

Foreword

China's outbound FDI in the EU has surged over the past years. This new phenomenon has triggered contentious responses among European policymakers, the business community, scholars and the society at large. On the positive side, there is a recognition that Chinese investment projects contribute to creating more jobs, generating needed tax revenues, and providing European companies with new market opportunities, etc. Nevertheless, some point out doubts and concerns on national security risks, the loss of technology leadership and industrial competitiveness, and even downgrading of European societal values. A few sensitive take-overs, such as Chinese company *Midea's* acquisition of German robotics firm *Kuka*, and the China Ocean Shipping Company's (*Cosco*) acquisition of Athens' Piraeus Port, have heated up a public debate, and resulted in a number of European governments amending their legislations to strengthen foreign investment screening mechanisms. The EU is also speeding up its law-making process in introducing a regulation establishing a legal framework for screening of FDI into the EU. Despite these mixed responses, China's outbound investment in Europe continues to grow and reached its record high in 2017.

On the side of China, a number of liberalized FDI regulatory measures have been taken, demonstrating the Chinese government's determination to relax its regulatory regime on foreign investment. Starting with the Shanghai Pilot Free Trade Zone set up in 2013, a new system of pre-establishment national treatment with a negative list is now implemented nation-wide. This fundamentally modified China's case-by-case approval of foreign investment project – a system that was instituted and developed since the end of 1970s when China initiated its open-door policy. In 2016, the Sino-Foreign Equity Joint Venture Law, the Sino-Foreign Cooperative Joint Venture Law, and the Wholly Foreign-owned Enterprise Law were revised. As a result, the setting up of a foreign investment enterprise is no longer subject to the case-by-case approval; instead, a filing and registration-based regulatory system is introduced, unless an investment falls into the negative list. In 2018, China introduced its latest Negative List, which reduced the number of prohibited areas for foreign investment to 28 and restricted areas to 20. These institutional reforms have expanded foreign investor's market access to China.

Against such a background, the EU and China are currently engaged in their bilateral investment treaty negotiations formally launched in 2013. Both parties have agreed to work on an ambitious and comprehensive treaty that goes beyond traditional BIT coverage, with high standards of protection for foreign investors, and a balance between investors' protection and state's right to regulate. The treaty is named the China-EU Comprehensive Agreement on Investment (CAI), and is anticipated to have a pivotal role in the EU-China investment relationships, as well as a significant impact on the international investment treaty-making at the global level. The current deadlock of the EU-US TTIP negotiation, the China-US BIT negotiation, and the withdrawal of the US from the TPP, make the China-EU CAI negotiation a particularly interesting case in times of the modernization of international investment law.

China-European Union Investment Relationships, edited by Professor Julien Chaisse, is a timely book that provides readers with comprehensive and updated information, as well as critical analysis on key issues in debate in the context of the current China-EU CAI negotiations. The book starts with a farsighted introduction chapter, which assesses the potential novelty of the CAI and presents a precise summary of the other fourteen chapters. These chapters are divided into three parts under the headings of drivers and issues of China-EU investment relationships, the anticipated innovation in the upcoming CAI, and reforming the investor-state dispute settlement mechanism in the context of the CAI. These excellent contributions will without doubt meet the curiosity of those who are interested, and enrich the body of knowledge regarding the topic of the China-EU relationships in general, and the China-EU connection on investment and trade in particular.

Professor Yuwen Li

Erasmus School of Law and Director,
Erasmus China Law Center,
Erasmus University Rotterdam