

EXECUTIVE SUMMARY	3
INTRODUCTION	18
1. CHINA: A SHIFT IN THE BALANCE OF OPPORTUNITIES AND CHALLENGES	20
1.1. Reciprocal trade, investment and competition offer economic potential	21
1.2. This economic potential is undermined by the systemic challenge of China's state capitalism ...	25
1.3. 'China Inc.' leads to market distortions and an unlevel playing field	27
1.4. Recent profound changes in China generate a new sense of urgency for redress	32
1.5. China holds the cards for a better bilateral relationship	34
2. HOW THE EUROPEAN UNION SHOULD ENGAGE CHINA	36
2.1. The EU must reconsider the way in which it engages China	37
2.2. The EU should act simultaneously on all levels	38
2.3. The EU should act unitedly	39
2.4. The EU should act coherently	40
2.5. The EU should act strategically	41
2.6. The EU should act confidently	42
3. SECURE A LEVEL PLAYING FIELD BETWEEN CHINA AND THE EU	46
3.1. The World Trade Organisation (WTO)	47
3.2. Trade	54
3.3. Investment	64
3.4. Procurement	72
3.5. Intellectual property rights	78
3.6. Forced technology transfer	82
3.7. Standardisation	85
3.8. E-commerce	87
3.9. Climate and energy	91
4. MITIGATE THE IMPACT OF CHINA'S GOVERNMENT-INDUCED MARKET DISTORTIONS	96
4.1. State-owned enterprises (SOEs)	97
4.2. Subsidies	106
4.3. Overcapacity	110
4.4. Competition and state aid	118
5. REINFORCE THE EU'S OWN COMPETITIVENESS	122
5.1. A competitive Single Market and ambitious industrial strategy	123
5.2. Research and innovation	127
5.3. Digital economy and cybersecurity	134
6. ENSURE FAIR COMPETITION AND COOPERATION ON THIRD MARKETS	142
6.1. EU Connectivity Strategy	143
6.2. The Belt and Road Initiative	149
6.3. Competition on third markets	153