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contribution to the European Council*

EU-China – A strategic outlook

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**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE
EUROPEAN COUNCIL AND THE COUNCIL**

EU-China – A strategic outlook

I. Introduction

The European Union (EU) and China are linked by an enduring relationship. They are two of the three largest economies and traders in the world. China is now the EU's second-biggest trading partner behind the United States and the EU is China's biggest trading partner¹. Both sides are committed to a comprehensive strategic partnership, as expressed in the **EU-China 2020 Strategic Agenda for Cooperation**².

Yet there is a growing appreciation in Europe that the balance of challenges and opportunities presented by China has shifted. In the last decade, China's economic power and political influence have grown with unprecedented scale and speed, reflecting its ambitions to become a leading global power.

China can no longer be regarded as a developing country. It is a key global actor and leading technological power. Its increasing presence in the world, including in Europe, should be accompanied by greater responsibilities for upholding the rules-based international order, as well as greater reciprocity, non-discrimination, and openness of its system. China's publicly stated reform ambitions should translate into policies or actions commensurate with its role and responsibility.

The 2016 Strategy on China³ remains the cornerstone of EU engagement, providing the basis for delivering a further EU policy shift towards a more realistic, assertive, and multi-faceted approach⁴. This will ensure that relations with this strategic partner are set on a fair, balanced and mutually beneficial course.

China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance. This requires a flexible and pragmatic whole-of-EU approach enabling a principled defence of interests and values. The tools and modalities of EU engagement with China should also be differentiated depending on the issues and policies at stake. The EU should use linkages across different policy areas and sectors in order to exert more leverage in pursuit of its objectives.

The EU's response should be based on three objectives:

- Based on clearly defined interests and principles, the EU should deepen its engagement with China to promote common interests at global level.
- The EU should robustly seek more balanced and reciprocal conditions governing the economic relationship.

¹ In 2017, the EU was China's largest partner with a share of 13% of imports of goods in China (EUR 217 billion) and a share of 16% of exports of goods from China (EUR 332 billion). In the same year, China had a share of 11 % in extra-EU exports of goods (EUR 198 billion) and in extra-EU imports of goods China was the largest partner with a share of 20 % (EUR 375 billion).

² [EU-China 2020 Strategic Agenda for Cooperation](#), 2013.

³ Joint Communication to the European Parliament and the Council – Elements for a new EU strategy on China', JOIN(2016) 30, 22.06.2016, and Council Conclusions on EU Strategy on China of 18 July 2016.

⁴ The EU continues to adhere to its "One China Policy". The EU confirms its commitment to continuing to develop its relations with Taiwan and to supporting the shared values underpinning its system of governance, as set out in the 2016 EU Strategy on China.

- Finally, in order to maintain its prosperity, values and social model over the long term, there are areas where the EU itself needs to adapt to changing economic realities and strengthen its own domestic policies and industrial base.

Finding the right balance of policy approaches is a political judgement, requiring the attention of the European Council.

Neither the EU nor any of its Member States can effectively achieve their aims with China without **full unity**. In cooperating with China, **all Member States, individually and within sub-regional cooperation frameworks**, such as the 16+1 format⁵, have a responsibility to ensure consistency with EU law, rules and policies.

This Joint Communication assesses the multiple dimensions of our relations, its opportunities and its challenges and **sets out 10 concrete actions** for discussion and endorsement by the European Council.

II. Cooperating with China to support effective multilateralism and fight climate change

The EU is committed to engaging with China **to uphold the rules-based international order**. China has expressed its commitment to a fair and equitable global governance model. At the same time, China's engagement in favour of multilateralism is sometimes selective and based on a different understanding of the rules-based international order. While China has often repeated its legitimate request for reforming global governance to give greater participation and decision-making power to emerging economies, it has not always been willing to accept new rules reflecting the responsibility and accountability that come with its increased role. Selectively upholding some norms at the expense of others weakens the sustainability of the rules-based international order.

The EU is committed to supporting **effective multilateralism** with the United Nations at its core. As a permanent member of the United Nations Security Council and a beneficiary of the multilateral system, China has the responsibility to support all three pillars of the United Nations, namely Human Rights, Peace and Security, and Development.

The ability of EU and China to **engage effectively on human rights** will be an important measure of the quality of the bilateral relationship. The EU acknowledges China's progress in economic and social rights. However, in other respects, the human rights situation in China is deteriorating, notably in Xinjiang and regarding civil and political rights, as witnessed by the continuing crackdown on human rights lawyers and defenders. The human rights of EU and other foreign citizens in China must be protected. The high degree of autonomy enshrined in the Hong Kong Basic Law needs to be respected.

The EU's and China's shared commitments and interest in global sustainable development and the 2030 Agenda present opportunities for closer cooperation, including in third countries. There is a real need to partner up and deliver the significant resources needed to achieve the Sustainable Development Goals. Given China's significant investment in partner countries, it should increase its engagement as an Official Development Assistance donor and a partner in multilateral fora. In this respect, we should establish a dialogue, seek synergies and engage further to maintain momentum on the implementation of the Sustainable Development Goals in third countries.

⁵ Also called "Cooperation between China and Central and Eastern European Countries".

With EU Member States collectively being the largest contributor to the United Nations peacekeeping budget⁶, and China the next largest after the US, opportunities should be identified to share operational experience in this area.

Action 1: The EU will strengthen cooperation with China to meet common responsibilities across all three pillars of the United Nations - Human Rights, Peace and Security, and Development.

On climate change, China is at the same time the world's largest carbon emitter and the largest investor in renewable energy. The EU welcomes the role of China as one of the main brokers of the Paris Agreement. At the same time, China is constructing coal-fired power stations in many countries; this undermines the global goals of the Paris Agreement. China is a strategic partner on climate change and the clean energy transition, with whom we need to continue developing a strong relationship, given the sheer size of its emissions (around 27 % of the global amount), which continue to rise. Our partnership is essential for the success of global climate action, clean energy transition efforts and ocean governance. A commitment by China to peak its emissions before 2030 would give new impetus to fighting climate change in line with the Paris Agreement and inspire action globally. In addition, the EU and China should strengthen their cooperation on sustainable finance, to channel private capital flows towards a more sustainable and climate-neutral economy.

Action 2: In order to fight climate change more effectively, the EU calls on China to peak its emissions before 2030, in line with the goals of the Paris Agreement.

III. Commitment to international peace, security, and sustainable economic development

China is a strategic partner of the EU in addressing global and international challenges. At the same time, security concerns and differences exist as regards the application of international law, the respect of good governance and sustainable economic development.

China has the capacity and the responsibility to play an important role in **addressing regional security challenges**. For example, China's participation in and support for the Joint Comprehensive Plan of Action for Iran was a major factor in first securing the agreement and now in ensuring its full and effective implementation⁷. EU and Chinese coordinated approaches to counter-piracy operations in the Gulf of Aden and off the Horn of Africa have increased security of shipping in those areas.

Further cooperation remains important in reinforcing political trust. China will play an important role in ensuring the denuclearisation of the Democratic People's Republic of Korea. The EU also wishes to work together with China to support the future peace process in Afghanistan and on tackling the Rohingya crisis in Myanmar.

China's **maritime claims** in the South China Sea and the refusal to accept the binding arbitration rulings issued under the United Nations Convention on the Law of the Sea affect the international legal order and make it harder to resolve tensions affecting sea-

⁶ For the period 2016-2018, the collective share of EU 28 Member States was 31.96% for the peacekeeping budget. China's share accounted for 10.24%.

⁷ This includes through the co-chairmanship of the Working Group on the Arak Modernisation Project and efforts to preserve the dividends of sanctions lifting.

lanes of communication vital to the EU's economic interests⁸. They also stand in contrast to China's demands for representation on Arctic issues.

China's increasing military capabilities coupled with its comprehensive vision and ambition to have the technologically most advanced armed forces by 2050 present security issues for the EU, already in a short to mid-term perspective. Cross-sectoral hybrid threats including information operations, and large military exercises not only undermine trust, but also challenge the EU's security and must be addressed in the context of our mutual relationship.

Action 3: The EU will deepen engagement with China on peace and security, building on the positive cooperation on the Joint Comprehensive Plan of Action for Iran.

China's business and investment activity in third countries, including in the Western Balkans, the EU's neighbourhood and Africa has become widespread. **Chinese investments have contributed to the growth of many receiving economies.** At the same time, these investments frequently **neglect socioeconomic and financial sustainability** and may result in high-level indebtedness and transfer of control over strategic assets and resources. This compromises efforts to promote good social and economic governance and, most fundamentally, the rule of law and human rights.

Furthermore, European companies face a lack of level playing field when competing in third countries' markets with Chinese companies enjoying access to state backed loans and export credits at preferential terms and applying different corporate and labour standards.

In this light, the EU should continue to promote **stability, sustainable economic development, and respect for good governance**, in partnership with third countries and with even greater vigour. China's increased international presence can offer major opportunities for trilateral cooperation and positive engagement, when demand-driven and based on mutual interests and understanding, in regions of priority importance for the EU, such as Africa. The EU will encourage China to improve debt transparency and sustainability by implementing the G20 operational guidelines on sustainable financing and support the continued efforts of the Paris Club towards the inclusion of emerging market creditors.

In the **Western Balkans and the EU's neighbourhood**, the EU has a key interest in more effectively pursuing its enlargement and neighbourhood policies, precisely in order to strengthen the resilience of its partners and to secure full adherence to EU values, norms and standards, notably in key areas such as rule of law, public procurement, environment, energy, infrastructure and competition. This involves fully implementing legally binding international agreements⁹ and prioritising the relevant negotiation chapters of the enlargement process in order to guide reforms more robustly.

In order to financially support the EU's objectives and promote private sector investment, **swift agreement is needed on the external action instruments of the next Multiannual Financial Framework.** This includes the Instrument for Pre-Accession¹⁰ and the

⁸ See Declaration by the High Representative on behalf of the EU on the Award rendered in the Arbitration between the Republic of the Philippines and the People's Republic of China of 15 July 2016.

⁹ Such as Stabilisation Agreements, and Association Agreements / Deep and Comprehensive Free Trade Areas.

¹⁰ Proposal for a Regulation of the European Parliament and of the Council establishing the Instrument for Pre-accession Assistance (IPA III), COM (2018) 465 final, 14.06.2018.

Neighbourhood, Development and International Cooperation Instrument with its European Fund for Sustainable Development+, and in particular the foreseen investment guarantee (EUR 60 billion)¹¹.

The EU's Strategy on Connecting Europe and Asia¹² provides a clear framework for confident engagement with our partners, enabling the Union to seek synergies between the EU and third countries, including China, in transport, energy and digital connectivity, on the basis of international norms and standards. The key principles of EU's engagement on connectivity are financial, environmental and social sustainability, transparency, open procurement and level playing field.

The EU-China Connectivity Platform represents an initial opportunity to strengthen cooperation and work in reciprocal and transparent ways, and should be expanded. It aims at promoting sustainable transport corridors based on the principles of the Trans-European Transport networks policy. The imminent launch of a study on railway corridors, between the EU and China, exemplifies the possibility of creating synergies with the Trans-European Transport network policy¹³.

Action 4: To preserve its interest in stability, sustainable economic development and good governance in partner countries, the EU will apply more robustly the existing bilateral agreements and financial instruments, and work with China to follow the same principles through the implementation of the EU Strategy on Connecting Europe and Asia.

IV. Achieving a more balanced and reciprocal trade and investment relationship

The EU and China are strategic markets for each other, trading on average over EUR 1 billion a day. China's growing domestic market and economic weight create important opportunities. China has also increasingly become a strategic competitor for the EU while failing to reciprocate market access and maintain a level playing field. China's growing economic weight increases the risk for the global economy of negative spill-overs from distortions in China's economic system and from possible sudden economic downturn. The EU's approach to China should therefore take account of the evolving nature of the Chinese economy.

China's proactive and state-driven industrial and economic policies such as "Made in China 2025"¹⁴ aim at developing domestic champions and helping them to become global leaders in strategic high-tech sectors. **China preserves its domestic markets** for its champions, shielding them from competition through selective market opening, licensing and other investment restrictions; heavy subsidies to both state-owned and private sector companies;

¹¹ Proposal for a Regulation of the European Parliament and of the Council establishing the Neighbourhood, Development and International Cooperation Instrument, COM (2018) 460 final, 14.06.2018.

¹² Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment bank on Connecting Europe and Asia – Building blocks for an EU Strategy, JOIN(2018) 31, 19.09.2018.

¹³ Regulation (EU) 1315/2013 on Union Guidelines for the development of the Trans-European Transport Network, OJ L 348, 20.12.2013, p. 1.

¹⁴ Promoting sectors such as advanced information technology industry, machinery and robotics, aerospace and aeronautic equipment, marine engineering equipment and high tech ships, advanced rail transport equipment, energy saving vehicles and renewable energy, agricultural machinery and equipment, new materials, biopharma and high performance medical products. See: 中国制造2025 (Made in China 2025), State Council, May 8, 2015.

closure of its procurement market; localisation requirements, including for data; the favouring of domestic operators in the protection and enforcement of intellectual property rights and other domestic laws; and limiting access to government-funded programmes for foreign companies. EU operators have to submit to onerous requirements as a precondition to access the Chinese market, such as creating joint ventures with local companies or transfer of key technologies to Chinese counterparts. One of the sectors where the **lack of reciprocal market access** is particularly acute is financial services. While Chinese *fintech* and online payment companies, credit cards providers, banks and insurers are expanding their presence in the EU, European operators are denied access to the Chinese market.

Given the magnitude of our trade and investment links, it is important to **develop a more balanced and reciprocal economic relationship**.

This can be achieved through various means: by working together with China in international fora to upgrade the rules and by making decisive progress in bilateral negotiations, but also by making use of tools such as the recently modernised and strengthened trade defence instruments.

The **World Trade Organisation** is the cornerstone of the multilateral trading system but its rules need to be modernised and some gaps must be filled to ensure a level playing field and eliminate unfair practices deployed by China. China should engage constructively in these efforts, including through the joint working group on World Trade Organisation reform, established at the occasion of the 2018 EU-China Summit. A top priority in this regard – and an indicator of China’s commitment – is to start negotiations on stronger disciplines on industrial subsidies. Making progress towards elimination of forced technology transfers will also be of critical importance.

Negotiations for a **Comprehensive Agreement on Investment** have been ongoing since 2013. This would be a key tool in rebalancing investment relations and in securing fair and equal treatment for EU companies operating in China as well as ensuring legal certainty for Chinese companies across the Single Market. The two sides should achieve substantial progress in the negotiations in the course of 2019 with a view to concluding an ambitious agreement in 2020.

The signature of the **EU-China Bilateral Aviation Safety Agreement in the coming weeks** will boost trade in aircraft and related products and ensure the highest level of air safety.

Swift conclusion of the negotiations on the **Agreement on Geographical Indications** will be key in ensuring the mutual recognition of geographical indications in each other’s market.

Exports of EU agriculture and food products to China are subject to discriminatory, unpredictable and burdensome procedures, excessive delays and decisions not based on science. In addition to ongoing negotiations, the Commission will discuss with Member States current procedures aiming at negotiating with one single voice. China should treat the EU as a single entity for agriculture and food exports, while applying the regionalisation principle.

All of the above will demonstrate China’s commitment to a mutually beneficial economic relationship.

Action 5: In order to achieve a more balanced and reciprocal economic relationship, the EU calls on China to deliver on existing joint EU-China commitments. This includes reforming the World Trade Organisation, in particular on subsidies and forced technology transfers, and concluding bilateral agreements on investment by 2020, on geographical indications swiftly and on aviation safety in the coming weeks.

The **EU has an open procurement market, which is the largest** in the world. At the same time, EU companies often encounter difficulties to gain access to procurement opportunities in the Chinese as well as other foreign markets, in particular in sectors where EU companies are highly competitive (e.g. transport equipment, telecommunications, power generation, medical equipment and construction services). This **protectionist trend is rising**.

The revised Commission proposal for an international procurement instrument (IPD)¹⁵ was submitted to the European Parliament and the Council in January 2016. This Regulation would increase EU leverage to negotiate reciprocity and market opening, creating new opportunities for EU businesses.

Action 6: To promote reciprocity and open up procurement opportunities in China, the European Parliament and the Council should adopt the International Procurement Instrument before the end of 2019.

V. Strengthening the Union's competitiveness and ensuring a level playing field

The EU needs a proactive approach to strengthening its economic competitiveness and ensuring a level playing field. It will continue to take concrete measures to strengthen the Single Market, including its capacity to channel investments where strategic EU interests are at stake.

The establishment of a **single market for public procurement** is one of the key achievements of the internal market. EU-wide publication of tenders ensures transparency and creates opportunities for companies across the EU. Better implementation of the rules will ensure quality and security at all stages of the process, value-for-money, and the sustainability of projects. Considering that a substantial part of public investment in the EU economy is spent through public procurement (EUR 2 trillion yearly representing 14% of EU GDP) a more strategic approach can have a major impact.

Therefore, while **reflecting the increasingly global nature of public procurement markets**, a more strategic approach to the EU's procurement framework could help to identify and address obstacles and loopholes that impede a level playing field in practice. For instance, the rules could be revised or their application strengthened in order to ensure that procurement procedures conducted in the EU on the basis of international agreements¹⁶ comply with the Treaty principles of transparency and equal treatment. Further, public procurement for projects benefitting from EU funding should guarantee a high standard of quality, security, sustainability and social responsibility.

¹⁵ Amended proposal for a Regulation of the European Parliament and of the Council on the access of third-country goods and services to the Union's internal market in public procurement and procedures supporting negotiations on access of Union goods and services to the public procurement markets of third countries, COM (2016) 034 final, 29.01.2019.

¹⁶ Under the current rules, projects with third countries are implemented through international agreements. Under such agreements, the parties can agree on specific procurement rules. In this case, the EU procurement instruments are not applicable, but such specific procurement rules have to comply with basic treaty principles of transparency and equal treatment.

In addition, the Commission will **publish guidance on the legal framework on participation of foreign bidders and goods in the EU market** taking into account EU and international rules on procurement, including on abnormally low tenders, as well as respect of security, labour and environmental standards, and state aid rules.

Action 7: To ensure that not only price but also high levels of labour and environmental standards are taken into account, the Commission will publish guidance by mid-2019 on the participation of foreign bidders and goods in the EU procurement market. The Commission, together with Member States, will conduct an overview of the implementation of the current framework to identify shortcomings before the end of 2019.

EU policy tools do not fully address the effects within the EU internal market of subsidies granted by foreign governments. EU competition policy instruments apply without discrimination to all economic operators, irrespective of their origin. EU state aid rules only cover aid granted by Member States. Further, EU merger control does not allow the Commission to intervene against the acquisition of a European company solely on the grounds that the buyer benefitted from foreign subsidies. Trade defence instruments address subsidies that affect the price of products imported into the EU. However, these instruments do not cover all potential effects of unfair subsidies or support by third countries.

To close this gap, it is necessary to **identify how the EU could appropriately deal with the distortive effects of foreign state ownership and state financing of foreign companies on the EU internal market.**

Action 8: To fully address the distortive effects of foreign state ownership and state financing in the internal market, the Commission will identify before the end of 2019 how to fill existing gaps in EU law.

In the context of the renewed industrial policy strategy¹⁷, the EU should **foster industrial cross border cooperation, with strong European players, around strategic value chains** that are key to EU industrial competitiveness and strategic autonomy. The work of the Strategic Forum for Important Projects of Common European Interest has an important role to play, as does executing collectively initiatives such as the recently agreed EU Coordinated Action Plan on Artificial Intelligence¹⁸ and the European battery alliance project¹⁹.

¹⁷ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank - Investing in a smart, innovative and sustainable Industry - A renewed EU Industrial Policy Strategy, COM (2017) 0479 final, 13.09.2017.

¹⁸ Communication from the Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of the Regions – Coordinated Plan on Artificial Intelligence, COM (2018) 795 final, 7.12.2018.

¹⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Europe on the Move Sustainable Mobility for Europe: safe, connected and clean, Annex 2 Strategic Action Plan on Batteries, COM (2018) 293 final, 17.05.2018.

Building on the **European Strategy for Artificial Intelligence**²⁰, the **Coordinated Plan** sets out a number of operational measures aiming to maximise the impact of investments and to help Europe become the world-leading region for developing and deploying cutting-edge, ethical and secure Artificial Intelligence. These joint actions focus in particular on increasing investment, making more data available, fostering talent and ensuring trust. Such closer and more efficient cooperation is essential for implementing the EU's values-based approach of human-centric and trustworthy Artificial Intelligence, a key condition for wide acceptance.

The **Strategic Action Plan on batteries** adopted in May 2018 aims at creating a competitive, sustainable and innovative battery 'ecosystem' in Europe, covering the entire value chain. Batteries are key for energy storage and clean mobility, and will be of strategic importance to the modernisation of EU industry. Particular attention is being paid to ensuring a reliable supply of raw materials and access to rare earths.

To ensure the long-term competitiveness of EU operators, including in fields where EU enterprises do not enjoy reciprocal market access, the EU needs **an ambitious Horizon Europe**²¹ **programme open to third countries and international organisations to stay at the forefront of global research and innovation**. It should also include clear rules on exploitation of results and allow for effective reciprocal access to research and development funding.

The Commission calls on the European Parliament and the Council to swiftly agree on the Horizon Europe programme.

VI. Strengthening the security of critical infrastructure and the technological base

Foreign investment in strategic sectors, acquisitions of critical assets, technologies and infrastructure in the EU, involvement in EU standard-setting and supply of critical equipment can pose risks to the EU's security. This is particularly relevant for critical infrastructure, such as 5G networks that will be essential for our future and need to be fully secure.

5G networks will provide the future backbone of our societies and economies, connecting billions of objects and systems, including sensitive information and communication technology systems in critical sectors. Any vulnerability in 5G networks could be exploited in order to compromise such systems and digital infrastructure – potentially causing very serious damage. A range of EU instruments, including the Network and Information Security Directive²², the recently approved Cybersecurity Act²³,

²⁰ Communication from the Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of the Regions – Artificial Intelligence for Europe, COM (2018) 237 final, 25.4.2018.

²¹ Proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, COM (2018) 435 final, 07.06.2018.

²² Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union, OJ L 194, 19.7.2016, p. 1.

²³ Proposal for a Regulation of the European Parliament and of the Council on ENISA, the "EU Cybersecurity Agency", and repealing Regulation (EU) 526/2013, and on Information and Communication Technology cybersecurity certification ("Cybersecurity Act"), COM (2017) 0477 final, 13.09.2017.

and the European Electronic Communications Code²⁴ will allow reinforcing cooperation in addressing cyber-attacks and enable the EU to act collectively in protecting its economy and society.

The Commission will adopt a recommendation following the European Council for a common EU approach to security risks to 5G networks, building on a coordinated EU risk assessment and risk-management measures, an effective cooperation and exchange of information framework, and joint EU situational awareness covering critical communication networks.

Moreover, on 8 March 2019, the Commission and the High Representative proposed the **establishment of a horizontal sanctions regime to counter cyber-attacks**. The proposed regime has worldwide coverage and will enable a flexible EU response irrespective of the location from which cyber-attacks are launched and regardless of whether they are carried out by state or non-state actors. This sanctions regime, when adopted, would enable the Union to respond to cyber-attacks with a ‘significant effect’, which threaten the integrity and security of the EU, its Member States and their citizens.

The EU will support multilateral efforts, notably in the G20 context, to promote free and secure data flows based on strong privacy protections for personal data.

Action 9: To safeguard against potential serious security implications for critical digital infrastructure, a common EU approach to the security of 5G networks is needed. To kickstart this, the European Commission will issue a Recommendation following the European Council.

The new Regulation **establishing a framework for screening foreign direct investment** will enter into force in April 2019 and fully apply from November 2020²⁵. It will provide a powerful instrument to detect and raise awareness of foreign investment in critical assets, technologies and infrastructure. It will further allow identifying collectively and addressing security and public order threats posed by acquisitions in sensitive sectors.

Member States should use the period between entry into force and the start of application of the Regulation to make the necessary changes to their national domestic practices and legislation and put in place the administrative structures to ensure effective cooperation at EU level with the Commission in accordance with the established mechanisms.

Action 10: To detect and raise awareness of security risks posed by foreign investment in critical assets, technologies and infrastructure, Member States should ensure the swift, full and effective implementation of the Regulation on screening of foreign direct investment.

The EU rules on **export control of dual use goods** allow the Union to monitor exports in key technologies and check them for security concerns. The Commission’s proposal on modernising the export control Regulation²⁶ includes cyber-security and surveillance

²⁴ Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code, OJ L 321, 17.12.2018, p. 36

²⁵ [Regulation of the European Parliament and of the Council establishing a framework for the screening of foreign direct investments into the Union](#) (not yet published in the Official Journal).

²⁶ Proposal for a Regulation of the European Parliament and of the Council, setting up a Union regime for the control of exports, transfer, brokering, technical assistance and transit of dual-use items (recast), COM(2016) 616 final, 28.09.2016.

technology. The Regulation would strengthen the EU's ability to adjust to and mitigate evolving security risks and rapid technological developments.

The Commission calls on the European Parliament and the Council to adopt **modernised EU rules on export control as quickly as possible**.

VII. Conclusion

The Commission and the High Representative **invite the European Council to endorse the following actions**.

Action 1: The EU will strengthen the EU's cooperation with China to meet common responsibilities across all three pillars of the United Nations, Human Rights, Peace and Security, and Development.

Action 2: In order to fight climate change more effectively, the EU calls on China to peak its emissions before 2030, in line with the goals of the Paris Agreement.

Action 3: The EU will deepen engagement with China on peace and security, building on the positive cooperation on the Joint Comprehensive Plan of Action for Iran.

Action 4: To preserve its interest in stability, sustainable economic development and good governance in partner countries, the EU will apply more robustly the existing bilateral agreements and financial instruments, and work with China to follow the same principles through the implementation of the EU Strategy on Connecting Europe and Asia.

Action 5: In order to achieve a more balanced and reciprocal economic relationship, the EU calls on China to deliver on existing joint EU-China commitments. This includes reforming the World Trade Organisation, in particular on subsidies and forced technology transfers, and concluding bilateral agreements on investment by 2020, on geographical indications swiftly, and on aviation safety in the coming weeks.

Action 6: To promote reciprocity and open up procurement opportunities in China, the European Parliament and the Council should adopt the International Procurement Instrument before the end of 2019.

Action 7: To ensure that not only price but also high levels of labour and environmental standards are taken into account, the Commission will publish guidance by mid-2019 on the participation of foreign bidders and goods in the EU procurement market. The Commission, together with Member States, will conduct an overview of the implementation of the current framework to identify gaps before the end of 2019.

Action 8: To fully address the distortive effects of foreign state ownership and state financing in the internal market, the Commission will identify before the end of 2019 how to fill existing gaps in EU law.

Action 9: To safeguard against potential serious security implications for critical digital infrastructure, a common EU approach to the security of 5G networks is needed. To kickstart this, the European Commission will issue a Recommendation following the European Council.

Action 10: To detect and raise awareness of security risks posed by foreign investment in critical assets, technologies and infrastructure, Member States should ensure the swift, full and effective implementation of the Regulation on screening of foreign direct investment.

