

Preface

The book highlights not only the consequences of the continued reform process in China but also the new equilibriums which are taking shape among China, the US, and the EU in consideration of the confrontation caused by the trade frictions and the impact of COVID-19. The global governance system is also changing, with China assuming a leading role as the US is retreating from its leadership position. China's augmented economic power deserves to be considered more. The reform process, which will continue in the near future, has allowed China to not only upgrade its economy but also reinforce its position at the international level, and this has allowed China to expand its influence. However, China is not interested in ruling the world but is seeking to build a more inclusive world community and contribute in shaping a new world trade order by pushing the reform of the WTO. Given China's increasingly prominent role, the Middle Kingdom is seeking to contribute more to global governance, and this is an aspect that needs to be carefully assessed by the rest of the international community, and in any case, democratic and liberal principles should not be jeopardized by China's new aspirations. All these elements are treated in this work in a unique manner: we have explained the connections and explained the possible scenarios deriving from these new equilibriums by examining a series of elements, including the positions of the two major economic powers and the role of the EU.

The Chinese President Xi Jinping, since taking office, has repeatedly called for joint efforts in creating an open world economy, people-oriented

and inclusive society, and a beautiful homeland with harmonious coexistence between human and nature; nurturing sustainable development to solve global problems; preserving world peace; and promoting common development. However, this meaningful objective, which should be embraced by all world leaders to contribute in building an international community with a shared future for mankind, was abruptly put in peril by the eruption of the trade tensions between China and the US.

Disharmony has emerged from their differences, which has led to this confrontation. The consequences of the trade frictions are still an enigma because although the two parties, in January 2020, came to a perfect compromise, new events have since occurred and provoked further tensions, such as COVID-19. This pandemic obviously poses further obstacles to the normalization of their relations because of US suspicions regarding the widespread nature of the pandemic, and the reluctance of China to offer a complete and exhaustive explanation of what really happened. However, the two parties are also aware of the necessity to refrain from reverting to trade tensions, which would bring catastrophic effects on their economies and those worldwide.

It is evident that the China–US relations have entered uncharted waters, because the global pandemic has changed the old paradigms and the rules on which not only trade relations but also priorities of each nation are based. In fact, the most important aspect to be considered should be the health of people and in granting assistance to those in need because workers, businessmen, politicians, normal people, they are all the subjects powering our economies and the engines which allow the global economy to run. The COVID-19 crisis simultaneously highlights the need for Sino–US cooperation and reveals the inability of the two countries to do so because of their respective positions.

In this book, the three authors have analyzed the US' and China's positions regarding the recent trade tensions in detail, explaining the background and the implications not only for both the economies, but also in particular, the impact of this trade confrontation on the EU, which has become the new economic center of interest for China, this notwithstanding China on the 15th of November 2020 signed the so called Regional Comprehensive Economic Partnership (RCEP). The RCEP is the first

Free Trade Agreement between China, Japan, and South Korea, and is the first multilateral free trade agreement to include China.

The trade frictions between China and the US have favored the redirection of Chinese Outward Foreign Direct Investment (OFDI) toward the EU. Expansion of China into the EU is inevitable because the EU not only offers a more attractive investment environment but also because the Belt and Road Initiative and the new bilateral investment agreement (which is under negotiation between the two blocs as of writing) will facilitate the inflow of new Chinese investment into Europe. However, because of the COVID-19, the negotiations to finalize the new bilateral investment agreement between the two blocs have slowed down, but the two economic poles should conclude this agreement in 2021, and with the new agreement in place, new equilibriums will also emerge. Another consequence of these changes is the increased influence of China in world affairs, in particular in global governance. With China's growing economic importance, it is understandable that the Middle Kingdom wants to play a more prominent role on the international stage, and the global community should allow China more space but without resizing the principles at the base of the established system.

All these themes are treated in the seven chapters comprising this manuscript, each of which deals with a specific theme but is connected to each other and put in a precise sequence.

Chapter 1 introduces the elements which have allowed China's rapid evolution and its transformation into an economic superpower and the need for further reforms and for peaceful coexistence to reach its goals. This chapter also stresses the importance of China's opening-up in contributing and fostering global economy. China is seeking cooperation and not confrontation, and a clear explanation of the so-called "Five Principles" and their contribution in building a true global community is also offered before introducing a brief history of trade wars and thus of their teachings, evidencing one more time the necessity to build a more harmonious and economically integrated international community.

Chapter 2 presents a detailed background regarding the trade frictions between China and the US, and the position of China is thus introduced and explained according the two position papers which were issued in

2019 to illustrate the reasons that have triggered trade frictions, and concludes with an introduction of the so-called Phase One Agreement.

Chapter 3 explains in detail the delicate relationship between China and the US, the great importance of their economic ties, and the necessity to maintain good relations. This chapter also offers an analysis on the necessity to reform the WTO to better serve the changing needs of trading nations. Moreover, this chapter introduces how these tensions contributed in shaping new equilibriums which will bring new changes in the international trade system.

Chapter 4 evidences the Chinese expansion into the EU market and briefly examines the *status quo* of the negotiations between China and the EU concerning their new bilateral investment agreement (in connection with the BRI) which was supposed to be finalized in 2020 but, because of COVID-19 crisis, will be probably concluded in 2021. In this part of the book, the connection between traditional Chinese ODI and investment related to the BRI, which are different in nature, is explained.

Chapter 5 is dedicated to the EU Merger Control Regime. Chinese companies are in fact entering the EU market through Mergers and Acquisitions (M&A) transactions which are regulated at central level by the EU institutions. The EU legislation has elaborated specific legal instruments to regulate these activities. It is important for the Chinese investors to understand and become familiar with the complicated and sophisticated M&A framework when structuring an acquisition in the EU market.

Chapter 6 analyzes the new equilibrium on the Chinese currency. China has started the internationalization of its currency to align itself with the major world economies. The internationalization of the Renminbi (RMB) is of paramount importance for China in order to be considered as a real member of the most advanced economies group. Important symbolic benefits occur from issuing a currency that is recognized internationally. In fact, such recognition provides an implicit seal of approval for China's financial markets, institutions, and policies. The trade frictions, and the COVID-19 crisis, have provoked a slowdown of the internationalization process; in any case, China's central government and financial institutions are committed to completing this process in an orderly manner. There are some keys elements which need to be analyzed, and this

chapter clearly highlights all these elements, providing a precise picture of China's position in this delicate process.

Chapter 7 concludes the present work by offering an intriguing analysis concerning the evolving of trade relationships not only between China and the US but with regard to the EU and the role these three major economic powers are playing in shaping a new international trade order which seems destined to be dominated by these three blocs. All the elements analyzed in this final chapter clearly indicate that international trade relations are assuming a new form, and it is possible that these blocs are transforming the existing multilateral system into a tripolar system. Notably, the globalization process has evolved (and it is still evolving) thanks to the adoption and implementation of multiple bilateral trade agreements, however, now, it seems that these three poles are all gamechangers. In fact, they are all pursuing their own goals while being interested in maintaining their relations because of the enormous economic interests which bind each other. It is evident that the evolution of these relations needs to be guided by international institutions, such as the WTO, which needs to be reformed in order to retain its function and relevance. In substance, global governance also needs to be revised in light of the changing equilibriums. A new tripolarism world order seems to be destined to emerge from multilateralism, however the most critical issue is that all nations should contribute in shaping a New World Trade Order, accommodating the needs of each Nation and keeping in mind the ultimate goal, namely to build a comprehensive framework to favor an International Investment Regime and to work toward a shared future for the entire international community.

Peaceful coexistence and peaceful competition seem to be the most logical and desirable outcome, but this depends on the willingness of all countries involved in shaping this new world trade order, with the common goal of united efforts to win the battle against the COVID-19 pandemic, which has affected the entire global community equally.

The content of this work is intended to help not only professionals, business operators, or politicians but also the vast public to understand the complicated equilibriums which are currently shaping a new world order. This transformation needs to be assisted by world organizations such as the WTO and global coordinated efforts to transition our economies and

societies toward a more sustainable and inclusive development for the benefit of all nations.

Thus this book offers a clear panorama of the complicated relations among the three major economic powers, and the possible and desirable outcomes (if they learn how to cooperate) in the most intelligible manner without using complicated language or technical jargon, and explains how their economic ties are evolving, thereby changing equilibriums and modifying the current global economic order from multilateralism into a newly evolving tripolarism guided by China, the US, and the EU.