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PREVIEW POLICY REPORT FOR THE 2018 CHINA-EU SUMMIT

Experts set out their positions on political partnership, investment and trade, climate change and new technologies

PREVIEW POLICY REPORT
FOR THE 2018 CHINA-EU SUMMIT

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China and EU join hands for a better global governance

"While the US president implements his geopolitical strategy of 'America First' at any cost, the disconnection between the unilateralism it implies and the objective need of a better global governance for a world of unprecedented interconnectedness appears with ever greater clarity."

DAVID GOSSET
special advisor to China Watch Institute,
founder of the Europe-China Forum

China's think tanks have been given a critical role to play both on the national development strategy and on the country's engagement with the rest of the world. A number of Chinese media outlets have as well stood out to establish think tank platforms, similar to the Intelligence Unit of The Economist magazine in the United Kingdom.

The prestigious China Daily founded in 1981 is one of them. It is a great honor to be a part, as a special advisor, of this process.

Earlier this year, the China Daily Group set up the China Watch Institute. By taking advantage of its core strength as a national flagship of international communication, the institute aims to be a top-notch conduit for timely, informed and thought-provoking research on China-related issues.

While China Daily was established following Deng Xiaoping's "Reform and Opening-up", or China's opening-up 1.0, the China Watch Institute can be seen as a product of an opening-up 2.0, a process largely taking place under Xi Jinping's presidency.

In a very short period of time, this newly-born platform has successfully leveraged its vast experience in sharing the China story with the world, especially to political influencers, opinion and business leaders by using a vast network of China watchers and thinkers across the globe.

Many influential personalities, such as the State Councilor and Foreign Minister Wang Yi, or the former president of the European Commission and prime minister of Italy Romano Prodi, have already contributed to the intellectual life of what is clearly a promising think tank.

The China Watch Institute also took the initiative to publish its first comprehensive policy report. Ahead of the 20th China-EU Summit on July 16 in Beijing, which is held against the backdrop of a rapidly changing global political and economic landscape, the China Watch Institute and the EU-China Research Centre of the College of Europe in Bruges, where President Xi Jinping delivered a speech in 2014, have partnered to invite scholars from China and the European Union to enrich the debate on the EU-China relations.

The two organizations are aware that China and the EU – committed as they are to multilateralism, free trade and global governance – meet at a time when the stakes are high. This year's summit will surely go beyond bilateral issues and delve into the future of global governance and the destiny of the Eurasian continent. These issues deserve wide public attention and open academic debates.

It is in this spirit that they have invited up to 20 writers, including Ambassador Zhang Ming, head of the Chinese Mission to the European Union, to write and put forward policy suggestions. These articles have been published on the website of the China Watch Institute, but also by China Daily and the other media platforms of the group, while the EU-China Research Centre makes them available through its network.

The analyses are also compiled into an EU-China policy report so it showcases the intellectual partnership between the China Watch Institute and the EU-China Research Centre of the College of Europe.

The EU-China relations are obviously an important component of global affairs, they have grown and evolved with the development of the two sides in the past decades, but they face today the challenge to navigate a new world. In 2016, following two major political earthquakes, we have entered indeed a new geopolitical configuration which is for both Brussels and Beijing a call to take more responsibilities.

While the choice made by the British people in favor of Brexit deeply affects the course of the European integration, the election of Donald Trump as the president of the United States of America profoundly modifies the dynamics around the Atlantic.

But Trump is also an American President who triggered in the second year of his mandate an unnecessary trade war across the Pacific adding more uncertainties to a world already highly volatile. To a certain extent, it is opening a crisis in a world of crises.

While the US president implements his geopolitical strategy of “America First” at any cost, the disconnection between the unilateralism it implies and the objective need of a better global governance for a world of unprecedented interconnectedness appears with ever greater clarity.

It is in this context that the European Union and China can opt to oppose American unilateralism with deepened Eurasian synergies. This is fundamentally what should be at the center of the 20th China-EU Summit in Beijing.

Brussels and Beijing have to defend multilateralism so economic growth can be better shared but also for immediate security reasons (the Joint Comprehensive Plan of Action, or the Iran nuclear deal, is still alive despite the unwise US withdrawal) and, in the long term, for the interest of mankind since climate change is a threat for all.

If the EU finds in itself the resources to remain cohesive and politically ambitious, it can seize a double opportunity that the Chinese renaissance offers. It is around "The Belt and Road Initiative", simply the largest international development project of our time, and the vision of "a community of destiny for mankind" that the EU and China can profoundly renew their partnership.

Co-architects of what can be called "New Silk Roads", catalysts for "a community of destiny for mankind" the EU and China will give themselves the means to tackle immediate challenges through the Eurasian continent but also in Africa, and they will contribute to the organization of a world defined by unprecedented interdependence.

New forms of unilateralism, or neo-nationalisms, are the wrong answers to the excess of globalism. The EU and China can contribute to the reinvention of multilateralism so it is at the service of a concrete universalism which strikes the right balance between the interests of the parties and the common good.

The passage of Trump in the White House will be necessarily limited in time but the historical forces conducive to the growing awareness that mankind is linked by a common destiny will shape the many decades to come.

By working together, by choosing to solve the issues through dialogue and negotiation, by their readiness to compromise, the EU and China can demonstrate that they are on the right side of history.

Sino-EU summit to deal with pressing challenges

By ***ZHANG MING***, ambassador extraordinary and plenipotentiary and head of mission of the People's Republic of China to the European Union

The 20th China-EU Summit is scheduled to be held in Beijing in a few days. This year marks the 15th anniversary of the China-EU comprehensive strategic partnership and the 20th anniversary of the China-EU Summit, which in itself is a call for celebration. Another thing that adds a special touch to the summit is the broader global context, marked by rising unilateralism and protectionism as well as the ongoing economic tensions among major forces. With that, all eyes are on China and the European Union to see if they could bring their relations forward and move the world to a steady course.

As head of the Chinese Mission to the EU, I hope that during the summit, China and the EU will consolidate consensus and trust, enhance cooperation, and send a joint message of defending multilateralism, free trade and investment facilitation.

China and the EU view each other from a strategic perspective. For decades, the two sides have been able to, despite differences in political systems and development path, build partnerships for the promotion of peace, growth, reform and cultural exchanges, thus delivering benefits to citizens of both sides, and contributing to the resolution of global challenges. The upcoming summit is expected to reaffirm the shared commitment of the two sides to mutual respect and mutual benefit, to add greater strategic and global sense to bilateral relations, and to inject more certainty into this world of uncertainties.

China and the EU work to advance cooperation in a win-win spirit. Economic and trade cooperation acts as an anchor that underpins China-EU relations. Such cooperation stands to benefit from China's determined efforts to promote reform and opening-up, which will lead to broader market access and a better business climate. China and the EU are committed to forge greater synergy between the Belt and Road Initiative and European development strategies and to advance the bilateral investment treaty talks. During the summit, the two sides will take stock of what has been achieved, chart the future course and seek to identify new areas of cooperation.

China and the EU take a clear stance for multilateralism. As two responsible players for stability, China and the EU have shared views and interests on multilateralism. Both sides maintain that it is imperative to reject unilateralism and protectionism, uphold the WTO-centered and rules-based multilateral trading system, and make economic globalization more open, inclusive, balanced and beneficial to all. It is also crucial to keep the multilateral trading system abreast with the times through reform, and improve the global economic governance system. The summit will send positive signals in this regard.

Admittedly, China and the EU do not see eye-to-eye on every issue. Yet, the two sides could expand common ground and manage differences through candid discussions, and focus on the future prospects and shared responsibilities. This is the right way to go and is what the international community expects of us.

The summit will provide political guidance for China and the EU to strengthen cooperation and tackle global challenges. I look forward to the success of the summit.

China and the EU should build on strategic partnership

When talking about the China-EU strategic partnership, we may think of their common interests in maintaining global peace and stability, in realizing sustainable development goals and in tacking challenges in climate change, and that they regard each other as an indispensable player in global governance. Particularly now, China and the EU need to work together to protect the World Trade Organization, the rule-based multilateral organization which may be killed off by the Trump administration. The EU and China are both crucial players in international affairs and their collaboration not only fulfils their own interests but also benefits the international community.

The label of "strategic partnership" is, nevertheless, questioned by some analysts as who see it as "elusive". The China-EU comprehensive strategic partnership dates back to 2003, when bilateral relations were at their historical best. Some observers believe that Brussels and Beijing were in a honeymoon period around that time. However, a honeymoon is always short and when it is over, one needs to get back to reality. As a matter of fact, the nature of the China-EU partnership has been complicated, particularly in recent

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years, and coopetition has become the "new normal" (using the Chinese term) of the bilateral relationship.

The fact that China and the EU are so different – from political systems to economic development models, from history to culture – often results in differences in policymaking and difficulties in mutual understanding. Since 2016, which marked the publication of the EU policy toward China, “Elements for a new EU strategy on China”, the EU’s engagement with China has become “principled, practical and pragmatic, staying true to its interests and values”. In other words, we could say that in the past, the EU attached more importance to the issue of norms and values and made more compromises with China in the field of economics and trade which had a strategic importance to the EU’s growth and employment. Now, the EU has integrated values into its economy and trade policies and is prepared to compete with China by adopting new rules against what is deemed unfair trade practices and setting up a framework for screening foreign direct investments to protect its own interests.

Yet, if one wants to deny the strategic partnership between the two sides, it is not true, either. It is fair to say that in the three pillars of China-EU institutional arrangements, the first is political dialogue, and the third, people-to-people exchanges, are indeed less comprehensively developed. In comparison, the second pillar, which contributes to the economic and trade partnership, is extensively and intensively constructed, which reflects the closely interdependent relationship between China and the EU. There is no doubt that the economic and trade relationship serves as the cornerstone of the partnership. Currently, the EU is China’s largest trading partner and China the second largest trading partner of the EU. Their trade volume exceeds 1 billion euros per day. They are so closely related that both sides understand the importance of maintaining a mutually beneficial relationship. In that sense, China and the EU are strategic partners. In a nutshell, China and the EU have different levels of partnership, in which the economic and trade relationship has a strategic nature, but the partnership in other fields is shallow.

Bringing China and the EU closer and strengthening their strategic partnership is not an easy matter. In past 15 years they have had a strategic partnership, more than 60 dialogues at different levels and covering a wide range of issues have been set up. Despite regular exchanges and meetings between the two sides, the bilateral relationship has not become closer. On the contrary, in recent years, competition in economics and trade is getting more intense. China's rise challenges Francis Fukuyama's "end of history" and obliges the Western world in general to reconsider the credibility of a global liberal order. Against this background of international structural changes, China and the EU are in a period of readjustment. For Europeans, China's rise poses a formidable challenge and will take time for the EU to understand its impact and find solutions.

The good news is that both sides understand the importance of cooperation in each other's domestic and external affairs. China cannot fully realize its development objectives without the support of the EU, and vice versa. Therefore, despite differences and difficulties, they need to work together.

First, they need to strengthen their dialogue mechanism, which should not only emphasize the extensity of topics but also pay attention to the quality of the dialogue and provide evaluation of the dialogue. Second, both sides should train more experts on China-EU relations, who not only understand the languages, but also the local culture, history, political and social environment, and who can effectively facilitate bilateral exchanges and communication. Third, more initiatives should be taken to enhance contacts at the grassroots level so as to noticeably expand people-to-people dialogue across all social groups. Fourth, the European Parliament and the Chinese National People's Congress should play a bigger role in organizing seminars, workshops and events to increase direct communication and exchanges. Furthermore, since the EU regards the US and China as the two most important players in the world, the European Parliament should consider setting up an office in Beijing, as it has done in Washington.

China, EU need greater cohesion against trade challenges

By ***KERRY BROWN***, professor of Chinese studies and director of the Lau China Institute at King's College

He directed the Europe China Research and Advice Network (ECRAN) giving policy advice to the European External Action Service between 2011 and 2014. He is the author of over ten books on modern Chinese politics, history and language.

There was a time in the earlier part of this decade when the possibility of a global trio of the United States, China and the European Union looked like it might be the ultimate geopolitical club – a G3, as it were. Even at the height of this speculation, however, there were issues over misalignments and imbalances between the three potential partners. While the US and China seemed to be more alike because they were sovereign nations, and the EU a gathering of 28 countries, it was always as though China was perpetually facing two parties that were so close in interests they might have been one. The US and the EU were close diplomatic partners, able to find plenty of common ground on seeking greater market access and trade facilitation with China. They often worked in concert, even if they were sometimes competitors to the commercial opportunities that China offered. On security, too, the EU and the US largely spoke form the same script. Their main difference was one of capacity. The EU was called a soft superpower, not a hard power player. In the Asian region, it was the US navy that played the biggest role, with the EU giving moral support and little else.

Under the maverick leadership of US President Donald Trump, that balance has been tipped upside down. The usual contours of international trade relations and commitment to the agreements underpinning them have been questioned, and in some places even looks like they are close to being jettisoned. Trump announced large tariffs against a raft of Chinese goods in June. But at the same time, he also threatened similar moves against the EU. In one swift movement, the EU and China were brought closer together in a wholly unexpected way. It is hard to believe, but they are now allies against a US which once led the world in liberal free trade support, but is now becoming more protectionist and unreliable by the day.

China and the EU will have the opportunity to work out the implications of these changes at their 20th annual high level summit in July. There are some areas where the EU might be supportive of US pressure on China. Like with the US, the EU collectively runs a large trade deficit with China. Like the US, it wants improved market access. And it is also undergoing a difficult internal discussion about where, and how best, to engage with Chinese outward investment.

What is hard to factor in all of this is that despite the common ground, officials at the highest level in the EU have been as taken aback as anyone else by the ferocity of the Trump onslaught on a partner that was once an unquestioned ally. Things are only likely to get tenser when Trump attends the NATO summit in July. There, he is expected to continue his complaints about how the US can no longer foot the security bill for other countries and needs more of a contribution.

While the EU and China can personalize what is happening at the moment and attribute it all to Trump, the underlying causes of the current turbulence are easy to set out: the US is running unsustainable levels of debt. It cannot continue to accrue such vast debts, and the Trump surge is an attempt to address this. Because of the importance of the US economy to the rest of the world, the EU and China need to work out a way of addressing the current issues. They now have a joint cause which, while difficult and unexpected, might ironically bring them closer than ever before.

First, the EU and China are now the most important supporters of free trade. They need to work out how they can support the current global system of rules and norms which the US seems to be out to undermine and destabilize. Brussels and Beijing have a vested interest in ensuring that damage is minimized, and that a constructive, viable response is given to the questions Washington is raising. There needs to be consideration of further liberalization of the Chinese economy for outside investors and partners. Trump has threatened to withdraw from the World Trade Organization. Pre-emptive responses to this need to be considered. The Europeans and Chinese will need to have a deeper strategic discussion than ever before.

While the Chinese have already had to think urgently about how to mitigate the impact of US tariffs and deal with a potential escalation toward a trade war between the world's two largest economies, the EU remains distracted by its own internal issues. There is a real risk that these will consume its energy and mean that a major moment which, while full of challenges, also shows real potential to make the EU more cohesive and meaningful than ever before, will pass by. Brexit is one of a raft of issues, though probably less important than the other – the skepticism of populist governments in Italy toward deeper EU financial integration, and the ongoing turmoil in Germany and other places over immigration and the best political and social response.

Europe has never had such a fragmented leadership in recent times. Only Emmanuel Macron of France looks relatively secure, and even he is faced with immense problems of domestic reform. Germany's Angela Merkel has been greatly weakened by a poor election result last year, and ongoing criticism of her stance on migration this year. The UK is due to leave the EU in March 2019, but its posture becomes increasingly diluted as it becomes clear that a complete break from the EU market would be economic suicide. With all these issues, trying to think of a longer term response to the US trade moves and some new framework of how to work with China seem a low priority item.

This is a mistake. The EU is now in a position where it can legitimately demonstrate some coherence against a US president who is posing questions and creating issues as never before, and demanding new ideas from those who were originally its closest allies. Europe has lived since World War II within a world where the US was unquestioned and a stable, constant part of its world view. It is clear that that world is now changing.

As never before, the EU has to start thinking of what a more standalone economic and geopolitical identity might be. This is something it is no doubt unwilling to do, and did not ever want to do. But like it or not, this is what is happening as Trump's America moves increasingly into a protectionist, isolationist mode. Discussions with China are where this new EU autonomy will come to the fore quickest. At the China-EU summit, we will either see the emergence of this, or desire to maintain a status quo which is no longer there to defend. That is the stark choice facing EU leaders when they meet their Chinese counterparts in July.

The significance and future prospects of the EU and '16+1'

By ***IVONA LADJEVAC***, head of Regional Center "Belt and Road", Institute of International Politics and Economics in Belgrade, Serbia

Her research interests include international relations, China, the Belt and Road initiative, the '16+1' cooperation and Far East security issues.

Many people asked to describe relations between the EU and China would easily jump to a conclusion describing them as animosity.

Indeed, it seems that EU officials compete among themselves labeling China as an almost predator state seeking to conquer European continent using the ancient Roman logic of *divide et impera* policy. Accusations are closely connected with the time when China proposed the 16+1 mechanism of cooperation with Central and Eastern European countries. Neglecting the fact that those countries were, in case of EU member states, considered as a second grade members; or, in case of those seeking EU membership, left to endlessly knock on the EU's door, "Old Europe" was predominantly self-centered, unwilling to change its perspective wider including sense of "the other(s)" as an equal partner, and fairness and justice as a *modus operandi*.

At the same time, in spite of ambiguous reflections about China, the EU couldn't ignore that China's indisputable growing influence on the global scale arose from tremendous and steady domestic development. In a world of rising uncertainty and complexity, in the world of, more or less, perpetual crisis, China and its strong leadership represent an example of success in international relations that can't be ignored and deserves full attention.

Considering all internal and external challenges that the EU is facing now, the existing mechanism of 16+1 could be seen as an advantage in relations with China.

Firstly, new types of cooperation, and win-win cooperation should be the basic element of future cooperation. All doubts and reservations must be removed; this type of cooperation doesn't include any behind-the-scenes talks. Discussions about all issues of mutual interest must be held in an atmosphere of trust while discussion concepts should be created by experts from both sides. Their expertise should be innovative and reform oriented since "reform and innovation are the fundamental driving force of human progress while those who reject them will be left behind and assigned to the dustbin of history".

China's framework of thinking and vision is that a desirable model of cooperation between countries should be based on openness that guarantees progress and development for entire mankind.

This framework of cooperation must therefore uphold the five principles of peaceful coexistence, respect the social system and development path independently chosen by each country, respect each other's core interests and major concerns, and follow a new approach to state-to-state relations featuring dialogue rather than confrontation, and partnerships instead of alliances. In that respect, refraining from seeking dominance and rejecting a zero-sum game is also crucial.

Because improving living standards of ordinary people is vital, economic cooperation is of crucial importance by managing differences and working together to secure stable development.

Promotion of dialogue and shared responsibility are the key to an integrative approach that will realize win-win cooperation.

Focus on services trade in Sino-European cooperation

By ***CHI FULIN***, president of the China Institute for Reform and Development

He has served as a member of the National Experts Committee for Programming Economic and Social Development in the 13th Five-year Plan Period, been appointed vice chairman of the Expert Committee for Market Supervision of the State Administration for Industry and Commerce.

Against the background of increasing trade protectionism, populism and unilateralism, China and the European Union are facing the major task of strengthening economic and trade cooperation, safeguarding the multilateral trade system, and responding to the trend of deglobalization.

The rapid development of service trade has become a prominent feature of economic globalization. At present, the GDP of China and the EU (27 countries) accounts for 36.6 percent of the world's total, and trade volume accounts for 44.1 percent of the world's total. Focusing on services trade to deepen Sino-European economic and trade cooperation will have a major impact on China's economic restructuring and upgrading, as well as on the economic recovery of the EU and economic globalization.

1. Services trade is key to deepening China-EU economic and trade cooperation.

On the one hand, the complementarity of the Chinese and European economies is mainly reflected in bilateral services trade. For example, the EU has unique advantages in the fields of information technology, smart manufacturing, life sciences, energy and environmental technologies, health services, tourism and education, for which there is huge demand in China. In the future, with the acceleration of China's economic transformation and the changes in the EU's internal and external environment, this complementarity will be significantly enhanced.

On the other hand, Sino-European services trade will release tremendous potential. It is estimated that by 2020, the total size of China's consumer market will reach 50 trillion yuan (6.6 trillion euros), of which services-based consumption will account for about 50 percent.

China's consumption growth from 2016 to 2021 is expected to be equivalent to the size of the UK consumption market in 2021. If a major breakthrough is made in the liberalization and facilitation of China-EU services trade, the EU will be the first to enter China's services trade market with 1.3 billion consumers, thus realizing the potential of China's economic transformation and the EU's economic development and employment.

2. Promote the liberalization and facilitation of investment and trade between China and the EU with a focus on services trade.

Deepening Sino-European service trade cooperation depends on further enhancing the institutional arrangements for liberalization and facilitation of trade and investment in the services industries of both sides, and to benefit China-Europe economic and trade relations.

However, the talks between China and the EU only focus on a bilateral investment treaty and not a free trade agreement, which leads to great difficulty and limited results. The disagreements between China and the EU such as the openness of services trade that are encountered in the BIT negotiations need to be resolved within the framework of the FTA.

To this end, it is recommended that the China-EU investment treaty negotiations and services trade treaty negotiations be combined as soon as possible to achieve an overall breakthrough of investment and trade in the services sector. The key lies in that China needs to open up the services industry market to the EU, and the EU needs to liberalize services export markets to China, such as reducing and eliminating hidden technical trade barriers and lifting restrictions on high-tech exports except those related to national security.

In general, if the level of China-EU trade liberalization and facilitation is significantly improved, the proportion of China-Europe services trade to China's total services market is expected to increase to more than 20 percent, which means that the services trade between China and Europe will reach 177 billion euros, 2.6 times the current volume.

Delivering the keynote speech at the opening of the Boao Forum for Asia annual conference in April, Chinese President Xi Jinping proposed to relax market access for the services industry, create a more attractive investment environment, strengthen intellectual property protection, and take the initiative to expand imports. And relevant policies have been successively implemented.

In the next few years, while China further expands its services market, it needs the EU to take pragmatic action to open the market, especially relaxing restrictions on services export to China, such as reducing and eliminating hidden technical trade barriers, and lifting restrictions on high-tech exports except those related to national security.

3. Promote China-EU service trade cooperation under the framework of the Belt and Road Initiative.

With the basic mission of promoting free trade, the initiative, focusing on capacity cooperation and service trade and supported by infrastructure construction, has become a new platform to oppose trade protectionism and build an open world economy. For China and Europe, the Belt and Road Initiative not only provides significant opportunities for deepening cooperation, but also creates opportunities for potential third-party markets.

Most of the countries linked to the initiative are developing countries and their demand for services trade such as financial insurance, information, communication and environmental protection will increase while accelerating capacity cooperation.

To this end, on the basis of promoting cooperation between the initiative and European development strategies, China with the advantage in production capacity and the EU in the services industry will jointly promote capacity cooperation and the integration of services trade and develop third-party markets for mutual benefit.

China-EU trade policy: solving fundamental dilemma

By ***JACQUES PELKMANS***, visiting professor at European Economic Studies Department, College of Europe

His research interests include international trade policy, liberalization and regulation of network industries in the EU single market, and mutual recognition.

The European Union and China have to overcome a fundamental dilemma in their bilateral and multilateral trade relations. If successful, it would greatly deepen and intensify trade in goods and services between two of the three biggest traders in the world, whilst stabilizing and better codifying the WTO and its rules.

One can (rightly) argue that China has been restrictive and interventionist all along, yet also provided – once a WTO partner – selective but often good profit opportunities to EU companies. On the EU import side of goods, EU consumers (and especially poor consumers) have benefited from low-priced mass-consumption goods such as textiles and clothing, sport shoes and equipment, toys and light domestic appliances. However, the current combination of China's restrictive trade policies (both goods and services), severe FDI restrictiveness (more restrictive than any other of the BRICS and of other G-20 countries) and the massive new industrial strategy made in China 2025, has tested the patience of EU trade policy makers as well as European business for quite a while. Whereas the US has assumed a confrontational approach, and even a unilateral waging of a tariff war, the EU continues to seek a cooperative approach, rejecting unilateralism, as it has always done. Nevertheless, for the EU, the point has been reached when piecemeal bilateral trade diplomacy is likely to be superseded by intense cooperation on the fundamentals.

What is this fundamental dilemma for China and the EU? On the one hand, today, the EU is confronted – as is China and a number of other WTO partners – with an aggressive and unilateral trade policy by the US. China and the EU have been crystal-clear in their positioning: both stand for a WTO-rules based approach, and within that setting, attempts to solve problems bilaterally, with due respect to what can and cannot be done under WTO rules bilaterally. Both (rightly) reject the (old) unilateral US laws giving the US administration the excuses to act as it now does. The "justification" of a threat to US national security (art. XXI, GATT) is not credible and also a most dubious attempt to look "multilateral". It is neither credible, eg for steel given the miniscule importance of imported steel for US defense, nor because the closest US allies for many decades are hit by it (such as Canada, the EU, South Korea and Japan). It is dubious because it forces the WTO to eventually assess the national security threat of one of its members, which – by its very nature – can only be done by that country itself. Hu Weinian and I have pleaded strongly for joint China-EU trade policy leadership already in the early spring of 2017. This is not only the responsibility of big traders in the WTO, it is also expected by many smaller trading nations which would like to join a credible alliance to protect the rule-based system and – better still – act in unison against this major violation of WTO rules by a trading partner much bigger than they are. Acting in unison means that the alliance, led by China and the EU, would no longer accept the bilateral tactics of the US, in other words, the EU would be concerned by new US tariff threats to China – or for that matter Canada and other ones – and not only to itself, and China would fiercely object to threats of new tariffs not only to China but to other partners as well.

One "must" is to file a case in the WTO (which has been done) and make it a single joint case from the alliance. Interim negotiations with the US should not be done solely bilaterally but coordinated by such an alliance. The leadership approach suggested here is indispensable because the WTO has no "directorium" which can act promptly in case of such gross violations, for the period until the WTO case has run its course legally. Such a “directorium” significantly raises the “price” the US pays when taking such unilateral, irresponsible actions. Acting in unison would largely pre-empt the temptation to go “bilateral” for the US.

On the other hand, the EU has long had a fundamental problem with how China operates under the WTO since 2001. The EU was an advocate of China coming into the WTO at the time and has actively attempted to “mellow” the US opposition for years. In 2018, one may summarize the EU position as a combination of two features: China has broadly stuck to WTO obligations where these are clearly formulated (except for public procurement), yet, barely adjusted to the obligations which reflect the spirit of the WTO as governing trade between market economies. The WTO, and the underlying GATT rules, are sometimes drafted in general, or open-ended, wording, without much of a problem for partners, until a “socialist market economy with Chinese characteristics” in fact challenges the rules or their interpretation on a “systemic” basis.

The EU has published a fundamental policy report in December 2017 on the “systemic” problem of having a “socialist market economy with Chinese characteristics” in the WTO. This report is also a product of many years of attempting to address these issues on a piecemeal and cooperative basis with China, not to much avail. This long report (466 pages) shows abundantly clearly that China has not reformed in the spirit of the WTO (despite promises and the 60 reform proposals in November 2013 by the Party).

The solution is easy on paper but possibly much less easy in actual practice. Once China would implement the November 2013 reforms – reforms that are formulated by China itself – fully and in earnest, much of this systemic problem would melt away and China could position itself to further sharpen the WTO rules together with the EU and a WTO alliance.

China-EU summit & global trade: averting zero-sum conflicts

By ***FRANÇOIS GODEMENT***, director of the Asia program of the European Council on Foreign Relations

A long-time professor at France's National Institute of Oriental Languages and Civilizations and Sciences Po, he created the Asia Centre at the Paris-based Institut Français des Relations Internationales in 2005, as an independent centre for research on Asian issues as they intersect global debates.

Clouds are building on the international trade front, with a major turn in US policy. President Donald Trump has decided to come to grips with his country's large trade imbalance, with what he terms as unfair advantage for others under the present global trading system. And he is doing this with unconventional means. The ability to impose tariffs by invoking national security was always a possibility – it was in fact a US requirement to keep this legal option in the transition from the GATT to the WTO 23 years ago. But invoking it on issues such as steel, aluminium or the auto industry is at best dubious. Even if the US membership in the WTO is not in question at this point, holding up the nomination process to the appellate body of the organization could paralyze one of its most worthy functions – the arbitration of trade conflicts.

The European Union is committed to international rules and arbitration because it is the very foundation of our prosperity, and because the capacity to avoid conflict and favor integration among nation states, including the member states of the EU, relies precisely on rule of law and binding arbitration.

The process chosen by the United States therefore leads to recourses by the European Union with the WTO and to trade countermeasures. China is taking a somewhat similar approach. The State Council has published a white paper that proclaims China's commitment to the WTO and its rules. China's entry into the WTO is in fact the single most beneficial international development for China over the past 17 years. Within that timespan, China's economy has also become much more dependent on foreign trade, even though some EU member states rely even more on foreign trade for their growth. A chain reaction from supertariffs to countermeasures, safeguard actions and the unravelling of global value chains would likely turn back globalization and result in the formation of separate trading blocs. Some might welcome that in the name of self-sufficiency or domestic based economies. But the certain and immediate consequence would be a lower growth rate for all, and possibly a major depression – the experience of the 1930s is still relevant to the case.

It is therefore desirable that China and the European Union find common ground at the coming China-EU summit in defense of multilateral agreements and rules. And it is likely that each party is making its own efforts with the United States to avoid what is sometimes called a trade war. More surely, there is a risk of a breakdown for the international trading system leading to the rebirth of trading blocs.

Unfortunately, having a new problem does not automatically bring a solution to older problems. Europe still finds itself frustrated by the lack of resolution or forward movement on several issues with China. A European expert is duty bound to point out some of these outstanding issues. Yes, China has considerably restrained its criticism of the European Union in recent months, and is helping to create a positive atmosphere, which is welcome. It has been talking of advancing towards a bilateral investment agreement. It has pointed out some announcements made in 2018 regarding coming changes in economic policy – lowering barriers for auto imports, easing financial restrictions for foreign investors in some sectors, undertaking to join the international public procurement agreement. Most strikingly, it has agreed very recently with the European Commission to discuss the issue of reforming the WTO. One hears mentions of a possible joint action plan on climate issues – something which could not happen at last year's summit. Were China to cooperate more directly on other global issues – one thinks about the plight of migrants and refugees, of cooperation on sustainable development in Africa, of bridging the gap on human rights by coming closer to a common definition – this would amount to a major shift. It would also signify that when faced with unilateral action by the world's top power, China does not want to rely solely on its big power status, but seeks compromise and increases its commitment to multilateral action.

We are still short of that, however. Recent trade openings by China were made in response to mounting threats from the United States. The experience of the past few years in China-EU relations is that a number of statements do not come to fruition. The investment treaty, for instance, has languished for many years. So the first benchmark for success for the next China-EU summit is really about the deliverables resulting from past undertakings or commitments. The credibility gap must be closed.

Even more fundamentally, the EU has requests for changes to China's way of doing business that are not very different from the complaints heard in the United States. One should always reiterate to Chinese friends and partners that this does not result from a misplaced ambition to "change China" from the outside. Rather, it results from the change of scale of the Chinese economy and from its increased projection abroad.

China entered the WTO as a developing economy, with accordingly favourable rules. The WTO itself has been focusing on trade in goods, and has far fewer provisions for an era when services, the digital sector, financial globalization dominate international exchanges.

Today, the EU is questioning the role that the Chinese state financing system plays through subsidies to Chinese firms – SOEs or private ones. It questions the international consequences of domestic overcapacity, about which not much progress has been registered so far. It questions the comprehensive acquisition plans abroad for cutting-edge technologies, including in sectors with strategic or critical consequences.

As we write, the EU is finalizing a set of measures designed to screen foreign investment that will answer some of these issues, without discouraging broader investment into our market economies.

This is a tall agenda, admittedly. China now has national champions in many key sectors of the economy. It would suffer from a "trade war", but can still choose to tough it out. What the European Union is offering is a gradual path to smooth out the complaints that have mushroomed in part because of China's very success, in part because China operates on rules that differ widely from the other poles of the international economy – from the EU and US to Japan and India. Europeans have been bruised by the absence of dialogue or lack of implementation in many of these areas. Dealing with the root causes of trade conflicts is the best way to avert or limit the risk of "trade wars".

Investment agreement will be in focus at summit

By ***CHRISTOPHER BOVIS***, professor of International and European business at the University of Hull

He is an international leading authority in public procurement and public-private partnerships. He specializes in all areas of European Business Law, anti-trust law and policy, with particular emphasis on public sector management.

The China-EU 2020 Strategic Agenda for Cooperation was adopted in 2016 with a trade agenda focusing on improving market access, promoting reciprocity, ensuring a level playing field, establishing fair competition across all areas of co-operation, dealing with overcapacity and engaging at a multilateral level. Ambitious economic reforms enacted in China have prioritized opening up China's economy to foreign investors to boost innovation and competitiveness by attracting more advanced industries and services. The current legal and regulatory framework between China and the EU comprises 25 bilateral investment treaties, or BITs.

China is the EU's biggest source of imports and also one of the EU's fastest growing export markets, with the EU now China's biggest source of imports. China and Europe trade well over 1 billion euros a day. EU imports from China are dominated by industrial and consumer goods with bilateral trade in services amounting to just a tenth of total trade in goods. Of the EU's exports to China, only 20 percent are of services. Investment flows show great untapped potential, especially considering the size of the two economies. China accounts for less than 3 percent of overall EU foreign direct investment whereas Chinese investments in Europe are rising, but from an even lower base. The EU currently has a trade deficit with China.

An Investment Agreement is pivotal to the China-EU 2020 Strategic Agenda for Cooperation. Negotiations started in 2013 and cover joint overall objectives in relation to future China-EU investment relations. The EU's objectives translate into improving the protection and treatment of EU investments in China; reducing barriers to investing in China and increasing bilateral FDI flows.

The EU feels that investors need better market access and an environment which is non-discriminatory for investments before and after establishment, ensuring a level playing field to remedy any advantages enjoyed by Chinese State-owned enterprises and ascertaining the right of the parties to take measures necessary to achieve legitimate public policy objectives (including environmental, social, labor and corporate social responsibility objectives) on the basis of the level of protection that they deem appropriate, provided that such measures are not discriminatory or restrictive.

In particular, the EU has requested increased certainty and legitimate expectations on screening and assessment controls of European investment into China that are beyond national security requirements. The EU has also stressed the need for the highest possible level of uniform standards of legal protection, including the protection of intellectual property rights for European investors in China moving away from existing BITs which provide for different levels of investor protection and allowing for swift dispute resolution systems such as arbitration.

China’s objectives cover the need to improve the legal certainty of Chinese investors in the EU, with intra-corporate transferees and business visitors as well as their family members enjoying access to visas and granting of work permits, and to preserve its current access to the EU. China's key interests focus upon a uniform European treatment and protection for its investors, particularly clarity for control of FDI inflows on the basis of national security or industrial policy requirements and maintaining the already good access to the European markets since the EU has established a high degree of openness for foreign direct investments.

Investment treaty options

The EU and China can establish an investment protection agreement replacing the 25 existing BITs and achieving the improvement of the level of protection of EU investments in China and of legal certainty. An investment protection agreement could also address some issues not sufficiently addressed under existing BITs such as the non-lowering of standards, CSR environmental, social and labor standards as well as on fundamental rights and on the right of States to regulate in order to pursue legitimate policy objectives or the role of State-owned enterprises. However, the investment protection agreement could not address market access barriers to establishment and would not be expected to have an effect on actual FDI flows.

An investment protection agreement is preferable to China during negotiations since it has declared its main interest to be investment protection. As such, a negotiation of a pure investment protection agreement would be less complicated than the scenarios involving market access. However, the EU's main concern relates to the establishment of a level playing field regarding investment access and treatment in China which such an investment protection agreement would not address.

Alternatively, China and the EU can establish a combined agreement for market access and investment protection which can address the main problems of the current China-EU investment relationship.

A combined agreement for market access and protection would achieve the same results as an investor protection agreement with regard to increased legal certainty under investment protection and address the current imbalance regarding openness to FDI in China, even though a cautiously realistic approach needs to be maintained in relation to expected concessions on market access for certain sectors.

Under a combined agreement for market access and investor protection, China and the EU would stand to gain as regards economic growth, competitiveness, productivity and employment, without affecting the right of States to regulate to pursue legitimate policy objectives in areas such as the environment, employment, social rules and human rights.

Conclusions

Progress among the parties in agreeing the main institutional framework for FDI is expected during the Beijing Sino-EU Annual Summit in July 2018. A comprehensive China-EU investment agreement will benefit both the EU and China by ensuring open markets and access to investment in both directions and providing a simpler, secure and predictable legal framework to investors.

The EU would prefer to pursue an investment agreement seeking to combine both investor protection with market access elements. China's preference has been a pure investment protection agreement to replace the current BTIs. However, China has agreed that at the forthcoming Sino-EU Summit, it would be willing to pursue negotiations covering all issues of protection and market access.

The RMB is stuck mid-river: Can Europe help?

By ***MIGUEL OTERO-IGLESIAS***, senior analyst at the Elcano Royal Institute and professor at the IE School of International Relations in Madrid

His main areas of expertise are: international and European monetary affairs, the international financial architecture, global economic governance, the rise of the BRICS, the power triangle between the US, the EU and China and theories of money.

A well-known Chinese proverb suggests that one should cross a river by feeling the stones. Thus, it can be said that the Chinese government progressed fairly quickly in internationalizing the renminbi between 2010 and 2015 near the shore, but once they ventured into deeper and choppier waters (the stock market turbulence of 2015) they realized their foreign exchange reserves were swiftly haemorrhaging and decided to go back to a more active intervention in foreign exchange markets and to tighter capital controls. This has slowed down the internationalization process. The question now is whether the Chinese government will give up and withdraw or forge ahead. If they choose the latter, another question is whether Europe can help in their journey.

Since the Chinese government started in earnest to develop a strategy toward the RMB's internationalization in 2009, the currency's foreign usage has increased, with a steady rise from 2010 to 2013 and a substantial acceleration between 2013 and 2015. That year, the RMB was included in the Special Drawing Rights basket of the International Monetary Fund (which became effective in 2016), a milestone for policymakers in Beijing, especially at the People's Bank of China (PBOC), the central bank. However, since the stock market turbulence of 2015 and the depreciation of the RMB it provoked, the Chinese currency's internationalization has either stagnated or even declined.

China's cross-border trade settled in RMB, for instance, rose from over 500 billion yuan in 2012 to 2 trillion yuan in 2015 (its peak) to fall back to around 1 trillion yuan in the spring of 2018. In percentage terms, this means that only 15 percent of Chinese trade is settled in RMB, and usually this includes trade with the Hong Kong special administrative region. Furthermore, the latest data provided by SWIFT for international payments show that the share of payments in RMB has shrunk from 1.6 percent in December 2015 to 0.98 percent in December 2017. This is far removed from the US dollar's 41 percent, the euro's 39 percent, sterling's 4 percent and the yen's 3.5 percent. As a matter of fact, the RMB is in eighth position, after the Canadian dollar, the Swiss franc and the Australian dollar.

But not all is bad news. Corporate and sovereign bonds denominated in RMB have overcome the dip recorded in 2015-16 and are now at record numbers. Of course, China and the RMB have great potential here. Currently, the participation of foreign investors in the Chinese domestic bond market is only 2 percent, compared with 60 percent in Mexico and 35 percent in Brazil. This might change with the opening up of the China Interbank Bond Market (CIBM). Until then, however, it will be difficult for the RMB to become a global reserve currency. As IMF data show, the RMB is far removed from the other currencies that compose the SDRs, accounting for only 1 percent of allocated world reserves, while the US dollar is at 63 percent, the euro at 20 percent and both the yen and sterling at 5 percent.

The stagnation in the rise of the RMB was a consequence of the stock market turbulence in 2015, but one cannot understand the situation without looking at the foreign exchange value of the Chinese currency. During 2013 and 2014, the US dollar appreciated considerably. At the same time, due to the managed floating exchange rate regime of the RMB, its value remained relatively stable vis-à-vis the US currency. This meant that the Chinese currency appreciated considerably with respect to other currencies, especially the euro. In this period the RMB appreciated a whopping 25 percent against the European currency, which was a big blow for China's export competitiveness in its second most important market.

Hence, the Chinese authorities applied three strategies necessary to avoid further instability but all detrimental for the internationalization of the Chinese currency. First of all, they had to use their massive foreign exchange reserves to keep the value of the RMB stable. This came at a cost. Chinese foreign reserves declined from $4 trillion in June 2014 to $3 trillion in January 2017. Furthermore, since the foreign exchange intervention was not effective, the Chinese authorities had to use more drastic measures to halt the hemorrhage. This they did in the form of tighter capital controls and a more intervened exchange rate regime. In our metaphor, this is the moment when Chinese policymakers, in their journey across the river of internationalization, realized that they could not see the next stone, and quickly drew back.

So now that the RMB is stuck in mid-river, there are three possible ways forward for the Chinese currency:

(1) China can give up on RMB internationalization and step back.

(2) It can liberalize its exchange rate system, thus opening up the capital account.

(3) Keeping its domestic market relatively State-managed and on the basis of its Belt and Road Initiative, China can start to actively promote the RMB for most transactions.

From a European perspective, it would be ideal if China chose the second option and here the EU could offer a lot of expertise and knowhow on how to achieve it given its past successes (but also mistakes to be avoided) in market liberalization.

However, the most likely outcome is that China will go for the third option.

Even so Europe needs to engage. Financial centers such as London, Frankfurt and Paris could help issue bonds for BRI projects both in RMB (and in euros), European banks, which are very active in Asia, could participate more in the financing of the BRI in both currencies, too.

The Europeans are already very involved in the Asian Infrastructure Investment Bank. Building on China's newly created “Cross-border Interbank Payment System”, the Chinese and European authorities could also explore the possibilities of creating alternatives to SWIFT, especially now that the US has rejected the nuclear deal with Iran and might use SWIFT to sanction European firms that continue to do business there. The PBOC and the ECB could also intensify bilateral talks and coordination in a time when there are again fears that the PBOC might let the RMB depreciate further as a retaliatory measure against the Trump administration.

Ultimately, the goal should be clear. Now that the US is withdrawing from its leadership role, the Europeans and Chinese should cooperate closer to do business with each other in their own currencies.

EU, China should embark on Silk Road of digital finance

By ***BEN SHENGLIN***, professor and dean at the Academy of Internet Finance, Zhejiang University

Before joining Zhejiang University as a full-time professor in May 2014, he served in financial services firms like ABN AMRO, HSBC and lastly JP Morgan Chase as CEO, JP Morgan Chase Bank (China) Co Ltd.

Recently, some traditional champions of globalization and open-door policies seem to have turned their back on them: erecting new barriers, introducing new trade tariffs, imposing new investment restrictions, sidelining multilateral institutions, and undermining the global system on which the world relies to function and they themselves have helped build.

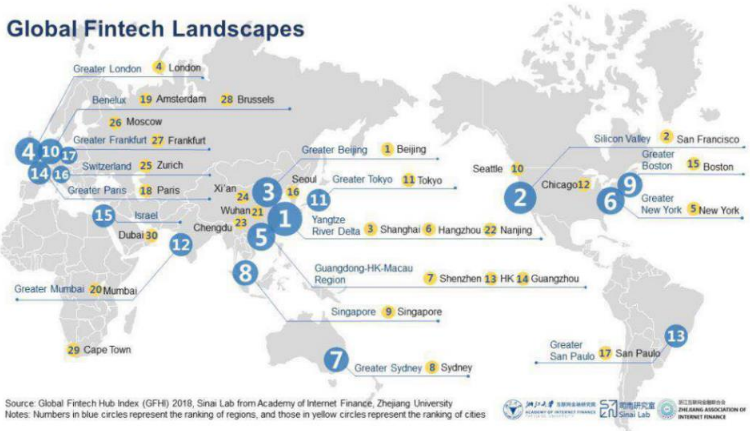
It is against this global backdrop of protectionism and unilateralism that the European Union and China have emerged as the two most staunch and important partners for globalization and multilateralism. There are no better areas than the digital economy and the Belt and Road Initiative that they could collaborate to enhance connectivity across the BRI region.

Digital finance

One of the most exciting developments in our era is the vital role of digital technologies. Thanks to its unique ecosystem, China has emerged as a leader in the digital economy.

At the core of the digital economy is digital finance, which is often used interchangeably with financial technologies. While the digital economy has been growing much faster than the average GDP, digital finance, by its nature, has the potential to growing even faster, and has been doing so, because financial products and services can be digitally delivered cheaper and faster, without the constraints of supply chains and physical infrastructure, which would take more money and time.

China's leadership in digital finance is probably even more significant. According to a recent study conducted by the Sinai Lab in the Academy of Internet Finance, Zhejiang University, three regions in China have emerged as global fintech hubs, alongside Silicon Valley and Greater New York in the US and Greater London in the UK.



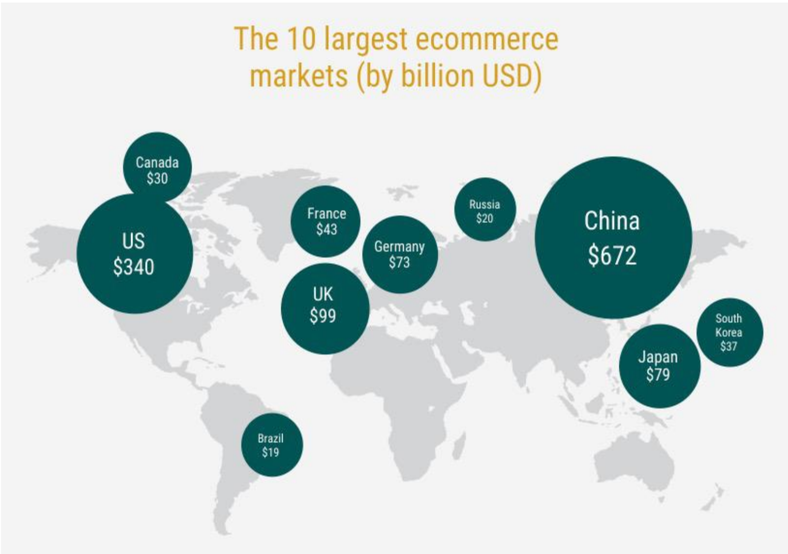
The global fintech landscapes

The Silk Road

Many consider the vast region between the EU and China as falling into the parameters of BRI. The region represents not just a third of the nations in the world (and an even higher percentage of the global population), but also the biggest opportunity for the world to become a better place.

Many problems we face today either are happening within this diverse and difficult region, or are traceable, in their origin, to the region. Given its geographical proximity to Europe, solving the problems in this region means solving many of their problems at its doorsteps and reducing the problems inside Europe, such as migration and terrorism threats.

BRI, with its focus on improving connectivity through investments in digital and physical infrastructure in the region, is an opportunity that the European Union should not miss. Collaboration with China in BRI will inevitably include close partnership in the digital economy, for which Europe needs a catalyst to catch up.



The 10 largest e-commerce markets 2017 (source: business.com)

The Silk Road of digital finance

Many factors have contributed to China's leadership in fintech, among which is the large population whose financial service needs have been unmet by traditional mainstream financial service providers. With universal access, availability and affordability, fintech has proven to be the perfect solution to the unserved or underserved demand for financial services.

This demand-driven "China model" has already been replicated, with remarkable success, in some markets in this region with similar characteristics.

Paytm in India is just one of such successes. Thanks to its strategic partnership with Ant Financial, a global fintech leader from China, Paytm has been able to expand its scope and scale so quickly that it now serves more than 250 million people in India, making it one of the largest payment platforms in the world.

China-EU fintech task force

As the saying goes, a single spark can start a prairie fire. The vast region is expected to join the fintech revolution, just as it has been sweeping China and India. It is in this context that the EU and China should consider setting up a China-EU fintech task force to coordinate their effort in promoting and guiding the development of digital finance in this region.

By joining hands with China, theEU will not only enhance connectivity across the region, but also enhance its influence in this region and its own prospects in the digital economy.

A nearby neighbor is more important than a faraway relative, according to a Chinese saying. With enhanced connectivity across the BRI region with a focus on the digital economy and fintech, the EU and China will transform their relationship from faraway relatives into nearby neighbors in the global village. Such a partnership will be most welcome as the world battles protectionism and isolationism.

Digital technology cooperation: Innovation integrates security

By ***QIU YUFENG***, founder and CEO of Zorpia Robot Co Ltd

Zorpia Robot is an industry leader in China, winner of the champion of the 6th HKUST Global Million Awards Innovation Competition, and is one of the top 100 Influential Brands and top 10 Robotics Industry Brands in China.

Today, scientific and technological revolutions and industrial changes are on the rise all over the world. The EU has launched a "data-driven economy" strategy to seize opportunities of big data development. China has also made a strategic decision to build a digital China. "Innovation integrates security, intelligence leads the future" is the theme of China-EU digital technology cooperation.

China has made significant achievements in its digital construction. According to the Digital China Construction and Development Report (2017) issued by the Cyberspace Administration of China, the country's digital economy reached 27.2 trillion yuan in 2017, growing 20.3 percent year-on-year, accounting for 32.9 percent of its GDP, and ranked second globally.

The new generation of information technologies represented by AI, robotics, 5G mobile communication, Internet of Things (IoT), and blockchain have accelerated the breakthroughs in applications to become the core driving forces of digital technology in China. In 2017, China rose to No 22 in the Global Innovation Index jointly released by the World Intellectual Property Organization, Cornell University and INSEAD, becoming the only middle-income country to enter the top 25 list. However, there is an acute shortage of highly skilled personnel. Europe is among the leaders in digital technology innovation. For instance, in terms of AI, Europe is recognized as home to prestigious world-class universities and research centers, with at least nine ranked among the top 25.

In March this year, the European Political Strategy Center (EPSC), European Commission's in-house think tank, released a report titled "The Age of Artificial Intelligence: Towards a European Strategy for Human-centric Machines" which analyzed the current challenges facing Europe. In 2017, only 4 percent of global data was stored in the EU and only 25 percent of large companies and 10 percent of SMEs use big data analysis. In most EU member countries, data scientists make up less than 1 percent of total employment. In contrast, China has become one of the largest and most diverse data source countries, having accumulated a wealth of data resources. The number of Chinese Internet users exceeds 700 million, mobile phone users exceed 1.3 billion, ranking first in the world. In 2017, the monthly mobile Internet access traffic per capita reached 1775MB in average, which provides a fertile source for global research.

In the digital technology revolution, China and the EU are facing many common and differentiated challenges, which have huge potential for cooperation. For example, China has proposed the " Internet Plus", aiming to construct a public service supportive platform and promote the integration of the Internet and manufacturing industries.

With the 5G era approaching, the prospects of the IoT are refreshed once again, becoming an important scenario of 5G applications. According to IDC data, by 2020, the global market for IoT will reach $1.7 trillion and grow at an annual compounded rate of 16.9 percent. Under this trend, China's IoT industry will grow to exceed 1.5 trillion yuan by the end of its 13th Five-Year Plan. In 2019, China's cloud computing industry will reach 430 billion yuan in scale.

China also aims to enhance international cooperation in the digital economy. This year, China released the new version of its AI development plan, with a focus on accelerating the integration of artificial intelligence and economic society. In March this year, the EPSC's report clearly stated that Europe should create a framework to support AI investment and set global quality standards for AI to meet internal and external challenges. China and the EU can improve the joint research mechanism through cooperation projects, fund joint research and exchanges to jointly meet global challenges.

China puts equal emphasis on development and security. The EU has made good progress in advanced data protection technologies and issued the EU General Data Protection Regulations (GDPR) in May this year.

Taking AI and robots as an example, one of the big challenges is how to make AI available to human uses for extending thinking, memory, judging and handling things. The Chinese Ministry of Science and Technology has written relevant contents into a new plan to explore and establish international standards for what people can develop, what is bound by the ethics of science and what to refrain from.

China and Europe have carried out active cooperation in this regard. To address the core issues of robot and AI security, a robotic blockchain program named "MPC" initiated by late British scientist Stephen Hawking has been completed by more than ten academicians and experts from China, Europe and globally. The goal of the program is to use blockchain as the cornerstone to establish the global robot security consensus charter for efficient monitoring and management of robots for safety and security of robot uses. In its promotion for consensus, the program has got support from EU countries, especially from renowned robot companies such as KUKA, ABB, and COMAU from countries like Germany, France, Sweden, Switzerland, Finland and Italy.

China understands innovation is in essence talent-driven. At present, China still has a shortage of high-level innovative talent, especially of leading scientists and technicians. Sino-European talent cooperation could be a key focus. In 2017, the Ministry of Science and Technology of China launched a guidance on promoting foreign scientists' participation in China's national science and technology plans, exploring a new model for opening up and cooperation by gathering global innovative talents.

Europe is currently a cradle for innovation and entrepreneurship by high-end talents. China and Europe can work together to bring global innovative talents to international scientific plans and projects, promote openness, cooperation and sharing of large-scale research infrastructure and facilities, scientific data, and other resources.

China and Europe have signed the Sino-EU Science & Technology Cooperation Agreement, under which projects combining study, research and production can be carried out jointly. China and the UK also signed an MOU on science, technology and innovation cooperation in December 2017.

With globalization encountering protectionism and multilateral trade regimes and rules facing challenges, China and Europe should release positive, clear, and strong signals on major issues such as global governance and cooperation of science and technology. China-Europe cooperation can create solid conditions and a long-term vision for a shared destiny for humankind.

Better Eurasian connectivity, digital ties to benefit EU, China

By ***LUIGI GAMBARDELLA***, president of ChinaEU

Based in Brussels, ChinaEU is a public-private partnership for information communications technology, linking the business community from China and the EU. It is also an incubator for joint business projects and startups on digital innovation between China and Europe.

In a world of uncertainty, it is a dead cert that both European and Chinese leaders will seek greater Eurasian links between two continents at the upcoming 20th China-EU Summit scheduled in Beijing.

The message was already sent by Beijing and Brussels following the Seventh China-EU High-level Economic and Trade Dialogue held in Beijing on June 25, as both senior officials reportedly agreed to boost cooperation on the connectivity forum and the digital economy.

Founded in 2015, the connectivity forum came as the European Union and China sought to build synergies between European investment plans and the Belt and Road Initiative (BRI), proposed by China in 2013, since when a good start between China and Europe has been witnessed.

The success in the transport sector is remarkable, in particular in the China-Europe rail network, which is considered a significant part of the BRI.

By the end of March, China-Europe freight trains had made over 7,600 journeys since March 2011, when the service started. Last year alone, the cross-border rail network had made 3,673 trips, up from 1,702 in 2016 and just 17 in 2011, according to the China Railway Corp.

The busy rail routes have bridged 43 Chinese cities with 41 European cities in 13 countries.

Meanwhile, more direct flights between Chinese and European cities have been launched this year as a result of the China-EU tourism year, bringing a growing number of Chinese tourists to Europe.

The BRI and Europe's development strategies have much in common. Governments of 11 EU member states have signed cooperation documents with China, and Zhang Ming, head of Mission of the People's Republic of China to the European Union, welcomed this in May in Brussels. He noted that a number of projects on infrastructure, logistics, e-commerce and finance are well underway.

Brussels' tone on Eurasian connectivity is positive compared with years ago, when European policymakers seemed rather cautious about the ambitious BRI. However, there are still several issues standing in the way.

Firstly, recent China-EU ties have been clouded by spats about items such as steel overcapacity, market access, intellectual property and investment restrictions, bringing political uncertainty which could deter the speed-up of further connectivity.

Indeed, Brussels and Beijing are working on tough issues. For instance, for steel overcapacity, talks have been conducted at the Global Forum on Steel Excess Capacity, under the framework of G20. Meanwhile, the two sides are well in the process of negotiating for a comprehensive agreement on investment. In the upcoming China-EU summit, the two sides are expected to exchange market access offers in terms of investment liberalization and protection. However, those talks were criticized by many as lengthy and with a lack of breakthrough.

Next, the EU is divided over China's involvement. Many EU member states have enjoyed cooperation with China. In Serbia, a Chinese enterprise bought a troubled steel mill and turned it around in less than a year; in Greece, the port of Piraeus has regained its position as one of the largest European ports; In the United Kingdom, China is partnering with France to build a nuclear power plant, a stellar example of three-party cooperation on the BRI.

While China receives a warm welcome in some EU countries, on the contrary, concerns of China's growing presence loom as some EU politicians worry that China's increasing influence in the bloc would pose risks.

In February, the European Commission issued a document on its own Europe-Asia Connectivity plan, the move was widely viewed as the bloc's push to counter the BRI.

Last but not least, as digital links forge part of connectivity, China-EU digital cooperation still falls short.

Developing a digital single market stands as part of the EU strategic investment plan while China is a newly emerging digital powerhouse, enjoying the largest digital market in the world and hosts a number of tech giants.

Both sides attach great importance to future digitalization, however their digital coordination remains relatively low. The recent progress registers in the 5G sector, but other strategic co-working plans on essential topics such as AI and big data are far from ready.

Better Eurasian transport (land, sea, air) links and digital ties will promote trade, growth and make a huge contribution to the world economy. Against the backdrop of unprecedented trend of unilateralism in Washington, China and the EU should shoulder the responsibility to defend multilateralism. More efforts are needed to boost China-Europe's connectivity and digital links, and possible measures could be as follows.

First, high-level exchanges should inject momentum. The upcoming China-EU summit will be the right occasion for leaders to renew their commitments and further promote cooperation on connectivity and the digital sector.

Accordingly, the two sides should accelerate implementation of consensus reached by leaders regarding the connectivity forum and digital ties.

Both China and the EU should show a strong political will to address their bilateral challenges including steel, investment and market access. Brussels should make the most of China's willing involvement.

They should as well promote mutual understanding by increasing exchanges in political, academic, cultural and digital sectors, supporting dialogue between both industry, companies, universities and youth.

Second, given the importance to China, the EU should include the country in its connectivity strategy, which is scheduled to be presented at the 12th Asia-Europe (ASEM) Summit in Brussels in October. Meanwhile, the two sides should speed up cooperation at the connectivity forum, turning political commitments into practice. More transport links such as trains and flights should be facilitated.

Third, Beijing and Brussels should unleash the great potential of digital cooperation. Their digital bond should go beyond 5G and expand to other significant areas such as AI, robotics, bid data, the Internet of Things and high-performance computers.

The two sides could set up a China-EU digital year to boost their digital ties, create synergies between the EU's single digital market and China's development plan in digital sector.

China and Europe tap potential cooperation on blockchain tech

By ***CAO YIN***, founder of the NengLian Tech and chief blockchain expert of XinDa securities

He is one of China's first batch of entrepreneurs in the blockchain industry and a consultant of the Estonia e-residency planning. He has founded the Digital Renaissance Foundation in Estonia for incubating and promoting a variety of local blockchain applications.

Foundational technologies, such as the internet or mobile connectivity, grow with difficulty. New technologies often attract a wide variety of developers, media and even speculators. In Europe, the blockchain is now based on innovation in and around technology and theory, while in China, the application and public chain are quickly spreading. It is also worth noting the high level of activity in China, specifically, Shanghai and Beijing. .

So blockchain is one of the decentralized infrastructure technologies which are also part of IT infrastructure. Three elements should be considered: security, networking and storage. Beyond the technology, decentralized applications (Dapps) are still popular or widely used in both China and Europe.

At this stage, in China, people are more interested in the public chain because of shortcomings in the existing infrastructures. But there are more steps to go. Last year, the China Distributed General Ledger Basic Agreement Alliance was established and was aimed at the more practical protocol or public chain. Many Chinese public chains or protocols with different characteristics have been developed. Most industrial Dapps in China are waiting for the right time, explicitly speaking, the time that public chains are more practical or suitable for the new economy. Also, the applications are popular not only among entrepreneurs but also in government institutions.

The Chinese government has given strong support to the technology and Dapps, for example, in the Hangzhou Blockchain Industry Zone. Governments offer much cheaper places and special support funds. The Hong Kong Monetary Authority plans to launch a project using distributed ledger technology for trade finance cross-border infrastructure. Big companies and banks are establishing new departments to figure out how the blockchain can be used.

With the comparison of European blockchain technology, new concepts are more ambitious and revolutionary. The importance is that deep-level transient spectroscopy (DLTs) and blockchains are something much broader than Bitcoin or its analogue Ethereum. New paradigms for the market or public governance have been put on the agenda. It is thrilling that the European Parliament and European Commission are working closely to bring the benefits of DLTs closer to realization and to create a secure ecosystem around it for European citizens and also develop their own leadership in the world for the next stage. Estonia has become the first digital country with de-intermediation offering public services and social communication.

The first international blockchain center in Europe, the Blockchain Centre Vilnius, was held in Vilnius, Lithuania. Innovation is not just on the organization between institutions and corporations, but also in the theory. Relating to the economic theory based on the new technology developed, the protocol will be designed in whole new way to establish a flexible platform for enabling new distributed business and interaction models based on direct peer-to-peer exchanges without the need for centralized platforms or intermediaries. Dapps in Europe have been widely used.

As a result, with the differences between both sides, there are lots of opportunities to enhance cooperation to enhance the world. In addition, government opinions are a bellwether.

Nowadays there are still very few civilian organizations and enterprises focusing on promoting the development of blockchain industry in the long run. There are organizations whose investment and consulting business see better communications like the Digital Renaissance Foundation and Digital Enlightenment Capital. Civilian institutions or enterprises organized in the academic forum and visits to European universities such as University of Helsinki and the Technical University of Berlin. This is also the case in the business world and the entrepreneurial community in Berlin, Estonia, Finland such as Latitude 59 in Estonia, Arctic 15 and Slush in Finland. Asia week and Blockshow in Berlin are also examples. Even better, meetups based on the projects are the most frequent activities the civilian organizations in both China and Europe which provide both sides and institutions a path forward.

Policy recommendations:

1) Creating opportunities for experts and practitioners between China and Europe on blockchain technology. Bilateral meetings between governments and associations can make the technology go further and enterprises' visits and communications will contribute to the growth in Dapps.

2) Funds of funds can be jointly established both in China and Europe to invest in the blockchain industry. Finance always help the economy. What's more, FoFs can be a better form for governments to manage.

3) The regulatory authorities on both sides can set up a special working group to coordinate bilateral regulation and unify regulatory standards.

4) In educational aspects, although there are existing academic institutions and joint academic activities are the next step to help raise the new expert-based de-centralized economy and ecosystems.

Blockchain technology has the power to transform how we do everyday tasks, reinventing economics and the exchange of information as it does so. The European Union is striving to make Europe a leading region of global development and investment zone in blockchain technology. China will continue to accelerate the construction of the public chain and other value internet infrastructures, and actively build the industrial ecology of the blockchain with Chinese characteristics. Both China and Europe are going so fast that we should cooperate with each other to give the world the leadership.

Improve China-EU connectivity across the Eurasian continent

By ***IVAYLO GATEV***, affiliated research fellow of the institute of Asia and Pacific studies at the University of Nottingham's campus in Ningbo, China

His research interests are in interregionalism, networked industries and technopolitics, all in a Eurasian context. Between 2009 and 2017, he was a lecturer in European politics and regional integration at the School of International Studies, University of Nottingham Ningbo China.

The trade in goods between China and the European Union represents one of the largest cargo flows in the world today in both quantity and value terms. According to European Commission trade figures, over half a trillion euros worth of mainly industrial and manufactured goods are shipped between the two trading partners each year. Currently the vast majority of Sino-European trade is by sea. Recent years, however, have seen freight rail links develop between cities in China and Europe. New overland corridors for the transport of high value-added goods have opened across Eurasia, complementing, if not yet competing with, ocean shipping.

Connecting centers of production and consumption situated at opposite ends of the Eurasian landmass is a major logistical challenge. The rail corridors extend across different national technological and administrative spaces. This poses a problem in the form of technical standards and regulatory frameworks that vary not only from one country to the next, but also from one railway corridor to another in the same country. The Eurasian continental rail is a mosaic of varying track and rolling stock gauges, and of different propulsion and signaling systems. There are different regulations governing maximum train load, length and speed. Customs clearance procedures and freight documentation are not uniform, nor are tariff structures and rate setting mechanisms. Even basic understandings of what reliable transport means can vary across the Eurasian continent.

The coexistence of different standards and procedures affects interoperability by complicating the management of traffic flow in the system. It makes the development of a common traffic prediction model difficult and explains the absence of synchronized timetables for rail freight across Eurasia. There are also interoperability and synchronization issues arising from diverging models of the transport sector. Differences in institutional and policy environment between countries involved in Eurasian rail freight are seen at the level of competition and pricing policy. They influence, in the first instance, tariffs and subsidies. Taken together industrial standards, regulations and organizational regimes shape the economic and administrative terrain that commercial operators have to navigate and thereby directly affect connectivity between China and the EU.

Connectivity across the Eurasian continent allows for more efficient trade and exchanges between the EU, China and the lands in between. It expedites freight, increases throughput capacity, and reduces operation costs, thus making overland transport commercially viable. Connectivity also leads to the integration of value chains which facilitates economic expansion and culminates in the creation of regional markets. This in turn leads to increases in economic activity and growth in prosperity. By bringing previously isolated regions and countries into regional or global markets, China-EU connectivity across the Eurasian continent contributes to international development.

For these reasons, improving connectivity across Eurasia is a priority in China-EU relations. Improvements in transport connectivity cannot happen all at once; rather, they would occur gradually through a series of incremental steps. The interlinking of national rail transport systems should thus develop on the basis of common connection standards. The adoption of common standards, or standardization, is a process whereby national rail infrastructures and industries link up and become interoperable. Standardization represents the continuous patching up of differences between national standards until full interoperability is achieved.

Standardized interoperability would involve not only industrial standards, but also work practices, and legal and regulatory frameworks. The aim would be to continuously optimize the Eurasian rail network. For this to succeed, a wide range of actors need to be engaged. They include railway companies, dry port authorities, intermodal operators, forwarders and customers who would advise governments and infrastructure owners on how to advance connectivity and exchanges along a network of Eurasian land ports and hubs. The focus should be on practical cooperation led by people involved in Eurasian rail freight in a technical capacity.

Interoperability of transport systems should also be advanced through dialogue and cooperation between national and regional authorities. The aim would be to align national legislation in the railway sector and, where possible, to enshrine this alignment in international law. Cooperation can take place at multiple venue, such as in and between technical standardization committees operating within regional organizations. Hybrid venues involving government agencies and regional bureaucracies could also be used. An example of this is the China-EU Connectivity Platform for exchange of information on standards, technical regulations and conformity assessment procedures in the rail transport sector, among others. The platform could partner with the CEEC-China 16+1 Secretariat on logistics cooperation based in Latvia. It could also be expanded into a trilateral commission with the participation of officials from the Eurasian Economic Commission.

Improving connectivity between the EU and China should be facilitated by international industry associations, such as the International Rail Transport Committee, which would provide technical expertise and political brokerage. A successful example of such facilitation is the common CIM/SMGS consignment note for rail shipments across Eurasia. CIM/SMGS expedites customs clearance and reduces delays at borders. International organizations with a regional focus, such as the United Nations Economic Commission for Europe, could also be involved. The latter coordinates the Europe Asia Transport Links initiative that seeks to identify the main Euro-Asian rail and road routes for priority development. The initiative prepares the technical groundwork for an international agreement on the development of Eurasian overland transport and as such should be supported by both China and the EU.

The commercial relationship between the EU and China is one of the cornerstones of the world economy. Optimizing the infrastructure that enables the circulation of goods, commodities and, eventually, people between them requires the participation of diverse actors, many of them outside the institutions in Brussels and Beijing. Connectivity across the Eurasian continent is not a bilateral matter between China and the EU. It is an important element of regional and even global governance.

A new chapter for China-EU climate change cooperation

By ***DENNIS PAMLIN***, founder and CEO of 21st Century Frontiers and senior adviser at the Research Institutes of Sweden

He has worked with innovation policies for sustainability on all levels; from central to local governments and from small start-ups to large multinational companies in China and other countries around the world.

All major studies clearly indicate that current climate measures are far from enough. Still, most of the discussions about climate action revolve around more of the same. This makes little sense, as we need radical reductions, have just entered the fourth industrial revolution, and will see major changes in all parts of society. We have a unique opportunity to leapfrog current obstacles and focus on paths toward an ecological civilization by supporting the disruptive and exciting changes needed, rather than incremental improvements in existing systems.

To move beyond more of the same will require us to rethink first, why we need to reduce emissions; second, what we want to achieve; and third, how we can achieve it. The standard answers to the above questions are:

1. We need to reduce emissions in order to avoid a 1.5 °C, or at least a 2°C, warming.
2. We want to achieve a zero-carbon economy sometime between 2050 and 2100.
3. We can achieve what we want by engaging the big polluters and help them reduce their emissions.

Let's start with why we need to reduce emissions. Over the years the 2°C goal, and lately the updated 1.5°C goal, has become the way to express the dangerous climate change that we must avoid. There is no doubt that a 1.5°C, let alone a 2°C, warming is likely to result in extremely severe suffering and irreversible damage to the world's ecosystems. Still, for the vast majority of both citizens and decision makers the 2°C goal has not been enough to move them outside their comfort zone.

If we instead answered the question why we need to reduce emissions by saying: To avoid the end of human civilization, and even the end of the human species, we are likely to get a fundamentally different response.

We can expect an initial period of doubt where many would initially dismiss climate change as an existential threat as hyperbole. This is understandable, as we live in a time of exaggerations. In this case, however, it would become clear that the Intergovernmental Panel on Climate Change (IPCC) and leading scientists for a long time have provided probabilities for extreme warming that potentially could end human civilization.

The latest assessment report by IPCC indicated, for example, that the exceedance probability for 5°C is more than 1 in 100 for the current amount of emissions in the atmosphere. If we reach 600 PPM, something that is highly likely looking at current trends, the probability of more than 5°C warming is above one in four and the probability for more than 10°C warming is 1 in 100. This kind of extreme and rapid warming would threaten human civilization as no meaningful adaptation measures exist.

If we compare the acceptance for other events such as fatal flight crashes (approximately one in a million probability), the probability for 10°C warming that could mean the end of human civilization, is magnitudes higher. It is worth noting that the uncertainty regarding these numbers are significant, a fact that makes rapid action even more urgent.

With climate change understood as an existential threat we could move from a discussion about how much we can still emit, so called carbon budgets, to how fast we must reduce emissions in order to keep the probability of catastrophic events as low as possible. New groups, with a focus on large-scale disruptive solutions and unafraid of ambitious projects, could emerge as the next generation of climate action leaders.

Some people will argue that talking about an existential threat is too scary, and that people need inspiration, not fear. Let's start with the argument that the information is too scary. What should matter is if the information is true or not, not if it seen as scary by some people. Many of those who are objecting to discuss climate change as an existential threat are those afraid of rapid change, both in business and in the environmental community.

What these groups see as only scary, a new generation of policymakers, business leaders, entrepreneurs and climate activists, also view as scary, but also inspirational. The urgency is a call to action, to explore new ideas and try new things, and to do this in collaboration on a global scale. Many individuals and groups have begun to base their whole way of working around the need to deliver what is actually required.

This brings us to the second question, what we want to achieve, a question that also addresses the need for inspiration. The current goal – a zero-carbon world – is important but is only an absence of a bad, not a positive, vision of the future. With rapid technological development, emerging new business models, values in support of global collaboration and greater understanding about the complexity of nature, we have the opportunity to establish a much more exciting and ambitious vision.

A seed for such an inspirational vision could be the idea of a global eco-civilization by 2100 with a focus on science, natural beauty and art, where everyone has a flourishing guaranteed income and society is based on what half of the earth can provide (to leave room for other species to thrive). Solving the urgent climate challenge would then be an important step toward the next era for humankind. Instead of different groups addressing different problems in isolation, we would likely see different groups come together to help accelerate the change toward an eco-civilization from different directions.

Now for the third question, how we will achieve this? If we view climate change as an existential threat and have an attractive vision for the future, it becomes obvious that the kind of tinkering with carbon prices, transparency in relation to emissions and attempt to get big emitters to reduce emissions, might actually be part of an incremental problem-based approach. Instead we need to embrace disruptive change and promote the tools and initiatives that support such change. A global network of solution accelerators for zero-carbon solutions in support of an eco-civilization should be launched as soon as possible.

If the Sino-EU annual summit makes progress in at least one of the areas above it would be an important contribution to a new chapter for global climate action.

What China could learn from EU carbon market development

Climate change is one of the biggest global challenges facing the 21st century, affecting the survival and development of all mankind. The Paris Agreement reaffirmed the goal of keeping the global temperature rise well below 2 degrees Celsius above the pre-industrial levels and demonstrated the commitment of the international community to address the climate challenge. In their national climate action plans, 40 percent of countries showed willingness to use some form of market mechanisms to achieve their emission reduction targets.

At present, there are 21 regional carbon markets operating in the world, covering 51 countries, states and provinces and accounting for 15 percent of global carbon emissions.

The European Union set up the world's first major carbon market – the EU Emissions Trading System (ETS) in 2005, which is now operating in 31 countries (all 28 EU countries plus Iceland, Liechtenstein and Norway). It limits emissions from more than 11,000 heavy energy-using installations and airlines and covers around 45 percent of the EU's overall greenhouse gas emissions, making the ETS the largest running of its type in the world. China

By ***ZHANG JIANYU***, chief representative of the China office of the Environmental Defense Fund

Since 1999, he has been working with the EDF, a leading US environmental NGO, which focuses on the use of market based instruments in solving environmental problems in China.

views carbon emissions trading markets as an important approach to fulfill its emission reduction commitment. Since 2011, China started carbon market pilots in seven cities and provinces and launched its national emission trading system on Dec 19, 2017.

According to the National Carbon Market Establishment Working Plan (Power Generation Industry), China's national carbon market will start with the power generation sector and cover approximately 1,700 enterprises in the power generation industry, accounting for approximately 3.5 billion tons of emissions, which will make it the largest in the world once it is up and running. The EU's 13-year experience in ETS development will undoubtedly provide China many valuable lessons and vice-versa.

An absolute emission cap: Cap setting is crucial to ensure emission reduction targets are met and to avoid over-allocation. To achieve its climate action target of 20 percent of overall emission reduction by 2020 and 40 percent overall emission reduction by 2030, the EU set a linear emission factor of 1.74 percent each year since 2013 and a further reduction factor of 2.2 percent annually since 2021. A strong cap ensures that overall emissions do not exceed the cap and thus avoid the risk of dramatic price volatility. Meanwhile, expected future capping is also an important driver of low carbon innovation. At the beginning stage, China's ETS is expected to follow an intensity approach and use a decreasing benchmark in allowance allocation. This is a compromise of many factors but for a healthy development of ETS in the long run, an absolute emission cap is needed.

Legislation first: Legislation is a paramount mission of the EU's ETS construction. Prior to the start of the EU ETS, the European Commission adopted an EU ETS Directive in 2003 and established the legal foundation of its carbon market. The directive made clear mandates regarding the EU ETS's scope, implementation procedure, monitoring, reporting, verification, registration, compliance, and other regulations. In the following years, the directive had several amendments to guide the expansion of the market. In addition, a series of regulations, reports and working documents with the directive together established the legal system of the EU ETS. A unified, consistent and sound legal system enables the EU to carry out equal regulations in each member state, and also significantly enhances confidence among market participants.

The critical challenge to China's ETS development is that so far there's no dedicated national level laws or regulations on the carbon market. In the absence of a National Carbon Emission Decree, it's really challenging for China's ETS to establish strong enforcement and penalties to provide a leveled playing field and market sustainability.

From free allocation to auctioning: In the first few years of the EU ETS, emissions allowances were given out to participants for free. The amount of allowance issued to each participant was based on estimated, not measured, emissions and economic forecast. This arrangement had its historical constraints, however unmeasured allowances combined with free allocation proved to be risky. The EU ETS experienced severe structural over-allocation and resulted in price volatility.

To tackle these challenges, the EU launched an allocation reform, gradually transferred free allowance allocation to auctioning. Comparing to free allocation, auctioning is a more transparent approach, which could more faithfully reveal the supply and demand situation and provide extra funding to support low-carbon development and technology innovation. In the initial stage, free allowance is the least-resistant approach to get the market started but when the market grows more mature, auctions should be given more consideration and be gradually phased-in.

As the world's two largest carbon markets, China-EU carbon market cooperation has tremendous potential and has won strong support from leaders of both sides. In the 2015 China-EU Joint Statement on Climate Change, the two sides agreed to further enhance existing bilateral cooperation on carbon markets and work together in the years ahead on the issues related to carbon emission trading.

The ETS was again addressed in the most bilateral cooperation between China and some EU member states and is hopefully be strengthened in coming

China-EU agreements. China and the EU are both firm advocators for global climate governance and green and low carbon development. Further and more progressive carbon market cooperation can not only contribute to the two's partnership of peace, growth, reform and civilization, but also act as a positive effect to building a community of shared future for all mankind.

China and EU have a significant role to play on green finance

By ***WANG YAO***, director general of the International Institute of Green Finance, Central University of Finance and Economics

She is interested in low carbon economy, climate finance and green finance.

The necessity for cooperation

The last couple of years have presented us with several monumental shifts, in particular, recent changes in the US' approach to foreign policy. Amid increasing unpredictability and fragmentation, China and EU are working together as pillars of stability. This is particularly true of climate change governance and green finance. With climate change having become a central component of modern-day international affairs, the US retraction from the field leaves a vacuum in global governance. As the only major power to withdraw, the unity of the rest of the group means that the global commitment to climate change remains unshaken, but US influence within it is reduced. This was indicated most clearly at the G20 summit in Hamburg in July 2017, where US President Donald Trump was isolated with a 19-1 split on climate change, and led German Chancellor Angela Merkel to "deplore" the US decision to withdraw.

China's new role in climate change was addressed in President Xi Jinping's speech in Davos at the World Economic Forum's 2017 session. Within the implicit context of the demise of US leadership of globalization and substantial anti-globalization sentiment across developed countries, Xi advocated joint efforts against climate change and highlighted the mutual benefits of the globalization of trade, finance and governance. With such commitment, global climate change efforts are currently spearheaded jointly by China and the EU. This was solidified in the statement which came out of the China-EU summit of 2017 as voiced by the president of the European Commission: "As far as the European side is concerned, we were happy to see that China is agreeing to our unhappiness about the American climate decision. This is helpful, this is responsible, and this is about inviting both, China and the European Union, to proceed with the implementation of the Paris Agreement". It is critical that this year's China-EU summit further formalizes and solidifies their joint commitment to climate finance.

G20 Green Finance Study Group

Internationally, China and the EU are actively advocating the development of green finance. Under China's presidency of the G20, green finance became a key theme at the G20 agenda for the first time. The G20 Green Finance Study Group was launched as part of this effort to support the G20's goal of strong, sustainable and balanced growth. This initiative taken by China was continued by Germany and the EU in the 2017 G20 summit in Hamburg and will advance further toward the next G20 meeting in Argentina. As exemplified by numerous cooperation areas and avenues, China sees the EU as a strategic partner in promoting green finance internationally and continues joint efforts toward environmental sustainability in the future. This year's summit has to stress the implementation of the conclusions of the G20 Green Finance Study Group in all countries globally, not just inside the G20. China and the EU are instrumental in this process given their role in global financial governance and should use the occasion of the summit to harmonize and coordinate their efforts.

Green finance standards harmonization

Furthermore, the China and EU are working closely together on harmonizing global green finance practices. The lack of clear definitions in some markets and the lack of comparability of different definitions in different markets impeded future growth of the green finance market and green capital flows, so efforts need to be made to enhance the comparability and consistency between different standards. Consider a concrete example of such efforts, on the margins of the COP 23 climate talks in Bonn, the Green Finance Committee (GFC) of the China Society for Finance and Banking and the European Investment Bank (EIB) launched a white paper that provides an international comparison of several green bond standards. This paper paves the way for enhancing the consistency of green finance definitions and standards between China and the EU. This white paper reflects the strategic partnership between China and the EU to promote international cooperation in this field. As the EU is launching a green finance taxonomy and China is launching a green industry catalogue, these dynamic efforts will continue.

Central banks and supervisors network

Central banks are critical in the effort to green the global financial system. To strengthen the global response required to meet the goals of the Paris Agreement by ensuring the financial system's management of risk and mobilization of green finance, eight central banks and supervisors established the Central Banks and Supervisors Network for Greening the Financial System, or NGFS. This number has expanded to cover 15 countries by mid 2018 and is expected to continue to grow. As China is a key driver of the initiative and nine EU member countries are participating, including the European Central Bank, this year's China-EU summit should work on coordinating these efforts as the initiative matures. While individual central banks have to carry out the work in practice, the summit is an opportunity to both scale up and better harmonize global efforts.

Greening the Belt and Road Initiative

Lastly, this year's China-EU summit provides a great opportunity to enhance cooperation on the Belt and Road Initiative. At each end of the silk road, China and the EU's joint engagement is critical for the initiative's success. Estimates are that the total BRI investment requirement is $ 4-8 trillion. Simply put, if sustainability is not integrated into the BRI, the SDGs and the Paris

Agreement will be impossible to achieve; this is simply due to the investment scale, and since the BRI covers half the world's population, 75 percent of energy resources and 40 percent of global GDP. As both the EU and China are strongly committed to sustainable development and combating climate change, this year's summit must address how to further integrate these policy goals into meeting the financing needs of the BRI.

New cooperation opportunities in China-EU vocational education

By ***JIANG YUEWEI***, chairman of Co-Progress Education Group

After years of development, the Co-Progress Education Group has served hundreds of large enterprises, trained hundreds of management doctorate, and developed into a famous education brand.

China's entry into a new era provides new opportunities for China-EU higher education, especially in business management.

First, Europe has experience in classified training of application-oriented talents, which meets the demands of China's development in the new era.

The quality of European applied talents is renowned all over the world and the training pattern has distinctive characteristics such as adapting to society and production needs, setting educational programs catering to the regional industrial layout, highlighting practice, and combining industry, academia and research. We can learn from the European experience to explore the classification management of higher vocational education, especially business management education. This is also in line with China's proposal in 2014 of forming a top-level modern vocational education system by 2020 which adapts to development needs, deeply integrates production and education, synergizes secondary vocational education with higher vocational education, builds links between vocational education and general education and reflects the concept of lifelong education.

In view of the status quo, China should strengthen the training of talents in various categories such as DBA, MBA and EMBA.

Second, Europe focuses on the combination of formal education and informal education, as well as the transfer from work experience to academic degrees.

The diversified and multi-level talent training model is suitable for the needs of future talents in China. China has established a strict system in formal education, which, however, is still in the stage of introducing and distributing knowledge. It cannot meet the market demand for talents.

China starts informal education relatively late and has attached inadequate importance to relevant research and investment. However, according to statistics, 80 percent of people's knowledge derives from informal education. China should focus on strengthening informal education and building a learning-oriented society by developing corporate universities, universities, scientific institutions and informal education.

Corporate universities carry out management and technology knowledge transferred by enhancing vocational education and fostering professional post-graduates and industrial doctorates. Knowledge generated in the practice of enterprises enters universities and research institutions which builds an improved systematic knowledge framework to expand the skills of students, enhance action learning, action research, and self-motivated learning. Then the systematic knowledge produced in the university can be applied to enterprises, thus forming a knowledge cycle. In addition to corporate universities and research institutions, the learning area should also include families, organizations and associations, as well as knowledge generated by informal education in the community. This constitutes a so-called learning scenario. The learning scenario is the foundation for building a learning-oriented society and advocates the lifelong learning and borderless learning.

Third, with more than 200 years of industrialization, most developed countries in Europe have advanced humanities management and vocational education which are more in line with China's demand for talent than the United States.

Vocational education in Europe develops various methods such as Germany's dual-track system and Switzerland's 3+2 system. However, China's current vocational education system is not mature, with different evaluation standards and irregular training quality. Therefore, while introducing European vocational education into China, it is also necessary to establish a practical evaluation system that assesses the capability and comprehensive quality of students and talents. With the help of blockchain technology, each individual's practical competence manifested in the family, community, and organizations can also be included in the evaluation system. Ultimately, a comprehensive credit system is formed for students or talents. The establishment of such a system will be a valuable exploration for the current Sino-European higher vocational education, especially business management education.

Fourth, educational cooperation between China and the UK, the US, Australia and Canada has reached a saturation point, and European continent has become the best alternative education market.

China and the European continent can have more in-depth cooperation in education. Taking advantage of the resources of both sides, the two parties can jointly establish a China-Europe industry-academia-research center. The center can deepen exchanges and cooperation through the following means: organize various academic exchange activities and seminars; invite management experts and scholars from China and Europe to participate in discussions and promote communication; undertake consulting and communication work in management science; cooperate with top universities to share the latest knowledge of management science and provide relevant consultations for enterprises; integrate resources of both parties, jointly cultivate researchers, participate in various research projects and publish academic journals on management; hold business summits; promote humanities exchanges and business contacts and provide a platform for entrepreneurs to cooperate and exchange; establish a mobile doctoral center, conduct research and development with enterprises as a carrier, enhance personnel training, and build a bridge for high-tech talents and enterprises in China and Europe.

Fifth, the European continent offers Chinese students with best courses and environment of learning a variety of languages that are widely used in Africa and South America. China and Europe have achieved fruitful results in language training cooperation. The both sides have held several sessions of Sino-European language cooperation seminars. China has established 131 Confucius Institutes and 251 Confucius classes which have provided courses to as many as 620,000 students in the member countries of the EU. In China, a complete curriculum system composing of all 24 EU official languages has been set up in higher education institutes.

China, EU cooperate to embrace a diverse and connected world

By ***SOPHIE BU***, partner at Shannon.AI

Shannon.AI builds the smart financial information platform to reduce information barrier and improves connectivity and efficiency.

These days, against a backdrop of geopolitical changes, global relationships have become terribly complicated and divided. The conflict between unilateralism and the open economy is intensified by many unilateral actions, such as the US Section 301 investigation.

China has been a strong supporter of the open economy for a long time. In 2013, China proposed the Belt and Road Initiative (BRI), focusing on connectivity and cooperation between Eurasian countries. The initiative calls for the integration of the region into a cohesive economic area through building infrastructure and broadening trade. APEC developed a Connectivity Blueprint for 2015-2025. Representing 60 percent of global GDP, population, and trade, the 12th Asia-Europe Meeting (ASEM) summit will take place in October 2018, in Brussels, Belgium, with the theme “Europe and Asia: global partners for global challenges.” Connectivity is one of the most important topics. The importance of connectivity has been widely accepted across Eurasia.

China-EU cooperation on connectivity doesn’t stop on paper. Both have invested multiple resources and energy into establishing a more cohesive China-EU relationship. For example, located 25 kilometers from Minsk, the China-Belarus industrial park is the largest among BRI countries. Well-connected by an international airport, railway lines, and transformational highways, the 91.5-square-kilometer area offers ample business opportunities for the Customs Union of Belarus, Russia, and Kazakhstan, as well as neighboring European countries.

As construction of industrial parks proceeds, it becomes clear that cross-border business requires facilitation more than infrastructure. Forums such as the China-EU summit and ASEM summit are effective and critical, but far from enough. The exchange of ideas should be constant and requires a dedicated channel. And in day-to-day business, there are many questions to be answered, due diligence to be conducted, and negotiations to be done. Language barriers and exploding information on separate websites do not help the situation. Researchers find it hard to analyze the impact of issues in traditional ways. Decisions need to be based on facts, not just personal experiences. But there are too many facts. Moreover, in the rapidly changing world of today, we see alternative facts and fake news all the time. Researchers need to publish under increasing time pressures, while policy-makers and business leaders need to respond ever faster to policy and market changes. All these challenge us to find new ways to handle issues.

If this is the reality we must face, can we improve connectivity by taking advantage of the latest technology?

I think we can. For example, recent research in natural language processing is developing quickly. Automatically extracting information from the whole internet, even from notes of reports, is possible. Smart Q&A systems show improved results each day. New research models published last month will be adopted immediately.

Many long lasting problems, including language barriers and information integration, can be largely solved by applying the right technology. Researchers could find the latest China-EU economic data in one place and in real time.

Policy-makers can respond quickly to new bilateral events. Investors will benefit from identifiable business opportunities.

To evaluate the impact of an idea, the best way is to implement it, but in small scope and with careful design. The China-Belarus industrial park is strategically located at the midpoint of the Eurasian continent. Building such a digital platform will help sustain the success of the industrial park and amplify its impact to the entire Commonwealth of Independent States, creating another midpoint of China-EU thought exchanges. By combining the efforts of policy-makers, researchers, investors, and technology providers, we can expect to see new developments in the China-EU relationship. At least, this is an idea worth thinking about.

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