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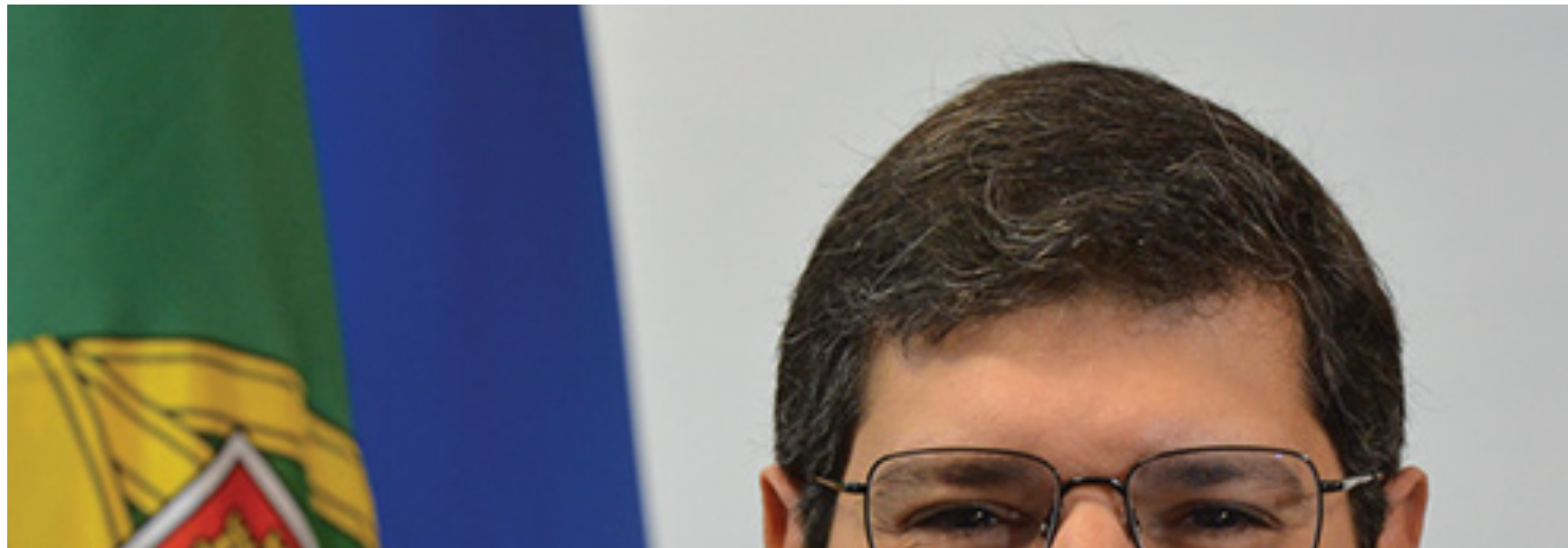
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EU-China investment pact to “start new partnerships”

By José Carlos Matias



Macau Business | February 2021

Portugal's junior minister for the internationalization of the economy sees bright prospects for the newly agreed Sino-European investment deal. Eurico Brilhante Dias will further deepen business ties with Macau and the Greater Bay Area.

Portugal took over the European Union rotating presidency from Germany, literally a couple of days after the EU and China reached a historical deal. Both sides agree the terms of the Comprehensive Agreement on Investment (CAI), following seven years of intense negotiations. The 11th hour agreement was reached thanks to the commitment of German Chancellor Angela Merkel, who was keen to wrap it up before passing the baton to Lisbon. The Portuguese diplomacy is now handling the management of the deal, which is now entering the legal review process before being sent for approval to the European Council and the European Parliament.

For Portugal, the agreement "reinforces the cooperation between these two essential global commercial actors," says Secretary of State for Internationalization, Eurico Brilhante Dias. In a written interview with Macau Business, the junior minister serving under Foreign Affairs Minister Augusto Santos Silva, underscores that the CAI "is also a relevant sign of the significance of safeguarding free trade, in a specific context characterized by the upsurge in protectionism." The deal is struck against the backdrop of the unprecedented global public health crisis, which is taking a heavy toll on the European economies. "The COVID-19 pandemic showed how cooperation is determinant to face the crisis. The agreement is also signed in the context of Europe's economic recovery, therefore in a favourable atmosphere to strengthen cooperation and start new partnerships."



The Rua Augusta arch is illuminated with the colors of the European Union to mark the beginning of Portugal's Presidency of the Council of the European Union, in Lisbon, Portugal, on Jan. 1, 2021. (Photo by Pedro Fiuza/Xinhua)

Fostering ties with Macau, GBA

According to the agreement, China has committed to greater level of market access for EU firms, which includes fairer treatment for European companies so they flourish in the Chinese market. It is set to facilitate investment in manufacturing and automotive sectors, financial services, telecommunication/cloud services, company international maritime transport services, among other sectors. From the lens of the internationalization of the Portuguese economy, namely concerning inward investment, Mr Brilhante Dias believes the pact “will provide economic stakeholders with better conditions to cooperate and work together and contribute to foster sectors of high added value with particular impact on our digital and environmental agendas, such as smart mobility, ITC and renewable energy.”

The Portuguese diplomacy has been keen on promoting stronger ties between the EU and China. Macau plays a historical and symbolic role in Luso-Chinese relations. Brilhante Dias, the EU CAI deal can also foster stronger future business ties with the SAR and South China. “This agreement is one more step to increase the business

with Macau. For us, Macau is more than a place of historical relations. Macau is also a place for the present and the future of cooperation and good relations between China,” the Secretary of State states, while underlining the “relevance of the Guangdong-Hong Kong Macau Greater Bay (GBA).”

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“The COVID-19 pandemic showed how cooperation is determinant to face challenges. The agreement is signed in the context of Europe’s economic recovery, therefore in a favourable atmosphere to strengthen cooperation and start new partnerships.”, Portugal’s Secretary of State for Internationalization, Euri Brilhante Dias

Unfinished business

Where do we go from here and what lies ahead? Analysts point to the obstacles in the way of CAI, but Mr Brilhante Dias downplays such a prospect of a bumpy road: “no particular obstacle ahead of us. The legal process will follow its course and hopefully the CAI will soon enter into force.”

How soon this will be depends on a number of factors. Sten Verhoven, an expert in European affairs and guest professor at the University of Macau’s Faculty of Law, notes that the Portuguese Presidency of the EU is set to “primarily focus on combating the COVID-19 pandemic in the EU and the roll-out of vaccination programmes.” Against this backdrop, it is likely that the China-EU CAI will move to the background, in order for the agreement to be finalized.

“Matters which are related to European values and if there is a doubt that compromises agreed may not be honoured may pose a difficulty for the validation process”, Paulo Canelas de Castro

Paulo Canelas de Castro, Associate Professor at the University of Macau’s Faculty of Law and Jean Monnet Chair, underlines that Portugal’s coordination efforts will be carried out closely with the European Commission on the leftover questions that remain open for further negotiation, such as the dispute settlement mechanism and more measures to protect investors.

“The more the text will become final, the more risk of disagreements emerging”, Sten Verhoven

Additionally, Professor Canelas de Castro notes that “matters which are related to the European values (human rights, environment or social protection safeguards and good governance system) and if there is a doubt that the compromises agreed may not be honoured or if there is a perception that the provisions at stake are too vague may pose a difficulty for the validation process which requires not only the green light from the European Parliament but also from the European Council.”

Still, if the CAI debate takes centre stage, the Portuguese Presidency "will have to ensure that all Member States remain on the same line and faithful to the de principle." Political risks include the possibility of "one change in a government in one member state [that] may lead to the rejection of the agreement." Professor Ver "the more the text will become final, the more risk of disagreements emerging. It is one thing to agree in principle on the main content, but quite another to agree in detail."

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