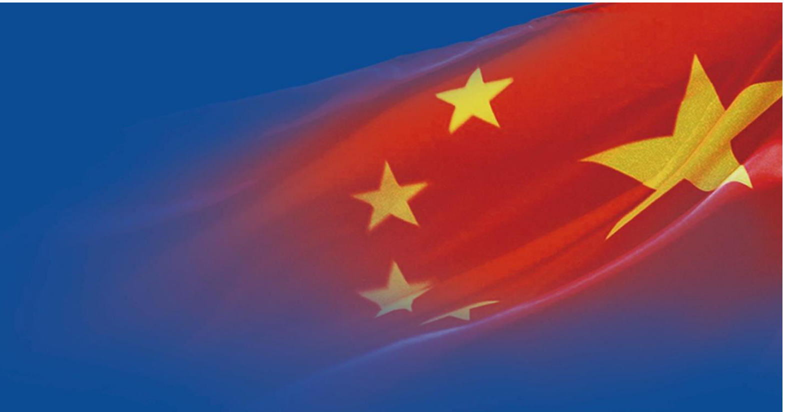
中国贸促会研究院
ACADEMY OF CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE



Business Environment of the European Union 2020/2021

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2020/2021

CCPIT Academy

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Overview of the Research Process

Ⅰ. Research methodology

Research for this report began in May 2020. In order to fully understand and reflect the demands of Chinese enterprises in the EU and to comprehensively analyze the business environment in the European Union, the research group has adopted various research methods including business interview, questionnaire survey, econometric analysis and policy research.

1. Questionnaire survey

A total of 1,000 questionnaires were distributed and 253 valid questionnaires were returned, all of which were completed by senior managers directly involved in the specific operations of the enterprises in the EU. The survey questions cover basic company information, state of operation, evaluation of the business environment, impact of the COVID-19 pandemic, and evaluations of the market access environment, competition policy, the financial environment, the human resource environment, the public procurement environment, the digital economy environment, the healthcare industry, and the logistics industry. In the course of the survey, the research group independently completed questionnaire preparation, questionnaire collection and data analysis.

2. Interview with the companies

The research group researched 101 companies operating in Europe through on-site visits and interviews in China, and the interviewees were all senior managers responsible for their company's EU business. In order to gain an accurate understanding of the companies' state of operation in the EU from different perspectives, the research group also visited well-known law firms, consulting firms, accounting firms and other third-party service suppliers.

3. Econometric analysis

Based on the questionnaire survey data of the past three consecutive years, the research group creatively conducted quantitative analysis and constructed an econometric model to assess the impact of changes in the EU business environment on Chinese business investment in Europe.

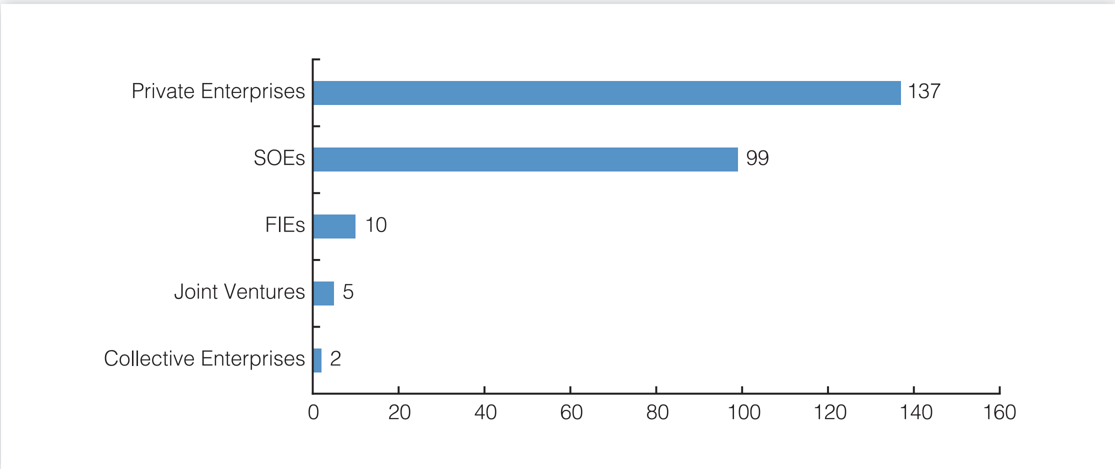
4. Policy research

The research group systematically collated and analyzed the policies and regulations introduced by the EU and its Member States pertaining to the business environment since 2020, covering such fields as pandemic response, foreign investment screening, competition policy, public procurement and the digital economy. The research group conducted an in-depth analysis of the latest trends and problems of the business environment in the EU from an institutional perspective.

Ⅱ. Characteristics of questionnaire respondents

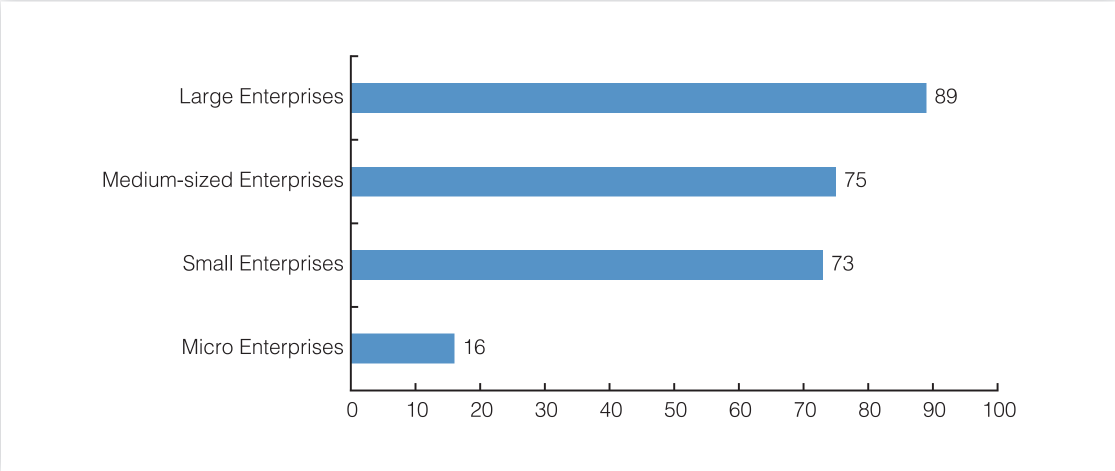
1. Distribution of the respondents by ownership

In terms of the nature of the enterprises surveyed, there were 137 private enterprises, accounting for 54.15% of the total number of enterprises surveyed; 99 state-owned enterprises (SOEs), accounting for 39.13%; 10 foreign investment enterprises (FIEs), accounting for 3.95%; 5 joint ventures, accounting for 1.98%; and 2 collective enterprises, accounting for 0.79%.



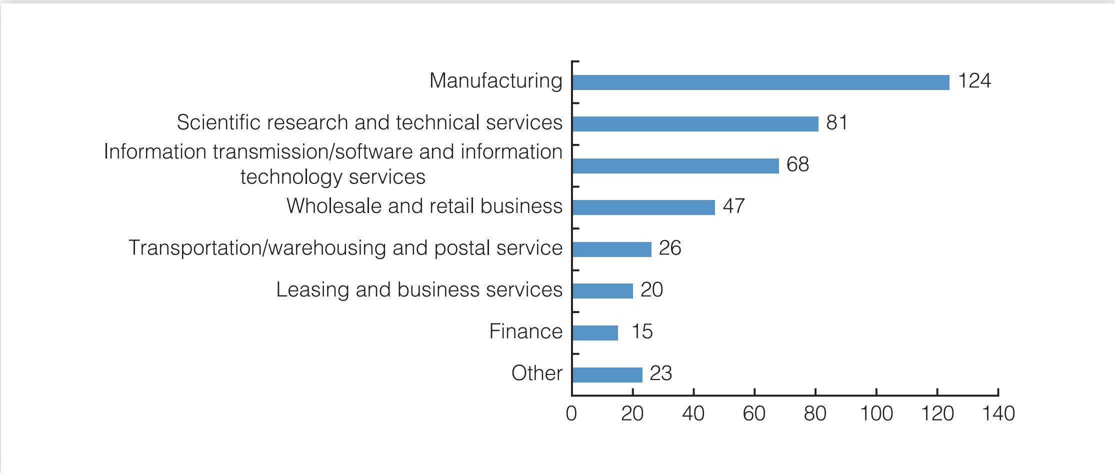
2. Distribution of the respondents by size

In terms of the size of the enterprises surveyed, large enterprises accounted for the highest percentage, at 35.18%; medium-sized enterprises and small enterprises were close in number, accounting for 29.64% and 28.85% respectively; and micro enterprises were less numerous, accounting for only 6.33%.



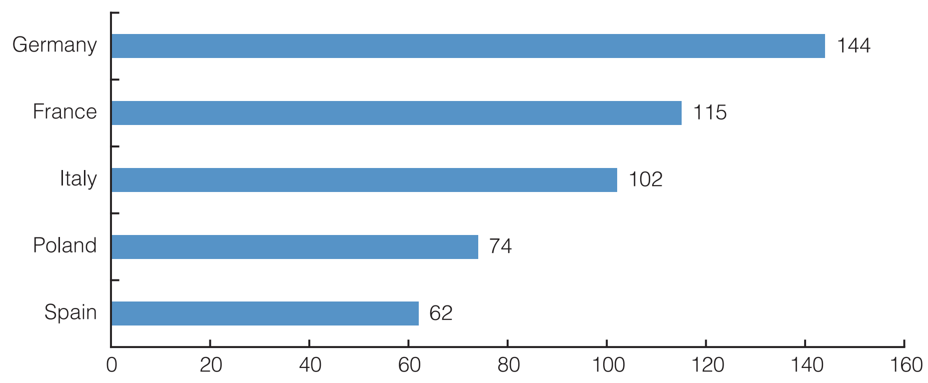
3. Distribution of the respondents by sector

In terms of the sectoral coverage of the respondents investing and operating in the EU, the largest proportion of them were engaged in manufacturing, with scientific research and technical services, information transmission/software and information technology services, and wholesale and retail business ranking second to fourth.



4. Top 5 Member States in which the respondents operate and invest

In terms of the Member States in which enterprises invest and operate, Germany, France, Italy, Poland and Spain were the five Member States with the highest distribution of respondents, with 56.92%, 45.45%, 40.32%, 29.25% and 24.51% of all the respondents investing and operating in these EU Member States respectively.


Germany
France
Italy
Poland
Spain
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Preface

The year 2020 is destined to be an extraordinary year for China-EU economic and trade relations. This year China and the European Union celebrate the 45th anniversary of diplomatic relations. The world is undergoing profound changes unseen in a century, compounded by the raging pandemic across the globe, creating more and more unstable and uncertain factors. Against this backdrop, China and Europe have risen to the challenge and worked together to achieve fruitful results in their relations. Three video meetings have been successfully held between President Xi Jinping and European leaders, thus high-level communication has been maintained in an intensive manner. Since the outbreak of the COVID-19, China and the EU, through solidarity and mutual assistance, came together to fight the pandemic, and, after experiencing some initial shocks, managed to break through the gloom of the pandemic. Positive factors have continued to emerge, with China-EU trade and economic cooperation becoming an important stabilizer of the global economy. Freight volume of the China-Europe block trains grew against the trend. China was the EU's only trading partner with whom it registered a positive trade growth during the pandemic and became to the largest trading partner of the Union in 2020. A large number of EU investment projects landed in China successfully. China and the EU concluded as scheduled the negotiations on the China-EU bilateral investment agreement, which is a balanced, high-quality, mutually-beneficial and win-win investment agreement, demonstrating China's commitment to and confidence in high-level opening up to the outside world. This agreement will provide Chinese and European investors with wider market access, a better business environment, stronger institutional safeguards and brighter prospects for cooperation. The two sides officially signed the *Agreement on the Cooperation on and Protection of Geographical Indications between the Government of the People's Republic of China and the European Union*, recognizing for the first time on a large scale the geographical indications of each other, which is a milestone for the deepening of China-EU trade and economic cooperation. China-EU relations have shown resilience and vitality in the face of crises and challenges, which has sent a positive signal to the world.

For three consecutive years, the CCPIT Academy has conducted research into the business environment of the EU. Our surveys showed that there lies within the EU business environment such problems as "hidden discrimination" against foreign firms, over-regulation leading to increased compliance costs and interference with the normal operation of the business. Such issues seriously affected the operation and investment of foreign firms in Europe. In order to reflect the voice of foreign firms in Europe calling for an improved business environment, and to promote the healthy development of China-EU economic and trade relations, the CCPIT Academy has continued its research to produce the *Business Environment of the European Union 2020/2021*. The research group surveyed 101 enterprises operating in Europe through on-site visits and interviews; distributed

1,000 questionnaires through various channels at home and abroad, and collected 253 valid returned questionnaires; based on the data from the questionnaires collected over three consecutive years, the group creatively carried out quantitative analysis and constructed an econometric model to assess the impact of changes in the EU business environment on Chinese firms' investment and operation in Europe. According to the survey, Chinese firms in Europe generally suffered a decline in their business performance in 2020 and 40% of them planned to scale down their business in Europe. The enterprises were pessimistic about the business environment in the EU. Protectionism has been on the rise in the EU and some Member States, and unilateralism and anti-globalization have kept emerging along with the ravaging pandemic. FIEs faced *de facto* discrimination in the EU, while over-regulation still troubled their operations in Europe.

Protectionist measures by the EU and some Member States are not conducive to the sound development of China-EU economic and trade relations, nor to the economic recovery of the EU. For China and Europe, cooperation is far greater than competition, and consensus greater than differences. The two sides are long-term comprehensive strategic partners. China and the EU should jointly uphold multilateralism, champion free trade, and actively expand practical cooperation in such areas as digital and green technology. We hope that the EU would listen carefully to the voices of Chinese enterprises, strive to improve the business environment and push for steady and solid progress in China-EU economic and trade relations.

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Chapter 1

Current Status of China-EU Trade and Economic Cooperation

In recent years, China-EU economic and trade relations have developed steadily, with China being the EU's largest trading partner for the first time in 2020, and the EU being China's top trading partner for 16 consecutive years since 2004. Chinese outbound direct investment (ODI) in the EU reached a record high of USD10.7 billion in 2019. Since the outbreak of COVID-19, despite its impact on China-EU trade and economic cooperation, China and the EU have come together to fight the pandemic and overcome the challenges arising from the various adverse factors. China-EU trade has bucked the trend and registered positive growth. During the pandemic, China became the EU's largest trading partner for the first time.

Ⅰ. China-EU economic and trade relations have stood the test of the pandemic

1. The pandemic has greatly impacted Chinese firms' investments in Europe

In terms of Chinese ODI in the EU, it showed a declining trend in 2020 due to the pandemic. In 2020, the total amount of overseas merger and acquisition (M&A) transactions announced by Chinese companies stood at USD46.41 billion, down 46.2% year-on-year, and the number of announced M&As was 530, down 18.5% year-on-year. During the same period, the amount of overseas M&As announced by Chinese firms in Europe was USD12.5 billion, down 48.6% year-on-year.[1] The share of Europe in the total of overseas M&As announced by Chinese companies has continued to decrease, falling below 20% in the first half of 2020 for the first time in seven years. Since the beginning of 2020, Chinese companies have invested in Europe mainly in the digital media industry, advanced manufacturing and transportations. Country-wise, Germany and Italy attracted higher amounts of Chinese investment in 2020, with Germany receiving USD5.15 billion in investments from Chinese companies as the top Member State for Chinese ODI, followed by Italy with USD1.44 billion in investments from Chinese companies.

2. EU companies remain confident about investing in China

The outbreak of COVID-19 in China in early 2020 hit EU companies in China in varying degrees. However, as China continues to consolidate its achievements in epidemic prevention and control and resumes work and production across the board, utilization of foreign direct investment (FDI) has stabilized significantly. In 2020, China's actualized FDI stood at RMB999.98 billion, an increase of 6.2% year-on-year. According to the Rhodium Group, from January to May 2020, the total amount of M&As by foreign companies in China reached USD9 billion, surpassing for the first time in the past decade overseas M&As by Chinese companies in terms of both the number and amount of transactions[2].

China's achievements in the fight against COVID-19 have boosted the confidence of EU companies in investing in China. On August 4, 2020, Mr. Joerg Wuttke, President of the European Union Chamber

1 Ernst & Young, Overview of China's overseas investment in 2020.

2 Rhodium Group, https://rhg.com/research/whos-buying-whom/

of Commerce in China (EUCCC), said that although the outbreak had an impact on EU companies in China, China's timely response measures were very effective, and that EU companies remain confident in their development in China and want to be part of the country's development story. According to a survey conducted by the EUCCC among its 577 member companies in February 2020, about 90% of the companies surveyed said that the impact of the outbreak was moderate to severe, and nearly half of the companies surveyed expected their revenues to fall by more than 10% in the first half of 2020, while 25% of the companies surveyed expected their revenues to fall by more than 20%.[3] *The Business Confidence Survey 2020*[4] published by the EUCCC on June 10 showed a completely different picture than in February, with 65% of the companies ranking China as the most important or one of the top three investment destinations, 89% of companies surveyed said they were not considering shifting their current or planned investments from China to other markets, the highest percentage in the past seven years, and 48% of the EU companies were optimistic about revenue growth in China, up three percentage points from the previous year. The great success of China's fight against the pandemic has boosted EU companies' confidence in investing in China.

3. The importance of China-EU trade to the EU continues to grow

In February and March 2020, when the outbreak was most severe in China, China slipped to the third largest trading partner of the EU. But later China-EU trade recovered and China became the top trading partner of the EU for the first time in 2020. In 2020, the EU's imports from China stood at EUR383.5 billion, an increase of 5.6% year-on-year; the EU's export to China valued EUR202.5 billion, an increase of 2.2%[5].

After the outbreak, the EU's year-on-year growth rate of imports from China, which declined first and then increased, was in the negative territory only in February and March, while the year-on-year growth rates of EU imports from other major trading partners have been all negative since April, 2020. In terms of the exports from EU to China, negative year-on-year growth rate has been witnessed from January to May in 2020, with the lowest point of minus 11.04% occurring in May. But a strong rebound was witnessed in June, as the year-on-year growth rate of EU's exports to China was as high as 15.04%. In 2020, among EU's top 10 trading partners in goods, China was the only one that achieved two-way growth in trade (as shown in Figure 1-1 and 1-2).

3 EUCCC, https://www.europeanchamber.com.cn/en/press-releases/3161/covid_19_severely_impacting_business_trade_associations_call_for_proportionate_measures_to_get_real_economy_back_on_track

4 EUCCC, https://www.europeanchamber.com.cn/en/publications-business-confidence-survey

5 Eurostat, https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

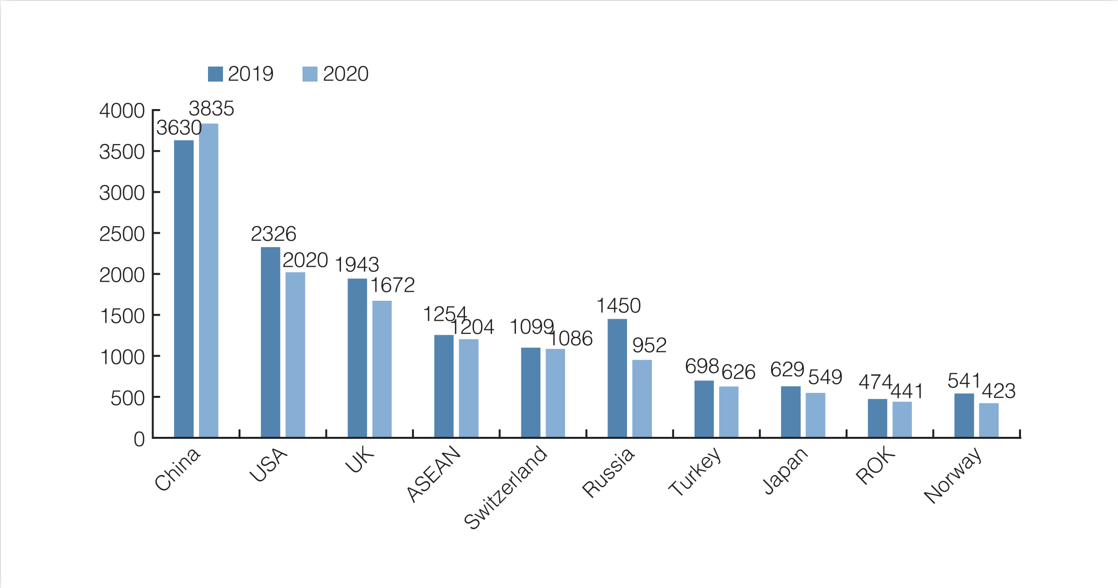

Figure 1-1: The EU imports from major trading partners in 2019 and 2020(100 million Euro)

Source: Eurostat.

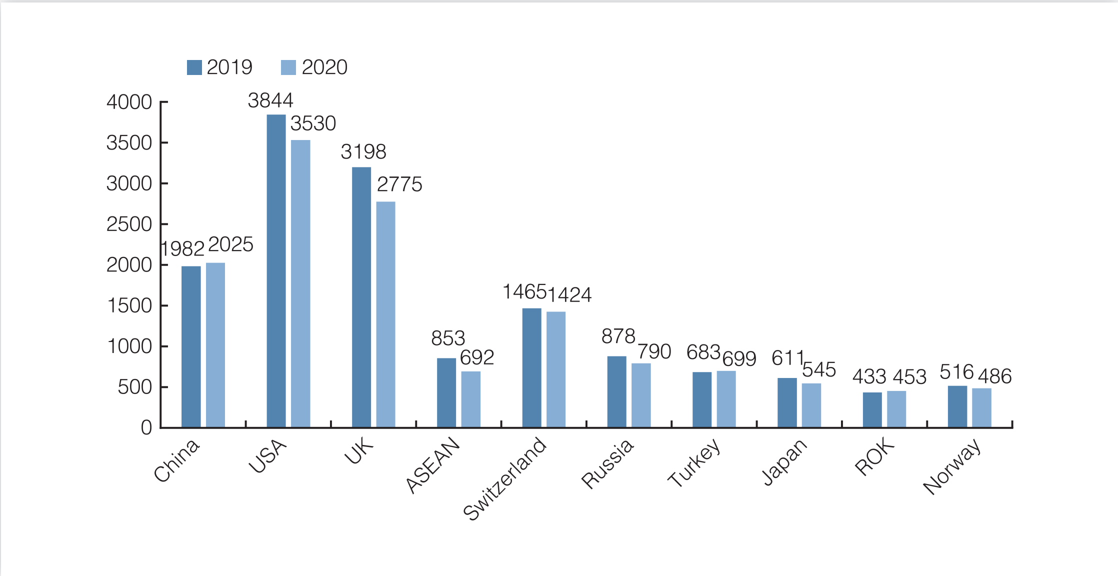

Figure 1-2: The EU exports to major trading partners in 2019 and 2020(100 million Euro)

Source: Eurostat.

Ⅱ. Opportunities for China-EU trade and economic cooperation in the post-pandemic era

1. Conclusion of the China-EU bilateral investment agreement lays an institutional foundation

After seven years and 35 rounds of consultations, on December 30, 2020, Chinese and European leaders jointly announced that the China-EU bilateral investment agreement negotiations were concluded as scheduled. This is a balanced, high-level, mutually-beneficial and win-win agreement that is benchmarked against high-level international economic and trade rules and focused on institutional openness, covering areas far beyond those of traditional bilateral investment agreements. The outcome of the negotiations covers four aspects: market access commitments, fair competition rules, sustainable development and dispute settlement. High-level market access commitments will bring more investment opportunities for the enterprises on both sides, and high-level fair competition rules will provide a better business environment for bilateral investment.

2. China and the EU have a lot of room for cooperation in the field of digital economy

Despite the economic "lockdown" in various countries during the pandemic, "social distancing", which was required for containing the virus, has also driven rapid growth in demand for the adoption of digital channels such as remote working, distant learning, telemedicine, intelligent production, and e-commerce. According to McKinsey & Company's consumer survey data, since the outbreak, the digital demand of consumers has risen rapidly in countries around the world, and the world has vaulted five years forward in consumer and business digital adoption in a matter of around eight weeks[6].

Despite the differences in consumption habits and e-commerce models between China and Member States such as Germany, Belgium and France, consumers in all countries are significantly more inclined to choose online consumption when purchasing alcoholic beverages, skin care products, books, home appliances, electronic products and clothing after the outbreak. As the pandemic continues, changes in consumer habits and life attitudes will accelerate the digital transformation of industries and place higher demands on countries' network infrastructure and digital technology application capabilities. China and the EU have the technical foundation for cooperation in terms of network infrastructure, science and technology talent pool and innovation capacity, and also share the common aspiration to promote the development of digital economy. If consensus can be formed in the post-pandemic era to jointly explore space for development, there will be great potential for cooperation on digital economy.

3. Green is the development direction of common interest for China and Europe

Both China and Europe stick to the green, low-carbon and circular development path. President Xi

6 The Covid-19 recovery will be digital: A plan for the first 90 days, https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days

Jinping solemnly announced at the 75th UN General Assembly that “China will scale up its Intended Nationally Determined Contributions by adopting more vigorous policies and measures, and that it aims to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060.” In December 2019, the new European Commission released the *European Green Deal*, aiming to make Europe the first climate-neutral continent by 2050. In September 2020, China and the EU decided to establish the China-EU High-level Environment and Climate Dialogue and the China-EU High-level Dialogue on Digital Cooperation. The two sides hold great promise for green cooperation going forward.

4. China-Europe block trains grow against the trend, protecting smooth logistical flows

With the continued spread of the COVID-19 pandemic, countries put in place in varying degrees quarantine and restrictive measures to contain the virus, and the international air transport and shipping industries took a hard hit. In this context, the China-Europe block train service has seen its logistical advantages gradually emerge, serving as a key transportation channel for epidemic prevention materials, and providing important support for keeping the supply chains and trading system between China and Europe stable.

In 2020, a total of 12,400 trips of the China-EU block trains were completed and 1.135 million TEUs of goods shipped, up by 50% and 56% year-on-year respectively. More than 1,000 trips were completed per month. The transportation network has continued to expand, reaching over 20 countries and 90 cities in Europe; and 9.31 million pieces of medical supplies were transported, totaling more than 76,000 tons have been sent to Italy, Germany, Spain, the Czech Republic, Poland, Hungary, the Netherlands, Lithuania, Belgium and other countries[7]. The block train service has contributed to stabilizing the international logistical and supply chains and helping the global community fight the pandemic.

Despite the impact of the sudden COVID-19 outbreak, the China-Europe block train service has been a safeguard for stable supply chains between China and the Europe. In the post-pandemic era, the China-Europe block train service will play a greater role in connecting trade, economy and supply chains between China and Europe.

7 http://news.cctv.com/2021/01/05/ARTIrXAaTKL39sUwImENnmbM210105.shtml

Chapter 2

Overall Evaluation of the EU's Business Environment

Ⅰ. The EU's business environment needs to be further optimized

1. Enterprises believe that the EU's business environment has gone backward

In 2020, the EU's continuous strengthening of foreign investment screening, the addition of new forms of reviews, and excessive regulation of foreign investment had a negative impact on businesses operating in Europe. This, combined with the impact of the COVID-19 pandemic, has led the enterprises to believe that the EU's business environment has gone backward. According to our survey, the respondents rate the overall business environment in the EU as average, with 28.46% of them considering the business environment in the EU to be poor, 0.86 percentage points higher than in the previous year's survey; 47.43% of them consider the business environment to be average, and only 24.11% consider the business environment in the EU to be good (as shown in Figure 2-1).

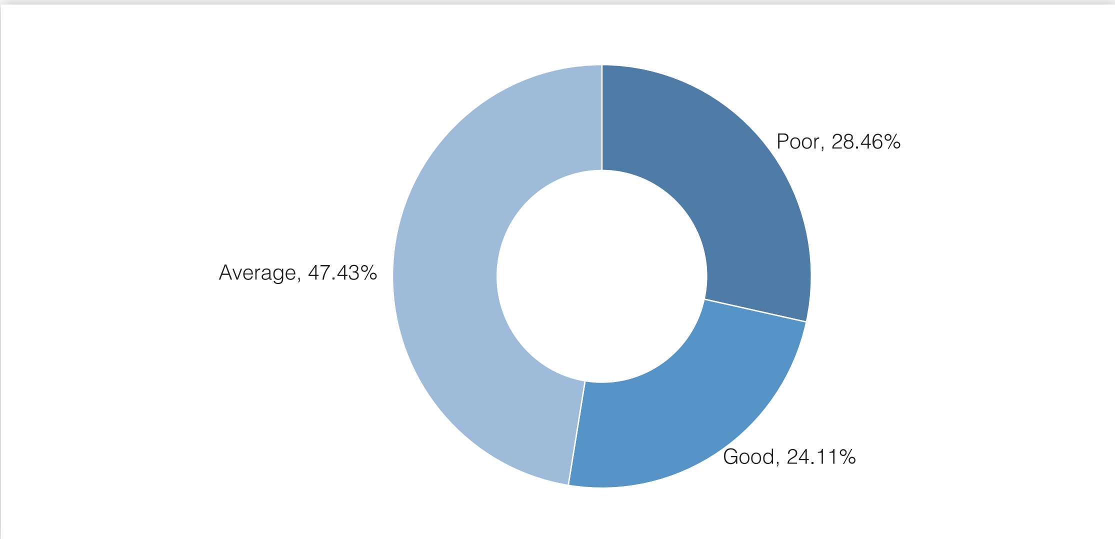

Figure 2-1: Enterprises' evaluation of the business environment in the EU

Source: CCPIT Academy.

In terms of changes in the business environment, 26.9% of the respondents believe that the business environment in the EU has deteriorated in the past year, 48.22% believe that there has been no change, and only 24.88% believe that the business environment in the EU has slightly improved (as shown in Figure 2-2).

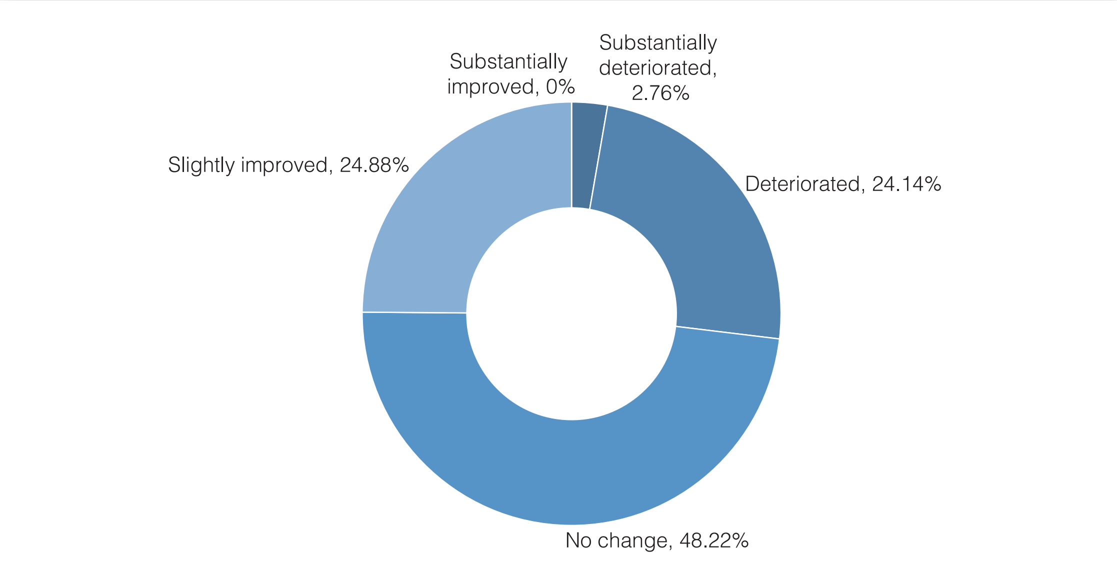

Figure 2-2: Enterprises' evaluation of changes in the business environment in the EU in the past year

Source: CCPIT Academy.

2. Enterprises have pessimistic expectations about the business environment in the EU

The EU's continuous strengthening of foreign investment screening, its lack of improvement in the business environment, and the likelihood that the EU may continue to introduce protectionist measures such as foreign subsidy review has directly led to enterprises' disappointment in the EU's business environment. The survey shows that enterprises have poor expectations of the overall business environment in the EU for the future, with 25.3% of the respondents holding pessimistic expectations, 65.61% indicating neutrality, and only 9.09% reporting optimism in the business environment of the EU (as shown in Figure 2-3).

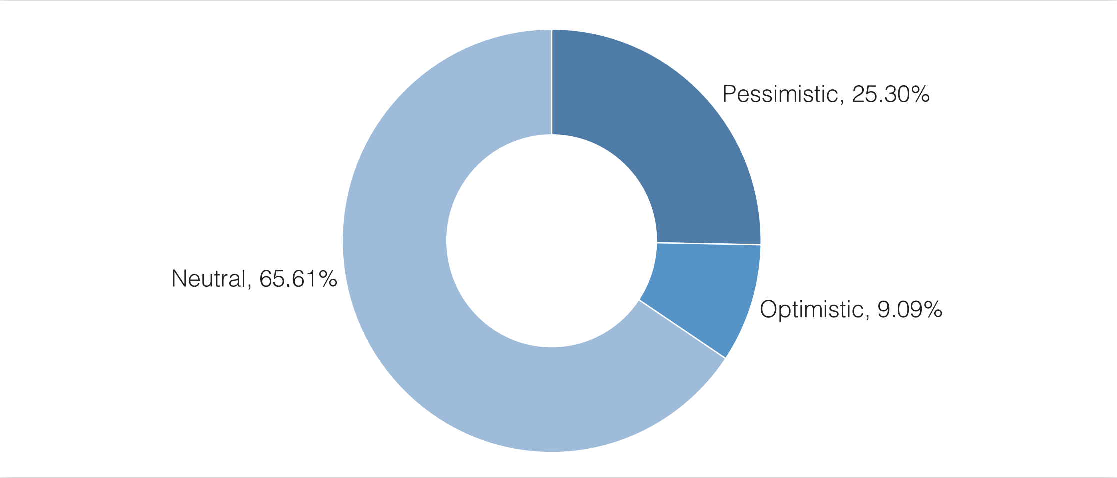

Figure 2-3: Enterprises' expectations of the business environment in the EU in the future

Source: CCPIT Academy.

Ⅱ. The business conditions of Chinese enterprises in the EU give no cause for optimism

1. Thirty per cent of the Chinese companies expect to operate at a loss in Europe

Due to the worsening of the business environment and the COVID-19 pandemic, the business conditions of enterprises in the EU in 2020 give no cause for optimism. According to our survey, 30.04% of the respondents expect to operate at a loss in the EU in 2020 (as shown in Figure 2-4).

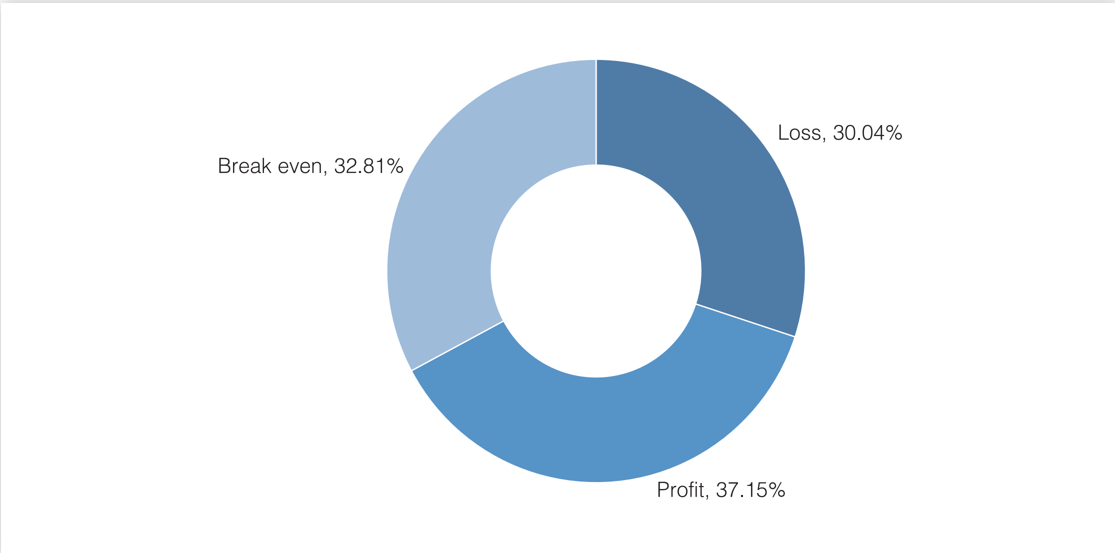

Figure 2-4: Enterprises' expectations of operating profits in the EU in 2020

Source: CCPIT Academy.

2. Sixty per cent of the Chinese enterprises expect a decline in revenue and profits in the EU

More than 60% of the enterprises believe that their operating revenues in the EU will decline in 2020. 61.27% of the respondents expect their operating revenues in the EU to decline in 2020 compared with 2019; 58.89% expect their profits in the EU to decline in 2020; 41.5% expect their market shares in the EU to decline (as shown in Figure 2-5).

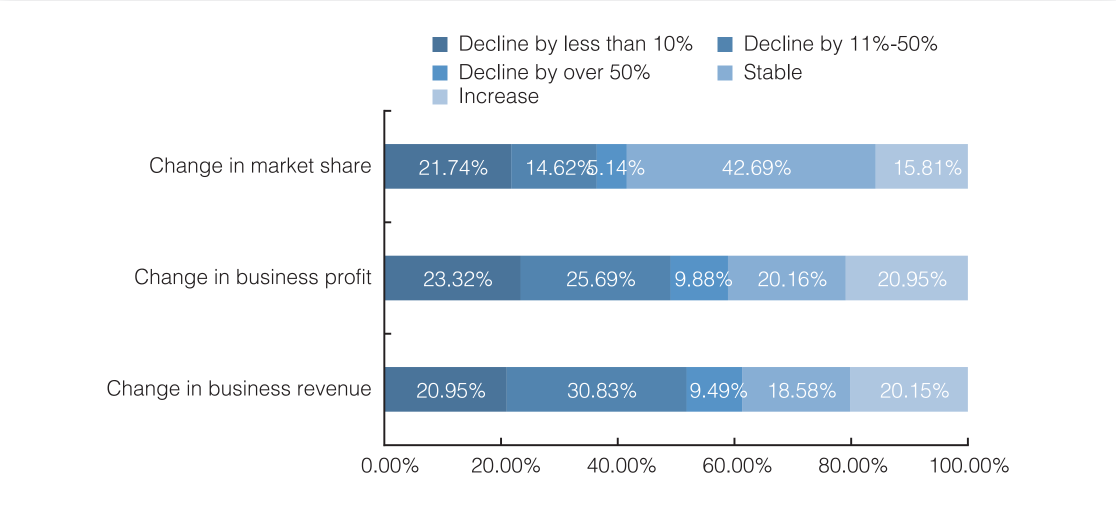

Figure 2-5: Enterprises' expectations of operating in the EU in 2020

Source: CCPIT Academy.

3. Forty per cent of the Chinese enterprises plan to scale down their operations in the EU

Based on the pessimistic expectation of the EU's business environment and the judgment of rising risks, more than 40% of the enterprises plan to scale down their business in the EU. According to our survey, 40.71% of the respondents will scale down their business in the EU, 1.58% plan to exit the EU market, 48.22% will maintain their current business scale in the EU, and only 9.49% plan to expand their business in the EU (as shown in Figure 2-6).

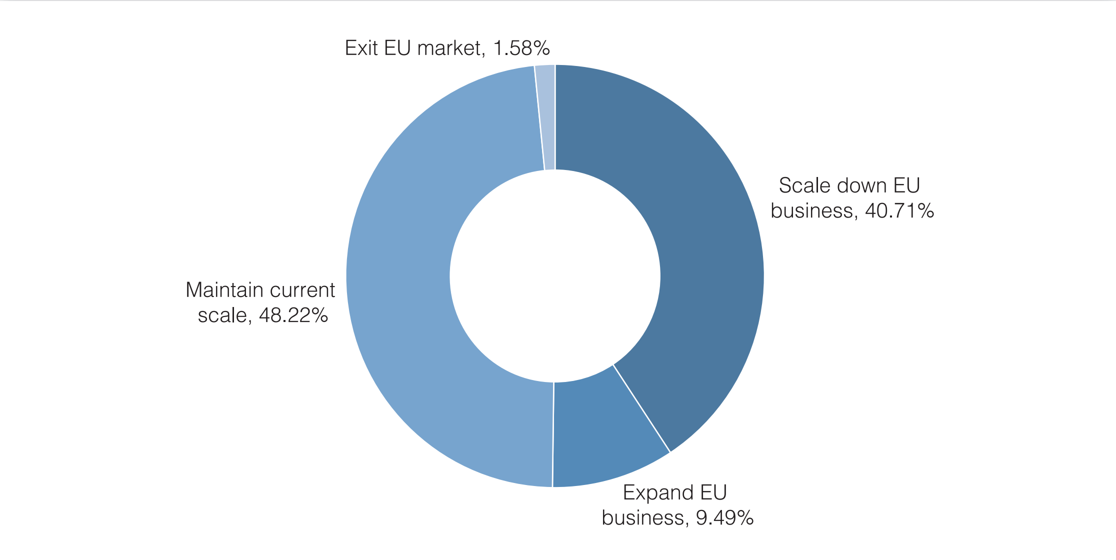

Figure 2-6: Enterprises' future investment plans in the EU

Source: CCPIT Academy.

Chapter 3

General Problems of the Business Environment in the EU

Ⅰ. Worsening business environment affects enterprises' willingness to invest

According to the econometric model based on the 2018-2020 questionnaire data, difficulties in financing, rising compliance costs due to the GDPR, and stringent labor management will significantly undermine the performance of the enterprises and their willingness to invest in the EU. Government inefficiency and lack of fair participation in public procurement are common problems faced by the companies surveyed during the study. Our analysis shows that improving government efficiency and helping FIEs to participate in public procurement can significantly increase firms' willingness to invest. Improved efficiency of public services by EU governments can increase firms' willingness to invest at present and in the future by 25.2% and 22.35% respectively; if the companies have access to the EU's public procurement, it can significantly raise their profitability in the EU by 27.06%.

1. Financing difficulties constrain companies to expand investment in Europe

Increased financing difficulties and rising financing costs hinder the rise in enterprises' business performance and willingness to invest in the EU. Quantitative analysis shows that companies facing financing difficulties are 15.34% less likely to increase their business revenue in the EU compared with the previous year, 11.78% less likely to make profits in the EU, and 19.21% less likely to expand their investment in the EU in the future.

2. The GDPR hinders companies from increasing revenue and profits in the EU

In the surveys conducted in past three consecutive years, increased costs, rising compliance difficulties and business disruptions associated with the GDPR are the most commonly reported problems by the respondents. The introduction of the GDPR has made it 10.93% less likely for the enterprises to increase their business revenue and 12.79% less likely for them to make a profit in the EU.

3. Stringent human resource management hamstrings business operation

The EU's stringent visa regime for FIEs restricts the normal flow of human resources, significantly increases labor costs, and hinders the daily operation of enterprises. Quantitative analysis shows that when enterprises face such labor management issues as a more stringent regime for work visas and residence permits, their willingness to expand investment will be reduced by 20.23%.

Ⅱ. Enterprises expect the EU to continue to step up its efforts to combat the pandemic

The EU is one of the hard-hit regions in the world by the COVID-19 pandemic. Since September 2020, there has been a resurgence of cases in many EU Member States and the pandemic has kept growing. As of January 2021, the cumulative number of confirmed cases exceeded 2 million in Germany, 3 million in Spain and France.

1. The COVID-19 pandemic has a serious impact on Chinese enterprises in Europe

Since the beginning of 2020, the COVID-19 pandemic has been worsening in the EU, causing a great impact on FIEs. According to our survey, 36.76% of the respondents indicate that the pandemic has had a serious impact on their operations in Europe, 55.34% of the respondents indicate a slight negative impact, 5.53% indicate no impact, and 2.37% indicate a positive impact (as shown in Figure 3-1). For those who have been negatively impacted, cancellation of orders, decline in orders, inability to start production and operate normally, and logistics disruptions are the most commonly reported problems by the respondents (as shown in Figure 3-2).

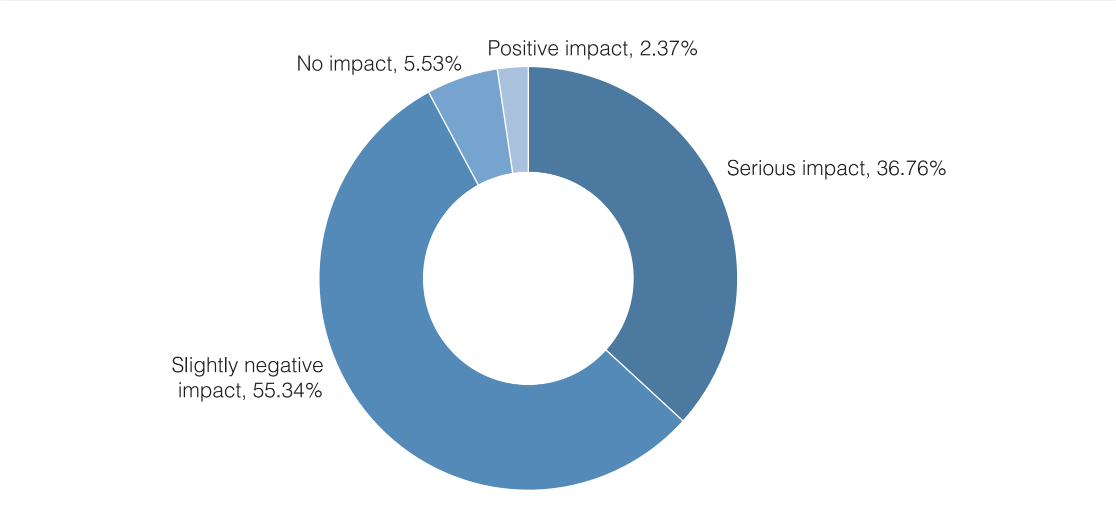

Figure 3-1: The degree of impact of the COVID-19 pandemic on business operation in Europe

Source: CCPIT Academy.

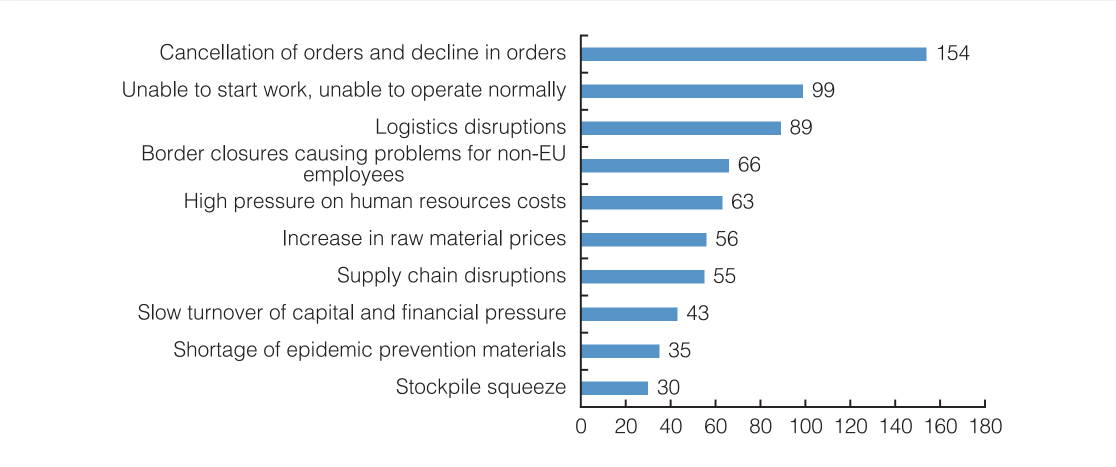

Figure 3-2: Specific impact of the COVID-19 pandemic on enterprises

Source: CCPIT Academy.

Chapter 3 General Problems of the Business Environment in the EU

2. Enterprises evaluate the EU's response to the pandemic poorly

Since the outbreak of the COVID-19, the EU and its Member States have introduced a number of measures to help enterprises cope with the impact of the pandemic, but the results of some of these measures have been rather poor. According to our survey, 49.41% of the respondents believe that the EU's handling of the pandemic was average, 19.76% believe it was poor, and only 30.83% find it good (as shown in Figure 3-3).

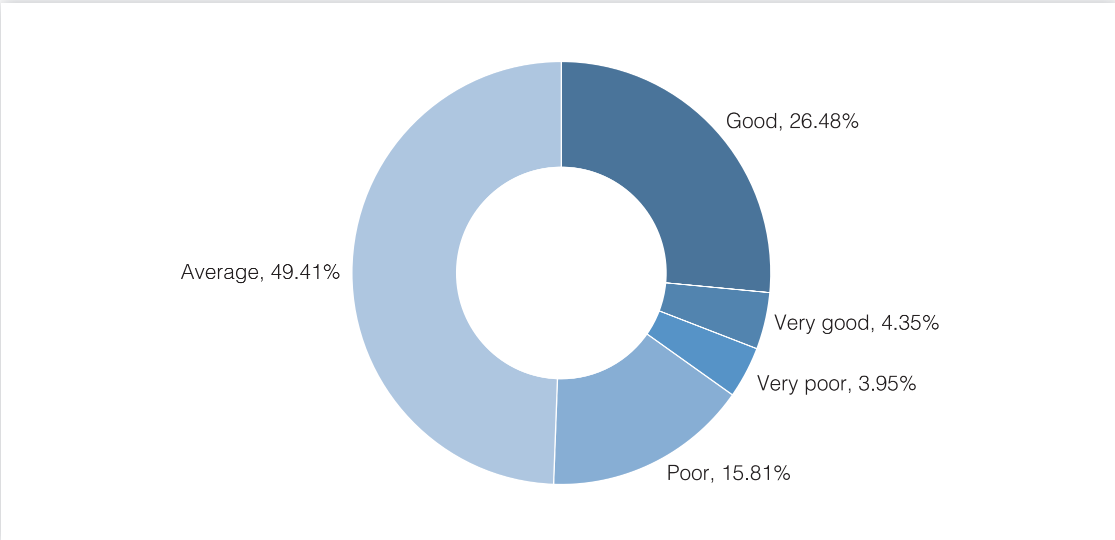

Figure 3-3: Respondents' evaluation of EU's response to the pandemic
Source: CCPIT Academy.

In terms of enterprises' evaluation of their host Member States, the respondents believe that Germany has the best overall performance in tackling the pandemic, with only 13.66% giving negative evaluation; Belgium has the worst performance in fighting the pandemic, with only 13.64% giving positive evaluation and 27.27% giving negative evaluation; Poland also handles it relatively well, with 38.1% giving positive evaluation to Poland; France, Italy and Spain have a rather moderate performance (as shown in Figure 3-4).

Local residents have also expressed dissatisfaction with the EU's role in the response to the pandemic. A survey[8] commissioned by the European Parliament and conducted by Kantar at the end of April 2020 shows that 69% of the respondents wanted the EU to play a greater role in the response to the COVID-19 crisis, while 60% expressed dissatisfaction with the level of coordination among EU Member States during the COVID-19 pandemic, with strong calls for the EU to improve its response capacity and have better coordination. A survey conducted by YouGov at the end of June 2020 shows that some citizens were disappointed with the EU's role in the fight against COVID-19, with

8 Public opinion in times of COVID-19, https://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2020/public_opinion_in_the_eu_in_time_of_coronavirus_crisis/report/en-covid19-survey-report.pdf

only 45% of the Spanish people, 38% of the French people and 36% of the Polish people believing that their countries did rather well in responding to the pandemic[9].

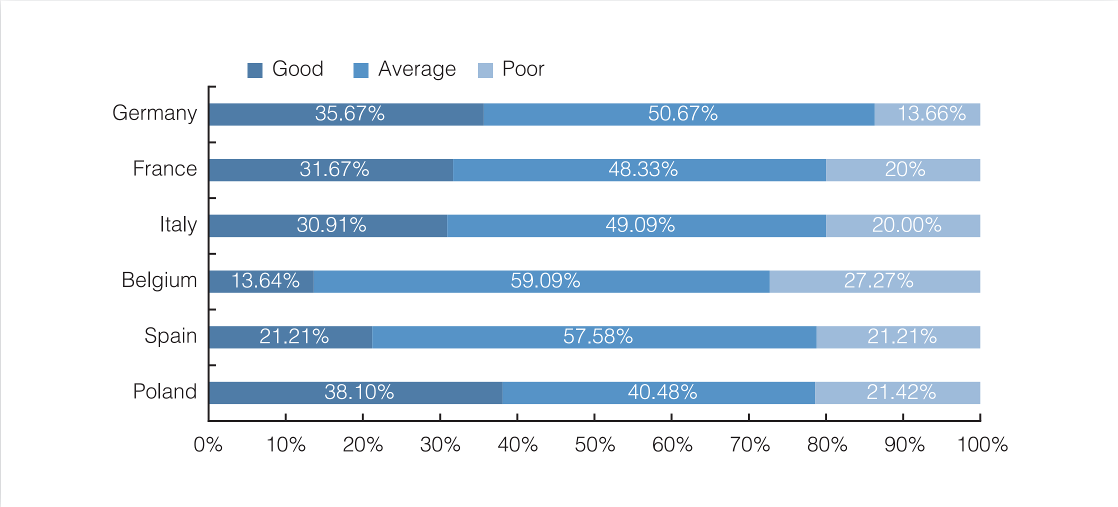

Figure 3-4: Respondents' evaluation of their host Member States' response to the pandemic

Source: CCPIT Academy.

3. Chinese companies have not had equal access to the EU's support policies

In order to help enterprises cope with the pandemic, the EU and its Member States have introduced relief policies including adjusting short-time work allowance, tax deferment and preferential loans to help enterprises tide over the difficulties. However, the survey shows that the respondents say in general that they did not have equal access to the EU's support policies, with 46.26% of them saying they did not have access to the support policies at all, 44.27% saying they had partial access to the support policies, and only 9.47% saying they had full access as did their local peers (as shown in Figure 3-5).

9 https://today.yougov.com/topics/international/articles-reports/2020/04/10/international-covid-19-tracker-update-11-april

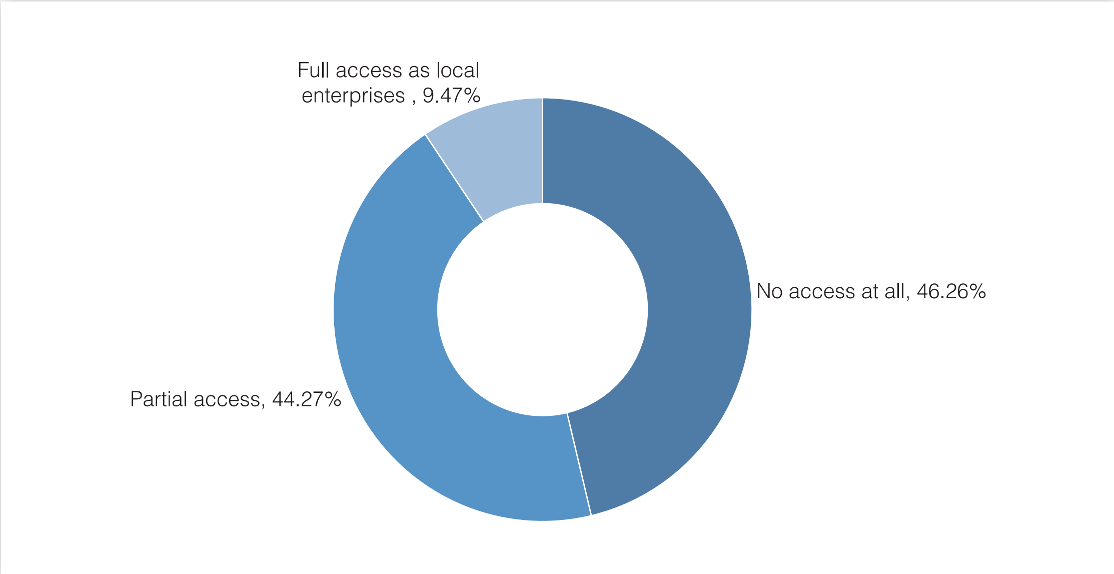

Figure 3-5: Access of FIEs to the EU's support policies to deal with the pandemic
Source: CCPIT Academy.

Ⅲ. There are clear signs of rising protectionism during the pandemic

In 2020, the pace of the EU and some Member States to raise barriers to market access did not slow down. Traditional foreign investment screening continued to intensify, and new measures to review foreign subsidies were introduced, showing signs of rising protectionism, making it increasingly difficult for enterprises to enter the EU market, and dampening FIEs' confidence in investing in the EU.

1. Strengthening foreign investment review in the name of pandemic response

The COVID-19 pandemic has become a major factor affecting the business environment in the EU during the pandemic. In facing the pandemic, the EU and its Member States should have focused on helping all enterprises, including FIEs, to tide over the difficulties; instead, the EU strengthened its foreign investment screening on the grounds of preventing the risk of the pandemic. The European Commission issued *the Guidance to the Member States concerning foreign direct investment and free movement of capital from third countries* to guide member states in introducing policies to prevent foreign companies from acquiring medical-related companies (e.g., those producing medical or protective equipment) or related industries (e.g., vaccine research and development institutions) in a bid to avoid the loss of key EU assets and technologies as a result of the COVID crisis. Spain, France, Germany, the Czech Republic, Italy and Poland introduced or amended their foreign investment review laws to strengthen foreign investment screening by expanding the scope of industries subjected to screening, lowering the shareholding threshold for triggering the screening, and strengthening the power of the review bodies. Such measures by the EU and some

Member States are protectionism in the name of crisis response, and are not only detrimental to the effort to fight the pandemic, but also undermine the confidence of enterprises in the EU's business environment.

According to the survey, 21.34% of the respondents believe that the economic policies of the EU and its Member States were more unfriendly to foreign investment after the outbreak of COVID-19, while only 7.12% of the respondents believe that the EU and its Member States were more friendly to foreign investment after the outbreak (as shown in Figure 3-6).

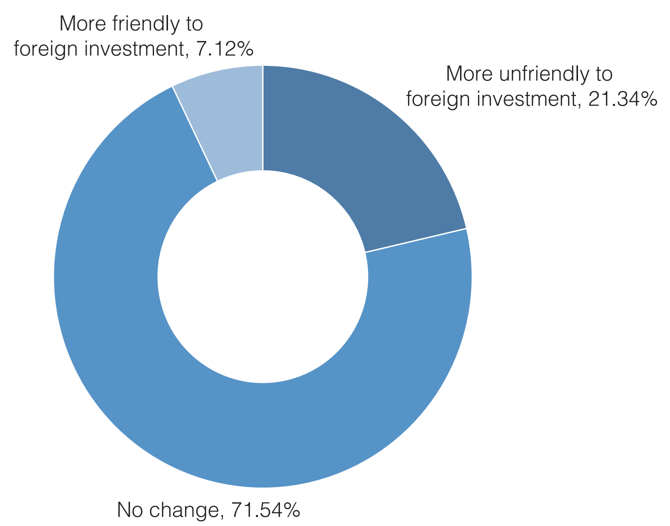

Figure 3-6: Attitudes of the EU and its Member States towards foreign investment after the outbreak of COVID-19
Source: CCPIT Academy.

2. White paper on foreign subsidies sets barriers to business entry

In addition to such traditional types of reviews as foreign investment screening and antitrust review, the EU has also tried to introduce other types of reviews. On June 17, 2020, the European Commission published a white paper on levelling the playing field as regards foreign subsidies[10]. The white paper aims to fill the gap in the current EU regulatory regime by proposing new tools to review subsidies granted by non-EU governments in order to address some of the distortions caused by foreign subsidies to competition in the EU market.

In some cases, foreign companies investing in the EU will face three different reviews at the same time, namely antitrust review of M&A transactions, foreign investment review and foreign

10 White paper on levelling the playing field as regards foreign subsidies, https://ec.europa.eu/competition/international/overview/foreign_subsidies_white_paper.pdf

subsidies review. When investing in the EU, enterprises will face a multitude reviews, which will push up financial and labor costs, and result in longer review timeframes with increased transaction uncertainty and market access difficulty.

3. Foreign investment screening regulations significantly increase the cost of enterprises

The EU Framework on the screening of foreign direct investment (the FDI Regulation) became fully operational on October 11, 2020. Although according to the FDI Regulation, foreign investment review authority stays with each individual Member State, under the influence of the Regulation more and more Member States are beginning to introduce or amend their own foreign investment review laws by taking reference from the EU's FDI Regulation, thus strengthening their FDI screening. This has led to various impacts on enterprises' investment in Europe, such as rising investment costs. According to our survey, 52.96% of the respondents say that the EU FDI Regulation has a significant negative impact on them (as shown in Figure 3-7).

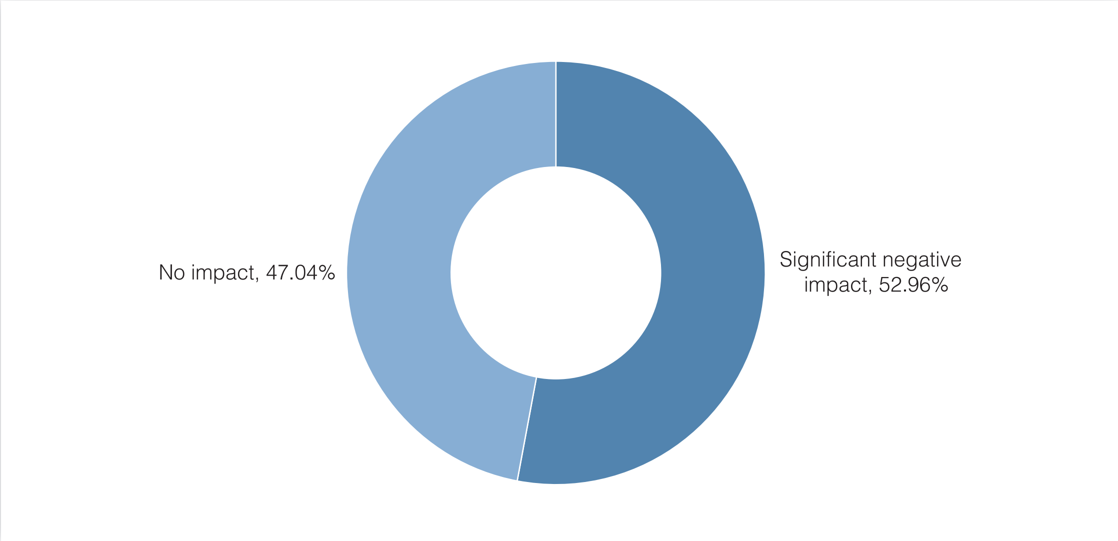

Figure 3-7: Impact of the EU's FDI Regulation on enterprises

Source: CCPIT Academy.

Enterprises affected by the EU's FDI Regulation report that the restrictions on the scope and field of business, the increasingly long list of sensitive industries with increased pressure for adjustment, and the increased time and financial cost of investment were the three most significant impacts (as shown in Figure 3-8); among those affected by the FDI Regulation, 58.21% of them indicate that the Regulation increased their costs, of which 24.87% of them report a 20% cost increase,16.67% report a 20% to 50% cost increase, and 16.67% report a 50% to 100% cost increase (as shown in Figure 3-9).

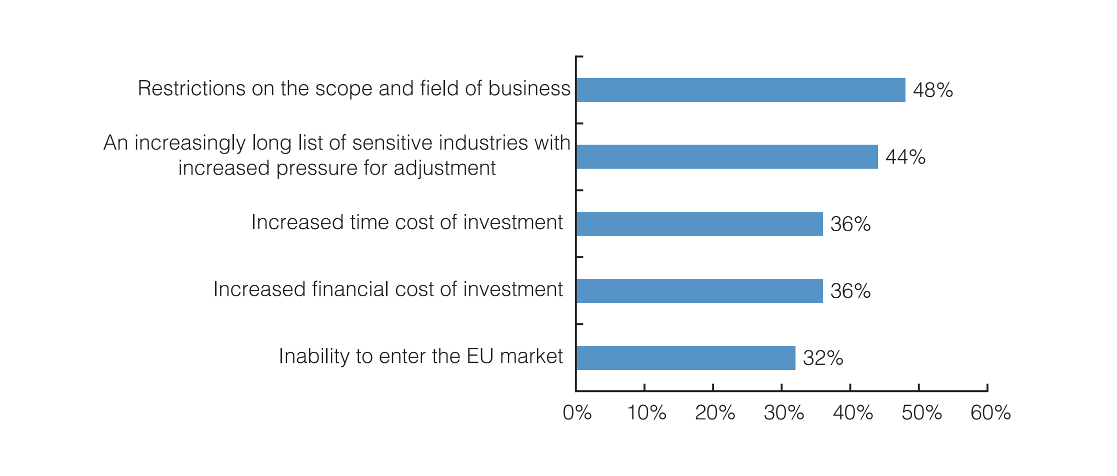

Figure 3-8: Forms of impact of the EU's FDI Regulation on enterprises' investment in the EU

Source: CCPIT Academy.

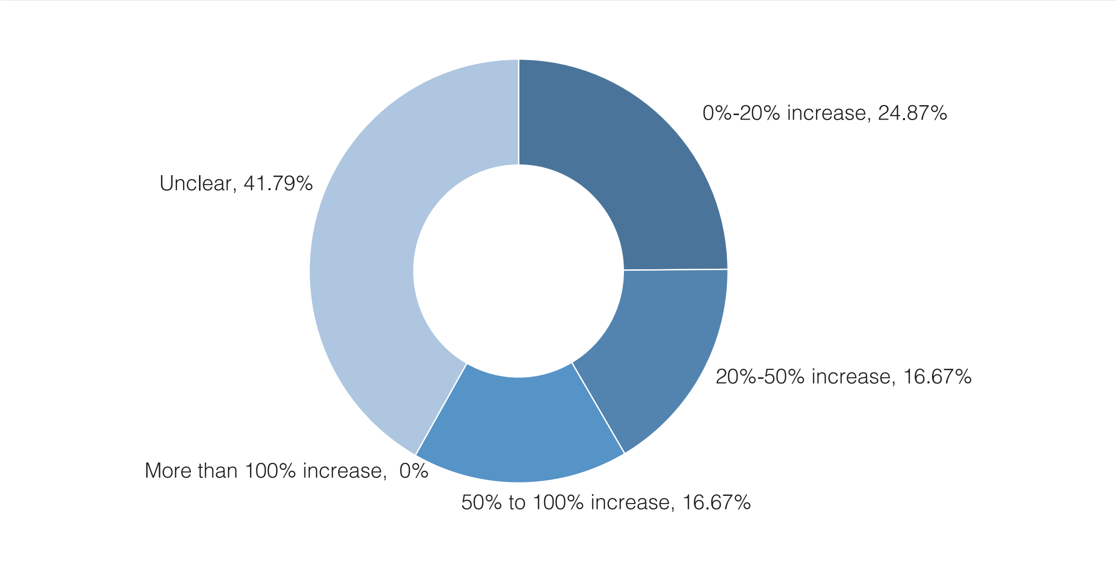

Figure 3-9: The magnitude of the increase in investment costs due to the EU's FDI Regulation

Source: CCPIT Academy.

4. Some Member States openly discriminate against Chinese 5G enterprises

While there are no measures taken at the EU level to restrict foreign firms' entry in the 5G space, various policies have been created to intervene in the 5G market. On July 14, 2020, the European Parliament released the *Digital Sovereignty for Europe*, which argues that non-EU technology companies have exerted a significant impact on the EU's data economy and innovation potential, privacy and data protection, and the establishment of a secure digital environment. On January 29, 2020, the EU published the *EU toolbox for 5G security*[11], which requires EU Member States to assess the risk profile of 5G suppliers and set limits for so-called "high-risk" suppliers. On March 26, 2019, the European Commission issued a proposal for reviewing 5G cybersecurity. The respondents generally believe that the EU's cybersecurity review is biased against Chinese 5G companies.

Some Member States restrict or even ban Chinese companies from entering their markets based on unsubstantiated assumptions about the "Chinese technology threat" theory. On October 20, 2020, the Swedish Post and Telecommunications Authority (PTS) banned companies participating in the 5G spectrum auction from using Huawei and ZTE equipment, and Romanian Prime Minister Ludovic Orban even directly stated that Huawei does not meet Romania's security standards and that China is not its partner in 5G.

Ⅳ. Increase in over-regulation raises the cost for FIEs

The Report on the Business Environment of the European Union 2019/2020 points out that over-regulation is the top issue in the EU's business environment. This year's survey shows that over-regulation still is the most commonly reported problem by the respondents, with 45.83% of them reporting it, especially in areas such as data protection where excessive regulation on enterprises raises their costs and interferes with their operations.

1. The GDPR has led to a significant increase in compliance costs for companies

The GDPR has been officially implemented for more than two years. The survey shows that even if various Chinese enterprises have been actively conducting compliance work in accordance with relevant EU requirements, the ambiguities and complexity of these regulations have led to higher compliance costs and increased operational difficulties for the enterprises. As many as 94.86% of the surveyed enterprises believe that the GDPR has increased their compliance costs (as shown in Figure 3-10). By industry, the impact of the GDPR on compliance costs is large across all industries. In particular, all respondents in the financial sector and the information transmission/software and IT services industry report that the GDPR has increased compliance costs for their businesses.

In addition to the direct impact on compliance costs, respondents also report that the GDPR has affected their business operations. As many as 76.28% of the respondents believe that the GDPR has affected their normal business operations (as shown in Figure 3-11), mainly by disrupting business by interfering with normal data processing, inhibiting their global joint R&D and innovation, and affecting their non-EU business due to long-arm jurisdiction (as shown in Figure 3-12).

11 The EU toolbox for 5G security, https://ec.europa.eu/digital-single-market/en/news/eu-toolbox-5g-security

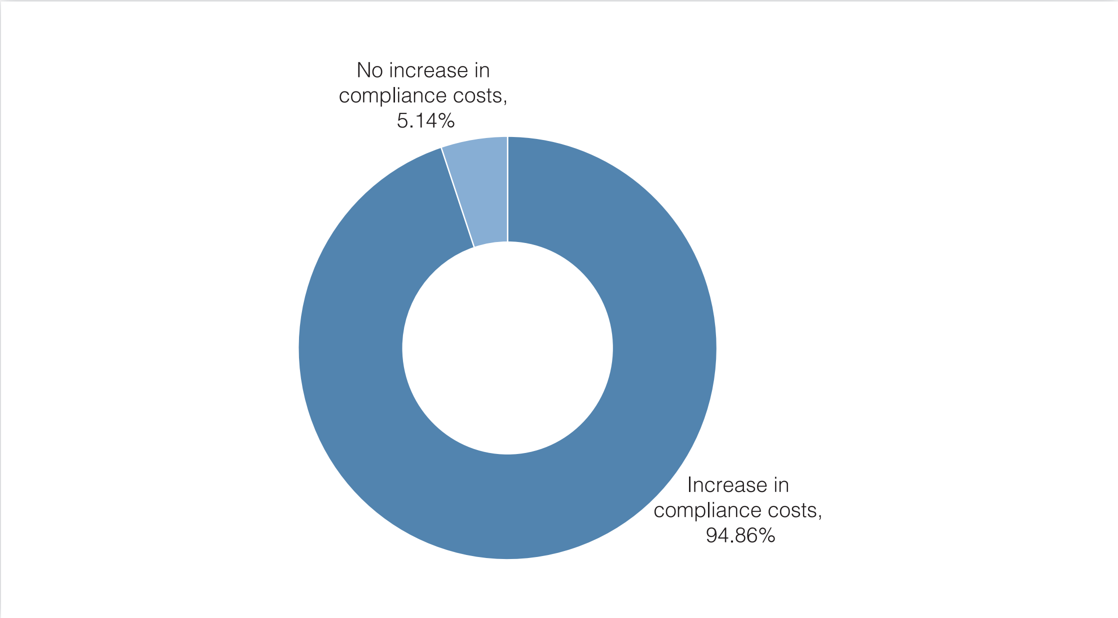

Figure 3-10: Impact of the GDPR on corporate compliance costs

Source: CCPIT Academy.

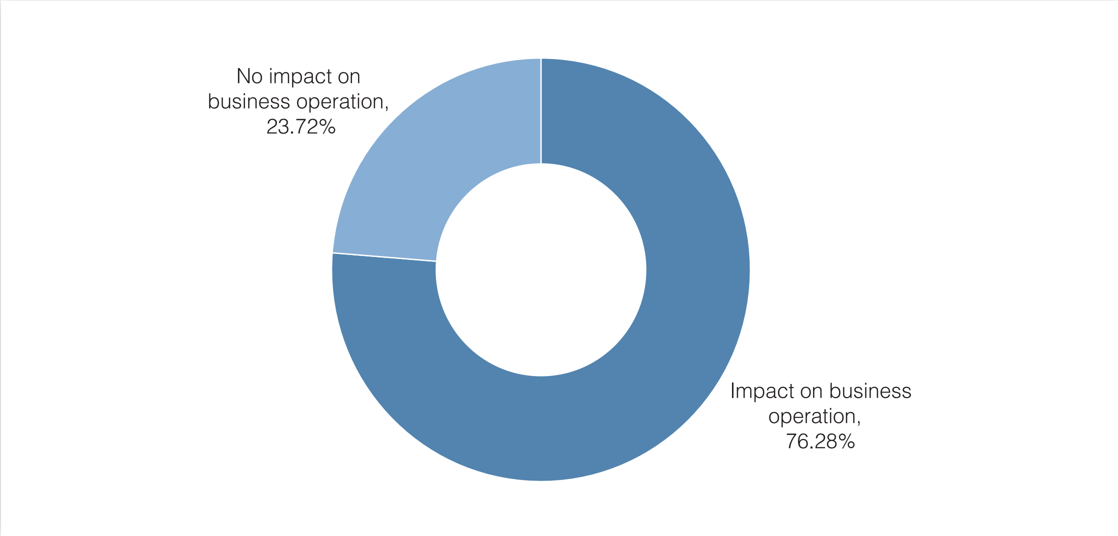

Figure 3-11: The impact of the GDPR on business operation

Source: CCPIT Academy.

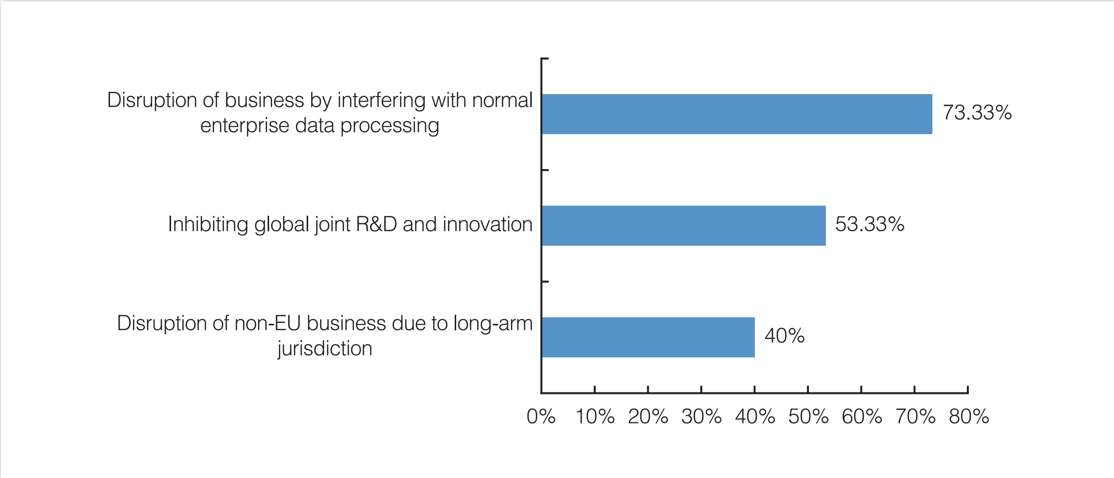

Figure 3-12: Forms of impact of the GDPR on business operations

Source: CCPIT Academy.

2. Complex institutional environment increases the difficulty of corporate compliance

Although the EU is by far the most integrated and successful regional economic bloc, it has 27 Member States with different languages, laws and regulations. In many areas, the EU has introduced laws and regulations at the Union level, and each Member State independently formulates complicated implementation rules and regulations. As a result, foreign investors are faced with different legal and institutional environments in each Member State, and different solutions to the same problem in different Member States. This requires a lot of time and energy to separately deal with investment and business affairs in each Member State, which greatly increases the compliance cost of enterprises.

V . The unreasonable standards system creates hidden barriers

1. Products entering the EU market face abnormally high standards

The EU would set significantly higher market access standards or cumbersome certification processes to protect the advantageous position of local manufacturers, keeping potential competitors out of the EU. In November 2019, France amended the order of October 8, 2003 on consumer information on radio equipment, the order of October 12, 2010 on the display of the specific absorption rate (SAR) for radio equipment and the order of October 8, 2003 laying down technical specifications applicable to radio equipment, and extended the obligation to display SAR, previously only applied to mobile telephone equipment, to all radio equipment as defined in the regulation, which was implemented on July 1, 2020.[12] The regulation requires all radio equipment that already has EU CE certification and is compliant with the radio equipment directive to additionally label the

12 France SAR regulation 1st July 2020, https://verkotan.com/2020/france-sar-regulation/

SAR value, which not only increases the cost of manufacturers, but may also lead to consumers mistakenly believe that the product's electromagnetic radiation value is the labelled value. Such is in violation of the principle of necessity as enshrined in Article 2.2 of the *Agreement on Technical Barriers to Trade*, and is hence unfair to foreign manufacturers.

2. FIEs cannot participate in the development of EU standards

The development of EU standards are generally controlled by local industry leaders. While the power to develop standards as well as the cycle and pace of standards development are all in the hands of these large EU businesses, FIEs rarely have the opportunity to participate in the standard development process. As a result, products of the FIEs, even if their quality exceeds the EU level, can only passively adapt to EU standards. Furthermore, frequent changes in EU standards lead to increased costs of certification and disrupted pace of production on the part of the enterprises.

Ⅵ. Lack of public services makes business operations more difficult

1. Discriminatory law enforcement increases uncertainty for business operation

The respondents say that after entering the EU market, Chinese enterprises would encounter discriminatory law enforcement when operating in the EU. According to our survey, 31.62% of the respondents believe that the EU's law enforcement vis-à-vis foreign investment is unfair (as shown in Figure 3-13); 37.55% of the respondents say they do not have fair access to the preferential policies of the EU and Member State governments (as shown in Figure 3-14).

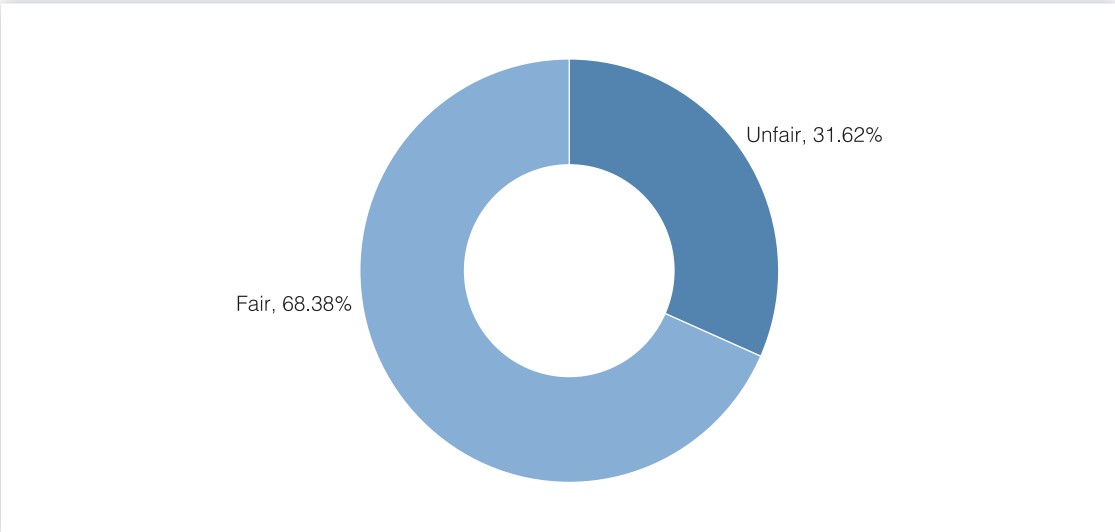

Figure 3-13: Fairness of law enforcement vis-à-vis foreign investment in the EU
Source: CCPIT Academy.

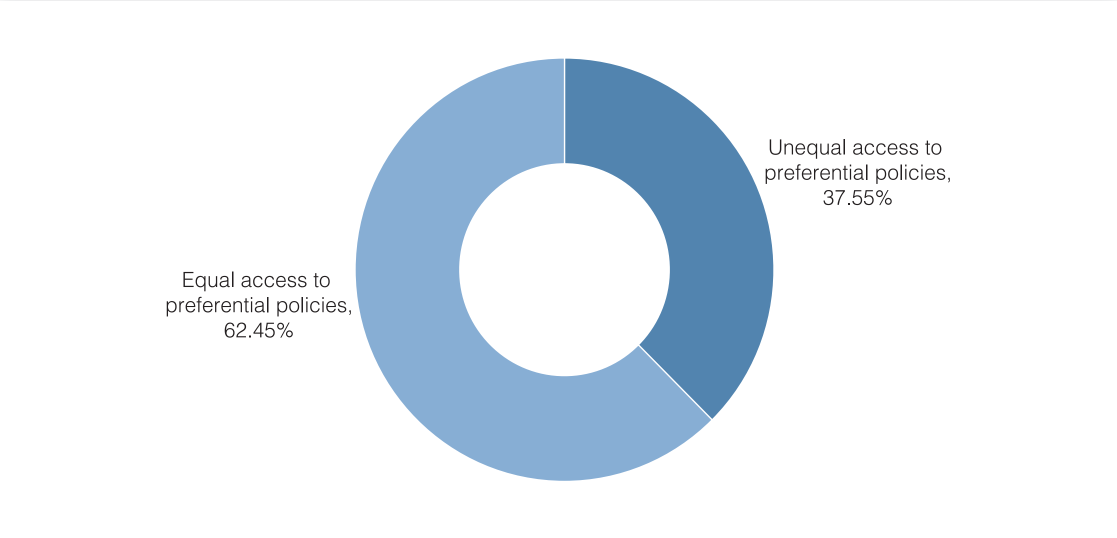

Figure 3-14: Access to the EU's preferential policies

Source: CCPIT Academy.

The respondents say that the EU's law enforcement in some areas lacks transparency. 31.62% of the respondents believe that the enforcement of EU laws and regulations is not transparent (as shown in Figure 3-15). For example, one respondent says that the process of applying for green subsidies in France is slow and the application process is not transparent at all in that it is completely unable to get feedback on the information related to the application during its communication with the local government; 29.25% of the respondents believe that the government in the EU has too much discretion in the enforcement process (as shown in Figure 3-16).

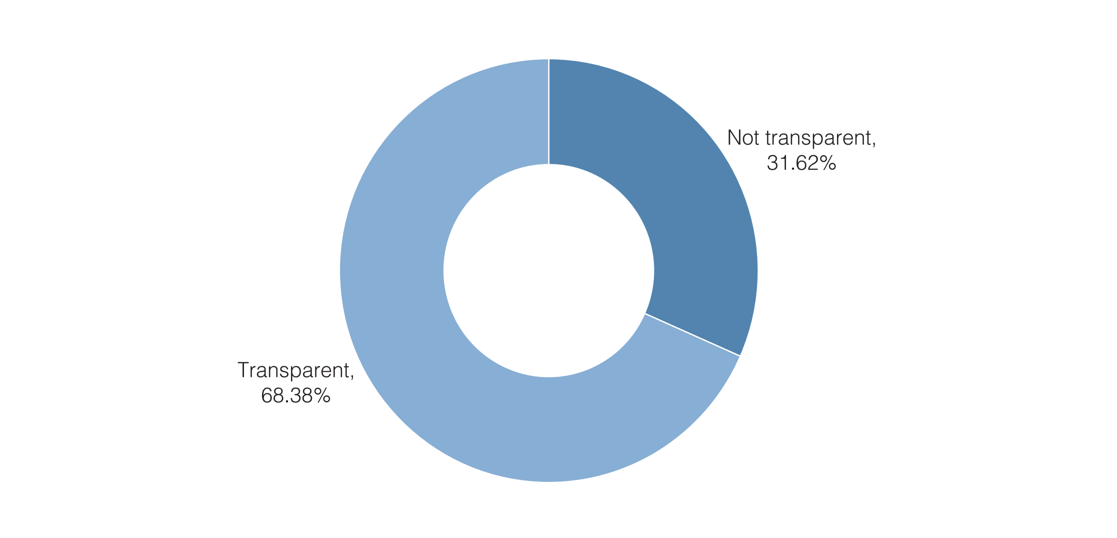

Figure 3-15: Transparency in the enforcement of EU laws and regulations

Source: CCPIT Academy.

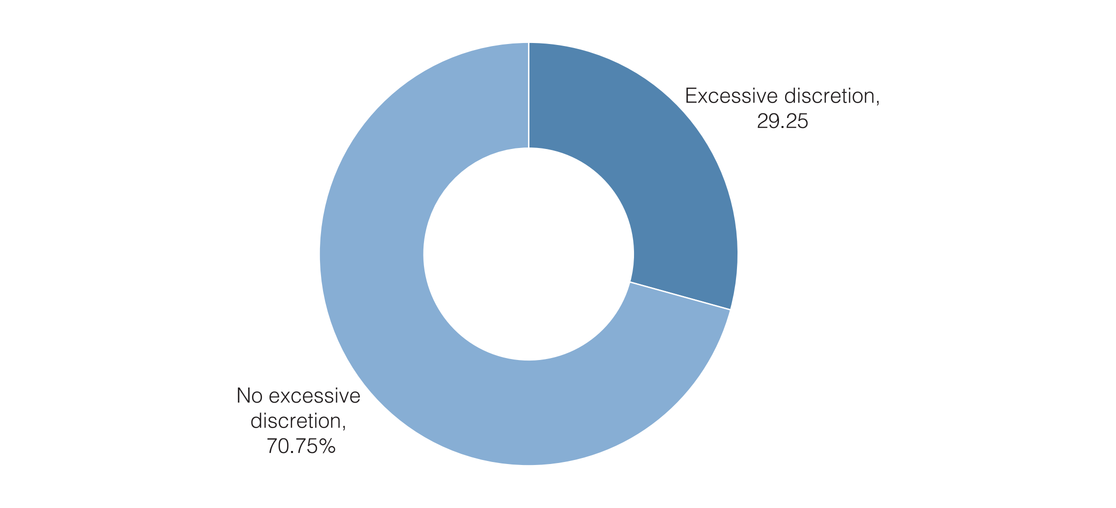

Figure 3-16: Discretion in law enforcement in the EU

Source: CCPIT Academy.

2. Inadequate public service capacity drags down business operations

Lack of professional capacity of government personnel and inadequacy of public services remain a problem commonly reported by the respondents, which to a certain extent inhibits the progress of business operations. According to the survey, 31.23% of the respondents believe that the EU's government personnel were not professional enough (as shown in Figure 3-17), and 38.34% of the respondents believe that the government personnel were passing the buck to each other (as shown in Figure 3-18).

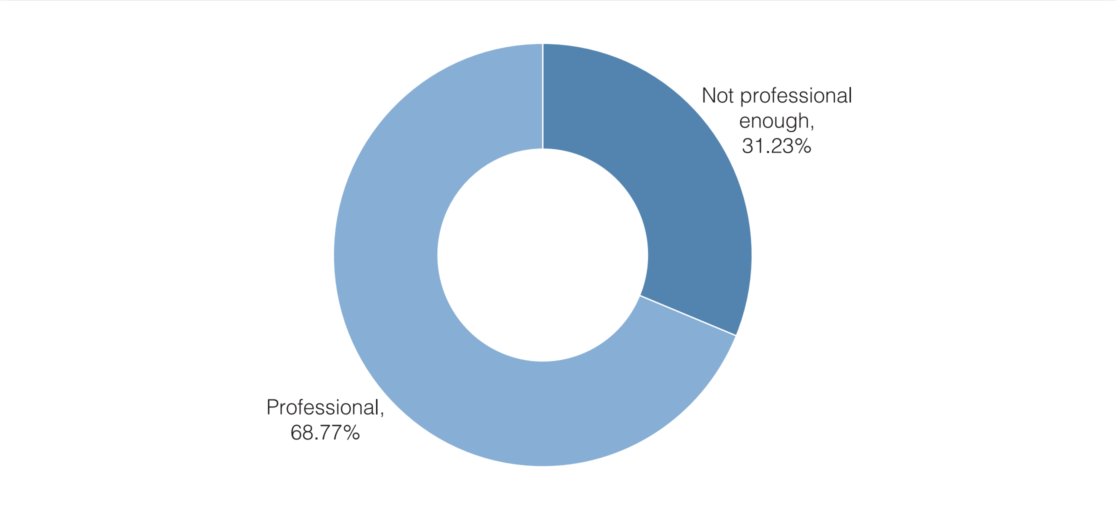

Figure 3-17: Evaluation of the professional capacity of EU government personnel

Source: CCPIT Academy.

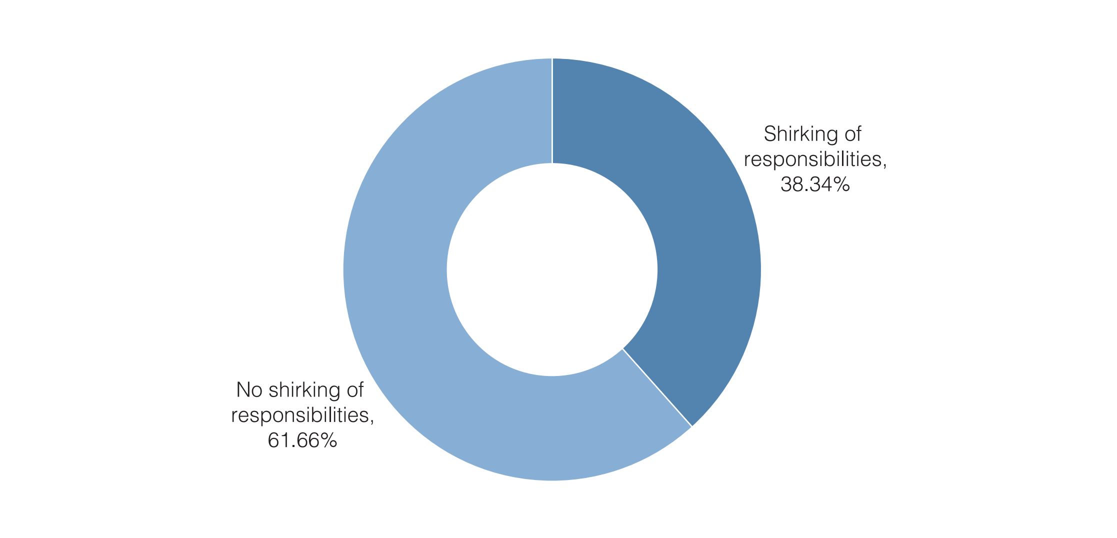

Figure 3-18: The EU’s government personnel’s shirking of responsibilities
Source: CCPIT Academy.

Chapter 4
General Recommendations

Ⅰ. Step up efforts to help enterprises survive the pandemic

1. Ensure FIEs have equal access to the support policies

Although the EU has introduced many support policies to help enterprises cope with the COVID-19 pandemic, the respondents generally say that it is difficult for FIEs to enjoy the same benefits as local enterprises, which is not conducive to their response to the pandemic and undermines their investment confidence. We recommend that the EU pay more attention to the efficacy of the support policies on the ground, publicly announce the support policies to all enterprises, formulate a clear policy implementation process, ensure that FIEs have equal access to the support policies, and seriously treat the demands and suggestions of the FIEs with regard to the support policies.

2. Strengthen coordination and communication among Member States on epidemic prevention and control

There have been diverging views and inconsistent steps between the EU and its Member States as regards their response to the pandemic, such as policy inconsistencies over border control and movement of people. This has caused inconvenience to the FIEs' efforts to operate in the EU and respond to the pandemic, reduced the effectiveness of the fight against the COVID-19, and dampened people's confidence in EU integration. We recommend that EU Member States strengthen coordination and communication in border control, mutual recognition of test results and other epidemic prevention and control measures, formulate a unified EU response, and coordinate among Member States to combat the pandemic.

Ⅱ. Abandon discriminatory barriers to entry targeting foreign investors

1. Ease the restrictions on foreign enterprises entering the EU market

The EU's discriminatory market access restrictions have dampened the enthusiasm of foreign enterprises and are not conducive to their participation in EU economic development and recovery. The survey shows that 48.57% of the respondents would choose to increase their investment in the EU if the EU relaxes market access restrictions (as shown in Figure 4-1).

We recommend that the EU relax the market access restrictions for foreign enterprises entering the EU, provide a better environment for market access of foreign enterprises, help these enterprises integrate into the EU economy so as to provide more jobs for the EU and support the EU's economic recovery.

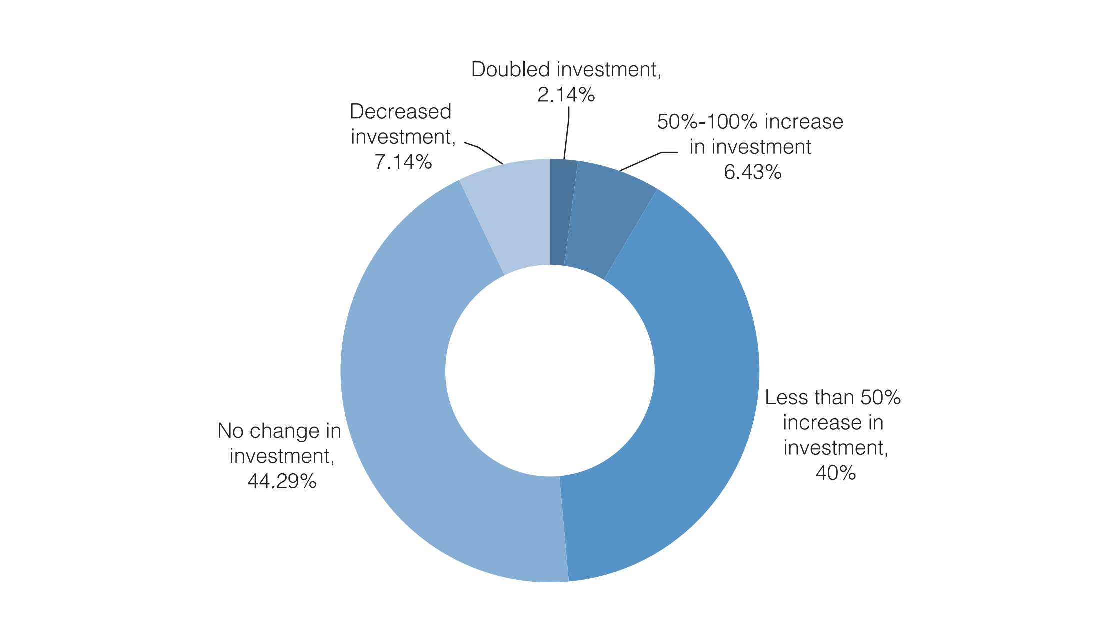

Figure 4-1: Investment choices of enterprises in the case of a more relaxed market access to the EU
Source: CCPIT Academy.

2. Reduce the types of reviews for foreign investment and simplify the review procedures

Foreign enterprises entering the EU will face a variety of reviews including foreign investment screening, antitrust review and foreign subsidy review. Moreover, the EU and its Member States keep raising the review requirements and enhancing the review intensity, thus increasing the compliance cost of and creating multiple obstacles for foreign enterprises entering the EU market. We recommend that the EU should consolidate and streamline the review items involving foreign investment, so as to avoid multi-layered reviews of FIEs in the EU and reduce their burden.

3. Make the foreign investment review system more reasonable and standardized

The respondents generally report that the EU foreign investment review process is cumbersome, time-consuming and non-transparent, and the review authority has too much discretionary power, which not only increases the time and capital costs of FIEs, but also makes it easier to manipulate the foreign investment review and turn it into a protectionist tool. We recommend that the EU should develop a fair, reasonable, transparent and predictable foreign investment review system and process, reduce the review timeframe and improve review efficiency.

4. Create an environment for fair market access for foreign 5G companies

The EU explicitly wants to impose restrictions on so-called “high-risk” suppliers in the 5G field. Some Member States even openly prohibit Chinese 5G companies from entering their markets, which is a typical protectionist move that discriminates against Chinese 5G suppliers. The European Roundtable for Industry (ERI) reports that Europe is "significantly lagging behind" in 5G, with more than half of the EU Member States not yet offering 5G for commercial use, and those that have already offered 5G for commercial use lagging far behind other countries in terms of deployment.

We recommend that the EU and its Member States actively cooperate with 5G companies in other countries, remove barriers and restrictions, abandon suspicion and speculation, jointly advance 5G technology, speed up 5G construction in the EU, and contribute to the economic and technological development of the EU.

Ⅲ. Reduce over-regulation in the field of business operations

1. Reduce the negative impact of the GDPR on business operations

The original purpose of the GDPR is to protect personal privacy, but some of its unreasonable provisions have become a serious burden on business operations. We recommend that the EU should issue detailed and operable judicial interpretations and enforcement rules for the GDPR, so as to give the enterprises a clearer guidance and greater convenience for implementation; and abolish the unreasonable provisions that have a negative impact on enterprises.

2. Improve the level of legal and regulatory integration of the EU

Large differences in laws, regulations and institutional environments among the 27 EU Member States greatly increase the compliance costs for enterprises setting up entities in multiple Member States. We recommend that the EU should accelerate and deepen the integration process to create a unified institutional environment for FIEs to invest in different Member States and to bring down compliance costs.

Ⅳ. Create an FIE-friendly technical standard system

1. Reduce unreasonable technical barriers to foreign investment

The original purpose of standards is to regulate production processes and ensure product quality. Developed economies, thanks to their leading technology, have become world leaders in standards. However, standards should not become a technical barrier used to protect local enterprises and block the entry of foreign products. We recommend that the EU should remove and modify the abnormally high standards so as to create an environment for fair market access of foreign products, ensure full competition and enhance the welfare of EU residents.

2. Ensure FIEs' opportunities for fair participation in standards development

With deepening global specialization, each country or economy has developed specialized advantages in different fields. Attracting FIEs to participate in the development of EU standards promotes scientific and technological cooperation and common progress. We recommend that the EU should guarantee the right of FIEs to participate in the development of EU standards, improve the discursive right of FIEs in standards development, and stimulate the enthusiasm of FIEs to participate in the development of the EU.

Ⅴ. Improve the level and capacity of government public services

1. Make government law enforcement more transparent and standardized

A high degree of transparency of government law enforcement and policy implementation, as a necessary manifestation of a good business environment, helps to enhance enterprises' confidence in the government and their determination to invest in Europe. We recommend that the EU should set out clear processes and time points for business-related matters, announce the progress to the enterprises in a timely manner and answer their inquiries seriously, so as to give them clear expectations; restrain the power of law enforcers, ensure that the scope of their power is governed by law, and strictly punish those who exceed the limits of law enforcement; unify the standards and intensity of law enforcement for local and foreign enterprises, and avoid selective and discriminatory law enforcement; establish a comprehensive enterprise complaint mechanism, take seriously the complaints of enterprises against unfair law enforcement by the government and deal with them in strict accordance with the law.

2. Enhance public service capacity and raise service awareness

The government's public service capacity is a direct reflection of the business environment. Low service capacity and inadequate public services lower the government's efficiency and restrict the normal business activities of the enterprises. We recommend that the EU should strengthen professional training for government personnel, increase the weight of enterprise evaluation in the performance assessment of government personnel, and increase business facilitation services, especially during the COVID-19 pandemic, to help enterprises fight the pandemic and overcome the difficulties together.

Chapter 5
Foreign Investment Review

Ⅰ. Recent developments

1. EU introduced its foreign direct investment screening guidance to Member States

The EU framework on the screening of foreign direct investment ("the FDI Screening Regulation"), the first foreign direct investment review tool at the EU level, entered into full effect in October 2020.

In order to help Member States cope with COVID-19 before the entry into force of the FDI Screening Regulation, the European Commission issued the Guidance to the Member States concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe's strategic assets on March 25, 2020 (hereinafter referred to as "the Guidance")[13] to protect strategic assets, particularly healthcare capacity in Europe.

The EU believed that during the COVID-19 emergency, risk increased for non-EU companies to acquire healthcare-related businesses (e.g., medical or protective equipment producers and vaccine developers) through FDI, to which EU Member States must remain vigilant to ensure that FDI will not have a detrimental impact on the EU's healthcare protection capabilities. EU Member States shall use all foreign investment review measures to avoid the loss of key EU assets and technologies during the pandemic outbreak.

In the Guidance, the European Commission calls upon Member States to: first, make full use already now of its FDI screening mechanisms to take fully into account the risks to critical health infrastructures, supply of critical inputs, and other critical sectors as envisaged in the EU legal framework; second, for those Member States that currently do not have a screening mechanism, to set up a full-fledged screening mechanism and in the meantime to use all other available options to address cases where the acquisition or control of a particular business, infrastructure or technology would create a risk to security or public order in the EU.

2. The EU FDI Screening Regulation fully came into force

The EU framework for screening of foreign direct investment (FDI) became fully operational as of 11 October 2020. Over the last eighteen months following the adoption of the first EU investment screening regulation, the Commission and Member States have put in place an effective coordination framework. It will now become instrumental in preserving Europe's strategic interests while keeping the EU market open to investment.

3. Spain introduced an emergency decree on foreign investment review

In 2020, Spain issued Royal Decree-Law 8/2020 and 11/2020 respectively to launch urgent and

13 Guidance to the Member States concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe's strategic assets, ahead of the application of Regulation (EU) 2019/452 (FDI Screening Regulation),https://trade.ec.europa.eu/doclib/docs/2020/march/tradoc_158676.pdf

extraordinary measures to confront the economic and social impact of COVID-19[14]. The decree would be in force from March 18, 2020 and April 1, 2020 until the Spanish government decided otherwise.

The Decree, modeled on the EU FDI Screening Regulation, required government administrative approval for FDI in the following fields: physical or virtual critical infrastructure (including energy, transport, water, health, communications, media, data processing or storage, aerospace, defense, electoral or financial infrastructure and sensitive facilities) and critical land and property required for the use of such infrastructure; critical technologies and dual-use products, including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defense, energy storage, quantum and nuclear technologies, and nanotechnology and biotechnology; the supply of basic materials (especially energy); fields with access to sensitive information and personal data; and communications media.

Decree 11/2020 stipulates that foreign investment whose transaction amount exceeds 1 million Euros but is less than 5 million Euros and for which less than 10% shares are held by non-EU entities shall be approved by relevant departments in Ministry of Industry, Trade and Tourism. For a foreign investment with a transaction value of more than 1 million Euros and in which over 10% of its shares are held by non-EU entities, or those foreign investments whose transaction values surpasses 5 million Euros, a report shall be issued by the Committee on Foreign Investment and approved by the Cabinet Council.

4. France brought the biotechnology sector under protection

Since April 1, 2020, France has expanded the scope of its FDI screening regime as follows: first, the threshold of equity acquisition was lowered from 33.33% to 25% to trigger the French screening; second, the scope of “strategic industries” was expanded to include media services involving political and general information, agricultural products that contribute to the goal of national food safety goal, quantum technology, and energy storage.

Due to COVID-19, on April 27, 2020, French Minister for the Economy and Finance Bruno Le Maire signed a ministerial decree, adding biotechnology to the list of critical technologies subject to FDI screening procedure. On April 29, the French Minister said that in order to protect French companies hit hard by the pandemic outbreak, foreign investment will be subject to increased scrutiny by the French government, whenever a non-EU/non-EEA investor acquires 10% or more voting rights in a listed French company in a sensitive sector[15]. On July 23, 2020, the French government published Decree 2020-892[16], which temporarily lowered the threshold for review of non-EU/non-EEA

14 Royal Decree-Law 8/2020 of March 17, 2020 launches urgent and extraordinary measures to confront the economic and social impact of COVID-19, https://www.garrigues.com/sites/default/files/documents/covid19_royal_decree_82020_0.pdf

15 Update of the foreign direct investment screening procedure in France, https://www.tresor.economie.gouv.fr/Articles/2020/04/30/covid-19-update-of-the-foreign-direct-investment-screening-procedure-in-france

16 The French government temporarily reduces the threshold for review of Non-EU/EEA investments in French listed companies in the context of the COVID-19 pandemic, https://www.concurrences.com/en/bulletin/news-issues/july-2020/the-french-government-temporarily-reduces-the-threshold-for-review-of-non-eu

investments to acquire voting rights in French listed companies in sensitive industries[17] from 25% to 10%. The Decree entered into force on August 7, 2020 and would remain in force until December 31, 2020. On December 18, 2020, French government announced to extend restrictions on foreign investment until December 31, 2021.

5. The Czech Republic established a FDI screening framework

On April 6, 2020, the Czech government approved draft legislation to strengthen control over foreign investment (the Foreign Investment Review Act),[18] which needs the approval of Czech parliament. The act aims to regulate investments by non-EU investors in specific industrial sectors, including production, development or innovation of weaponry and military equipment, critical infrastructure, critical cybersecurity infrastructure, and dual-use items.

The Foreign Investment Review Act provides that a non-EU investor must obtain approval from the Czech Ministry of Industry and Trade prior to completion of the transaction if the following conditions are triggered for a direct or indirect acquisition of a Czech company. The investor intends to purchase not less than 10% of the shares or voting rights of the target company; it may result in the foreign investor acquiring control of information, system or technology that are essential for the maintenance of the security or internal/public order of the Czech Republic. The Czech Ministry of Industry and Trade has the right to decide whether to approve or prohibit the transaction, and it may also initiate a review of a completed transaction in the past 5 years under certain circumstances. Transactions that are not declared in accordance with the law may be subject to fines of up to 2% of the foreign investor's turnover or up to approximately USD4 million in cases where turnover cannot be determined.

6. Italy expanded the scope of foreign direct investment review

On April 8, 2020, the Italian Government adopted Law Decree No. 23[19] which, among other things, expanded the scope of FDI review.

According to the Decree, the following areas are included in the scope of strategic importance: critical infrastructure, including energy, transport, water, healthcare, communications, media, data processing or storage, aerospace, defense, electoral or financial infrastructure and sensitive facilities, as well as land and property essential for the use of such infrastructure; critical technologies and dual-use items, including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defense, energy storage, quantum and nuclear technologies, and nanotechnology and biotechnology; the supply of critical raw materials, including energy or raw materials, and food security; access to sensitive information, including personal data, or the ability to control such

17 Sensitive industries include defense, energy, transport, public health, electronic communications, emerging technologies, aerospace, data centers, media, and food safety. https://www.tresor.economie.gouv.fr/Articles/84d2a0ee-c6f4-4e3a-9dfb-3e048b7f76b8/files/3a44e5f8-2ef5-43d1-9243-6bef3d9be0e4

18 Implementation of the Regulation(EU) No 2019/452 from March 19, 2019 establishing a framework for the review of foreign direct investment to the Union in the Czech Republic, https://www.ecovislegal.cz/en/czech-legal-news/czech-foreign-investment-screening/

19 COVID-19: Italy expands the scope of the Golden Power to the insurance sector, https://www.jdsupra.com/legalnews/covid-19-italy-expands-the-scope-of-the-11938/

information; and freedom and pluralism of the media.

The declaration requirement will be triggered for foreign investments in two cases: when a non-EU entity acquires control of an Italian target company operating in a strategic area; and when a non-EU entity acquires no less than 10% of the equity (or voting rights) of an Italian strategic target company and the total value of such investment is not less than EUR1 million. After the entry into force of the Decree, the Italian government has the right to block transactions or impose special conditions on transactions that are not declared in accordance with the law.

7. Germany tightened foreign direct investment review across the board

On June 18, 2020, the Bundestag passed amendments to the German FDI screening rules.[20] The amendments were intended to bring the German FDI regime in line with the EU FDI Screening Regulation and included the following: the German Ministry for Economic Affairs and Energy has the power to prohibit an investment transaction if the transaction is "likely to have an adverse effect"; all transactions involving acquisition of at least 10% of voting rights, not limited to specific industries, cannot be closed until the transaction is approved; the exercise of voting rights, profit sharing, or disclosure of sensitive information by the buyer prior to approval may result in criminal sanctions, including up to five years in prison or a criminal fine; the review period was extended to a statutory maximum of eight months; and the German Ministry for Economic Affairs and Energy would establish a national contact point to coordinate the exchange of information with the European Commission.

8. Poland adopted the Anti-Crisis Law

On June 19, 2020, the Polish Parliament passed the Act on Subsidies for Interest Rates on Bank Loans Granted to Entrepreneurs Struck by Effects of COVID-19 and on Simplified Settlement Proceedings in the Context of the COVID-19 Outbreak (the "Shield 4.0" or the "Act").[21] The Act, of temporary scope, will remain effective for two years. The Act specifies the range of Polish entities to be protected: listed companies registered in Poland; companies with an annual turnover of more than EUR10 million in Poland in any two fiscal years; entities with "critical infrastructure"; companies developing software for such sectors as energy, water supply, sewage, Internet and telecommunications, finance, pharmaceuticals, transport and logistics, food supply; cloud computing services providers; companies that operate in strategic sectors specified in the Act, such as electricity transmission, gasoline and diesel manufacturing, oil transportation, chemicals manufacturing, military supplies manufacturing and trading; and companies that operate in the strategic sectors newly introduced by the Act, including medical products production, biomedical products production, cross-border trade in gas fuels, thermal energy transmission and supply, inland port transit, and food processing.

In terms of procedures, the Act requires both parties to the transaction to submit a declaration before signing any binding agreement and the transaction cannot be implemented until approval is obtained. The review period can take up to 120 days; any failure to file a declaration or to deliver

20 Foreign Investment Control and COVID-19 in Germany, https://www.paulhastings.com/publications-items/details/?id=ff83906f-2334-6428-811c-ff00004cbded

21 New Law on control of foreign investments in Poland, https://www.taylorwessing.com/en/insights-and-events/insights/2020/06/foreign-investment-screenings-in-poland

without obtaining approval will result in a fine of up to PLN50 million or a prison sentence of up to five years.

Ⅱ. Problem analysis

1. The EU's initiatives are, in fact, investment protectionism

During the COVID-19 outbreak, the EU and Member States should have focused on the adverse effects of the pandemic, but took the opportunity to include healthcare and other epidemic-related industries in the scope of the FDI review. In the name of national security, they kept expanding the list of review items, which is in essence disguised protection for its healthcare-related industries and an opportunity to raise barriers to market access and hold back normal investment by foreign enterprises in the EU. This is a concrete manifestation of investment protectionism.

2. Scope of review was arbitrarily expanded, leading to greater investment risks

Business Environment of the European Union 2019/2020 pointed out that the project list as required in the Regulation is "non-exhaustive", and that the increasing industrial restrictions will lead to greater uncertainty for enterprises investing in the European Union and greater risks of investment for companies. On July 13, 2020, the European Commission adopted Commission Delegated Regulation (EU) 2020/1298,[22] which expanded the foreign investment review list to include sectors related to the EU Governmental Satellite Communications (Govsatcom) program, Defense Research, and the International Thermonuclear Experimental Reactor (ITER). The "non-exhaustive" review list continued to expand.

As the EU and some Member States have brought the healthcare industry under intensified foreign investment review, on the one hand, foreign enterprises have invested or will invest in Europe have to increase input to cope with the more stringent screening requirements, leading to substantially higher costs and risks for investment failure; on the other hand, it forced companies to readjust their investment plans in the EU, and disrupted their global development strategies.

In the next step, the EU and Member States would continue to expand the scope of the review on the grounds of epidemic prevention and control and national security etc. Companies would find it more difficult to predict the evolution of the EU's foreign investment review policy, resulting in more uncertainty for their investments in the EU. According to the survey, research and technology services, information transmission/software and information technology services, and manufacturing are the industries most affected by the EU FDI Screening Regulation (as shown in Figure 5-1), and are also the key fields subject to review by the EU and Member States, bringing higher risks for foreign enterprises from these industries to invest in the EU.

22 Commission Delegated Regulation (EU) 2020/1298 of 13 July 2020 amending the Annex to Regulation (EU) 2019/452 of the European Parliament and of the Council establishing a framework for the screening of foreign direct investments into the UNION, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1298&from=EN

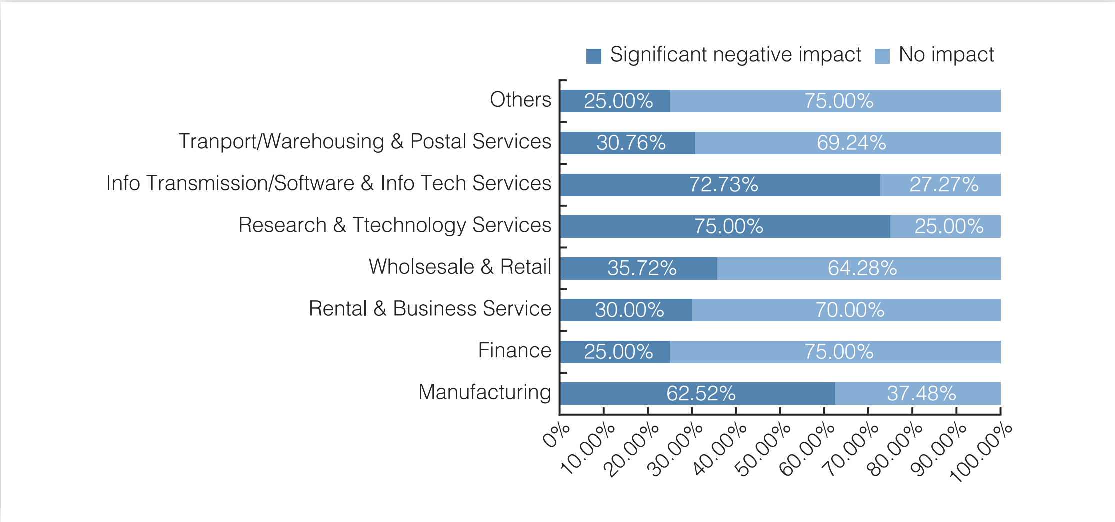

Figure 5-1: Impact of the EU FDI Screening Regulation on Enterprises in Different Industries

Source: CCPIT Academy.

Chapter 5 Foreign Investment Review

3. Opaque review increased uncertainty for enterprises

Although the EU FDI Screening Regulation improved the transparency requirements for the review, Member States did not fully implement such requirements in practice, leading to strong complaints by respondents about opacity of the Regulation. Among the respondents that have encountered foreign investment review, 47.45% of the respondents think that the EU foreign investment review is not transparent (as shown in Figure 5-2), and they have no access to information related to the review, which increases uncertainty of their investment.

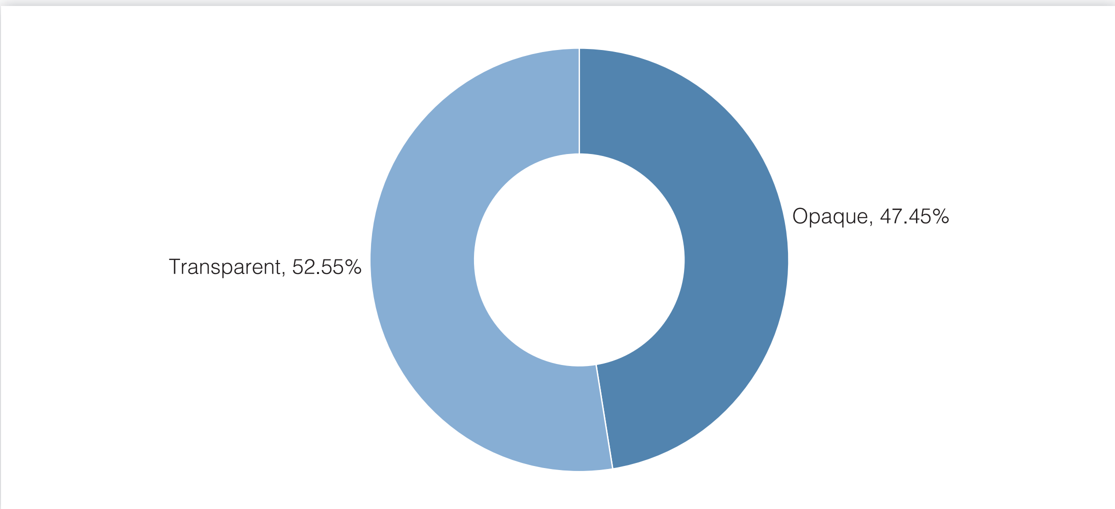

Figure 5-2: Transparency of EU Foreign Direct Investment Review

Source: CCPIT Academy.

4. Chinese enterprises were discriminated in the EU foreign direct investment review

Respondents complain about the discrimination they suffer in the process of EU FDI review. Chinese enterprises face a longer review process and more complicated requirements for review materials than those from other countries. According to the survey, 38.85% of the respondents suffered discriminatory treatment during the EU FDI review (as shown in Figure 5-3), and 55.56% of the Chinese state-owned enterprises experienced such treatment (as shown in Figure 5-4).

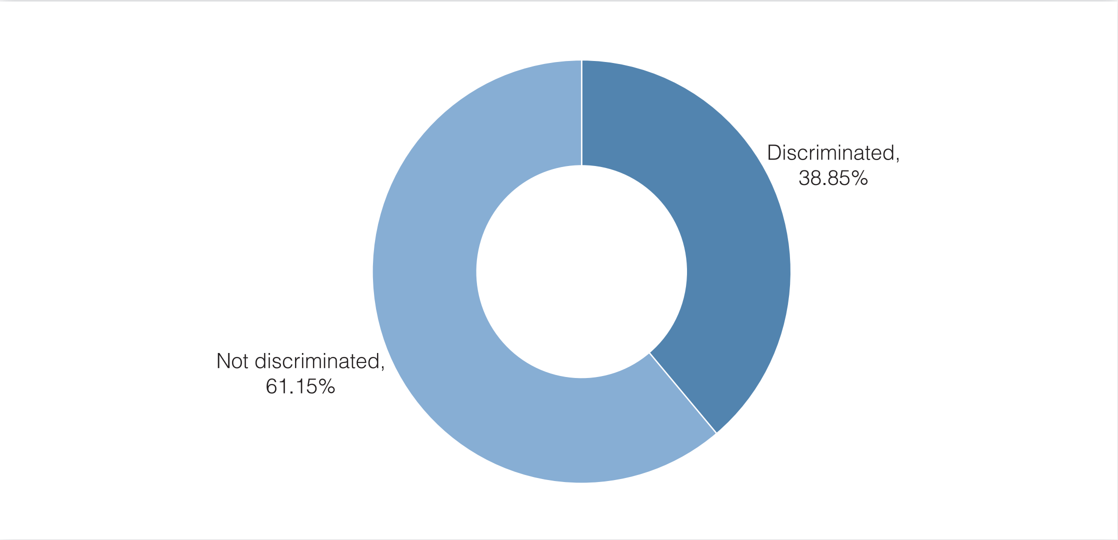

Figure 5-3: Enterprises Experiencing Discrimination in the EU FDI Review

Source: CCPIT Academy.

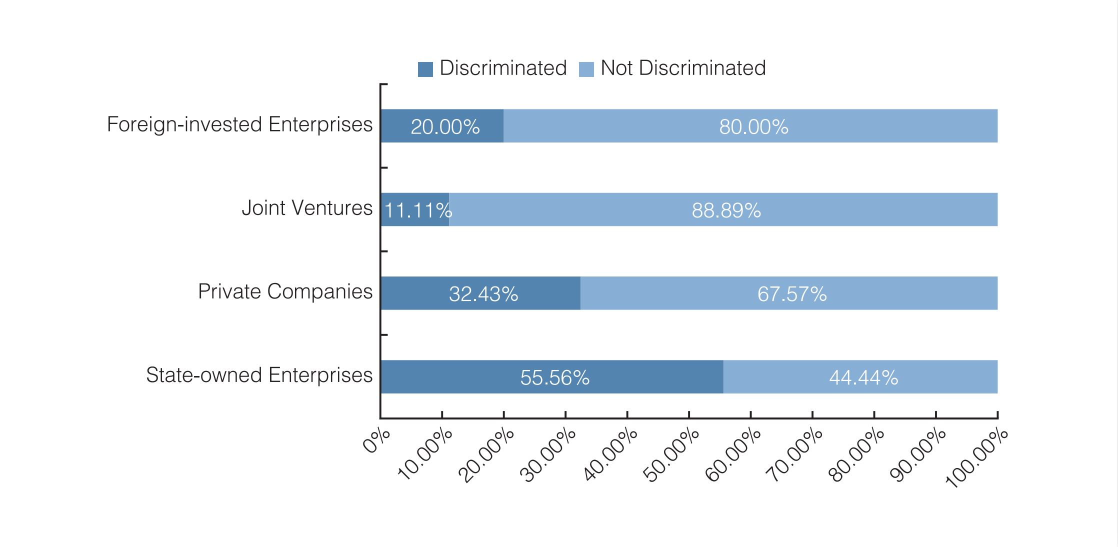

Figure 5-4: Enterprises of Different Ownerships Experiencing Discrimination in the EU Foreign Direct Investment Review

Source: CCPIT Academy.

In screening FDI, the EU and all Member States take into account "government control over foreign investors" as a factor affecting national security or public order. The EU FDI Screening Regulation stipulates that in determining whether a foreign investment is likely to affect security or public order, special consideration is given to "whether the foreign investor is directly or indirectly controlled by the government, including state bodies or armed forces, of a third country, including through ownership structure or significant funding." As independent market players, SOEs invest in the EU in accordance with market-based principles. However, the EU interferes with normal operation of SOEs in the name of "national security", resulting in negative impacts on investments by SOEs in Europe.

According to the survey, 73.68% of SOEs are negatively affected by the EU FDI Screening Regulation, which is much higher than the average of 52.83% (as shown in Figure 5-5). In general, the EU FDI review has led to an increase in the cost of business investment in Europe. Specifically, 90% of SOEs and 85.71% of private enterprises say that the cost of their investment in Europe has increased; 56.67% of SOEs report 50% or more cost increase (as shown in Figure 5-6).

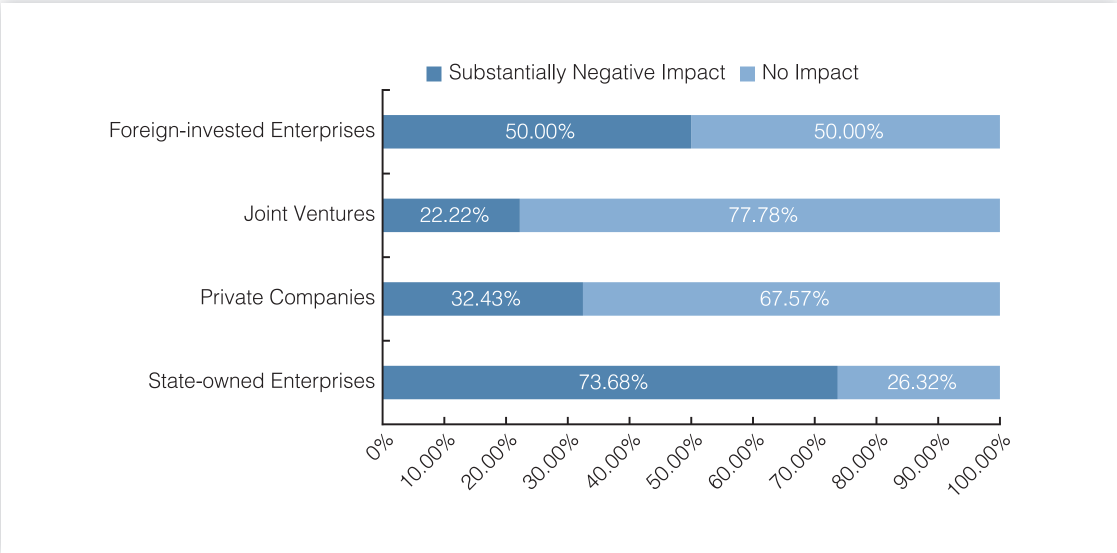

Figure 5-5: Impact of the EU FDI Screening Regulation on Enterprises of Different Ownerships

Source: CCPIT Academy.

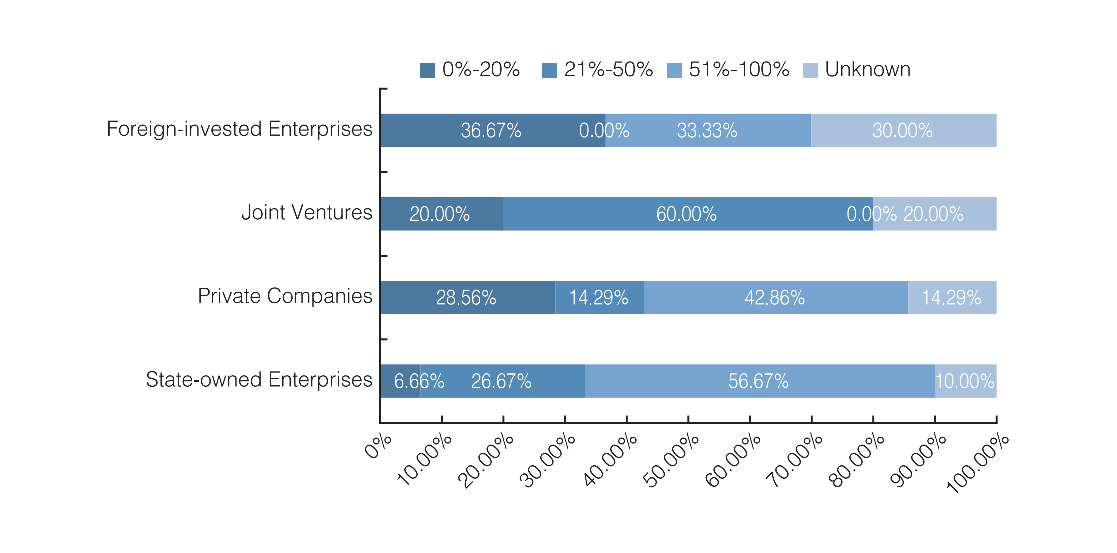

Figure 5-6: Cost Increase for Enterprises of Different Ownerships as a Result of EU FDI Review

Source: CCPIT Academy.

5. FDI review forced enterprises to change their investment plans

Unfair, opaque and uncertain FDI reviews forced companies to re-examine their investment decisions. According to the survey, 38.74% of the respondents say they will change their investment plans due to the EU FDI Screening Regulation (as shown in Figure 5-7); among them, 77.78% will downsize their investment plans in the EU, 11.11% will suspend their investment in the EU, and 11.11% will continue to invest in the EU but will shift to Member States with relatively relaxed investment reviews (as shown in Figure 5-8).

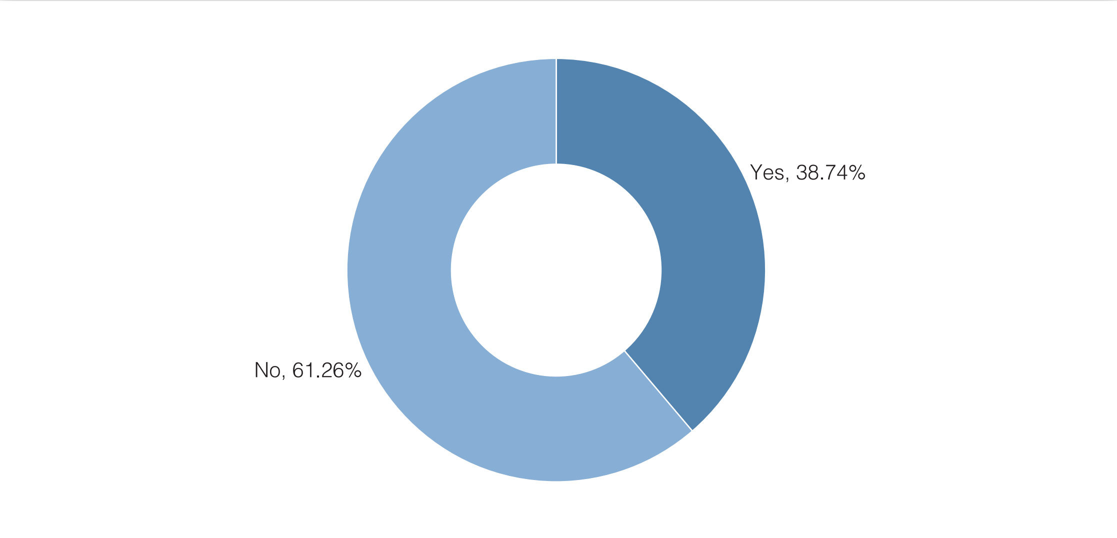

Figure 5-7: Change of Investment Plans by Enterprises due to the EU FDI Screening Regulation

Source: CCPIT Academy.

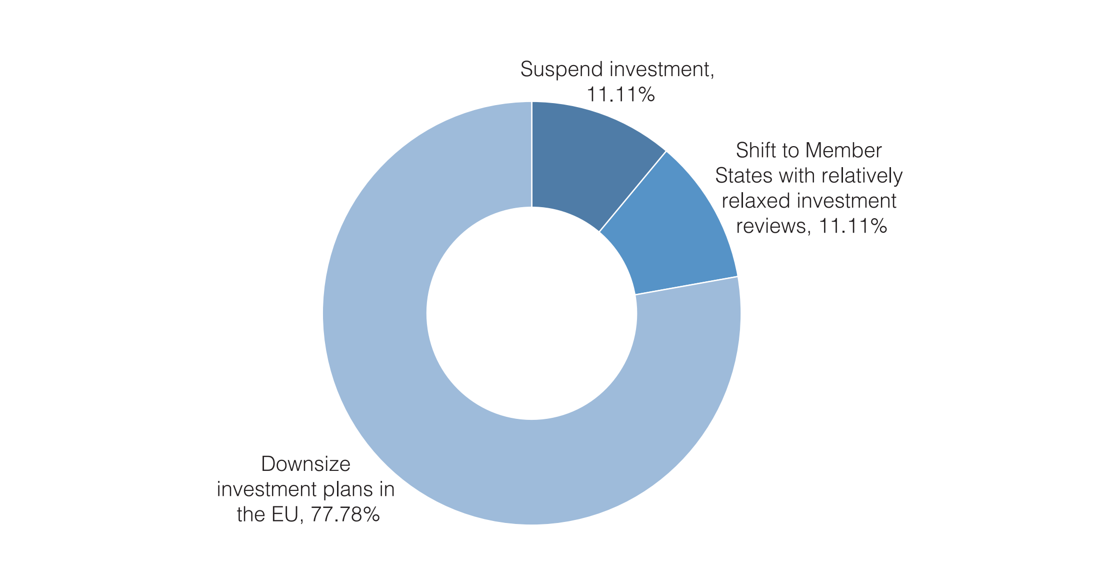

Figure 5-8: How Enterprises Change Their Investment Plans due to the EU FDI Screening Regulation

Source: CCPIT Academy.

Ⅲ.Our recommendations

1. Stop tightening FDI review with COVID-19 as an excuse

When the international community should join hands in combating COVID-19 and upholding the free trade system, the EU's protectionist initiatives are not conducive to its economic and trade cooperation with other countries around the world. It also dampened the enthusiasm of foreign companies to help the EU economy recover from the pandemic. In particular, to fight against COVID-19, it calls for global cooperation in health care. With an open mind, the EU needs to carry out medical investment and trade cooperation with other countries in the world, in order to overcome the pandemic and recover the economy as soon as possible.

2. Keep the scope of FDI review from further expansion

It is recommended that the EU and Member States change the way of determining the scope of review by a "non-exhaustive" list of items, reduce and clarify the list of items to be reviewed, and remove unreasonable items; formulate clear and reasonable guidelines for FDI review, so that investors can have clear and stable expectation on the fields, scope and ways of investment that may trigger review.

3. Strictly limit the use of "national security" concept

It is recommended that the concept of "national security" be clarified, the scope of FDI review not be expanded on the grounds of “national security”, and the invocation of “national security” must prove that the foreign investment poses a fundamental threat to national security; the “principle of proportionality” be closely followed, the requirements of appropriateness, necessity and minimum proportion should be met, the scope of review not be generalized, and restrictive measures be used with caution.

4. Treat all foreign-invested enterprises in a fair and equitable way

It is recommended that EU Member States fully comply with provisions on national treatment and non-discrimination, by treating all foreign-invested enterprises in a fair and equitable way; and roll back unfair review of SOEs on the grounds of “government control” and prevent the concept of “government control” from expanding.

Chapter 6

Competition Policy

Ⅰ. Recent developments

1. EU released the White Paper on levelling the playing field as regards foreign subsidies

On June 17, 2020, the European Commission published the White Paper on levelling the playing field as regards foreign subsidies (the "White Paper")[23]. The White Paper seeks to address the problem of foreign subsidies distorting competition in the EU market by proposing new tools to fill the gaps in the current EU regulatory regime.

Definition of foreign subsidies. The White Paper defines a "foreign subsidy" as a financial contribution by a government or any public body of a non-EU State, which confers a benefit to a recipient and which is limited, in law or in fact, to an individual undertaking or industry or to a group of undertakings or industries. This definition covers foreign subsidies granted directly to undertakings established in the EU; foreign subsidies granted to an undertaking established in a third country where such subsidy is used by a related party established in the EU; and foreign subsidies granted to an undertaking established in a third country where such a subsidy is used to facilitate an acquisition of an EU undertaking or participate in public procurement procedures.

Scope of enterprises under review. The White Paper proposes a legal framework consisting of two modules. The first one aims to address the distortion of competition in the EU market caused by subsidies provided by foreign governments to undertakings already doing business in the EU. The White Paper proposes to regulate this through an ex post facto review; the second module aims to address the distortion of competition in the EU market caused by foreign governments supporting acquisitions of target companies in the EU through subsidies. Thus, the subsidy review will not only target ongoing foreign corporate investment in Europe, but also undertakings already established in the EU or already active in the EU market.

Treatment faced by an enterprise found to have received foreign subsidies. If the EU finds that an enterprise has received foreign subsidies, the supervisory authorities may attach redressive measures to its decision to remedy the distortion of market competition caused by foreign subsidies. Possible redressive measures include: divestment of certain assets, reducing capacity or market presence associated with the foreign subsidies; prohibition of certain investment granted with the foreign subsidy; prohibition of the subsidized acquisition; third party access to certain information or technology; the undertaking which has received the foreign subsidy could be obliged to license to other undertakings on fair, reasonable and non-discriminatory (FRAND) terms, prohibition of a specific market conduct linked to the foreign subsidy; publication of certain R&D results; and redressive payments to the EU or to Member States.

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23 White Paper on levelling the playing field as regards foreign subsidies, https://ec.europa.eu/competition/international/overview/foreign_subsidies_white_paper.pdf

In 2019, several Member States complained to the European Commission that the current European competition rules and antitrust enforcement did not take into account the factor of foreign subsidies. In July 2019, France, Germany and Poland proposed to the European Commission that the element of third-country government intervention be taken into account in antitrust reviews of M&A transactions. In December 2019, in a proposal on an overhaul of European competition rules, the Netherlands asked the European Commission to introduce a new pillar to the current EU competition law providing that the European Commission should have the power to take action against an undertaking that distorts competition in the European internal market by receiving government subsidies or having an unregulated dominant position in a third country market.

2. The EU allowed necessary cooperation between companies during COVID-19 outbreak

On March 23, 2020, the European Competition Network issued a Joint Statement on the application of competition law during the Corona Crisis[24], saying it understood that this extraordinary situation might trigger the need for companies to cooperate in order to ensure the supply and fair distribution of scarce products to all consumers in the current circumstances and that it would not actively intervene against necessary and temporary measures put in place in order to avoid a shortage of supply.

3. Germany introduced temporary amendment to its competition law to deal with COVID-19

On May 28, 2020, the Bundestag approved temporary amendments to the German Competition Act aimed at mitigating the negative effects of COVID-19 on merger review timelines and penalty payments, which entered into force on June 10, 2020. Specifically, for M&A transactions filed with the German competition enforcement agency between March 1 and May 31, 2020, the review period will be increased from one month to two months for the first phase and from two months to six months for the second phase. Such revisions aimed to help third-party companies that might not be able to reply to inquiries from the competition enforcement agency within the original required time frame. As of June 30, 2021, operators might be relieved of the obligation to pay interest on fines for a limited period if the German competition enforcement agency allows them to extend the period for payment of fines, a modification intended to help reduce the financial burden on companies hit by the pandemic outbreak.

4. The Netherlands allowed certain cooperative behavior between retailers

The Dutch Competition Authority announced that it would allow certain cooperative behavior between retailers. For example, supermarkets could inform each other about their stocks; drug wholesalers could inform each other of the quantities of products they sell; and logistical services providers could also cooperate to provide Dutch citizens with vital supplies. The Authority also noted that the unusual times required unusual solutions, but warned companies not to go beyond what was necessary to

24 Antitrust: Joint statement by the European Competition Network (ECN) on application of competition law during the Corona crisis, https://ec.europa.eu/competition/ecn/202003_joint-statement_ecn_corona-crisis.pdf

curtail the crisis[25].

Ⅱ. Problem analysis

1. The White Paper was essentially an upgraded version of protectionist measures

The White Paper, a new tool introduced by the EU to review foreign enterprises, extended the concept of countervailing under the traditional WTO multilateral trading system to the field of investment and strengthened the intervention in foreign investment in the name of competition rules. The obligation of foreign enterprises to accept reviews on foreign subsidies under the White Paper essentially led to a disparity between the obligations of foreign enterprises and domestic enterprises in the EU, giving EU domestic enterprises an edge in competition in violation of the principles of national treatment and non-discrimination.

The EU over-interpreted the relationship between enterprises and the government and misidentified the support obtained by enterprises through market-oriented behavior as unreasonable subsidies, which constitutes discrimination against normal investment behavior of enterprises. For example, enterprises obtaining financing through the banking system is a completely market-oriented corporate behavior, but the EU misidentified loans obtained by enterprises from such banks as foreign subsidies on the grounds that some banks were state-owned. In Germany's antitrust review of CRRC Zhuzhou Locomotive's acquisition of Vossloh's locomotive business, the German Federal Cartel Office stated that in assessing CRRC Zhuzhou Locomotive's market behavior, it took into account CRRC Zhuzhou Locomotive's access to financial support and subsidies from the Chinese government and considered that it had received financing in the form of loans from state-owned banks.

2. Review on foreign subsidies increased business costs and uncertainties

If a transaction falls within the scope of both foreign subsidy review and antitrust review on M&A transaction, the acquirer will need to file for both reviews, and the two reviews will be conducted separately but simultaneously. In some cases, foreign companies engaged in M&A in the EU may need to make three different mandatory prior declarations at the same time, for M&A antitrust review, foreign direct investment review and foreign subsidy review, which will cost the companies a huge amount of money and manpower, and will face a longer review period. This will greatly increase the compliance cost of entering the EU market and the uncertainty of the transaction.

According to the White Paper, foreign companies already operating or doing business in the EU will be subject to the post-event review on foreign subsidies by the European Commission or Member States, which will substantially increase the burden on business operation. It is not in line with the legal practice of non-retroactivity to conduct foreign subsidy review on foreign companies which have

25 COVID-19: A summary of recent European antitrust action on related business conduct, https://www.wilmerhale.com/en/insights/client-alerts/20200324-covid19-a-summary-of-recent-european-antitrust-action-on-covid19-related-business-conduct

already got market entry approvals according to the regulations of the EU and Member States. It will not only interfere with normal operation of enterprises, but also impose additional burden on them.

3. The EU itself substantially increased subsidies on European companies

In fact, EU Member States also provide subsidies in various forms to their companies. For example, the German government subsidizes multimodal transport up to about EUR93 million every year. During the COVID-19 outbreak, the EU also relaxed its rules on subsidies in Member States, allowing governments to inject capital into companies in need. In May 2020, the French government provided EUR7 billion in aid to the Air France-KLM group; and in June, the Dutch government provided another EUR3.4 billion in aid to the airline group. While aiding and subsidizing on European businesses in various ways, the EU and Member States identified reasonable subsidies received by foreign enterprises as factors distorting market competition, a practice of double standards discriminating against foreign enterprises.

4. Relaxed antitrust requirements in the EU were prone to unfair competition

To ensure supplies and cope with the pandemic crisis after COVID-19 broke out, the EU and some Member States relaxed anti-trust enforcement requirements, for example, allowing certain cooperative behaviors among enterprises and capital injection by the state to enterprises. However, this relaxation, if without strengthened enforcement supervision at the same time, would result in collusion among enterprises, thus causing unfair competition in the market.

In the process of antitrust enforcement, Member States infringed enterprises' trade secrets, leading to unfair competition for enterprises. Among the respondents that have undergone antitrust review, 24.09% say that EU antitrust review violated their trade secrets (as shown in Figure 6-1).

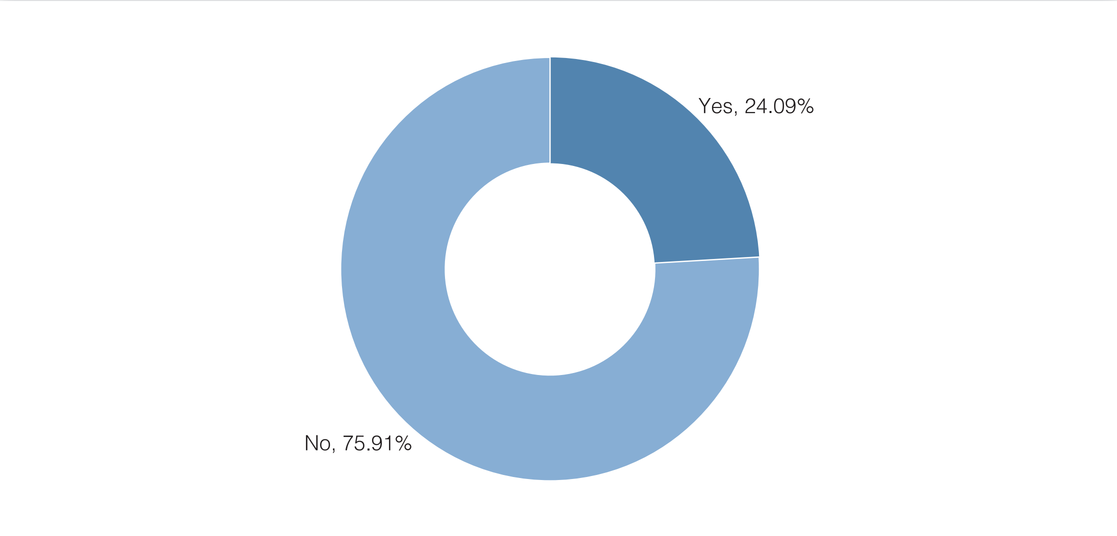

Figure 6-1: Does the EU Antitrust Review Infringe Enterprises' Trade Secrets?

Source: CCPIT Academy.

5. Member States did not have uniform standards in antitrust enforcement

Respondents say that when they invest and undergo antitrust review in different Member States, standards are different in each Member State with different materials required to be submitted, which brings additional burden to enterprises investing in different Member States and increases their investment time and capital cost.

Ⅲ. Our recommendations

1. Remove the discriminatory measures of the White Paper against foreign investment

The unilateral measures in the EU White Paper, in violation of the principle of non-discrimination, hinders foreign companies' investment and operation in Europe. It is recommended that the EU and Member States fully implement the principles of national treatment and non-discrimination, abolish the unreasonable provisions in its antitrust regimes, and treat all foreign-invested enterprises in a fair and equitable manner; stop over-interpreting the concept of foreign subsidies and prevent review on foreign subsidies from becoming a protectionist tool; and adhere to the basic principles of "agreements must be kept" and fair competition, ensure equal treatment of enterprises of different ownerships in review, recognize Chinese enterprises' status as independent legal persons and market players, and follow the principle of ownership neutrality in equally treating enterprises of all ownerships.

2. Avoid excessive intervention in business operations in law enforcement

It is recommended that the EU and Member States should not interfere with the operation of foreign enterprises already operating in the EU on the grounds of foreign subsidy review, and stop the practice of "retroactivity"; standardize enforcement conduct of antitrust agencies, fully follow the statutory process of enforcement, and prevent excessive enforcement which infringes trade secrets of enterprises; and for penalties or "levies" imposed on foreign companies already operating in the EU in the name of foreign subsidy review, the EU and Member States provide timely and adequate compensation to the damaged enterprises.

3. Ease the review burden on foreign companies entering the EU

The complicated review has greatly raised the threshold for enterprises to enter the EU market and increased their investment costs. It is recommended that the EU reduce the number of review items and streamline the review procedures, so that enterprises will not face complicated and myriad reviews and pay high compliance costs when entering the EU market.

Chapter 7
Cross-border Movement of People

Ⅰ. Recent developments

1. The EU has repeatedly imposed restrictions on the movement of people

The leaders of the EU and Member States held a virtual summit on March 17, 2020 and agreed on restricting travel from outside the EU for a preliminary 30-day period, among other measures to fight the pandemic.

With a second wave of virus outbreak in the EU, Member States agreed to tighten border controls further in October 2020. On October 28, 2020, French President Emmanuel Macron officially announced a second national lockdown for a month, adding that the French authorities would assess the COVID situation every two weeks moving forward and ease or tighten the restrictions accordingly[26]; on October 28, 2020, German Chancellor Angela Merkel announced a number of measures effective from November 2 to the end of the month, including closing most public facilities and dining, entertainment and recreational venues nationwide and restricting personal travel[27]; starting from October 28, 2020, Spain closed the borders of Madrid, Castile and Leon, and Castile-La-Mancha, prohibiting travel to and from the three regions except for force majeure[28]; Greece upgraded Ioannina and Thrace from Level 3, amber for strengthened monitoring to Level 4, red for dangerous on its COVID map and imposed lockdown on the two regions on October 29, 2020 local time[29].

2. The EU keeps adjusting the list of countries allowed to travel to the bloc

On June 30, 2020, the European Council announced the agreement of 27 Member States to reopen EU borders to a dozen or so non-EU countries from July 1, namely, Algeria, Australia, Canada, Georgia, Japan, Morocco, Montenegro, New Zealand, Rwanda, Serbia, Korea, Thailand, Tunisia, Uruguay and China, while US and Brazil remained banned due to their severe COVID situation. The access for China is contingent on the country's opening its borders to the EU. On October 22, the European Council reduced the safe list to 9 countries: China, Australia, New Zealand, Japan, Korea, Thailand, Singapore, Uruguay and Rwanda, with the policy for China still 'subject to confirmation of reciprocity'.

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26 Macron expected to announce new Covid restrictions tonight, https://www.connexionfrance.com/French-news/President-Macron-to-make-Covid-speech-tonight

27 Germany to implement partial lockdown in November, https://www.neweurope.eu/article/germany-to-implement-partial-lockdown-in-november/

28 Madrid, Castilla-La Mancha and Castilla y León Close All Borders, https://www.euroweeklynews.com/2020/10/28/breaking-news-madrid-castilla-la-mancha-and-castilla-y-leon-close-all-borders/

29 Greek pm to announce a "one-month action plan" against the Coronavirus, https://www.keeptalkinggreece.com/2020/10/29/greece-pm-mintsotakis-one-month-action-plan-coronavirus/

Ⅱ. Problem analysis

1. Travel restrictions hinder China-EU economic and trade exchanges

Since the outbreak of COVID-19, the Chinese government has taken various measures to fight the pandemic and effectively turned the tide on the virus at heavy costs and sacrifices, protecting people's life and health and making great contributions to regional and world public health security. While engaged in the battle against COVID, China stays committed to the vision of a community with a shared future for all mankind and its responsibility as a major country, fighting the pandemic side by side with others to overcome the hardships. Currently, the COVID-19 situation in China is basically stable, making China one of the best-performing economies in terms of pandemic response. However, the EU has maintained its visa restrictions on China, hampering the response efforts and return to production and business of Chinese enterprises in Europe and causing economic losses. The survey finds that 86.56% of the respondents indicate impact on their business by the EU's COVID travel restrictions (as shown in Figure 7-1).

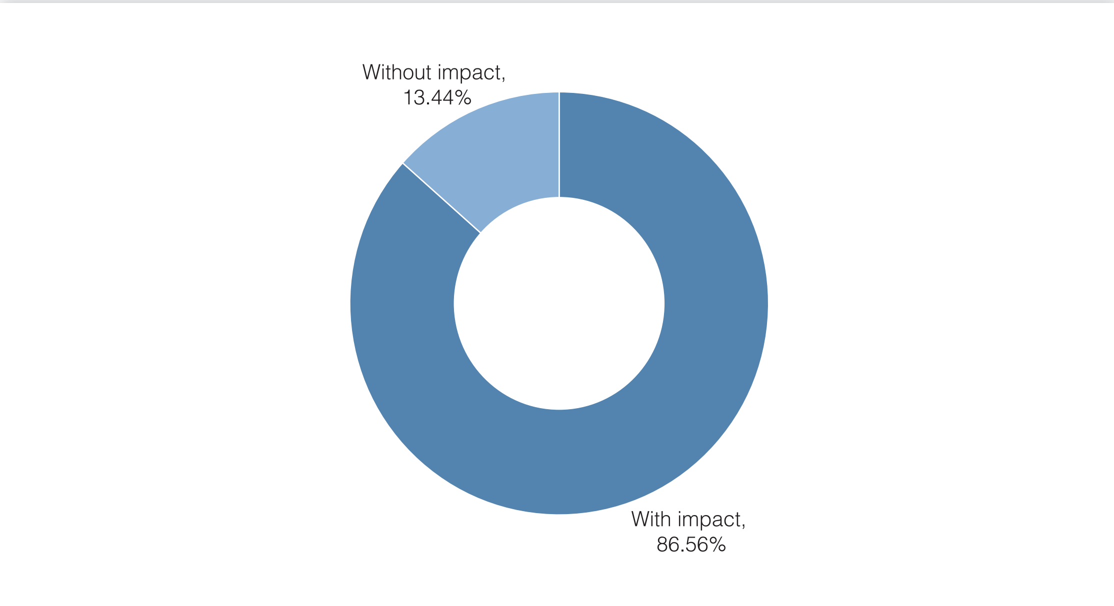

Figure 7-1: Impact on business by the EU's COVID travel restrictions

Source: CCPIT Academy.

2. Visa restrictions affect foreign-invested businesses operating in the EU

It is widely reported by the respondents that businesses find it difficult to obtain EU visas. When they apply for visas or submit materials, the authorities often reject visas on ambiguous grounds that the materials do not meet requirements or the personnel are not qualified for the jobs, and refuse to provide clearer reasons for the rejections. As a result, businesses cannot send personnel to work in the EU without hassle. The survey shows that 58.89% and 60.87% of the respondents find the processing of work visas and residence permits in the EU cumbersome (as shown in Figure 7-2). The respondents also note that the difficulty in sending sales, marketing and technical staff to the EU has put them at a disadvantage in market competition in the bloc, affecting not only their current operation and business development, but also the prospects of their future growth.

Ownership-wise, SOEs find it harder to obtain work visas. A high share of 64.65% of the SOEs report difficulties when applying for EU work visas (as shown in Figure 7-3).

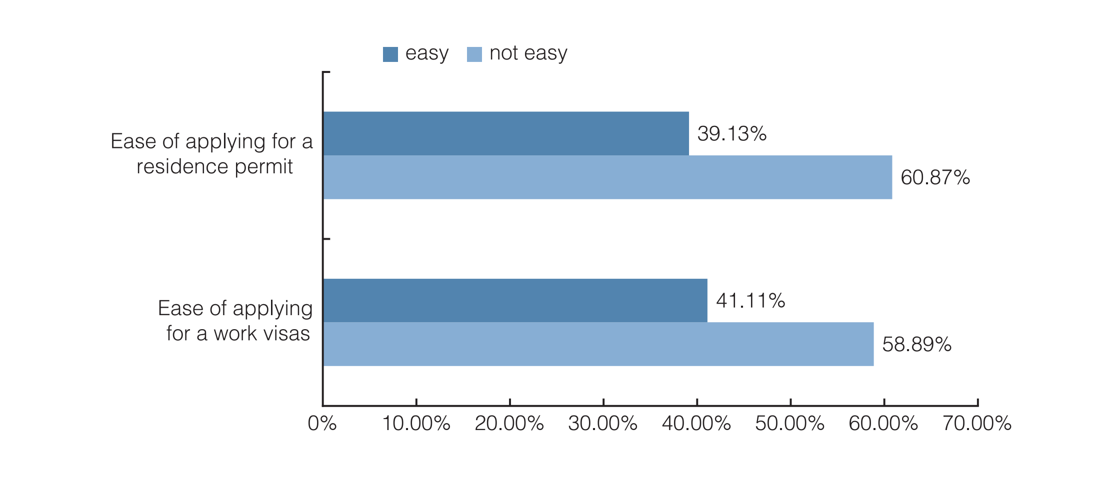

Figure 7-2: Ease of getting EU work visas and residence permits

Source: CCPIT Academy.

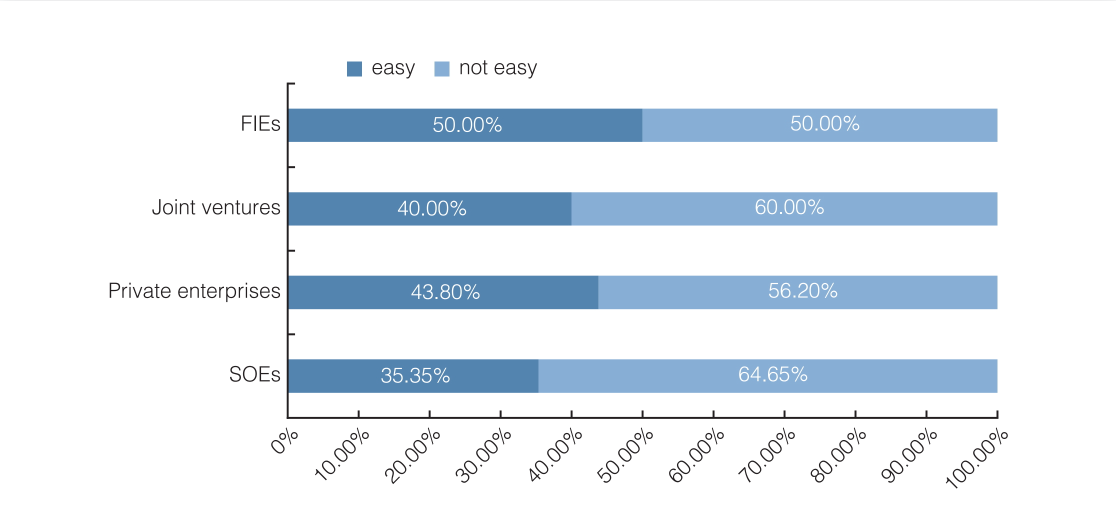

Figure 7-3: Ease of getting work visas for businesses by ownership

Source: CCPIT Academy.

Ⅲ. Our recommendations

1. Lift travel restrictions on China reciprocally as soon as possible

The COVID situation in China is basically stable. China is gradually opening its borders as necessitated by the need to resume work and production and facilitating visa processing for EU citizens. Chinese embassies in EU capitals also provide assistance for EU citizens applying for Chinese visas. For example, the Chinese Embassy to France is offering free visa services to French citizens holding permits for work, personal affairs or reunion. It is recommended that the EU lift its border restrictions on China as soon as possible and allow Chinese business personnel to travel to and conduct normal operations in the EU.

2. Eliminate unnecessary requirements in visa processing

The stringent and cumbersome visa application processes of EU Member States increase financial and time costs for businesses. The unreasonable requirements pertaining to work visas disrupt their human resources plans, leaving businesses confused and disoriented. Due to the EU's unreasonable restrictions and requirements on work visas for FIE personnel, related businesses are not able to send operational and technical talent to the bloc as needed in a timely manner, affecting not only FIE operations in the EU, but also its own COVID response and economic recovery. It is suggested that the EU remove unreasonable restrictions and requirements for work visas and ensure FIEs with stable investment and long-term operations timely and steady access to a reasonable number of visas, so that they can operate normally in the EU.

3. Facilitate cross-border movement of people and goods

China's State Councilor and Foreign Minister Wang Yi said at the G20 Foreign Ministers' Extraordinary Meeting on September 30, 2020 that China is willing to launch and promote with all parties an initiative on facilitating the cross-border movement of people and goods. At present, China has established a 'fast track' with Germany for the travel of essential business and technical personnel with good effects. It is suggested that the EU and China, while ensuring virus security, conduct cooperation on personnel movement, expand personnel exchange in a gradual and orderly manner, and schedule commercial and chartered flights in a more efficient and reasonable manner to further cement the personnel and trade and economic exchanges among related countries.

Chapter 8
Digital Economy

Ⅰ. Recent developments

1. The EU toolbox for 5G security was published to assess risks

On January 29, 2020, the EU toolbox for 5G security[30] was published, setting out a series of measures to ensure the bloc's 5G security and requiring Member States to assess the risk profile of 5G vendors and set restrictions on so-called high-risk vendors. It also calls for 5G carriers to diversify their vendors, so as to spread risks and avoid over-reliance on a single vendor. Meanwhile, foreign investment screening, trade defenses, and anti-unfair competition, among other policy tools will be fully leveraged to ensure 5G security. On July 24, 2020, the European Union Agency for Cybersecurity published a report on the progress made by Member States in implementing the EU 5G toolbox measures[31] and pointed out that while France, Italy and the Netherlands had taken related measures to look into the risks of 5G vendors, others were still making preparations.

2. Sweden banned the use of Huawei and ZTE equipment by its companies

In October, 2020, the Swedish Post and Telecom Authority(PTS) banned the use of Huawei and ZTE equipment by bidders for 5G frequencies. On January 19th, 2021, PTS conducted a 5G spectrum auction with discriminatory terms against Chinese companies, and the communication operators that have won the auction have already decided to renounce the use of Huawei and ZTE equipment.

3. Romania refused to work with Chinese 5G companies

On August 4, 2020, Romania published its draft legislation on 5G security, providing that companies i) controlled by foreign government; ii) without transparent ownership structure; iii) with a history of unethical corporate behaviour; or iv) not subject to the oversight of an independent judiciary in the home country are not qualified to take part in Romania's 5G construction[32]. On November 1, Romanian Prime Minister Ludovic Orban said in an interview that the Chinese tech company Huawei doesn't meet the country's security standards, and China is not a partner in the field of 5G[33].

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30 The Eu toolbox for 5G security, https://ec.europa.eu/digital-single-market/en/news/eu-toolbox-5g-security

31 5G Security: Member States report on progress on implementing the EU toolbox and strengthening safety measures, https://ec.europa.eu/cyprus/news/20200724_3_en

32 The Romanian Draft Law on the authorisation of 5G technology manufacturers and its effects on competition: a challenge for mobile operators and competition regulators, https://rlw.juridice.ro/17656/the-romanian-draft-law-on-the-authorisation-of-5g-technology-manufacturers-and-its-effects-on-competition-a-challenge-for-mobile-operators-and-competition-regulators.html

33 China highly concerned about Romania's Huawei 5G ban, hoping it to make independent, fair decision, https://www.globaltimes.cn/content/1205778.shtml

4. Guidelines for data control and processing compliance in the GDPR was published for public consultation

On September 2, 2020, the European Data Protection Board published the Guidelines 07/2020 on the concepts of controller and processor in the GDPR for public consultation. The Guidelines includes detailed explanations and clarifications on concepts such as the data controller, the data processor, and the joint data controller, prescribing varying compliance requirements for different roles[34].

5. Several strategies were introduced for the digital economy

Since 2014, the EU has taken several steps to regulate the digital economy, such as the Regulation on the Free Flow of Non-personal Data, the EU Cybersecurity Act and the General Data Protection Regulation. In February 2020, the European Commission unveiled Shaping Europe's Digital Future, a new development strategy[35] to deliver digitization in the EU at three levels: first, technology that works for people; second, a fair and competitive economy; and third, an open, democratic and sustainable society. In July 2020, the European Parliament published the Digital sovereignty for Europe[36]. The report points to the huge impact of non-EU tech companies on the EU's digital economy, innovation potential, data protection and efforts to build a secure digital environment, which threaten EU citizens' personal data and restrict the development of EU tech companies. On July 17, 2020, ENISA published A Trusted and Cyber Secure Europe, a strategic paper[37] to strengthen internal communication and cooperation for a cyber secure Europe.

6. Some Member States started to levy digital services tax

So far, Hungary, Austria, Italy, Spain and Poland have all introduced digital services tax. From July 1, 2019 to December 31, 2022, Hungary levies a 7.5% digital transaction tax on advertising revenues of companies with global revenues in excess of HUF 100 million (USD344,000). Starting from January 2020, Austria introduced a 5% digital transaction tax on online advertising, among others of companies with over EUR750 million (USD840 million) in global revenues and over EUR25 million (USD28 million) in revenues in Austria. In January 2020, Italy started to collect a 3% digital transaction tax on online advertising, digital goods and services, and user data of companies with over EUR750 million (USD840 million) in global revenues and over EUR5.5 million (USD 6 million) in Italy-generated revenues. In June 2020, Spain began to levy a 3% digital transaction tax on online advertising service and sales and user data sales of companies with over EUR750 million (USD840 million) in global revenues and over EUR3 million (USD3 million) in Spain-generated revenues. Poland introduced a 1.5% digital transaction tax on audiovisual media services and audiovisual commercial communication, among others of companies with over EUR750 million (USD840 million) in global revenues (see Table 8-1).

34 Guidelines 07/2020 on the concepts of controller and processor in the GDPR, https://edpb.europa.eu/sites/edpb/files/consultation/edpb_guidelines_202007_controllerprocessor_en.pdf

35 Cybersecurity, https://ec.europa.eu/digital-single-market/en/policies/cybersecurity

36 Digital sovereignty for the Europe, https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2020)651992

37 A trusted and cyber secure Europe, https://www.enisa.europa.eu/publications/corporate-documents/a-trusted-and-cyber-secure-europe-enisa-strategy

Table 8-1: Implementation of digital services tax by Member States

Country	Date	Rate	Scope	Global threshold	Domestic threshold
Hungary	July 1, 2019 to December 31, 2022	7.5%	Advertising revenues	HUF100 million (USD344,000)	——
Austria	January 2020	5%	Online advertising	EUR750 million (USD840 million)	EUR25 million (USD28 million)
Italy	January 2020	3%	Placement of advertising on digital interface; multilateral digital interfaces that allow users to buy/sell goods and services; transmission of user data generated by digital interfaces	EUR750 million (USD840 million)	EUR5.5 million (USD6 million)
Spain	June 2020	3%	Online advertising service and sales and user data sales	EUR750 million (USD840 million)	EUR3 million (USD3 million)
Poland	July 2020	1.5%	Audiovisual media services and audiovisual commercial communication	EUR750 million (USD840 million)	

Source: KPMG, Digitalized Economy Taxation Developments, June 19, 2020, https://tax.kpmg.us/content/dam/tax/en/pdfs/2020/digitalized-economy-taxation-developments- summary.pdf

Ⅱ. Problem analysis

1. Technology threat is fabricated to exclude foreign 5G companies

The EU believes that non-EU technology companies threaten the bloc’s public security and personal data security and privacy. Based on such an unproven and imagined notion, the EU hypes the “China tech threat”, with some Member States taking discriminatory measures against Chinese companies and employing unilateral protectionist measures. This violates not only the non-discrimination principle, but also the EU’s basic strategy to shape an “open, democratic and sustainable society” through digitization. In fact, Chinese companies strictly abide by related EU laws and regulations and actively promote China-EU information and communications technology cooperation, contributing to EU infrastructure development and working cooperatively on reviews with cybersecurity agencies of the EU and Member States. To encourage and support Chinese investment in the EU can substantially promote China-EU business exchanges and help raise the digitization and competitiveness of EU companies.

2. EU cybersecurity review discriminates against FIEs

On March 26, 2019, the European Commission issued the Commission Recommendation on Cybersecurity of 5G networks. The respondents have widely reported biases against Chinese 5G companies in cybersecurity review. The survey suggests that 67.14% of the respondents believe that the EU’s cybersecurity review of 5G networks is discriminatory against foreign vendors (as shown in

Figure 8-1). Ownership-wise, 71.93% of the SOEs, 61.11% of the private companies, 88.89% of the joint ventures, and 50% of the FIEs refer to discrimination against foreign vendors in the EU's review (as shown in Figure 8-2).

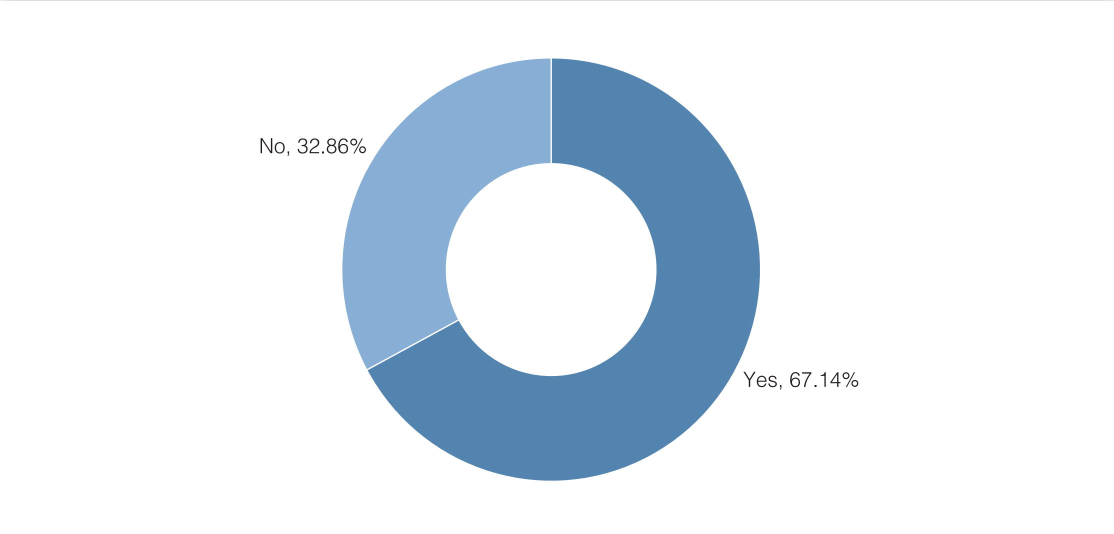

Figure 8-1: Whether there is discrimination against foreign vendors in EU cybersecurity review of 5G networks

Source: CCPIT Academy.

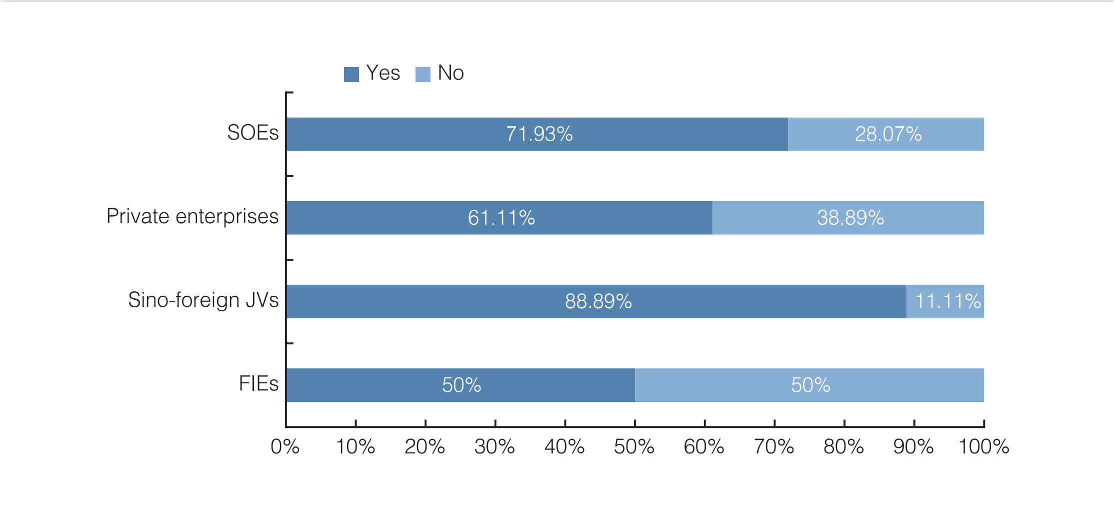

Figure 8-2: Discrimination foreign vendors are subject to in EU cybersecurity review of 5G networks by ownership

Source: CCPIT Academy.

On June 27, 2019, the EU Cybersecurity Act officially entered into force, imposing many restrictions on companies that impede business operations. The survey finds that 37.23% of the respondents indicate that the implementation of the EU Cybersecurity Act has aggravated business restrictions (as shown in Figure 8-3).

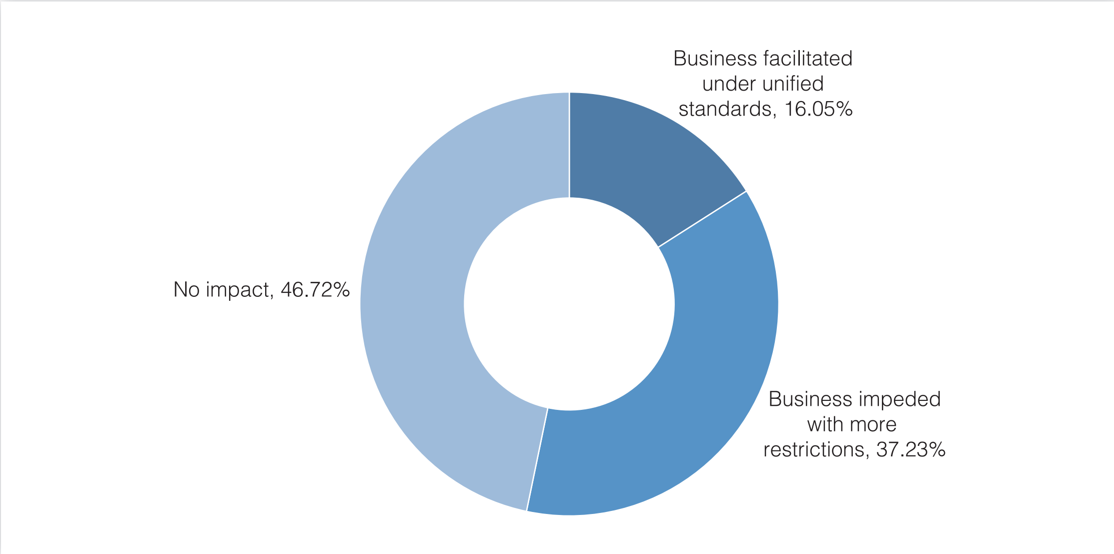

Figure 8-3: Impact of the EU Cybersecurity Act on enterprises' online business
Source: CCPIT Academy.

By sector, the EU Cybersecurity Act provides for more restrictions on companies related to the digital economy. 75% of the scientific research and technological service companies and 63.64% of the information transmission/software and IT service companies report more restrictions and impeded business with the implementation of the Cybersecurity Act (as shown in Figure 8-4).

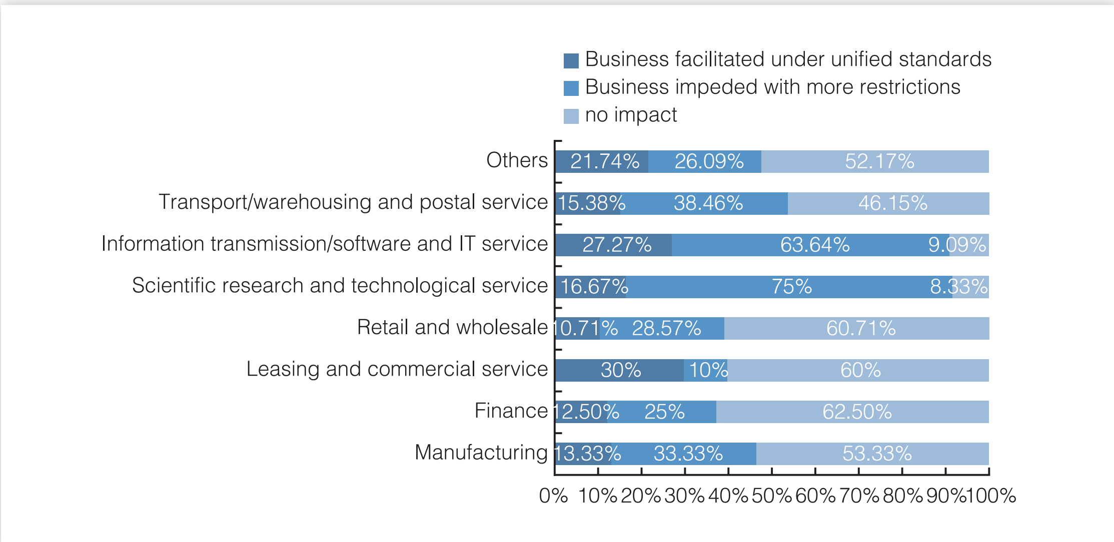

Figure 8-4: Impact of the EU Cybersecurity Act on enterprises' online business by sector
Source: CCPIT Academy.

Ⅲ. Our recommendations

1. Stop discrimination and treat foreign-invested 5G companies fairly

The EU restricts so-called high-risk vendors based on unproven and imagined cybersecurity threat. This is against the principle of fair play and reflects the EU's narrow-minded perception of advanced technology, not only damaging the common interests of the international community, but also hindering the development of 5G across the EU. Sweden gratuitously smeared Chinese companies under the excuse of national security without any evidence, openly suppressing Chinese companies and politicizing normal economic cooperation. This goes against market economy rules of freedom and openness that Sweden champions as well as international trade and economic rules.

It is suggested that the EU and its Member States provide an open, fair, just and non-discriminatory development environment for all 5G companies on the basis of mutual trust for mutual benefits and common development. Some Member States need to cease the wrong practice of discriminating against Chinese 5G companies.

2. Reduce over-regulation to encourage international 5G cooperation

Free competition and international cooperation are the foundation of the continuous development of the 5G industry. The EU's frequent policy meddling in the 5G market and some Member States' abusive interferences and restrictions targeting normal business operations of 5G companies in the name of national security are narrow-minded protectionism. Over-regulation devitalizes the EU's 5G market and hinders its technological progress and economic development. It is suggested that the EU adopt an accommodating approach to the 5G industry and encourage more businesses to take part in its 5G development for greater technological and industrial progress.

Chapter 9

Finance

Ⅰ. Recent developments

1. The quantitative easing in response to the pandemic is ratcheting up

To ease the adverse impact of COVID-19, the EU has adopted a series of economic stimulus packages[38].

Pandemic Emergency Purchase Programme. On March 18, 2020, the European Central Bank decided to launch the EUR750 billion Pandemic Emergency Purchase Programme (PEPP) to widen the scope of qualified assets under the Corporate Sector Purchase Programme (CSPP) while lowering the standards of collaterals[39]. On June 4, the ECB decided to expand the PEPP by EUR600 billion, bringing the total to EUR1.35 trillion while extending its timeframe to at least the end of June 2021 till the pandemic is over[40].

Pandemic Emergency Longer-term Refinancing Operations. On April 30, 2020, the ECB launched a new round of refinancing tool, namely, the Pandemic Emergency Longer-term Refinancing Operations (PELTROs), aimed at providing liquidity support for the financial system and ensuring the smooth operation of the money market. PELTROs were due to be conducted as fixed rate tender procedures with full allotment to banks from May to December, 2020[41].

Euro system Repo Facility. On June 25, 2020, the ECB decided to set up the Euro system Repo Facility for Central Banks (EUREP) to provide preventive Euro repo operations for non-eurozone central banks in response to the pandemic. Non-eurozone central banks can obtain collateral-backed liquidity, including euro-denominated bonds issued by eurozone governments and supranational organizations. The policy expires in June 2021[42].

2. The ECB adopts new financial regulatory measures

To ease the adverse economic impact of COVID-19 and the pressure on banking and other sectors, the EU has taken new measures in financial regulation and adopted a more accommodating approach to ensure financial institutions' effective operations and positive externalities for the market. The ECB's financial regulatory measures include but are not limited to the following: (1) increasing

38 Time line of EU action, https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/timeline-eu-action_en

39 Report on the comprehensive economic policy response to the COVID-19 pandemic, https://www.consilium.europa.eu/en/press/press-releases/2020/04/09/report-on-the-comprehensive-economic-policy-response-to-the-covid-19-pandemic/

40 Monetary policy decisions, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200604~a307d3429c.en.html

41 ECB announces new pandemic emergency longer-term refinancing operations, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200430_1~477f400e39.en.html

42 New Eurosystem repo facility to provide euro liquidity to non-euro area central banks, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200625~60373986e5.en.html

banks' lending capacity. The ECB is being temporarily less strict about the amount of funds or "capital" that banks are required to hold as a buffer for difficult times and also giving banks more flexibility on supervisory timelines, deadlines and procedures. (2) The ECB is helping smooth over any temporary funding issues for solvent banks by offering immediate borrowing options at favorable rates. (3) To support access to credit for firms and households, the ECB have increased the amount of money that banks can borrow to make loans to those hardest-hit by the spread of the virus, not least small and medium-sized firms[43]. Despite the effect of these measures on the pandemic response, banks' access to enormous funding and less strict financial regulation and easier regulation procedures might result in more moral hazards, which could feed banks' operational risks before evolving into systemic risks.

In addition, the ECB has also recommended that banks should not pay dividends and should also refrain from share buy-backs aimed at remunerating shareholders until January 2021 to ensure capital adequacy and liquidity buffer[44].

3. EU's 5th Anti-Money Laundering Directive became effective

The 5th EU Anti-Money Laundering Directive (Directive (EU) 2018/843, or 5AMLD) entered into force on June 18, 2018 and became applicable on January 10, 2020[45]. The Directive includes major amendments to 4AMLD. 5AMLD features the following. First, increased subjects of anti-money laundering obligations. 5AMLD adds natural and legal persons engaged in professional activities as subjects of anti-money laundering obligations, including digital currency trading platforms, e-wallet providers, dealers or intermediaries in the field of art trading and art gallery auction houses, and housing rental intermediaries above the limit. Second, increased obligations of anti-money laundering subjects. 5AMLD stipulates that beneficial owners in trading activities should provide relevant information to companies or other legal entities in trading activities in a timely manner, otherwise they will be punished or sanctioned.

4. The European Commission adopted a list of countries with strategic deficiencies in anti-money laundering

On May 7, 2020, the European Commission further stepped up the bloc's efforts to combat money laundering and terrorist financing and adopted a new list of third countries with strategic deficiencies in anti-money laundering and terrorist financing frameworks, including the Bahamas, Babados, Botswana, Cambodia, Ghana and Jamaica[46].

43 Our response to the coronavirus pandemic, https://www.ecb.europa.eu/home/search/coronavirus/html/index.en.html#item1

44 ECB extends recommendations not to pay dividends until January 2021 and clarifies timeline to restore buffers, https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200728_1~42a74a0b86.en.html

45 Information about the Directive 2018/843(AMLD V) on anti-money laundering and terrorist financing including date of entry into force, https://ec.europa.eu/info/law/anti-money-laundering-amld-v-directive-eu-2018-843/law-details_en

46 Commission steps up fight against money laundering and terrorist financing, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_800

Ⅱ. Problem analysis

1. Easy economic policy raises the risk of debt crisis

Despite the host of accommodative economic policies, the EU is yet to effectively address the pandemic-associated risks. According to the ECB's Financial Stability Review in May 2020[47], the government faces large-scale short-term financing demand. It is estimated that in 2020, the debt level of eurozone countries will jump by 7 to 22 percentage points, driving eurozone government debt to GDP ratio past 100%. Many countries will face huge debt repayment calls in the next two years. The survey shows that 45.93% of the respondents believe that the EU's further easing policies might bring debt risks.

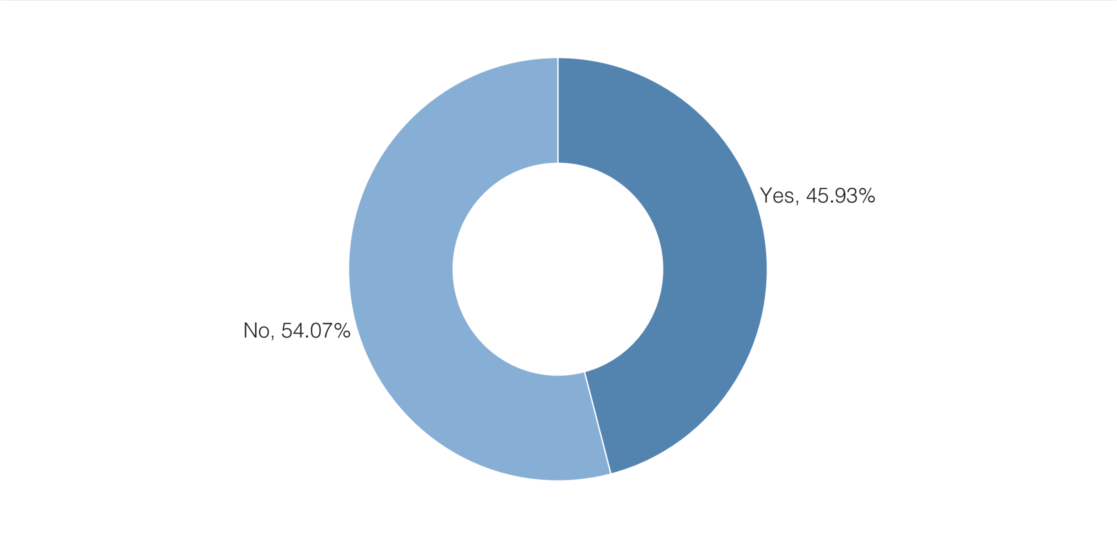

Figure 9-1: Business concern about debt risks caused by EU easing policies

Source: CCPIT Academy.

2. FIEs are subject to tighter regulation

The respondents point to EU regulators' biases against Chinese financial companies. Under the misconceptions that Chinese financial companies have irregularities in funding and management, financial regulators of the EU and Member States apply more stringent regulations to Chinese financial companies. Specifically, they subject Chinese financial companies to more frequent and targeted inspections and stricter disclosure requirements, significantly increasing businesses'

47 Medium-term risks to financial stability have increased markedly, https://www.ecb.europa.eu/pub/financial-stability/fsr/html/ecb.fsr202005~1b75555f66.en.html#toc10

compliance costs and disrupting their normal operations. The survey finds that 56.52% of the FIEs believe the EU is tougher on FIEs in financial regulation.

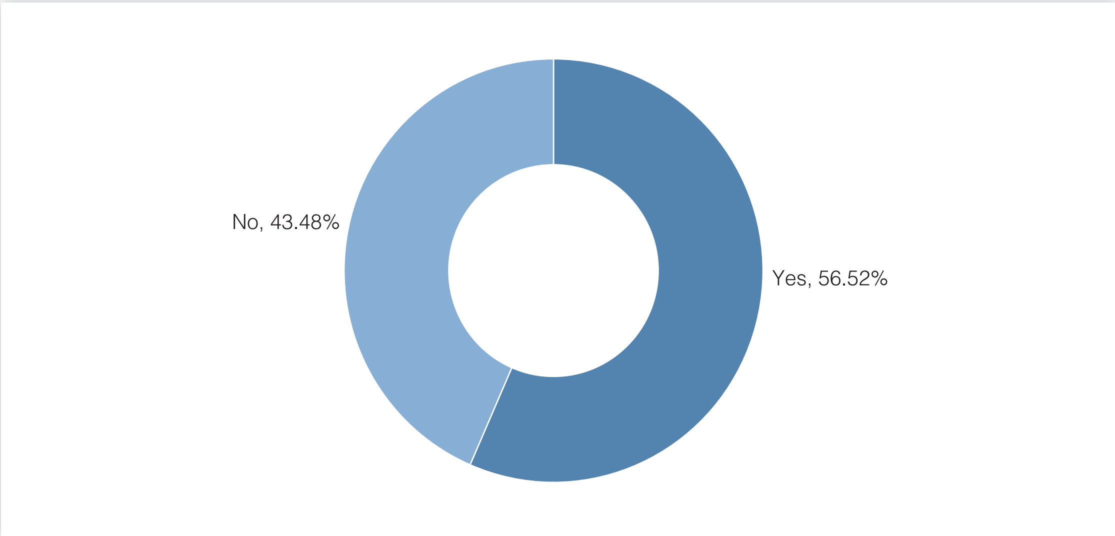

Figure 9-2: Whether EU financial regulation is tougher on FIEs

Source: CCPIT Academy.

3. Anti-money laundering directive increases compliance costs needlessly

The new 5AMLD introducing amendments to 4AMLD poses higher demands on businesses' anti-money laundering compliance. 5AMLD's expansion of subjects of obligations involve more businesses in related industries into the undertaking, leading to needless compliance costs for businesses, which have to declare constantly in frequent trading. In addition, 5AMLD requires all beneficiaries to report or take corresponding legal responsibilities. Such measures are undoubtedly adverse to efficient trading, resulting in negative externality for market trading and more needless operating costs for businesses.

According to the survey, 25% of the respondents report higher compliance costs due to 5AMLD (as shown in Figure 9-3). Among these companies, those in manufacturing, transport/warehousing, postal service and finance are hardest hit. 90% of the manufacturers point to higher financial compliance costs; 66.67% of the transport/warehousing and postal service providers put the additional financial compliance costs between 21%-50%; 60% of the financial companies indicate that extra costs can be managed at around 20% (as shown in Figure 9-4).

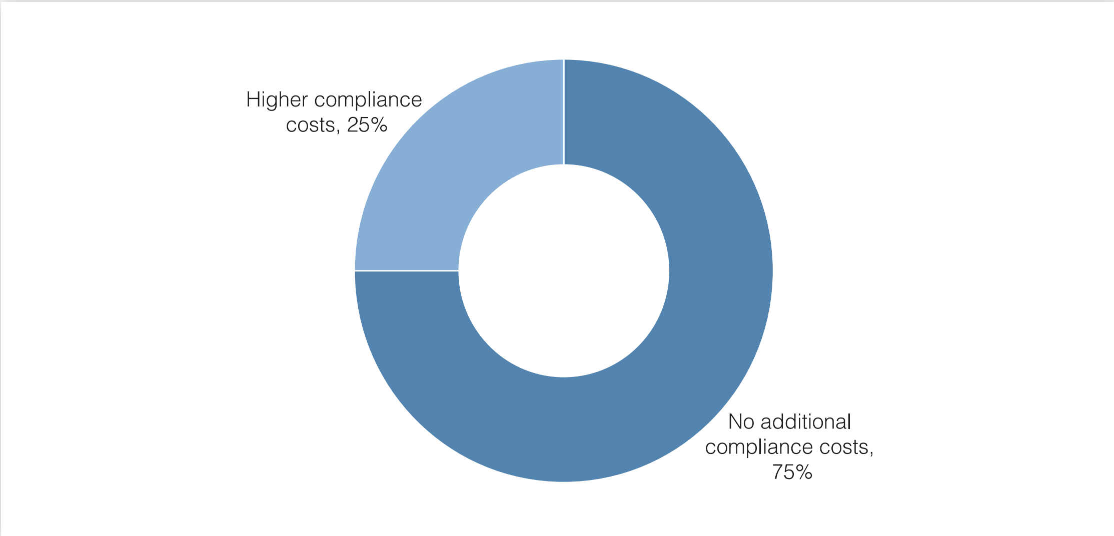

Figure 9-3: Impact of 5AMLD on business compliance costs

Source: CCPIT Academy.

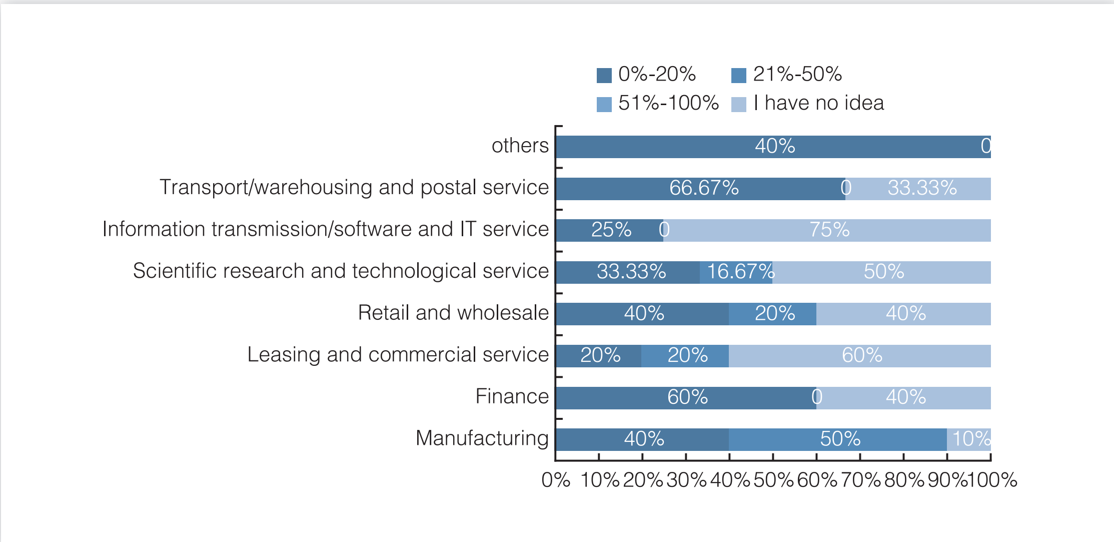

Figure 9-4: Impact of 5AMLD on compliance costs by sector

Source: CCPIT Academy.

Ⅲ. Our recommendations

1. Withdraw accommodative economic and financial policies in a timely manner

In the context of the pandemic shock, the EU's quantitative easing policy is not unnecessary. That said, overly easy economic policy might cause sovereign debt crisis and in turn increase foreign investors' concern about the EU's business environment. Once the virus is basically under control, it is suggested that Member States exit quantitative easing in a timely manner to gradually reduce government debts and balance the books to avoid profound damages to the EU and the world economy from excessive easing.

2. Unify regulatory standards for domestic and foreign banks

The EU is more strict with foreign banks in financial regulation. For example, it requires them to disclose more information, artificially driving up their compliance costs and putting them at a disadvantage in market competition. It is suggested that the EU unify regulatory standards for domestic and foreign banks and refrain from subjecting the latter to extra disclosure requirements and more frequent regulation.

3. Minimize the adverse impact of AMLD

To guard against risks, it is not without good reason that the EU keeps tightening AMLD enforcement. That said, over-regulation is unhelpful for the EU market to regain economic vitality, with negative impact becoming obvious in certain sectors. It is recommended that the EU adopt a tiered approach and moderately relax the grip on creditworthy FIEs, so as to minimize the impact on FIEs' normal operations and business and the additional compliance costs due to anti-money laundering.

Chapter 10
Public Procurement

Ⅰ. Recent developments

1. Setting the threshold for EU public procurement

EU legislation sets out the minimum harmonized public procurement rules, and stipulates the ways for authorities and some public utility operators to purchase goods, projects and services. The EU has set the legal threshold for public procurement (see Table 10-1). Contracts above the threshold must adhere to procurement directives; while contracts below the threshold can follow the provisions of relevant countries, provided that such provisions should not conflict with the EU directives[48].

Table 10-1 Public procurement directive thresholds for different types of contracts

No.	Public procurement directives	Sectors	Thresholds
1	2014/23/EU Directive on the award of concession contracts	All works or services concessions	€5,350,000
2	2009/81/EC Directive on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security	Works contracts	€5,350,000
		All supplies and services contracts	€428,000
3	2014/25/EU Directive on procurement by entities operating in the water, energy, transport and postal services sectors	Works contracts	€5,350,000
		All services concerning social and other specific services listed in Annex XVII	€1,000,000
		All other service contracts, all design contests, all supplies contracts	€428,000
4	2014/24/EU EU Directive on public procurement (Central Government authorities)	Works contracts, subsidised works contracts	€5,350,000
		All services concerning social and other specific services listed in Annex XIV	€750,000
		All subsidised services	€214,000
		All other service contracts and all design contests	€139,000
		All supplies contracts awarded by contracting authorities not operating in the field of defence	€139,000
		Supplies contracts awarded by contracting authorities operating in the field of defence	Concerning products listed in Annex III, €139,000; Concerning other products , €214,000

48 Legal rules and implementation, https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation_en

No.	Public procurement directives	Sectors	Thresholds
5	2014/24/EU EU Directive on public procurement (Sub-central contracting authorities)	Works contracts, subsidised works contracts	€5,350,000
		All services concerning social and other specific services listed in Annex XIV	€750,000
		All other service contracts, all design contests, subsidised service contracts, all supplies contracts	€214,000

Source: https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/thresholds_en

2. Issuing the Guidance on using the public procurement framework under COVID-19

On April 1, 2020, the European Commission issued the Guidance from the European Commission on using the public procurement framework in the emergency situation related to the COVID-19 crisis[49], which gave Member States greater flexibility in acquiring supplies, services and infrastructure of first necessity. The Guidance mainly covers greatly shortening public procurement deadlines, introducing emergency procurement methods, reducing procedural requirements, providing innovative alternative solutions, and following more convenient and efficient ways to interact with the market.

The Guidance focuses on improving procurement efficiency in an emergency situation and expediting public procurement, enabling public buyers to buy within a matter of days, even hours in case of emergency. For example, under the open procedure, the deadline for the submission of tenders may be reduced to 15 days from the usual 35 days at least; In the case of restricted procedures, the deadline to submit a request for participation may be reduced to 15 days from 30 days at least and the deadline to submit an offer to 10 days from 30 days at least. The Guidance provides various ways to shorten the procurement process in case of emergency. For example, during the negotiated procedure without publication, the buyer could directly negotiate with potential contractors without public disclosure, with no time limits, no minimum number of candidates to be consulted, or other procedural requirements. Even a direct award to a preselected economic operator could be allowed, provided the latter is the only one able to deliver the required supplies within the technical and time constraints imposed by the extreme urgency.

3. White Paper on Foreign Subsidies proposes Public Procurement Review

The EU White Paper proposes to strengthen regulation in public procurement and other areas through a package of policy instruments. The White Paper mainly focuses on foreign government subsidies in the bidding process of EU public procurement and provides for a system of prior notification for public procurement bidders, requiring economic operators participating in the bidding process of EU public procurement procedures to notify to the contracting authority whether they, including any of their consortium members, or subcontractors and suppliers have received a financial contribution

49 Communication from the Commission Guidance from the European Commission on using the public procurement framework in the emergency situation related to the COVID-19 crisis 2020/C 108 I/01C/2020/2078, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.CI.2020.108.01.0001.01.ENG

by a government within the last three years preceding the participation in the procedure and whether such a financial contribution is expected to be received during the execution of the contract. The contracting authority and supervisory authority will then review whether there is any foreign subsidy that influences public procurement. In case of severe violations, economic operators who fail to comply with the prior notification obligation or submit incorrect information would risk fines and in extremis an exclusion from the procurement procedure or a termination of an ongoing contract. Other measures also include the potential exclusion of such bidder from future public procurement procedures for the next three years, unless the bidder demonstrates that it no longer benefits from a foreign government subsidy. The review will be jointly conducted by the EU and governments of the Member States, as the Commission and relevant Member State authorities will exercise their respective enforcement powers at the EU and Member State levels respectively.

Ⅱ. Problem analysis

1. De facto discrimination happens at many steps of public procurement

Although the EU public procurement prides itself on transparency and fairness, in practice, FIEs say that they suffer from discriminatory treatments. According to the survey, 57.89% of the respondents who participated in EU public procurement believe that EU public procurement set discriminatory standards for foreign investors (as shown in Figure 10-1).

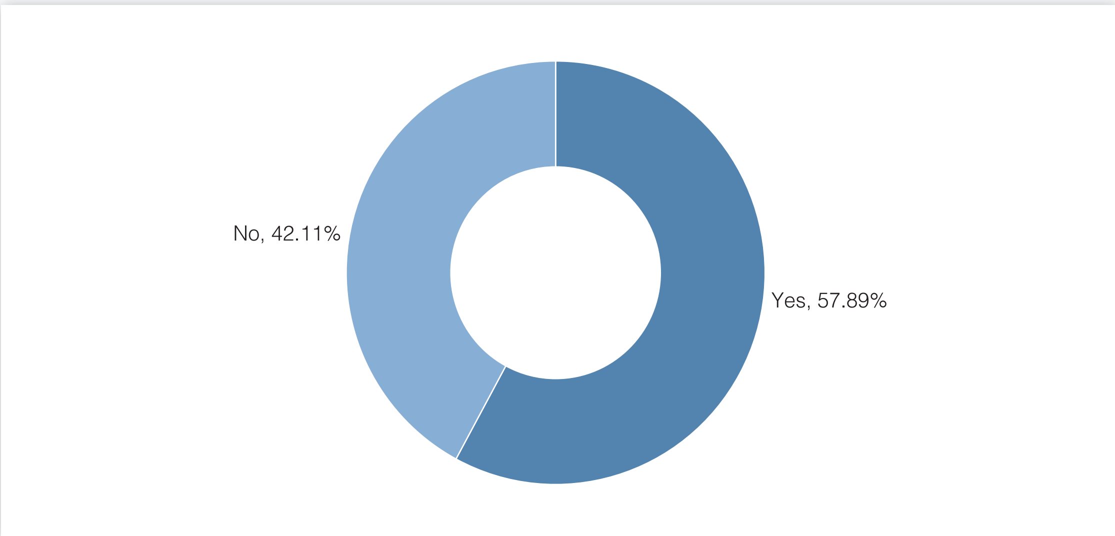

Figure 10-1: Does EU set discriminatory standards for foreign investors in public procurement?
Source: CCPIT Academy.

The respondents report that some EU Member States set too high a threshold for the pre-review of public procurement qualifications. For example, bidding companies are required to both be certified at the EU and the local Member States levels. However, local certification procedures are too complicated and lengthy for foreign-invested bidders to get certified before the bidding starts, thus this rule is a hidden barrier to FIEs. The public procurement practice of some EU Member States shows that, even though the bidding documents did not clearly state that non-EU equipment will be excluded, if the project receives funds from the EU, only EU equipment will be selected in the bidding process. The government will also tailor bidding documents to the specific technical parameters of the potential winner from the European Union, thus excluding foreign bidders. Unreasonable technology evaluation rules and methods adopted by local governments also create unfair barriers to public procurement. The French Energy Regulatory Commission (CRE) started public tender for photovoltaic projects in July 2011. Apart from the bidding price and component technologies, which are generally the key considerations in the global market, CRE also focuses on the impact of carbon emissions. However, based on CRE rules, the carbon footprint calculated for Chinese enterprises are much higher than the actual emission, which makes Chinese photovoltaic products less competitive in bidding.

2. Opaque and vague provisions create barriers to entry

Regarding public procurement projects, enterprises generally believe that the non-transparent disclosure of public procurement information causes FIEs to miss the opportunity to participate in public procurement, and the vague provisions in public procurement documents form barriers to FIEs. According to the survey, 68.42% of the respondents who participated in EU public procurement believe that the public procurement regulations and bidding documents of the EU and local governments contain vague provisions (as shown in Figure 10-2); 47.37% say that the EU public procurement procedures are not transparent enough (as shown in Figure 10-3).

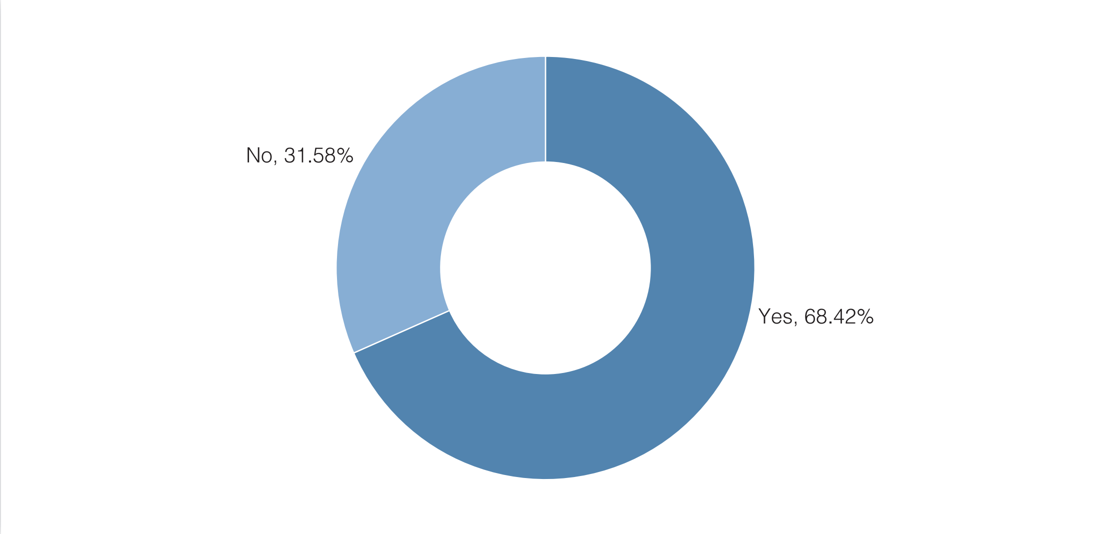

Figure 10-2: Do enterprises think that there are vague provisions regarding EU public procurement?

Source: CCPIT Academy.

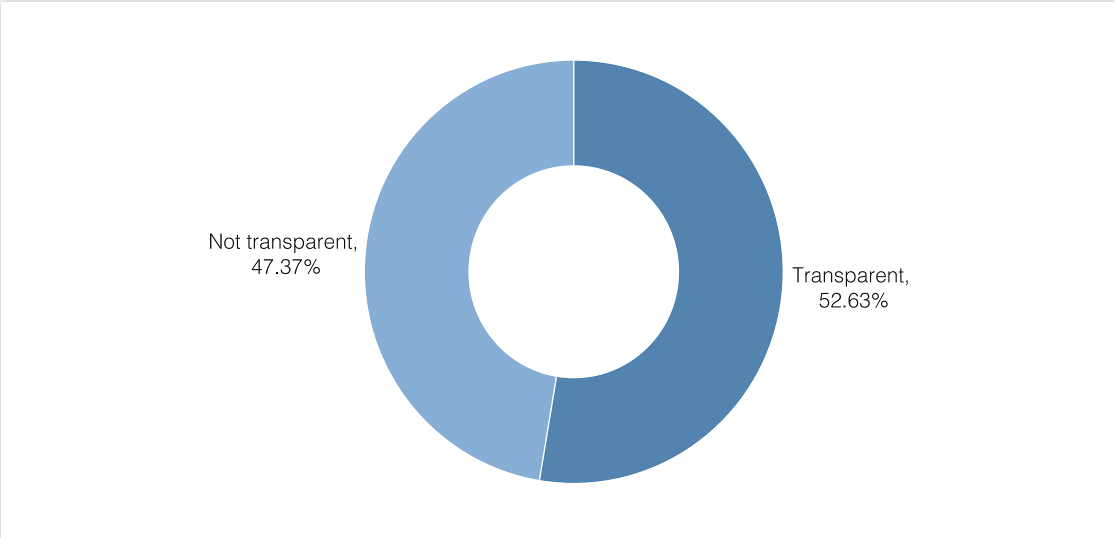

Figure 10-3: View of enterprises on the transparency of EU public procurement procedure

Source: CCPIT Academy.

3. Tender results show that the EU favors local companies

The EU is a member of the *Government Procurement Agreement* (GPA). The GPA aims to open up the public procurement market among Members as much as possible, while the EU has always claimed that it follows the principles of openness, fairness and impartiality in public procurement. However, in the bidding practice, the majority of the successful bidders on public procurement projects of the EU and its Member States are in fact EU companies. From January to early September, 2020, a total of 1,624 projects were displayed in the Tenders Electronic Daily. The contracts of more than 1,323 projects were awarded to EU Member States, while the bidding for 104 projects failed, thus their contracts were not awarded to any supplier. Among the EU public procurement projects whose contracts have been awarded, the winning bidders of more than 90% of the projects were EU companies, while only less than 10% were non-EU ones[50].

4. The White Paper sets new market barriers to public procurement

The White Paper provides for a system of prior notification and review procedures for public procurement tenders, effectively creating new barriers to public procurement in the EU on the grounds of subsidies. The White Paper requires bidders to declare the financial contribution received in the last three years and the financial contributions granted after notification and one year following the closing of the acquisition and the related information, which leads to a significant increase in the burden and related costs incurred by pre-submitted materials for participation in public procurement and puts companies at a disadvantage in competition with local EU companies, causing discrimination against FIEs.

50 Contracts awarded by EU Institutions, Tenders Electronic Daily (TED), https://ted.europa.eu/TED/search/canReport.do

Ⅲ. Our recommendations

1. Improving fairness and transparency in public procurement

The EU public procurement system and process are not transparent enough, and discrimination against FIEs is common in public procurement practices, while hidden discrimination abounds. It is recommended that the EU and its Member States formulate strict guidelines on public procurement procedures, firmly eliminate discriminatory behaviors and backroom deals, such as tailoring bidding standards to specific companies and exceeding reasonable requirements in public procurement, and promote a transparent and standard-based public procurement procedure.

2. Improving the supervision and accountability system for public procurement

In order to ensure the transparency and fairness of public procurement process and avoid rent-seeking and other unfairness in this process, it is suggested that the EU should improve the multi-level supervision system of public procurement featuring mutual constraints, and improve the supervision and accountability system of public procurement.

3. Avoiding additional scrutiny for public procurement

The EU has already established a unified regulatory framework for public procurement, and the White Paper has added an additional review mechanism for public procurement, which raises the barriers and related costs for companies to participate in EU public procurement and gives more advantages to EU companies in the public procurement competition. It is recommended that the EU remove the additional review mechanism for public procurement.

4. Supporting China in joining the Government Procurement Agreement as soon as possible

In 2007, the Chinese government started the negotiations on China's accession to the Government Procurement Agreement, which is a major move for China to deepen the reform and open wider to the outside world, and is mutually beneficial and win-win for China and the EU. China has made active efforts to complete the accession negotiation, and has submitted seven offers, while the scope of opening up has continued to expand. It is hoped that the EU will continue to offer active support to China's accession to the Government Procurement Agreement and work together to bring the negotiations to an early conclusion.

Chapter 11
Logistics

Ⅰ. Recent developments

1. Many countries have adopted strict border control to deal with COVID-19

According to the Schengen Borders Code, where a serious threat to public policy or internal security requires immediate action, a Member State should be able to reintroduce border control at its internal borders. After the outbreak of COVID-19, many EU Member States introduced border control measures to close all or part of their borders with other EU States. From March to November 2020, France, Germany, Spain, Finland, Hungary, Denmark, Norway and other Member States introduced 119 border control measures for epidemic prevention and control or other reasons[51]. Border control measures have led to the interruption of logistics within the EU and with other countries outside the EU, thus the transport industry has suffered a great blow.

2. Railway becomes a priority for EU transport development

On December 11, 2019, the EU officially published the European Green Deal, which provided a roadmap for environmental protection in order to make Europe the first climate neutral continent by 2050 and set a target of reducing its emissions by 90% by 2050. The transport sector is taking a growing share in EU greenhouse emissions and the EU is trying to take effective measures to control carbon emissions from transport. The Commission says rail should take an important place on the EU 2021 agenda and promotes rail as a sustainable, innovative and safe mode of transport, hoping to increase the share of rail transport and in doing so help Europe achieve its emissions reduction targets. On April 3, 2020, the EU designated 2021 as the European Year of Rail, with plans to shift a significant portion of inland freight to railway and inland waterway.

3. Member States speed up the development of the Trans-European Transport Network

On June 17, 2020, the Member States approved new rules to accelerate the completion of the Trans-European Transport (TEN-T) network by simplifying the procedure for granting licenses[52]. TEN-T network consists of a series of plans and outlines for the European Union in roads, railway, waterways, aviation and other transportation networks as a part of a wider European network. Other components of the Europe-wide network include a Europe-wide communications network and the Trans-European Networks for Energy. The Core Network of TEN-T is expected to be completed by 2030.

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51 Temporary reintroduction of border control, https://ec.europa.eu/home-affairs/what-we-do/policies/borders-and-visas/schengen/reintroduction-border-control_en

52 Trans-European tranport network: Coreper approves agreement with Parliament of faster permit-granting procedures, ttps://www.consilium.europa.eu/en/press/press-releases/2020/06/17/trans-european-transport-network-coreper-approves-agreement-with-parliament-on-smarter-procedures/

Ⅱ. Problem analysis

1. COVID-19 has caused a significant decline in logistics and transportation capacity

The COVID-19 crisis and the logistics restriction measures of Member States have led to a significant decline in the logistics and transportation capacity of the EU. According to a report by the European Commission[53], since the beginning of 2020, COVID-19 has had a serious negative impact on air transportation in Europe and even the whole world, as the number of flights operating in European airspace dropped by up to 90% from March to April 2020. On March 1, 2020, the passenger throughput of European airports still exceeded 5 million, but by March 31, 2020, the number had dropped to 174,000, a decrease of 97.1% compared with the same day in 2019. On July 26, 2020, the figure decreased by 72% compared with the same day in 2019. According to a survey by the European Association for Forwarding, Transport, Logistic and Customs Services[54], about 77% of those surveyed are experiencing a decline in transport volumes due to COVID-19. Almost 30% of the forwarders surveyed currently see more free capacity on the market due to the crisis. According to the European Road Freight Transport 2020[55] released by Research and Markets, a third party organization, the COVID-19 crisis may lead to a 17% contraction in the size of the European road freight market in 2020, with even best case scenario leading to a contraction of 4.8%.

2. Significant increase in business logistics costs during the epidemic

The lack of transport capacity during the epidemic has led to a significant increase in business logistics costs. According to the survey, 75.89% of the respondents believe that logistics costs increased (as shown in Figure 11-1); among them, the logistics costs for 32.87% of the companies have increased by 20% or more (as shown in Figure 11-2).

53 Overview of the State aid rules and public service obligations rules applicable to the air transport sector during the COVID-19 outbreak, https://ec.europa.eu/competition/state_aid/what_is_new/air_transport_overview_sa_rules_during_coronavirus.pdf

54 2020 European road freight transport survey, https://www.uniqueforwarding.com/2020-european-road-freight-transport-survey/

55 European road freight transport market report, https://news.yahoo.com/european-road-freight-transport-market-114700522.html

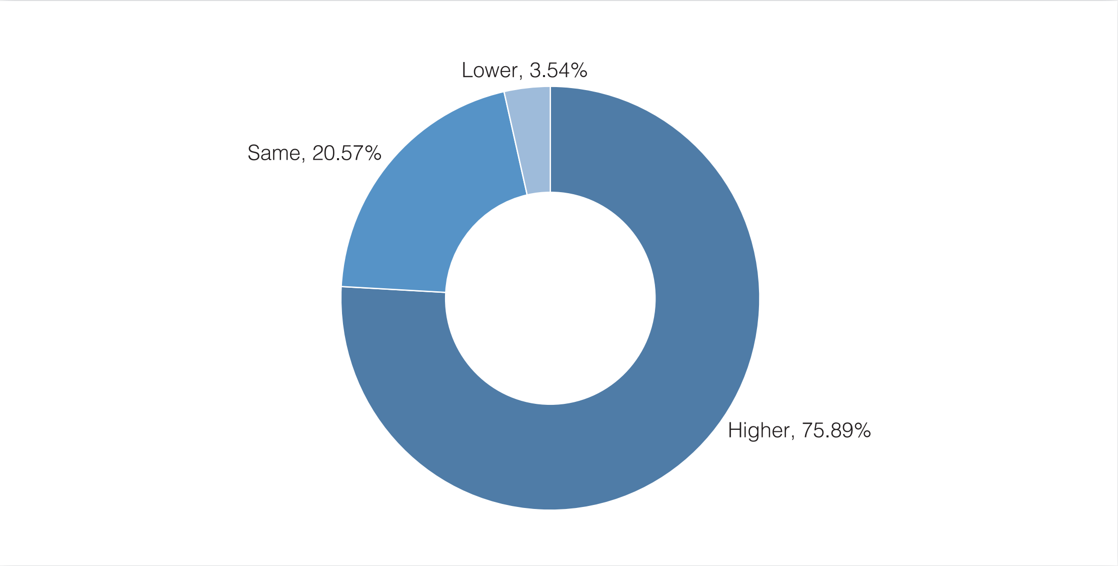

Figure 11-1: Changes in business logistics costs during the epidemic

Source: CCPIT Academy.

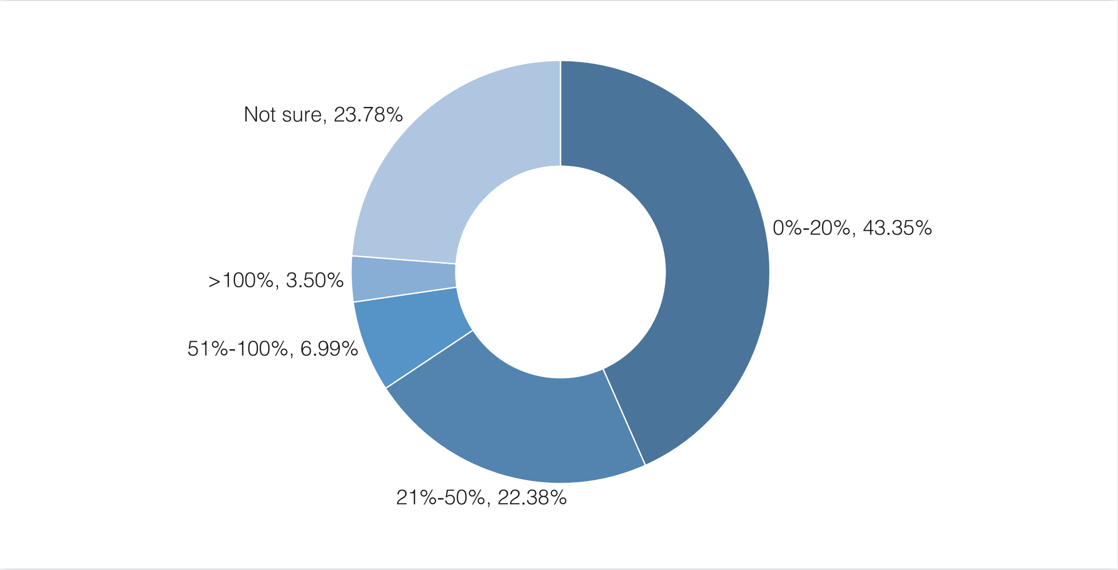

Figure 11-2: Increase in business logistics costs during the epidemic

Source: CCPIT Academy.

Ⅲ. Our recommendations

1. Increasing support for the logistics and transportation sector

Logistics serves as the artery of economy. During the epidemic, the EU introduced border control/cargo transport control measures, which led to a supply chain crisis in the EU. Logistics and transportation capacity decreased sharply, and business logistics costs increased significantly, which would not serve economic recovery and the resumption of work and production. It is suggested that EU could optimize measures against COVID-19 and formulate targeted support policies for the logistics and transportation sector, such as tax allowance and credit support.

Frank Huster, President of the German Freight Forwarding and Logistics Association (DSLV), believes that the shortage of logistics manpower in Europe is the main cause of the supply chain crisis, and there is a serious shortage of truck drivers in Germany and France. It is suggested that EU formulate policies to offer human resources support in order to ensure that the logistics sector is well-staffed.

2. Jointly supporting China Railway Express in connecting Chinese and European markets

The EU's policy of vigorously developing rail transport provides new opportunities for China-EU rail cooperation, especially for the development of China Railway Express. The growth of China Railway Express against the trend during the epidemic has provided a strong support for the safety and stability of the international industry and supply chain. It is suggested that the EU should attach great importance to the important role of China Railway Express in connecting the Chinese and European markets, and cooperate with China in formulating relevant measures to promote the development of China Railway Express.

Chapter 12
Medical Care

Ⅰ. Recent developments

1. Providing some standards on medical protection equipment for free

There are a large number of medical standards in the European Union, and most of them are chargeable standards. According to statistics, among the published standards and work programmes published by the European Committee for Standardization, there are 896 standards related to the medical sector, including 674 published standards and 222 work programmes (see Table 12-1) [56].

Table 12-1: List of relevant medical standards in Europe

Committee	Title	Published Standards	Work programme
CEN/CLC/JTC 3	Quality management and corresponding general aspects for medical devices	18	5
CEN/CLC/JTC 16	CEN/CENELEC Joint Technical Committee on Active Implantable Medical Devices	——	6
CEN / SS S02	Transfusion equipment	10	1
CEN / TC 79	Respiratory protective devices	56	18
CEN / TC 85	Eye protective equipment	20	11
CEN / TC 102	Sterilizers and associated equipment for processing of medical devices	37	10
CEN / TC 158	Head protection	13	2
CEN / TC 159	Hearing protectors	14	21
CEN / TC 160	Protection against falls from height, including working belts	22	9
CEN / TC 161	Foot and leg protectors	19	9
CEN / TC 162	Protective clothing, including hand and arm protection and lifejackets	141	32
CEN / TC 170	Ophthalmic optics	86	14
CEN / TC 204	Sterilization of medical devices	27	8
CEN / TC 205	Non-active medical devices	86	15
CEN / TC 206	Biological and clinical evaluation of medical devices	23	11
CEN / TC 215	Respiratory and anesthetic equipment	71	36
CEN / TC 285	Non-active surgical implants	25	10
CEN / TC 347	Methods for analysis of allergens	4	4
CEN / TC 362	Healthcare services - Quality management systems	2	
Total		674	222

Source: https://standards.cen.eu/dyn/www/f?p=CENWEB:6:::NO:::

56 Technical bodies, https://standards.cen.eu/dyn/www/f?p=CENWEB:6:::NO:::

There are only 14 standards on medical equipment and personal protective equipment provided free of charge by European standardization bodies (see Table 12-2). In recent years, the number of standards on medical equipment and personal protective equipment provided free of charge by European standardization bodies began to increase. Starting from 2013, European standardization bodies would provide some standards free of charge every two years, including three standards on medical equipment and personal protective equipment provided free of charge in 2019.

Table 12-2: List of free standards on medical equipment and personal protective equipment

Year	Standard	Institutions / Committees
2019	EN 14683: 2019 Medical face masks - Requirements and test methods	CEN/TC 85
2019	EN 13795-1: 2019 Surgical clothing and drapes - Requirements and test methods - Part 1: Surgical drapes and gowns	CEN/TC 205
2019	EN 13795-2: 2019 Surgical drapes, gowns and clean air suits, used as medical devices for patients, clinical staff and equipment - Part 2: Test methods	CEN/TC 205
2017	EN ISO 374-5: 2017 Protective gloves against dangerous chemicals and micro-organisms - Part 5: Terminology and performance requirements for micro-organisms risks	CEN/TC 162
2015	EN 455-2: 2015 Medical gloves for single use - Part 2: Requirements and testing for physical properties(MMD)	CEN/TC 205
2015	EN 455-3: 2015 Medical gloves for single use - Part 3: Requirements and testing for biological evaluation (MDD)	CEN/TC 205
2013	EN ISO 13688: 2013 Protective Clothing - General Requirements	CEN/TC 162
2009	N149: 2009 Respiratory protective devices - Filtering half masks to protect against particles - Requirements, testing, marking (commonly referred to as “FFP masks”)	CEN/CLC/JTC 16
2009	EN 14605: 2009 Protective clothing against liquid chemicals - Performance requirements for clothing with liquid-tight (Type 3) Or spray-tight (Type 4) connections, including items providing protection to parts of the body only	CEN/TC 162
2009	EN 455-4: 2009 Medical gloves for single use - Part 4: Requirements and testing for shelf life determination (MDD)	CEN/TC 205
2009	EN ISO 10993-1: 2009 Biological evaluation of medical devices - Part 1: Evaluation and testing within a risk management process	CEN/TC 206
2003	EN 14126: 2003 Protective clothing - Performance requirements and tests methods for protective clothing against infective agents	CEN/TC 162
2001	EN 166: 2001 Personal eye-protection - specifications	CEN/TC 85
2000	EN 455-1: 2000 Medical gloves for single use - Part 1: Requirements and testing for freedom from holes (MDD)	CEN/TC 205

Source: https://europa.eu/youreurope/business/product-requirements/labels-markings/ce-marking/index_en.htm

2. Publishing conformity assessment procedures for protective equipment

On July 10, 2020, the European Commission issued the second edition of "Conformity Assessment Procedures for Protective Equipment"[57], detailing the applicable EU legal framework and steps for manufacturers to help protective products against COVID-19 access the EU market. These protective products mainly include personal protective equipment and medical protective equipment. The former is subject to Regulation (EU) 2016/425, and the latter is subject to Medical Device Directive 93/42/EEC (from May 26, 2021, Medical Device Directive 93/42/EEC will be completely replaced by Regulation (EU) 2017/745).

Ⅱ. Problem analysis

1. Level of trade facilitation for medical products needs to be improved

Amid the COVID-19 crisis, fast and convenient trade facilitation is particularly important for ensuring the adequate supply of medical products. However, the survey shows that the degree of trade facilitation for medical products in the EU failed to meet business expectations, as 71.43% of companies that have traded medical devices with the EU report that they fail to enjoy the facilitation measures provided by EU and its Member States for imported medical devices (as shown in Figure 12-1).

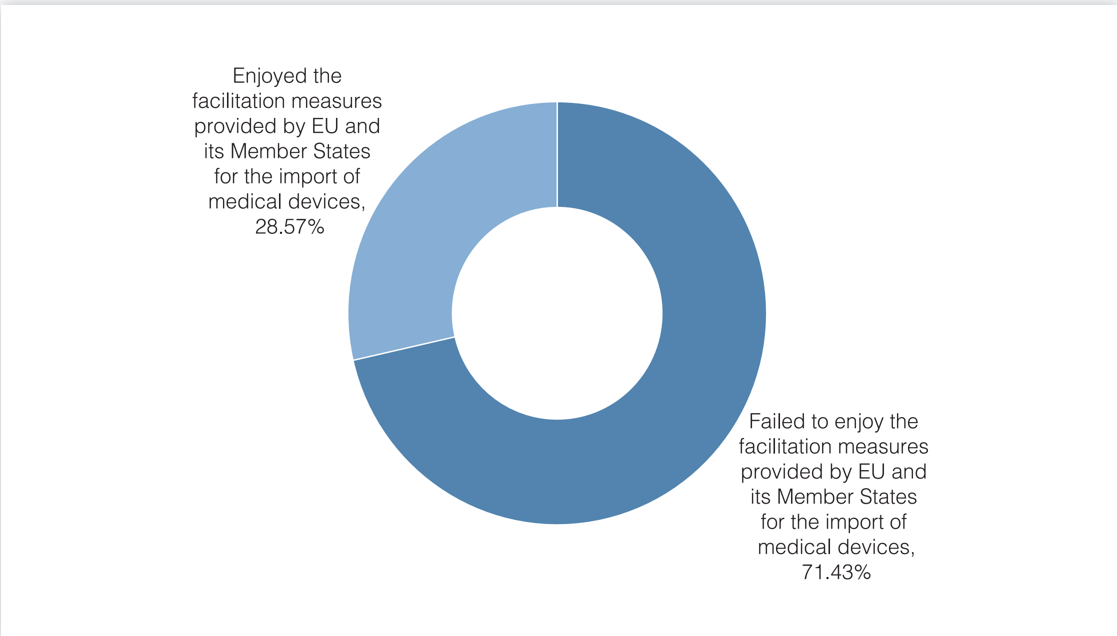

Figure 12-1: Whether enterprises have enjoyed the facilitation measures for the import of medical devices

Source: CCPIT Academy.

57 Conformity assessment procedures for protective equipment, https://ec.europa.eu/docsroom/documents/42311

2. Too few free medical standards drive business costs

There are 896 European standards for the medical sector, while only 14 are provided free of charge, accounting for only 1.56% of the total, which means that there are still 882 standards (98.44%) that are fee-based and would incur costs for suppliers. Although the number of free product standards for the EU medical sector has been increasing year by year since 2000, there are still too many standards and the increase in the number of free standards is still limited, thus non-EU medical and health products still have to bear the cost of standards before entering the EU market.

3. Companies encounter obstacles in the implementation of voluntary standards

The European Union sets specific standards for imported medical devices, but they are not mandatory[58]. Suppliers are free to choose other technical solutions, as long as they could provide more detailed information in technical documents to prove that their products meet the legal requirements. However, the European Union also clearly stated that complying with harmonized standards can help products access the market faster. For example, the "Conformity Assessment Procedures for Protective Equipment" issued by the European Commission provides manufacturers with specific technical solutions (not mandatory). If manufacturers have chosen this technical solution, their products will be presumed to meet the legal requirements. If manufacturers choose other technical solutions, their products will need to be tested by a third-party certification body before entering the market, thus the timeframe for market launch will be extended accordingly. Therefore, choosing non- harmonized standards will lead to a disadvantaged position in the competition, thus the voluntary compliance with harmonized standards works better on paper, but not feasible in practice.

Ⅲ. Our recommendations

1. Improving trade facilitation level for medical products

In order to handle COVID-19 more effectively and ensure adequate supply of epidemic prevention materials, the EU should formulate targeted measures to improve trade facilitation for medical products, streamline customs clearance procedures, simplify customs clearance documents and strengthen personnel training, so as to ensure that all medical trade enterprises could have access to trade facilitation measures.

2. Providing more medical standards for free

In order to avoid the high cost of standards from being a barrier for foreign products to enter the EU market, influencing the internationalization of EU healthcare services and undermining the rights of EU consumers to enjoy convenient access to international advanced healthcare services, it is

58 Practical guide to doing business in Europe, https://europa.eu/youreurope/business/product-requirements/compliance/conformity-assessment/index_en.html

recommended that the EU continue to offer more free standards more extensively to reduce business costs and arouse the enthusiasm of medical enterprises to enter the EU market.

3. No discriminatory barriers for non-harmonized standards

It is recommended that the EU ensure that all companies can accurately and clearly access and understand the relevant EU provisions on medical product standards, and do not set discriminatory barriers to medical companies who follow non-harmonized standards of EU in order to ensure fair competition.

Annex I

Recommendations by China's Business Community for Improving EU's Business Environment

Number	Recommendations	Area
1	Make public the pandemic support policies to all enterprises; establish clear procedures for the implementation of the policies; let foreign-invested enterprises (FIEs) enjoy the support policies equitably; take seriously the demands and suggestions by FIEs regarding the support policies.	general
2	Member States should strengthen coordination and communication on epidemic control measures, such as border control and mutual recognition of test results. The EU should make a unified response to the epidemic, with Member States coordinated in their fight against the epidemic.	
3	Relax restrictions on market access for FIEs; provide a better access environment for FIEs and help them integrate into the EU economy.	
4	Consolidate and streamline the review process for foreign investment to lift the burden of multiple reviews for FIEs.	
5	Develop a fair, reasonable, transparent and predictable foreign investment review system and process; reduce the length of review and improve efficiency.	
6	Actively work with 5G companies from other countries; remove barriers and restrictions; cast aside suspicion and speculation, and jointly advance 5G technology and accelerate 5G construction in the EU.	
7	Provide the most detailed and operable judicial interpretation and enforcement of the GDPR and remove unreasonable provisions that have a negative impact on businesses.	
8	Accelerate and deepen integration to create a uniform institutional environment for foreign enterprises to invest in all Member States and reduce compliance costs.	
9	Eliminate and revise exorbitant high standards; provide equitable market access for foreign products; guarantee full competition for the well-being of EU residents.	
10	Secure the right of FIEs to engage in standard-setting in the EU; increase the voice of FIEs in standard-setting, and spark their enthusiasm to contribute to EU's development.	
11	Restrict the powers of law enforcers; ensure that the scope of their authority is clarified by the law, and avoid selective and discriminatory enforcement by applying the same standards and intensity of enforcement to local and foreign enterprises alike.	
12	Strengthen professional training for government staff and increase pro-business services.	
13	Avoid introducing unreasonable new regulations in the name of epidemic control; make sure that foreign investment review is not reduced to a protectionist tool.	foreign investment review
14	Reduce and clarify the list of review items; remove unreasonable items and avoid expanding the scope of foreign investment review.	
15	Clarify the concept of "national security" and refrain from arbitrarily expanding the scope of foreign investment review on the grounds of "national security".	
16	Strictly abide by the principles of national treatment and non-discrimination, and treat all FIEs fairly and equitably.	

Number	Recommendations	Area
17	Strictly implement the principles of national treatment and non-discrimination; eliminate unreasonable provisions in the relevant system, and treat all FIEs fairly and equitably.	competition policy
18	Do not interfere with the operation of FIEs already operating in the EU on the grounds of government subsidy review; avoid retroactivity; prevent law enforcement from interfering in the operation of enterprises.	
19	Reduce the number of reviews and streamline procedures so that FIEs do not have to face complex and diverse reviews and high compliance costs in the EU market.	
20	Remove border restrictions to China as soon as possible and allow Chinese companies to send personnel to the EU for normal business activities.	cross-border personnel movement
21	Remove unreasonable restrictions and requirements on work visas; allow FIEs with steady investment and long-term projects to obtain a reasonable number of visas timely and stably.	
22	Work with China on the movement of people; gradually and orderly expand people-to-people exchanges; arrange commercial flights and charter flights more efficiently and reasonably; promote closer people, economic and trade exchanges between relevant countries.	
23	Provide an open, fair, equitable and non-discriminatory environment for all 5G enterprises for mutual benefits and common development. Some Member States must stop discriminating against Chinese 5G enterprises.	digital economy
24	Embrace the development of the 5G industry with an inclusive mindset and involve more enterprises into 5G development in the EU to promote technology advance and industry progress.	
25	Withdraw from quantitative easing at an appropriate time; gradually scale back government debt to achieve fiscal balance and prevent excessive quantitative easing from leaving deep scars to the EU and the world economy.	finance
26	Apply uniform regulatory standards on domestic and foreign banks; refrain from requiring foreign banks to disclose more information for regulatory purpose or subjecting foreign banks to more frequent regulation.	
27	Implement multi-tiered management; relax the enforcement of the Anti-money Laundering Directive as appropriate for FIEs with sound credit; avoid interfering the normal operation and business of FIEs and minimize the compliance costs incurred by the Anti-money Laundering Directive.	
28	Draft strict guidelines for public procurement process; avoid discriminatory practices such as setting bidding standards for specific enterprises, setting unreasonable requirement and back-door operations; make public procurement process more transparent and standardized.	public procurement
29	Improve a multi-layered and mutually accountable public procurement monitoring system; improve the supervision and accountability system for public procurement.	
30	Eliminate additional review mechanisms for public procurement.	
31	Continue to support China's accession to the *Government Procurement Agreement* and jointly work for the early conclusion of the negotiations.	

Number	Recommendations	Area
32	Optimize epidemic response; develop specific support policies for the logistics and transport sector, such as tax breaks and credit support.	logistics
33	Attach great importance to the role of the China-Europe Freight Train Service in connecting the Chinese and European markets; work with China to make measures to promote the development of the China-Europe Freight Train Service.	
34	Facilitate the trade of medical products; streamline the customs clearance process, simplify clearance materials and strengthen staff training to ensure that all medical products exporters can enjoy trade facilitation measures.	healthcare
35	Continue to lower business cost and motivate medical companies to enter the EU market.	
36	Do not set discriminatory barriers against medical companies that are subject to the unified standards for non-EU companies.	

Annex II

Doing Business in the EU Survey 2020 Questionnaire

Ⅰ. Company profile

1. What is the type of ownership of your company?

☐ State-owned ☐ Private ☐ Collectively-owned

☐ Sino-foreign joint venture ☐ Wholly foreign-owned

2. What is your company's business size?

☐ Large ☐ Medium ☐ Small ☐ Micro

3. What is the percentage of local employees in your company in the EU?

☐ Less than 20% ☐ 21%-50% ☐ more than 51%

4. What industries is your company engaged in in the EU? (multiple answers possible)

☐ Manufacturing ☐ Finance ☐ Leasing and commercial services

☐ Wholesale and retailing ☐ Scientific research and technical services

☐ Information transmission/software and IT services

☐ Transportation/storage and postal services ☐ Other ___________________

5. Why does your company choose the EU market? (multiple answers possible)

☐ Expand the local market

☐ Harness local talents, capital and other factor markets

☐ Obtain intellectual property to enhance innovation capabilities

☐ Avoid trade barriers ☐ Enhance the company's global visibility

☐ Part of the company's efforts of establishing worldwide presence

☐ Leverage local brand resources ☐ Other _________________________

Ⅱ. Operations in the EU

6. What is your expectation for your company's profit in the EU in 2020?

☐ Profit ☐ Break-even ☐ Loss

7. Compared to 2019, how do you expect your revenues in the EU to change in 2020?

☐ Increase ☐ Remain unchanged ☐ Decrease by less than 10%
☐ Decrease by 11%-50% ☐ Decrease by more than 50%

8. Compared to 2019, how do you expect your operating profit in the EU to change in 2020?

☐ Increase ☐ Remain unchanged ☐ Decrease by less than 10%
☐ Decrease by 11%-50% ☐ Decrease by more than 50%

9. Compared to 2019, how do you expect your market share in the EU to change in 2020?

☐ Increase ☐ Remain unchanged ☐ Decrease by less than 10%
☐ Decrease by 11%-50% ☐ Decrease by more than 50%

10. What is your future business plan in the EU?

☐ Expand the business in the EU ☐ Maintain the current business scale
☐ Reduce the business in the EU ☐ Withdraw from the EU market

Ⅲ. Overall evaluation on the EU business environment

11. How do you see the overall business environment in the EU?

☐ Very good ☐ Good ☐ Fair ☐ Poor
☐ Very poor

12. How do you see the change of the EU business environment over the past year?

☐ Greatly improved ☐ Slightly improved ☐ No change
☐ Slightly worsened ☐ Seriously worsened

13. What do you think are the problems with the EU business environment? (multiple choices possible)

☐ Continuously rising market access barriers ☐ Over-regulation in laws and regulations
☐ Deteriorated social security environment ☐ Inefficient government public services
☐ Difficulty in obtaining business operation licenses ☐ Difficulty in obtaining visas
☐ Too stringent regulatory enforcement for Chinese companies
☐ Too heavy tax burden for companies ☐ Rising labour costs
☐ Lack of transparency in government procurement processes
☐ Financing/credit access difficulty for FIEs ☐ Other ________________

14. In what areas would you like to see the EU improve its business environment? (multiple choices possible)

☐ Lower market access barriers

☐ Reduce excessive intervention of laws and regulations in economic activities

☐ Enhance social security ☐ Improve government efficiency

☐ Grant equal treatment to Chinese companies ☐ Improve regulatory predictability and fairness

☐ Reduce tax burden ☐ Relax visa rules

☐ Increase transparency in government procurement

☐ Full consultation with FIEs in the formulation of laws and regulations

☐ Optimize credit access/financing channels for FIEs

☐ Other ___________________

15. What are your expectations for the overall business environment in the EU in the future?

☐ Optimistic ☐ Neutral ☐ Pessimistic

Ⅳ. Impacts of COVID-19 on business operations in the EU

16. In which EU country is your company mainly operating?

☐ Germany ☐ France ☐ Czech Republic ☐ Italy

☐ Belgium ☐ Latvia ☐ Bulgaria ☐ Finland

☐ Denmark ☐ Greece ☐ Portugal ☐ Spain

☐ Cyprus ☐ Estonia ☐ Netherlands ☐ Poland

☐ Sweden ☐ Ireland ☐ Luxembourg ☐ Romania

☐ Croatia ☐ Austria ☐ Malta ☐ Lithuania

☐ Hungary ☐ Slovakia ☐ Slovenia

17. How do you see the performance of the EU country you are operating in in responding to COVID-19?

☐ Very good ☐ Good ☐ Fair ☐ Poor

☐ Very poor

18. Have the economic policies of the EU and the EU member state you are operating in changed the attitude toward foreign investment since the outbreak of COVID-19?

☐ More unfriendly to foreign investment ☐ No change

☐ More welcoming to foreign investment

19. To what extent have your operations in the EU been impacted by COVID-19?

☐ Severely impacted ☐ Slightly impacted
☐ No impact ☐ Positively impacted

20. What are the major impacts of the pandemic on your business? (multiple answers possible)

☐ Canceled and reduced orders ☐ Disrupted logistics
☐ Inability to start work and operate normally ☐ Rising raw material prices
☐ Disrupted supply chains ☐ Heavily-pressured human resource costs
☐ Slow turnover of capital and strained capital chains
☐ Backlog of stockpiles
☐ Troubles for non-EU employees caused by border closures
☐ Shortage of anti-epidemic supplies ☐ Growth in online business
☐ Other impacts ___________________

21. The EU and its member states have introduced grants and tax cuts in response to COVID-19. Has your company enjoyed these supportive policies?

☐ Not at all ☐ Partially ☐ As fully as local businesses

V . Evaluation on market access

22. How has the EU Foreign Investment Screening Regulation affected your company's investment in the EU? (Please skip to Question 25 if you answer is "No")

☐ Significant negative impact ☐ No impact

23. What are the main impacts of the EU Foreign Investment Screening Regulation on your company's investment in the EU? (multiple answers possible)

☐ No access to the EU market ☐ Increased financial costs of investment
☐ Extended sensitive lists that weigh on companies to make adjustment
☐ Increased time costs of investment ☐ Affecting the adjustment among subsidiaries in the EU
☐ Limited scope and areas of business operations
☐ Having to withdraw from the EU market ☐ Other

24. How much have your investment costs gone up as a result of the EU Foreign Investment Screening Regulation?

☐ 0-20% ☐ 21%-50% ☐ 51%-100% ☐ More than 100%
☐ Not sure

25. Was your company subject to discriminatory treatment in foreign investment screening by the EU and local government?

☐ Yes ☐ No

26. Do you think that the EU antitrust review has misappropriated trade secrets?

☐ Yes ☐ No

27. Did your company change its investment plans due to the EU Foreign Investment Screening Regulation? (Please skip to Question 29 if you answer is "No")

☐ Yes ☐ No

28. How did your company adjust your investment due to the EU Foreign Investment Screening Regulation?

☐ Discontinue the investment

☐ No change to the investment plan and shift to a member state with relatively lenient investment screening

☐ Curtail the investment plan

☐ Curtail the investment plan and move to a member state with relatively lenient investment screening

29. Do you think the foreign investment screening process of the EU and local government is transparent?

☐ Yes ☐ No

30. How do you expect market access barriers in the EU to change in the future?

☐ Much higher ☐ Slightly higher ☐ No change

☐ Slightly lower ☐ Much lower

31. Would there be change in your investment in the EU if it relaxes market access restrictions on your industry?

☐ Double the investment ☐ Increase by 50%-100%

☐ Increase by 1%-50% ☐ No change

☐ Reduce the investment

Ⅵ. Evaluation on the public services

32. How would you rate the EU and local government's law enforcement on foreign investment?

☐ Fair ☐ Unfair

33. Has your company experienced any discriminatory enforcement by the EU and local government?

☐ Yes ☐ No

34. Does your company have fair access to the preferential policies of the EU and local government?

☐ Yes ☐ No

35. Does the local government have excessive discretionary power in the enforcement process?

☐ Yes ☐ No

36. Is the enforcement process of the local government transparent?

☐ Transparent ☐ Not transparent

37. Is there any buck passing among various departments of the local government?

☐ Yes ☐ No

38. What do you think of the overall working proficiency level of local government employees?

☐ Professional ☐ Unprofessional

Ⅶ. Evaluation on the cross-border movement of people and labor environment

39. Do you think it is easy to obtain an EU work visa? (please skip to Question 41 if your answer is "Yes")

☐ Yes ☐ No

40. What do you think are the problems with obtaining an EU work visa?

☐ The work visa application process is too complicated

☐ Local immigration authorities cancel qualifications for employment-based immigration without communication with relevant parties

☐ Limited/reduced number of visas

☐ Hard to meet work visa requirements which do not take account of real situation

☐ Difficulty in obtaining visas for senior management ☐ Other ______________

41. Do you think it is easy to obtain an EU residence permit?

☐ Yes ☐ No

42. Have the people movement restrictions in the EU during the pandemic affected your company's operations?

☐ Yes ☐ No

43. Did local strikes and demonstrations impose a negative impact on your business? (please skip to Question 45 if your answer is "No")

☐ Yes ☐ No

44. How much losses in revenues do you think local strikes and demonstrations caused for your company?

☐ 0-10% ☐ 11%-20% ☐ 21% or more ☐ Not sure

VIII. Evaluation on public procurement

45. Has you company participated in the EU public procurement? (please skip to Question 50 if your answer is "No")

☐ Yes ☐ No

46. Does your company have timely and effective access to the EU and local government's public procurement information?

☐ Yes ☐ No

47. Is their any ambiguity in the EU and local government's public procurement rules and tender documentation?

☐ Yes ☐ No

48. Do you think the EU public procurement process is transparent?

☐ Transparent ☐ Not transparent

49. Do the EU and local government set discriminatory standards to exclude FIEs from public procurement?

☐ Yes ☐ No

Ⅸ. Evaluation on the financial environment

50. Does your company's nature as a foreign-invested enterprise make it difficult to finance?

☐ Yes ☐ No

51. Do you think that the EU financial regulation is stricter for FIEs?

☐ Yes ☐ No

52. Have your company's normal operations been impacted by the Anti-money Laundering Directive of the EU (AMLD)?

☐ Yes ☐ No

53. Do you think that AMLD has increased your company's financial compliance costs? (please skip to Question 55 if your answer is "No")

☐ Yes ☐ No

54. To what extent do you think AMLD has increased your company's financial compliance costs?

☐ 0-20% ☐ 21%-50% ☐ 51%-100% ☐ more than 100%

☐ Not sure

55. Are you worried about the debt risks as a possible result of looser policies of the EU ?

☐ Yes ☐ No

X . Evaluation on digital economy

56. Do you think the EU 5G security review discriminate foreign suppliers?

☐ Yes ☐ No

57. What impacts do you think the EU Cybersecurity Act has imposed on your online business?

☐ Uniform standards make it easier to do business

☐ More restrictions make it harder to do business

☐ No impact

58. Does the digital services taxes levied by some EU member states affect your company?

☐ Yes ☐ No

59. Do you think that GDPR has increased your company's compliance costs? (Please skip to Question 61 if your answer is "No")

☐ Yes ☐ No

60. To what extent do you think that GDPR has increased your company's compliance costs?

☐ 0-20% ☐ 21%-50% ☐ 51%-100% ☐ more than 100%

☐ Not sure

61. Do you think that GDPR has affected your normal operations? (please skip to Question 63 if your answer is "No")

☐ Yes ☐ No

62. What do you think are the main impacts of GDPR on your normal operations? (multiple choices possible)

☐ Long-arm jurisdiction that affects non-EU businesses

☐ Inability to conduct business due to impacts on normal data processing

☐ Unfair calculation of penalties based on global turnover

☐ Conflicts between personal data protection and safety requirements for production

☐ Discouragement to joint R&D and innovation efforts on a global scale

☐ Other ___________________

XI. Evaluation on the medical industry

63. Has your company been engaged in the trade of medical devices with the EU? (please skip to Question 67 if your answer is "No")

☐ Yes ☐ No

64. Has your company been discriminated while applying for the CE marking?

☐ Yes ☐ No

65. Do you think that the Medical Devices Directive of the EU is implemented in a transparent manner?

☐ Yes ☐ No

66. Do the EU and its member states provide any facilitation measures for the import of medical devices during the pandemic?

☐ Yes ☐ No

Ⅻ. Evaluation on logistics

67. What are the main impacts of the EU logistics disruption on your business during the pandemic?

☐ Most impacted by the disruption of road transportation within the EU

☐ Impacts on the import and export due to the disruption of EU cross-border logistics

☐ No impact

68. How did your company's logistics costs change during the pandemic?

☐ Increased ☐ No change ☐ Decreased

69. How much do you think your company's logistics costs have gone up during the pandemic?

☐ 0-20% ☐ 21%-50% ☐ 51%-100% ☐ More than 100%

☐ Not sure

Annex III

Review of EU's Epidemic Response Measures

Ⅰ. Fiscal policy

1. Adjusting the fiscal budget for 2020

On March 23, 2020, Finance Ministers of the Member States adopted the Commission's assessment and agreed that given the grave impact of COVID-19 on the economies of the eurozone and the EU, measures may be taken in accordance with the General Escape Clause to the EU Fiscal Framework. On April 14, 2020, Council of the European Union approved the amended budgetary proposal for 2020, increasing the budgetary commitments by EUR3.57 billion to a total of EUR172.2 billion and budgetary expenditure by EUR1.6 billion to a total of EUR155.2 billion[59].

2. Proposal for a Multiannual Financial Framework

On April 23, 2020, Council of the European Union decided to establish a Recovery Fund to respond to the COVID-19 crisis and tasked the European Commission to analyze the specific needs and draft proposals. On May 27, the Commission published proposals for the Next Generation EU Recovery Fund and a Multiannual Financial Framework (MFF). On December 17, the MFF was formally approved by the Council of the European Union, with a seven-year long EU budget standing at EUR1.0743 trillion and the Next Generation EU Recovery Fund standing at EUR750 billion[60].

Appendix 3-1: EC's Investment Proposal

Investment Plan	amount
Support to mitigate Unemployment Risks in an Emergency (SURE) / ESM Pandemic Crisis Support / EIB Guarantee Fund for Workers and Businesses	EUR540 billion
Next Generation EU recovery fund	EUR750 billion
Multiannual Financial Framework (MFF)	EUR1.07 trillion

Source: The EU budget powering the Recovery Plan for Europe.

1. Support to mitigate Unemployment Risks in an Emergency (SURE)[61]. On May 19, 2020, the Council of the European Union adopted the Support to mitigate Unemployment Risks in an Emergency, a temporary scheme that can provide Member States with lending of up to EUR100 billion to address a sharp increase in public spending starting from February 1, 2020.

59 Tackling COVID-19: Council adopts amended EU budget for 2020, https://www.consilium.europa.eu/en/press/press-releases/2020/04/14/tackling-covid-19-council-adopts-amended-eu-budget-for-2020/

60 Multiannual Financial Framework for 2021-2027 adopted, https://www.consilium.europa.eu/en/press/press-releases/2020/12/17/multiannual-financial-framework-for-2021-2027-adopted/

61 COVID-19: Council adopts temporary support to mitigate unemployment risks in an emergency (SURE), https://www.consilium.europa.eu/en/press/press-releases/2020/05/19/covid-19-council-reaches-political-agreement-on-temporary-support-to-mitigate-unemployment-risks-in-an-emergency-sure/

2. European Stability Mechanism Pandemic Crisis Support.[62] On May 15, 2020, the Board of Governors of the European Stability Mechanism (ESM) approved the establishment of the Pandemic Crisis Support Mechanism, which will be available to all ESM Member States. Over the next two and a half years, the ESM will provide around EUR240 billion to help Members fight the pandemic crisis.

3. EIB Guarantee Fund for Workers and Businesses.[63] On April 6, 2020, the European Commission published an announcement that it had unlocked EUR1 billion from the European Fund for Strategic Investments (EFSI) as a guarantee to the European Investment Fund (EIF), part of the European Investment Bank Group (EIBG). This will allow the EIF to issue special guarantees to incentivize banks and other lenders to provide liquidity to at least 100,000 European SMEs and mid-cap companies hit by the COVID-19, with an estimated available financing of EUR8 billion.

4. Next Generation EU[64]. On May 27, 2020, the European Commission published its draft recovery plan, proposing a EUR750 billion Next Generation EU Recovery Fund. The Commission planned to revise the corporate income tax rate, which would raise EUR10 billion in annual revenue for the EU. The Commission will base the Recovery Plan on the Green Deal, digital transition, fairness and inclusiveness, and will focus on increasing the EU's resilience and further strengthening its strategic autonomy, including by safeguarding strategic value chains and strengthening the foreign investment review and crisis response capabilities.

The Next Generation EU will increase the EU budget by raising fund in the financial markets in 2021-2024 and will be structured around the following three areas[65]:

First, support the reform process in Member States. The bulk of the Next Generation EU funding (over 80%) will be used to advance public investment and structural reforms in Member States governments. (1) Of the EUR750 billion Recovery and Resilience Facility (RRF), EUR390 billion will be provided to Member States as aid and EUR360 billion as loans; (2) the EUR55 billion Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) initiative will be provided as aid to Member States; (3) the Just Transition Fund of around EUR40 billion and the European Agricultural Fund of EUR15 billion will be beefed up to accelerate the transition to a climate-neutral economy in Member States.

Second, mobilize private investment. Investment across the EU will be mobilized in areas such as sustainable infrastructure and digitalisation to provide a lifeline to private companies and support their green and digital transformation. (1) enhance the EUR15.3 billion InvestEU programme by allocating EUR15 billion to establish a new European Fund for Strategic Investment (EFSI); (2) establish a new Solvency Support Instrument (SSI) to provide the European Investment Bank with a EUR31 billion EU budget guarantee.

Third, strengthen crisis response. (1) strengthen the health sector and establish a new EU4Health program with a budget of EUR9.4 billion; (2) enhance EU's citizen protection mechanisms to prepare

62 ESM's role in the European response, https://www.esm.europa.eu/content/europe-response-corona-crisis

63 Coronavirus: Commission and European Investment Fund unlock EUR8 billion in finance for 100,000 small and medium sized businesses, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_569

64 http://eu.mofcom.gov.cn/article/jmxw/202006/20200602973374.shtml

65 Recovery plan for Europe, https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe_en

the EU for future crises (EUR3.1 billion budget); strengthen support for Horizon Europe, external action plans, etc.

3. Strengthening flexibility and emergency tools

The European Commission proposes to strengthen flexibility and emergency instruments for the period 2021-2027, which will provide up to EUR21 billion of additional emergency funding compared to the Commission's proposal on 2 May 2018.

Appendix 3-2: EC's proposed enhanced emergency instruments

Contingency strategy	Main elements
Solidarity and Emergency Aid Reserve	Strengthening the EU's response to health and other crises; increased to a maximum of EUR3 billion per year
Solidarity Fund	Support Member States' response and immediate recovery from natural disasters such as floods, forest fires, earthquakes, storms and droughts; from April 1, 2020, the scope of use will include public health emergencies; increased to a maximum of EUR1 billion per year.
European Globalization Adjustment Fund	Support workers who have lost their jobs as a result of major restructuring events in returning to the labor market; increased to a maximum of EUR386 million per year.

Source: The EU budget powering the Recovery Plan for Europe.

4. Adjusting the Temporary State Aid Framework

On March 19, 2020, the European Commission adopted the Temporary State Aid Framework (TSAF) to support the EU's economic development against the COVID-19 pandemic. The Framework sets out five temporary state aid measures that the Commission considers compatible with the EU's internal market and that can be approved promptly upon notification by each Member State.[66] On April 3, the EC adopted the first amendment[67] and announced the extension of the TSAF to step up the five temporary state aid measures against COVID-19. On May 8, the EC adopted a second amendment that sets the criteria for Member States to inject capital and provide subordinated debt to companies in need, protects the competition environment in the EU, and further increases the types of state aid measures.[68] On June 29, the EU adopted a third amendment to further extend the scope of TSAF[69]. As of July 7, 2020, the EC has approved 220 state aid measures under this framework.

66 State aid: Commission adopts Temporary Framework to enable Member States to further support the economy in the COVID-19 outbreak, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_496

67 State aid: Commission extends Temporary Framework to enable Member States to accelerate research, testing and production of coronavirus relevant products, to protect jobs and to further support the economy in the coronavirus outbreak, https://ec.europa.eu/commission/presscorner/detail/en/IP_20_570

68 State aid: Commission extends Temporary Framework to enable Member States to accelerate research, testing and production of coronavirus relevant products, to protect jobs and to further support the economy in the coronavirus outbreak, https://ec.europa.eu/commission/presscorner/detail/en/IP_20_570

69 State aid: Commission expands Temporary Framework to further support micro, small and start-up companies and incentivize private investments, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1221

Appendix 3-3: Aid measures under the TSAF

	Aid measures	Main elements and description
	1.Direct grants, selective tax incentives and advance payments	Up to EUR800,000 per company to address their immediate liquidity needs.
	2.State guarantees for companies' bank loans	Make sure that banks continue to lend to customers in need.
	3.Subsidised public loans for companies, i.e. soft loans	Help companies meet their immediate needs for working capital and investment.
	4.Bank guarantees to ensure state aid can benefit the real economy	Ensure state aid to small and medium-sized enterprises in particular.
	5.Short-term export credit insurance	More flexibility in proving that certain countries do not have marketability risks.
The first amendment	1.Support COVID-related R&D	Member States may provide assistance in the form of direct grants, repayable advances or tax breaks.
	2.Support the construction and upgrading of testing facilities for COVID-related products.	Member States may provide assistance in the form of direct grants, tax breaks, repayable advances and no-loss guarantee.
	3.Additional support to the production of anti-virus products.	Products include vaccines, medical devices or equipment, protective materials and disinfectants, etc.
	4.Targeted support, including the deferment of tax payments or the suspension of social security contributions by employers.	Help avoid layoffs in specific areas or sectors hit hardest by the outbreaks.
	5.Targeted support in the form of wage subsidies for employees	Help employees avoid layoffs in specific areas or sectors hit hardest by the outbreaks.
The second amendment	1.Provide assistance to non-financial companies in need through recapitalisation.	Accompanied with numerous safeguard measures
	2.Help companies with subordinated debt.	Accompanied with numerous safeguard measures
The third amendment	1.Increases support for micro-and small businesses	Including support for start-ups that were already in a tight spot before December 31, 2019.
	2.Encourage private investors to participate in COVID-related recapitalisation	Maintain the same safeguards to ensure effective competition in a single market.

Source: https://ec.europa.eu/competition/state_aid/what_is_new/covid_19.html

5. Coronavirus Response Investment Initiative

In April 2020, Council of the European Union adopted the Coronavirus Response Investment Initiative (CRII) and a"CRII Plus" proposal[70].

70 COVID-19: More flexibility for deploying EU budget money, https://www.consilium.europa.eu/en/press/press-releases/2020/04/22/covid-19-more-flexibility-for-deploying-eu-budget-money/

Under CRII, EUR37 billion Cohesion Fund can be used by Member States to respond to the COVID-19 crisis, such as strengthening health care systems and supporting SMEs, short-term jobs and community services.[71] CRII Plus further modifies the rules for the use of EU Structural Funds so that all existing reserves in the Member States' Structural Funds for 2020 can be used to respond to COVID-19, providing more flexibility to Member States in making fiscal policies.

6. Allocation of Horizon 2020 funds

Under the research and innovation programme Horizon 2020, the EC has allocated EUR48.2 million to support 18 projects related to COVID-19, and invested EUR117 million to 8 diagnosis and treatment projects through the Innovative Medicines Initiative. At the EC's Coronavirus Global Response international pledging event on May 4, 2020, a total of EUR1.4 billion was pledged, including EUR1billion from Horizon 2020 to develop vaccines, new treatments and diagnostics to stem the spread of coronavirus. On May 19, the EC allocated EUR122 million for badly needed research and innovation related to COVID-19[72].

Ⅱ. Monetary and financial policies

1. Pandemic Emergency Purchase Programme

On March 18, 2020, the ECB decided to launch a EUR750 billion Pandemic Emergency Purchase Programme (PEPP)[73] to expand eligible assets under the Corporate Sector Purchase Programme (CSPP). On June 4, the ECB decided to increase the PEPP by EUR600 billion, bringing it to EUR1.35 trillion, and to extend its maturity to at least the end of June 2021 and until the crisis is over.

2. Pandemic Emergency Longer-term Tefinancing Operations

On April 30, 2020, the ECB launched a new round of refinancing instruments, the Pandemic Emergency Longer-term Tefinancing Operations (PELTROs), with the aim to provide liquidity to the financial system and ensure smooth operation of the currency market. The PELTROs will be made available to banks through seven fixed-rate tenders between May and December 2020.[74]

3. Eurosystem repo facility for central banks

On June 25, 2020, the European Central Bank decided to establish the Eurosystem repo facility

71 COVID-19-Council adopts measures for immediate release of funds, https://www.consilium.europa.eu/en/press/press-releases/2020/03/30/covid-19-council-adopts-measures-for-immediate-release-of-funds/

72 Coronavirus: Commission boosts urgently needed research and innovation with additional EUR122 million, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_887

73 Monetary policy decisions, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200604~a307d3429c.en.html

74 ECB announces new pandemic emergency longer-term refinancing operations. https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200430_1~477f400e39.en.html

for central banks (EUREP) to provide precautionary euro repo operations for non-euro zone central banks in response to the pandemic shock. Non-euro zone central banks can use collateral to access euro liquidity, including marketable euro-denominated bonds issued by euro zone governments and supranational organizations. The policy will last to June 2021[75].

4. European Innovation Council financing scheme

On June 8, 2020, the European Commission adopted the European Innovation Council's Accelerator Pilot programme, which will provide nearly EUR166 million in financing to 36 companies fighting COVID-19. In addition, more than EUR148 million will be provided to 36 companies contributing to the Recovery Plan. This brings the total investment in the current round of the research and innovation programme Horizon 2020 to EUR314 million[76].

5. European Investment Bank financing scheme

Within the EU's research and innovation programme Horizon 2020, the European Investment Bank and the European Commission jointly launched in 2015 the InnovFin Infectious Diseases Finance Facility (IDFF). IDFF enables the EIB to provide between EUR7.5 million and EUR75 million to innovative companies working on vaccines, drugs, medical and diagnostic devices and research infrastructure to combat infectious diseases. To date, EIB has supported 13 companies through the IDFF, providing loans EUR316 million loans for the development of therapies, vaccines and diagnostics for various infectious diseases, mainly COVID-19[77].

Ⅲ. Other policy response

1. Supercomputers to support research

Exscalate4CoV, based on the European supercomputing platform, combines high performance computing power and AI with bioprocessing technologies. It is one of the 18 urgently needed research projects that received EUR48.2 million in funding, a research effort aimed at responding to disease outbreaks, rapid on-site diagnostics and tests, new therapies and new vaccines for preparedness and response. Between 2014 and 2018, the EU has invested more than EUR600 million in high performance computing under Horizon 2020 and the European Connectivity Facility. In 2018, a EUR1 billion initiative was launched with 32 European countries to develop world-class

75 New Eurosystem repo facility to provide euro liquidity to non-euro area central banks, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200625~60373986e5.en.html

76 Coronavirus: EU grants EUR314 million to innovative companies to combat the virus and support recovery, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1007

77 Commission and EIB provide CureVac with a EUR75 million financing for vaccine development and expansion of manufacturing, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1238

supercomputing ecosystem in Europe[78].

2. Exceptional measures against COVID-19

On May 4, 2020, the EC published the latest package of exceptional measures[79] to further support the agri-food sector, the hardest hit by COVID-19. Measures including, inter alia, private reserve aid, flexible market support schemes and temporary adjustments to EU's existing competition rules.[80] On 7 July, the Commission adopted another package of exceptional measures to support the wine sector, mainly consisting of temporary adjustments to EU competition rules, increased aid and advance payments.

Appendix 3-4: EC issues exceptional measures in support of the agri-food sector

Exceptional measures	Main elements
Private storage aid	Private storage aid for dairy (skimmed milk powder, butter, cheese) and meat (beef, sheep and goat) products; allow the temporary withdrawal of products from the market to stabilize the market by temporarily reducing supply.
Flexibility for market support programmes	Allow flexibility in the enforcement of market support programmes for wine, fruit and vegetables, table olives and olive oil, beekeeping and the EU's school scheme; limit the available supply in each sector and thus bring the market back into balance.

Source: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_788

3. European COVID-19 data platform

On 7 April 2020, the Ministers of Research and Innovation of the 27 EU Member States agreed to support the 10 priority actions of the ERAvsCorona action plan[81]. The Action Plan covers short-term actions for close coordination, cooperation, data sharing and co-funding of work between the EC and Member States. On 20 April 2020, the EC led the launch of a European COVID-19 Data Platform to rapidly collect and share available research data.

78 Coronavirus: Using European supercomputing EU-funded research projects announces promising results for potential treatment, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_890

79 Coronavirus: Commission adopts new exceptional support measures for the wine sector, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1267

80 Coronavirus: Commission adopts package of measures to further support the agri-food sector, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_788

81 Coronavirus: Commission launches data sharing platform for researchers, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_680

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