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Putting the China-EU comprehensive agreement on investment in context

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ABSTRACT

This paper reviews the content of as well as the reception of the current state of the planned China-European union Comprehensive Agreement on Investment as per January 2021. Moreover, it forms some expectations regarding its economic effects. Key conclusions are that, in spite of a limited scope of new concessions beyond ones that are realized or planned anyway unilaterally, the agreement will likely boost not only investment but also trade, and it will likely establish a closer political cooperation between China and the European Union. One reason for the positive economic effects is the reduction in uncertainty about the mutually granted concessions for investment. However, further stimulating effects of the very agreement will be possible when accompanying it with concessions on trade in goods and services in the future.

KEYWORDS

Investment agreements;
China; European union



JEL CLASSIFICATION

F15; F21

1. Introduction

China and the European Union (EU) have two things in common: they are now among the world's largest traders in terms of goods exports and imports and they are among the world's largest donors and recipients of foreign investments. Trade theory has it that any type of agreements – on trade or investment, with the latter often being viewed also as a conduit or a mediator of trade – is most productive in stimulating among two countries or blocks of countries whatever outcome it is targeting, trade or investment, whenever that outcome is naturally – meaning: in the absence of political barriers – large between these entities. From this perspective alone, due to their mere economic sizes, China and the EU should have natural interests to intensify their relations by removing bilaterally policy barriers between them, and such removal would be in the interest of consumers and (sufficiently productive) firms alike.

Zooming in on trade and investment between the EU and China, the two partners have been and are large trading partners to each other, mostly in goods and somewhat less so in services, and they are large investors with investment stocks being of a magnitude that is in between the one of services and goods trade flows. What is remarkable is that China runs a goods-trade surplus with the EU, whereas the EU runs a services-trade and outward investment surplus with China (see European Commission, <https://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>). With a tendency of China's trade surplus

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to increase and there not being a large scope for trade deals that would reduce it in the short run, it appears practicable to think about investment liberalizations which, for payments-balancing reasons, would have to grant deeper market access to EU and other investors in China to make China's trade surplus with the world viable in the medium run.

The cooperation between China and the EU in terms of politics and policy is not new but stands on the shoulders of a history which dates back to at least the establishment of mutual diplomatic relations in 1975. Regarding international economic relations, a cornerstone of this cooperation was the China-EU Trade and Cooperation Agreement of 1985 which paved the way for the China-EU Comprehensive Strategic Partnership in 2003 and the China-EU High Level Economic and Trade Dialogue which commenced in 2007 as the formalization of economic cooperation and regulation of issues related to international trade and investment between the parties. This string of endeavors has recently been extended by the work on the China-EU Comprehensive Agreement on Investment (CAI); see EU (2021). Even work on the latter agreement had commenced as early as in 2004, but after 35 rounds of negotiations since then the two parties have now come to a provisional or principal agreement on a treaty text that had been published at the end of 2020.

In what follows, I will digest the nature of the CAI and put it in context of other agreements of this type to form some expectations about its effects. Specifically, I will provide a portrait of the content of the China-EU CIA's treaty text as of January 2021 in [Section 2](#). In [Section 3](#), I will give a short overview of the state of the critical acclaim of the CIA. In [Section 4](#), I will put the China-EU CIA in the context of a broader discussion of preferential economic integration agreements (PEIAs), of which investment agreements are one form and preferential trade agreements are another one, and their effects on various economic outcomes. The last section will provide a short summary.

2. Structure, content, and nature of the agreement

The purpose of this section is to describe the structure and content of the China-EU CAI as principally announced on 20 December 2020, and as published online by the European Commission (2021). Note that the work on the agreement has not finished so that what I can portray here is only a snapshot of the state of affairs as of January 22 in 2021. However, it should be expected that the overarching structure of the CAI in terms of its chapters and sections – and perhaps even the organization in articles – will stay the same, and only details on the precise content of specific articles will change.

The objectives of the China-EU CAI are delineated in the treaty's first chapter, specifically, in Article 1 of Section I. The first paragraph of that article reaffirms the commitment of the two parties to the World Trade Organization (WTO) Agreement as well as their commitments to (first) improve the climatic conditions and (second) to develop mutual trade and investment. Just to recall, two cornerstones of the WTO Agreement (the Marrakesh Agreement Establishing the World Trade Organization on 15 April 1994) are the Most-Favored-Nation and National-Treatment clauses, where the former rules out discrimination between foreign suppliers of imported goods and services from WTO-member source countries **at the border**, while the latter rules out discrimination of foreign against domestic suppliers **behind the border**. In Article 2, the CAI makes concessions to the signatory parties' authority in implementing regulations

‘to achieve legitimate policy objectives’ which aim at protecting domains such as public health, social services, public education, safety, the environment, public morals, social security or consumer protection, privacy and data protection, the promotion and protection of cultural diversity, etc.

It is interesting to compare the objectives of the CAI with those of the WTO here. Clearly, the WTO’s focus is on trade and not investment lest the environment, labor standards, data protection, and other issues as mentioned above. So, the China-EU CAI clearly is different from and goes beyond the WTO mandate as it primarily addresses investment. Moreover, if it were about trade, the agreement still would be considered what some call a WTO+ (bilateral trade) agreement (Horn, Mavroidis, and Sapir 2010) or deep bilateral agreement (Dür, Baccini, and Elsig 2014). What stands out with the China-EU CAI is the relatively long catalogue, essentially of spelled-out concessions in Article 2, which permit national regulations by the two parties that might intervene with the overarching liberalization goals regarding mutual investments. However, we have learned that even the deepest trade agreements, of which the EU Agreement is certainly an example, saw fundamental incisions into cross-border flows not only of people (not only for leisure but also for work) and even the flows of goods and services for health reasons related to the Covid-19 pandemic. The extent of these incisions in specific phases of the pandemic, foremost in 2020, would have been impossible to imagine by some up until then.

Article 2 of Section I lists a host of definitions for reference of the subsequent treaty content.

Section II lays out the CAI’s target, investment liberalization. Article 1 of that section defines the scope of the CAI, namely measures/treatments/actions by an establishment of an enterprise or a covered enterprise of an investor of the other signatory party in the territory of the yet other party. It exempts a number of activities from the coverage of the CAI, specifically, mostly pertaining to specific services types (audio-visual; air transport and auxiliary; aircraft repair and maintenance; selling and marketing of air transport; computer reservation systems; ground handling) and governmental activities. Article 2 specifies the extent of market access and defines limitations to national regulations. Specifically, these relate to the number and size (in terms of transactions, investments, or personnel) of enterprises or their establishments. Article 3 grants freedom of choice to the investors in terms of their sales, exports, usage of local versus foreign inputs, knowledge transfers, and the location of business activities including headquarters.

Articles 4 and 5 invoke the core WTO rules of National Treatment and Most-Favored-Nation Treatment, respectively, for investments as covered by the CAI, and Article 6 adds a clause regarding Senior Management and Boards of Directors, whereby the choice of management and directors in entities held by the other signatory party may not be influenced by the local government. However, Article 6bis grants each party the right to regulate the entry into or temporary stay of natural persons in their territory, as long as such including those measures necessary to protect the integrity of, and to ensure the orderly movement of natural persons across its borders, provided that such measures are not applied in such a way as to (strategically) discriminate against the other party which would nullify other parts of the CAI. In essence, Article 6bis limits the freedoms to ‘key personnel’ (senior managers, technicians, business transferees) and it specifies the duration of stay to (up to) 90 days per annum and

3 years for management. Article 6ter establishes transparency rules about investments and key personnel and Article 7 specifies a list of exceptions where the rules in the earlier articles do not apply.

Section III of the CAI addresses requirements on the domestic regulatory framework in its application to foreign investments of the other signatory party. Specifically, it regulates the treatment and procedures of licensing and qualification requirements, the transparency about related rules (information and publication, appeal, and subsidies), and the treatment of financial services by a provider of one of the parties.

Section IV of the CAI is devoted to a tribute to sustainable development. It states that the signatory parties commit to a promotion of investment (only) to an extent that it fosters 'sustainable development' with a mission to improve the welfare not only of present but also of future generations. With this, the treaty text dives into what would be the aforementioned WTO+ objectives, here, ones that are not about investment per se. The issues addressed and mentioned in the CAI range from Corporate Social Responsibility over Environmental Protection to Labor Standards, all issues that now frequently appear also in (new-generation) bilateral trade agreements as notified to the WTO.

Section V regulates the settlement of disputes, including the reliance on arbitration courts and standard institutions of a panel and its composition, as we also know it from the settlements of trade disputes of the WTO and of investment disputes related to bilateral investment treaties (BITs).

Section VI establishes an Investment Committee which will be chaired jointly by the co-chairs of the China-EU High-level Economic and Trade Dialogue (HED). The purpose of this committee is essentially to monitor the implementation and working of the CAI not only in the domain of investment but also in terms of sustainable development – and to ensure regular political cooperation to insure the commitment to it. Two provisions which are relatively deep in view of China's regulatory system are Articles 5 and 6, which impose a freedom of the conversion into and usage of freely convertible currencies and the freedom of capital movements for the investments generally covered by the agreement.

3. Some reception of the CIA

The reception of the CAI in western media and a few policy-oriented communications by academics tends to be generally positive. However, there are some critical remarks on the current treaty text. Essentially, the criticism revolves around five issues:

- a certain degree of asymmetry in relevance of the provisions for current investments of China in the EU versus ones of the EU in China;
- a low degree of novel concessions made and a certain lack of comprehension in terms of the scope of the agreement;
- the uncertainty regarding the enforceability of some of the provisions;
- the potential negative externalities on the political and economic cooperation between the EU and the United States, in particular, regarding their interaction with China;

- the lack of specifications regarding investor-state dispute settlements (as opposed to state-state dispute clauses).

In this section, I will address and put some perspective on all of those one at a time.

3.a Asymmetric consequences for the signatory parties

The state of affairs prior to the agreement coming into force is that the market access for Chinese investors in the EU is relatively more liberal than that of investors from the EU in China. This is, of course not inconsistent with there not being any discrimination in either market, it just means that unilaterally, foreign investments in the EU and in china are regulated to a different degree.

When considering the regulations in the agreement – clearly, except for the ones regarding disputes on the one hand as well as management and key personnel on the other hand – the relative (differential) benefits newly granted to EU investors in China are relatively bigger than ones to Chinese investors in the EU.

However, facilitating investments in China with an increasing trade surplus on China's part seems important in view of balanced payments, as indicated in the introduction.

3.b Low degree of new formal concessions beyond national regulation trends

Some claim that the provisions agreed do not entail fundamental steps beyond what the EU's current and China's future and ongoing domestic liberalization steps are envisaging anyway.

However, with the CAI these regulations are not only national but multilateral law and subject to respective enforcement mechanisms and arbitration. It may be seen an important step forward if economies agree mutually on regulations and institutions, even if those are fully consistent with national regulations. In some sense, this is done a lot with new-era deep trade agreements which contain clauses on environmental, labor, and sustainability standards that some of the signatories already committed to at the national level. But such standards obtain an additional quality – and threat point – when they are formalized in international treaties.

Moreover, earlier work on trade documented that little had changed for the tariff treatment of Chinese products around the country's entering of the WTO, but what was removed was the uncertainty about this treatment (see Handley and Limão 2017). Hence, a formalization of standards may stimulate economic activity by only removing such uncertainty.

3.c Uncertainty regarding the enforceability of some of the provisions

The EU and China already have a high degree of economic interconnectedness in both trade and investments. Such dependence works as a safeguard against political fallout but it also reduces the threat point and the capability of one of the signatory parties of an agreement to push hard to enforce as singular aspect covered by the agreement at the cost of a wide range of other issues and economic interests.

Moreover, the CIA contains a large list of sustainable development and non-investment goals. We will have to see to which extent the two parties will be committed to pursue those goals on the one hand and how they will weigh them relative to the economic interests in case of failing one of them. One should bear in mind that, e.g. Germany managed to meet its greenhouse gas emissions goals only for one reason in 2020: the (unexpected) economic downturn due to the Covid-19 pandemic and the associated economic lockdown measures. The pace at which EU member countries and China alike will manage to cut down on emissions and pollution and to improve the environmental conditions in a feasible way will depend on economic growth and technological progress on average and across the signatory parties.

3.d Potential negative externalities on the political and economic cooperation between the EU and the United States regarding their interaction with China

One worry, mostly expressed by authorities and individuals from the United States (US), appears to be that the political alliance between the EU and the US might suffer from the EU becoming more of an ally with China through the CAI (see Berger and Chi 2021). As mentioned above, one consequence of economic cooperation through trade or investment treaties is that the network interdependence between signatory countries – both politically and economically due to an increase in bilateral business connections – may mitigate an interest in political conflict. Usually, we would view such a development as something positive. Yet, in this case some see it as a problem in pushing their interests through.

However, in the recent past the relationship between the EU and China had been systematically less politically charged than the one between the US and China. The inception of the trade war by former president Trump against China – and the use of protectionist instruments also against other countries, including the EU block – attests to this and also the gradual deterioration of the political alliance between the US and the EU, at least under the Trump presidency.

Overall, the increased political interdependence through a rich bilateral and multi-lateral treaty network has the potential to reduce the incentive to engage in political conflict. One should recall that political scientists view one of the great merits of the EU treaty itself as one to reduce the political conflict potential within Europe.

3.e Missing clauses on the investor-state dispute settlement (ISDS)

The China-EU CIA contains arbitration clauses in case of disputes between states (i.e. between China and the EU at the government level), whereas it omits clauses regarding (private) investor-state dispute settlement (ISDS). While the latter omission has been criticized in the press, it should be noted that neither China nor the EU were probably interested in including them. The reason is that ISDS clauses had come under fire in the recent past. For instance, it is often deemed questionable that private investors can extract what is sometimes deemed to be absurdly high compensation fees – which are sometimes high even relative to individual countries' aggregate GDP. The arbitration and appellation court system is by many not deemed fit to arrive at desirable outcomes, even when judged from an ex ante projection. After all, the ISDS clauses and their potential

bite for the dealings and limitations put by national and subnational authorities in the European Union were one of the reasons why the Transatlantic Trade and Investment Partnership (TTIP) negotiated between the United States and the European Union failed after several negotiation rounds.

3.f Summary

Overall, the critical arguments against the China-EU appear to raise concerns for which counter arguments exist. Some of the criticisms pertain also to other investment-related agreements such as bilateral investment treaties (BITs) or double-taxation treaties (DTTs) or to sustainable-development-goal related concessions included in PTAs. Yet other concerns are rooted in concern regarding the political power play between different actions, but this should not be in the focus of a discussion of economic effects of the CIA.

The most important concern appears to be the one regarding the depth of concessions granted beyond ones that exist or are already planned without the CIA. However, in this regard a key rebuttal is that what the CIA will establish is a higher degree of certainty and accountability so that economic benefits can be expected to emerge from formalizing specific regulations, as was the case also with China's situation when entering the WTO in terms of tariff risks.

4. Which economic consequences do we expect of an investment treaty in general and the CAI in particular?

4.a A glance at trade agreements

Work on 'treaties' in international economics largely focuses on preferential trade agreements (PTAs). Interesting questions asked by earlier research on PTAs are the following:

- The number of PTAs signed increased particularly rapidly since the Uruguay Round – one of the most important multilateral, trade-liberalizing negotiation rounds among the members of the General Agreement on Tariffs and Trade. The question is the following: why, given that the Uruguay Round is deemed to have been quite successful in bringing down tariffs all over the world, do countries consider it necessary to engage to an increasing degree in bilateral, preferential liberalization concessions? **Are PTAs a building block (a precursor) or a stumbling block (an impediment) to further multilateral trade liberalizations through WTO negotiation rounds (see Frankel, Stein, and Wei 1994, 1995; Wei and Frankel 1996; Frankel Jeffrey 1997; Baldwin Richard 2004; 2006)?** Clearly, answering this question is beyond the reach of solid empirical work. However, what is true is that the economic benefits of PTAs in a context with low multilateral tariffs are smaller than in an environment with higher tariffs (Egger and Pfaffermayr 2013).
- **When are the effects of PTAs bigger/biggest?** I mentioned in the introduction that research on PTAs arrived at the insight that the gains from PTAs for trade among as well as real consumption in the member countries (as a measure of what is called consumer welfare) tend to be biggest, where the trade potential (trade in the absence

of policy barriers) is largest and where policy barriers (i.e. the tariffs that can be cut by the agreement) are highest (see Baier and Bergstrand, 2004; Egger and Larch 2008). Trade potential is bigger among two large economies whose natural, non-policy trade costs are low.

- **Trade creation versus trade diversion.** In discussing this issue, I will use the term trade diversion loosely relative to classical trade theory. But what earlier research had documented is that PTAs do not only create trade among member countries in the agreement but they also redirect some of the trade of those countries from non-members towards members (see Soloaga and Alan Winters 2001, in general and on average;; Egger and Pfaffermayr 2013, for the EU). In other words, PTAs distort ‘natural’ trade relations because of positive tariffs outside the PTA and zero tariffs within it. Would all countries charge the same tariffs (zero or not) with every other economy, the ‘landscape’ or geographical pattern of bilateral trade relationships would look different from what it is with the WTO-consistent discrimination through PTAs.

4.b Various forms of preferential economic integration agreements and a broader set of outcomes

Two important considerations in view of the trade results summarized in [Section 4a](#) are the following:

- In a world where economic outcomes are interdependent and jointly determined, is it plausible to think of PTAs as to affect trade (and goods consumption) only?
- In a world where many types of agreements co-exist, are PTAs the only/most important type of agreements for trade? Related to that: Are PTAs the only relevant international agreements for economic outcome?
- How do different bilateral or multilateral agreements interact in co-determining economic outcomes?

Let us look at each of these questions against the backdrop of earlier work.

(i) What are the Most Important Economic Integration Agreements?

There is a host of political collaboration agreements among the countries in this world. We cannot possibly touch on those to the extent that many of them have something else than economic outcomes in their focus, and they care primarily about piece, the environment, labor standards, etc. Among the most important types of agreements with an emphasis on economic outcomes, four stand out:

- preferential trade agreements (PTAs);
- bilateral investment agreements (BITs);
- (typically bilateral) double-tax treaties (DTTs);
- and currency union agreements (CUAs).

Egger and Wamser (2013) and Egger and Tarlea (2020) dub all these types of agreements as forms of what they call Preferential Economic Integration Agreements (PEIAs),

because all of them grant certain economic advantages to a specific single or group of countries. The latter generates a preferential (or discriminatory) treatment between the signatory and the outside countries.

(ii) Effects of Preferential Economic Integration Agreements on Economic Outcome

Obviously PTAs are meant to stimulate trade, and obviously BITs are meant to stimulate investment. Hence, it does not come as a surprise that earlier work on those agreements has mostly considered the consequences for the respective primarily targeted outcomes. Examples for earlier work considering PTA effects on trade are Aitken (1973), Soloaga and Alan Winters (2001), Magee (2003), Baier and Bergstrand (2007, 2009), Egger et al. (2011), or Egger and Tarlea (2020).

The results of that work are that PTAs stimulate trade among members relative to outsiders on average. They do so by creating trade among members on net but also by redirecting some of the trade from nonmembers towards members.

More recent work considers the heterogeneity of PTAs. As is the case with the China-EU CAI regarding investment, most modern PTAs do not only address trade instruments but also other policy areas, which are dubbed WTO+ areas (i.e. ones that go beyond the mandate of the WTO). Such areas are investment policy (so-called investment chapters in PTAs), but, like the CAI under discussion, they include also environmental labor-standard, and other sustainability-development-goal measures.

What earlier work suggests is that the big effects of PTAs are mostly reserved for deep PTAs (see Egger and Nigai 2015; Egger and Tarlea 2020) which cover many more issues and regulate beyond just tariff and nontariff trade-policy issues. One of the agreements that had been found to have had some of the largest trade effects on its members' trade is the European Union (formerly the European Communities) agreement. Very shallow agreements which only offer reciprocal preferential market access for a set of products alone tend to have smaller if not negligible effects on trade.

The second mentioned type of PEIAs are BITs. Their main goal is to stimulate investment by removing certain risks (e.g. ones associated with expropriation) and by establishing transparency (e.g. about the consequences of disagreement and disputes). As with PTAs, it does not come as a surprise that earlier work on those agreements has mostly focused on their consequences for primarily targeted outcome, here investment. Examples for earlier work considering BIT effects on trade are Egger and Pfaffermayr (2004), Egger and Merlo (2007, 2012), Busse, Königer, and Nunnenkamp (2010), Berger et al. (2013). However, a greater stringency of BITs is not necessarily associated with bigger positive effects on investment (see Berger et al. 2011). Moreover, beyond what is the case with PTAs, estimating BIT effects on FDI appears to require controlling for their endogeneity (see Egger and Pfaffermayr 2004; Egger and Merlo 2007, 2012). The results in Egger and Merlo (2007), Bergstrand and Egger (2013) suggest that BITs are most likely formed exactly among those countries where their impact on foreign direct investment (FDI) is expected to be largest from the viewpoint of economic theory. Hence, ignoring their formation according to economic rational runs at risk of not being able to identify their separate effect from those of other fundamentals on FDI.

A third important type of treaties are DTTs and their interest is to avoid the double taxation of foreign-earned income and profits by regulating how foreign tax contributions can be deducted from the domestic tax base. With regard to business, they are meant to remove an obstacle to cross-border business activities, in particular, of multinational firms and, in that sense, to stimulate FDI and other activities of multinational firms. Effects of DTTs have primarily been analyzed regarding FDI and other multinational firm outcomes. Examples of such work include Blonigen and Davies (2004), Egger et al. (2006, 2009). One finding of that work was that DTTs powerfully increase FDI activity and other multinational outcomes, even more consistently than BITs do. Moreover, DTTs are not signed at random but, akin to BITs, in a way that, consistent with economic theory, maximizes multinational activity (see Egger et al. 2006; Egger, Larch, and Pfaffermayr 2007a,b). Hence, guarding against an endogeneity bias of empirical effect estimates is important.

The last relevant form of PEIAs to be mentioned are currency-union agreements (CUAs). Most of the related work is centered around the question how CUAs affect trade flows. Examples of earlier work addressing this issue are Rose (2000), Glick and Rose (2002), and Barro and Tenreyro (2007). However, as pointed out by Persson (2001), one problem is, as with other forms of PEIAs the endogenous entry of countries into CUAs. Another concern is that scrutinizing on the control group is important, as CUAs are only the most extreme form of currency bindings, where weaker forms exist as well (see Reinhart and Rogoff 2004; Egger 2008; Dorn and Egger 2013).

Two important considerations in the context of the China-EU CIA are the following. First, not a single one of the mentioned PEIA forms affects either trade or FDI (or other multinational activity) exclusively (see Egger, Egger, and Greenaway 2008; Egger and Wamser 2013). Trade and investment are intricately linked which shows in the fact that a large portion of trade is controlled by multinational firms, and that much of the trade is in intermediates and even for further processing (see Yu 2015; Dai, Maitra, and Miaojie 2016). Hence, it would be short to think of the China-EU CIA to be relevant for FDI exclusively. In fact, it turns out that primarily investment-targeting PEIAs such as BITs or DTTs may induce even larger effects on trade than on FDI, and their effects on trade may be bigger than ones of PTAs (see Egger and Wamser 2013). Hence, from this perspective the China-EU CIA may induce nontrivially large positive effects not only on investment but also on trade flows.

Second, individual forms of PEIAs vary in their effectiveness when being combined with others. Certain combinations of investment- and trade-targeting PEIAs may induce larger effects than individual forms can have on average (see Egger and Wamser 2013). The latter speaks to the potential importance to accompany the China-EU CIA with other liberalization steps to let it play out its full potential.

5. Conclusions

In December 2020, China and the European Commission as the representative of all European Union member countries agreed on the general terms of a mutual Comprehensive Investment Agreement which they had started to work on as early as 2004. While the current form – published online on the website of the European Commission – will still see some smaller changes and amendments, the treaty has a form which permits commenting on it in a meaningful way.

The purpose of this article was to pursue four goals. First, to give an overview of the structure and fundamental content of the treaty. Second, to provide a summary of its reception in print and online media by journalists and academics. Third, to put it in the broader context of the academic literature on the effects of preferential economic integration agreements which do not only address investment but also trade issues. Fourth and finally, in the light of the latter literature, to form some expectations about the agreement's effects on economic outcome.

We came to the following conclusions:

- among economic outcomes, the treaty mainly focuses on investment, but it regulates and contains conditions on a number of non-economic sustainability and development goals (from environmental protection over labor standards to corporate social responsibility);
- regarding investment, it specifies the terms at which non-state and state actors can enjoy a relatively large degree of freedom – and count on it with the formalization in the treaty – including investment per se but also key personnel involved in it and employed by the parent countries while acting in the host countries;
- a number of critical remarks had been made, but those do not seem to be of bigger material relevance than they were or would be for other treaties that span an economic area of the size of the China-EU CAI;
- earlier research documented that investment treaties can be a powerful tool – by establishing greater certainty – not only for stimulating investment but also trade, but they often reach their highest potential when being embedded in a broader treaty framework which covers other domains such as trade (through preferential trade agreements) and investment (through double-taxation treaties).

In view of those insights, we would hope that China and the European Union continue their political cooperation and find further ways to bridge their economies in a way that facilitates mutual business operations. Such intensified cooperation and reduction of barriers to economic activity would be to the benefit of the citizens – as workers and employees on the one hand and as customers on the other hand.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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