highly difficult of asking for reciprocity from China.

In order to explain this point, we would consider the clear argument of Michele Geraci (China daily, 2017). He explained: "Western analysts tend to take a cross-sectional approach and compare China today with, say, Europe, as it is today. China appears late on many metrics of economic development, such as the openness of its market, the development of its financial system and so on we would say it is doing different choices and trying to avoid, no always successfully, the financial mistakes experienced in the West. The result is that Western policymakers often push China to accelerate reforms and offer reciprocity. However, Chinese analysts tend to be time-series analysts and compare China today with where China itself stood one or two decades ago. The two approaches lead to entirely different conclusions and very different policy recommendations: Western analysts urge China to implement reforms and complain when this does not happen fast enough. Chinese analysts respond that China is already moving forward very quickly, indeed, faster than the West and that the gap is narrowing. For example, when analysing China's steel exportation to Europe, Chinese scholar Jia Wenhua argues that the export in 2002 was 229 million EUR (580 thousand tons), in 2007 the data was at the peak of 7.099 billion EUR (10.83 million tons) and in 2015 the data was 4.478 billion EUR (7.66 million tons). Hence, Jia comes to a conclusion that EC's claims on China did not fit the fact from a medium and long term aspect. (Jia, 2017) The European Union is implementing new policies aimed at more carefully screening cross-border M&As carried out by non-EU investors. The policy aims at scrutinizing both targets and buyers. On the target side, it will list a number of strategic industrial sectors and potential acquisition targets that will receive more severe scrutiny before being given the green light. On the acquirer side, more attention will be given to who the ultimate shareholders are. European politicians would be more relaxed about selling their companies if there was some assurance that the new owner, for example a Chinese company, were committed to bringing new capital into the company thus increasing the production level, creating new jobs for the local population and granting access to the Chinese market. There is way to achieve that and it is a multi-step acquisition process".

4. CONCLUDING REMARKS WITH A POLICY ADVICE

The BRI has raised debates between its significant economic opportunities and suspicions on China's intentions. For China's global role, there is a dilemma between Thucydides' Trap and Kindleberger Trap. Under the theory of China threats

and Thucydides Trap, critics argue that the rising power—China will finally challenge the existing dominant power—the United States and end up into conflicts (Zoellick, 2013). However, according to the Kindleberger Trap, the stability in the international system requires a country to take the leadership role (Kirshner, 1997). In the current stage China is regarded as the rising power to provide more public goods in the fields where the US retreats from. One example on how Kindleberger Trap worked is the chaos of world in the early stage of 20th century when Britain lost its global hegemony and the US did not take over the leading position so that World War I and the great decline occurred. The dilemma China faces is that the lack of transparency on BRI could be a major threat from the perspective of some countries while China would be regarded as an irresponsible international actor if it does not provide ‘appropriate’ solutions for global governance. The point is that China would be more welcomed to follow the existing international orders instead of introducing new mechanisms. It has been repeatedly emphasized that BRI is intended to construct a community of shared destiny for all humankind. It could help find a way of co-existence by different ideologies. There are doubts that China is defining common destiny based on its own interests. Facing the strong distrust, China currently has few approaches to prove itself evidently credible on building a win-win relationship. The tension between the US and China in 2018 clearly shows the interpretation from the American perspective of BRI and other Chinese policies, strategies or initiatives including China 2025 is more about political considerations, which defines China as a revisionist power with ambitions to revise the current international orders. The trade frictions and cases with Chinese IT manufactures and providers ZTE and Huawei have brought great negative impacts on bilateral relations with China and the US. It is possible that EU could keep in step with the US on certain issues, which could set obstacles for the promotion of BRI in Europe. However, it is still possible that mutual understanding could be achieved with the development of BRI. Pre-judging BRI as China’s tool of economic invasion would be no help for economic cooperation for both China and EU. While the BRI is an initiative a waiting for constructive partners, transparency can be improved by direct participating in the discussions of proposals.

Under the distrust, it is to great importance that Europe and China promote BRI focusing on common goals including developing markets in poor areas, reducing geopolitical tensions and promoting mutual understanding. In relation to the positive and negative of EU approach towards China in defining terms of trade, the Chinese innovative investments on “air connections” such as Luxemburg-Zhengzhou and Xian-Amsterdam and e-commerce platforms including Alipay could match common strategic goals. While approaching European cities and markets, Chinese firms and

local governments should work , as sometimes occurred very successfully, even more city-by-city and sector-by-sector, providing at the same time open, clear and detailed information to national and local public opinion and stakeholders.

Facing the doubts on BRI investment, it would be easier to realize cooperation between cities in China and Europe instead of a continent to continent grand blueprint. The city-to-city cooperation could be less politically concerned on certain issues such as MES and human rights issues. China has been trying to adopt a “precise cooperation” logic in BRI promotion in Europe that different types of cooperation would be conducted according to the advantage of different countries and cities. For example, the Central European Trade and Logistics Cooperation Zone invested by an enterprise based in city of Linyi (which is led by Shandong Province China) in Budapest is a successful case. Considering the geographic advantage in Europe, Budapest could benefit from becoming the logistic and commodity trading exhibition Centre (plus a logistic park in the Csepel Port in Hungary) that the annual import and export through the zone reached around 245 million US dollars in 2017. Moreover, Trieste could be another case embracing BRI in Europe. If city-to-city cooperation could be successful—transparent and beneficial, further interaction of BRI in larger scale would be promoted more easily.

It is very important that EU-China economic relations do not lose the originality of their partnership. Burgier (2017) suggests keeping untouched two pillars: separation between human rights issues and trade negotiations, and transfer of expertise from the EU to China (e.g. on food safety and environmental management). Negotiating “behind closed doors”, avoiding formal dispute settlements is a priority, in the attempt to reach compromises, reduce costs and avoid political backlash.

The new legislation is contradictory, at least partially, and not fully satisfying from a Chinese perspective. However, the European Commission responsibility in the elaboration of reports in order to identify possible “market distortions” will offer a new space of negotiation case-by-case and sector-by-sector. Better said, it offers new space to explain Chinese conditions of production.

REFERENCES

- Brugier C.M. (2017). The EU’s trade strategy towards China: lessons for an effective turn. *Asia Europe Journal*, 15, 199-212.
- Chang VKL., Pieke FN. (2018). Europe’s engagement with China: shifting Chinese views of the EU and the EU-China relationship. *Asia Europe Journal*, 2, 1-15.
- Confederation of the European Bicycle Industry (2017). Vote of the European Parliament’s INTA committee on the New Anti-Dumping calculation methodology.

<http://www.conebi.eu/vote-of-the-european-parliaments-inta-committee-on-the-new-anti-dumping-calculation-methodology/>. Accessed 9 May 2018.

DG, European Parliament (2016). New Trade Rules for China? Opportunities and Threats for the EU. Directorate-General for External Policies, Policy Department. http://www.europarl.europa.eu/RegData/etudes/STUD/2016/535021/EXPO_STU%282016%29535021_EN.pdf. Accessed 9 May 2018.

European Commission (2016). JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL-Elements for a new EU strategy on China. http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf. Accessed 9 May 2018.

European Commission (2017). 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 {SWD (2017) 297 final}. <https://ec.europa.eu/transparency/regdoc/rep/1/2017/EN/COM-2017-487-F1-EN-MAIN-PART-1.PDF>. Accessed 9 May 2018.

European Commission (2017). The EU's new trade defence rules and first country report. http://europa.eu/rapid/press-release_MEMO-17-5377_en.htm. Accessed 9 May 2018.

European Parliament (2017). Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1036 on protection against dumped imports from countries not members of the European Union and Regulation (EU) 2016/1037 on protection against subsidised imports from countries not members of the European Union (Ordinary Legislative Procedure, first reading). The new legislation amendments – FINAL VOTE. <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fNONSGML%2bREPORT%2bA8-20170236%2b0%2bDOC%2bPDF%2bV0%2f%2fEN> Accessed 9 May 2018.

European Parliament, EuroParlTV (2017). Tackling trade dumping. <https://www.EuroparlTV.europa.eu/en/programme/economy/tackling-trade-dumping>. Accessed 9 May 2018.

European Parliament/Legislative Observatory. Resolution on China's market economy status 2016/2667 (RSP). [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=en&reference=2016/2667\(RSP\)](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=en&reference=2016/2667(RSP)). Accessed 9 May 2018.

Geraci, M. (2017, Oct 14). Different analysis methods cause of friction. China Daily, http://www.chinadaily.com.cn/opinion/2017-10/14/content_33235547.htm?utm_content=buffer4107f&utm_medium=social&utm_source=linkedin.com&utm_campaign=buffer. Accessed 9 May 2018.

Hu, J. (2016). The Factors Influencing EU's Approaches to China's Market Economy Status and China's Countermeasures. Chinese Journal of European Studies, 34, 1-22.

Hua, H., Zhang, H. (2018). Yi dai yi lu kuang jia xia zhong guo yu zhong dong ou guo jia jing zhun he zuo yan jiu (A research on China-Central Eastern European countries' precise cooperation under the BRI framework). Journal of International Economic Cooperation, 2, 31-36.

INTA (2017). Protection from dumped and subsidised imports. Briefing EU Legislation in Progress. [http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/595905/EPRS_BRI\(2017\)595905_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/595905/EPRS_BRI(2017)595905_EN.pdf). Accessed 9 May 2018.

Italian Trade & Investment Agency (ICE) (2017). CHINA'S BELT AND ROAD INITIATIVE HEADS INTO GOLDEN DEVELOPMENT PERIOD. <http://mefite.ice.it/CENWeb/ICE/News/ICENews.aspx?cod=88843&Paese=720&idPaese=720>. Accessed 9 May 2018.

Jia, W. (2017). EU's Problem of "China's Market Economy Status" and China's Countermeasures--Analysis Based on the Contention of Article 15 of China's Accession to the WTO Protocol. Foreign Affairs Review, 5, 1-26.

Kirshner, J., Gourevitch, PA., Eichengreen, B. (1997). Crossing Disciplines and Charting New Paths: The Influence of Charles Kindleberger on International Relations. Mershon International Studies Review, 41 (2), 333-45.

Li, S. (2016). Analysis of the Non-Market Economy (NME) Status of China. Journal of International Trade, 5, 71-81.

Liu, Z., Chen, S. (2017). Eurasian Continent Economic Corridor and the Belt and Road Initiative: Risks and Solutions. International Economic Review, 2, 28-35.

National Development and Reform Commission (2015). Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization. http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html. Accessed 9 May 2018.

OECD (2018), FDI flows (indicator). doi: 10.1787/99f6e393-en.
<https://data.oecd.org/fdi/fdi-flows.htm>. Accessed on 09 May 2018.

Vote Watch, China's market economy status.
<http://www.votewatch.eu/search.php>. Accessed 9 May 2018.

Xi Jinping (15 May 2017). Joint Communique of the Leaders Roundtable of the Belt and Road Forum for International Cooperation. Xinhuanet.
http://www.xinhuanet.com/english/2017-05/15/c_136286378.htm. Accessed 9 May 2018.

Xieshu Wang, Joel Ruet, Xavier Richet (2017). One Belt One Road and the reconfiguration of China-EU relations, ISPI REPORT CHINA 2017, Belt and Road: A game changer, chapter 2, 2017. <https://hal.archives-ouvertes.fr/hal-01499020/> document. Accessed 9 May 2018.

Zheng, C. (2017). Deglobalization in the European Union: Manifestations and Drivers. *Global Review*, 1, 34-51.

Zoellick, RB. (2013). U.S., China and Thucydides. *The National Interest*, 126, 22-30.