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Faculty of Economics and Management
European Agrarian Diplomacy



Diploma Thesis

**Economic diplomacy of China and UK:
Establishment of bilateral relationships
facing Post-Brexit period**

Siarhei Ramanovich

DIPLOMA THESIS ASSIGNMENT

Bc. Siarhei Ramanovich

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Thesis title

Economic diplomacy of China and UK: Establishment of bilateral relationships facing Post-Brexit period.

Objectives of thesis

The purpose of the thesis is to examine the strategy and direction of China-UK diplomatic relations on the basis of the existent economic agreements. In order to define the possible vector of China–UK bilateral relations within the new framework of Post-Brexit period, two main research questions are proposed: hypothesis 1: The UK is the most important trade partner of China in Europe, consequently hypothesis 2: UK’s Post-Brexit independence in policymaking creates a favorable opportunity for Free-trade agreement with China. A second line research level covers the analysis of the history of China-UK diplomatic relations with a focus on economics in the context of the institutional development of the European Union.

Methodology

This thesis uses an interdisciplinary approach. The theoretical part of the thesis builds on current literature review, identifying main trends and research questions of the issue. Relevant economic agreements, strategies and concepts will be analysed (primary sources analysis).

Subsequently, content analysis and comparative case study method (the hypothesis-generating case study) will be carried out in order to verify the examined research questions (the two hypotheses). For the second research line, comparative historical analysis will be used.

Conclusions are based on the synthesis of the theoretical literature review, primary sources analysis and statistical data use in confrontation with the outcomes of the examined hypotheses.

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The Diploma Thesis Supervisor

PhDr. Blanka Wurst Hašová, Ph.D.

Supervising department

Department of Humanities

Electronic approval: 28. 1. 2020

prof. PhDr. Michal Lošťák, Ph.D.

Head of department

Electronic approval: 5. 2. 2020

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 27. 03. 2021

Declaration

I declare that I have worked on my diploma thesis titled "Economic diplomacy of China and UK: Establishment of bilateral relationships facing Post-Brexit period" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 27.03.2021

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Economic diplomacy of China and UK: Establishment of bilateral relationships facing Post-Brexit period

Abstract

UK-China diplomatic relations date back to XIXth due to the British colonial past and international network of enterprises which created close economic and political bilateral relations. The intensity of the UK-China cooperation, especially in the sphere of the economy, varied, yet the current moment can be utilised to reestablish the relations.

Brexit is a unique event in the history of the European Union of the succession of the major political and economic actor, the United Kingdom of Great Britain and Northern Ireland. It creates a possibility to formulate a new framework for the United Kingdom and refocus its foreign policy.

The thesis is dedicated to the analysis of the UK-China diplomatic relations in the sphere of the economy in the brand new Post-Brexit period and the possibility of reaching the UK-China Free Trade Agreement.

The theoretical part deals with the notion of economic diplomacy and the new economic diplomacy, the history of the UK-China diplomatic relations century to underline the nature of today's bilateral relations of the UK and China. There is also an analysis of the European Union's perspective in relations with the UK and China. The practical part is dedicated to the analysis of the position of the UK in approaching China facing the new Post-Brexit period. The possibility of reaching an FTA and its possible framework is analysed. The theoretical part of the thesis was conducted with the most current anglophone and francophone literature covering the stated topics. The practical part operated with primary sources of the treaties agreements and provisions. The outcomes of the analysis can be utilised in the further analysis of the development of the UK-EU relations, and the European strategy of China. Conclusions are based on the synthesis of the theoretical literature review, primary sources analysis, and statistical data use in confrontation with the outcomes of the examined hypotheses.

Keywords: Brexit, China, United Kingdom, economic diplomacy, Free Trade Agreement.

Ekonomická diplomacie Číny a Velké Británie: Navázání bilaterálních vztahů v období Post-Brexitu

Abstrakt

Diplomatické vztahy mezi Spojeným královstvím a Čínou se datuje do 19. století kvůli britské koloniální minulosti a mezinárodní síti podniků, které vytvořily úzké hospodářské a politické bilaterální vztahy. Intenzita spolupráce mezi Spojeným královstvím a Čínou, zejména v oblasti hospodářství, se lišila, avšak současný okamžik lze využít k obnovení vztahů.

Brexit je jedinečnou událostí v dějinách Evropské unie o nástupnictví významného politického a hospodářského aktéra, Spojeného království Velké Británie a Severního Irsku. Vytváří možnost formulovat nový rámec pro Spojené království a přeorientovat svou zahraniční politiku.

Práce je věnována analýze diplomatických vztahů mezi Spojeným královstvím a Čínou v oblasti hospodářství ve zcela novém období po Brexitu a možnosti dosažení dohody o volném obchodu mezi Spojeným královstvím a Čínou.

Teoretická část se zabývá pojmem ekonomické diplomacie a nové ekonomické diplomacie, dějinami století diplomatických vztahů mezi Spojeným královstvím a Čínou, aby zdůraznit povahu dnešních bilaterálních vztahů Spojeného království a Číny. Je také analýza pozice Evropské unie ve vztazích se Spojeným královstvím a Čínou. Praktická část je věnována analýze postoje Spojeného království v přístupu k Číně v novém období po Brexitu. Analyzuje se možnost dosažení Dohody o volném obchodu a její možné rámce. Teoretická část práce byla provedena s nejnovější anglofonní a frankofonní literaturou pokrývající uvedená témata. Praktická část byla provozována s primárními zdroji smluv, dohodách a ustanoveních. Výsledky analýzy lze využít při další analýze vývoje vztahů mezi Spojeným královstvím a EU a evropské strategie Číny. Závěry jsou založeny na syntéze přehledu teoretické literatury, analýze primárních zdrojů a použití statistických údajů v konfrontaci s výsledky zkoumaných hypotéz.

Klíčová slova: Brexit, Čína, Velká Británie, ekonomická diplomacie, Dohoda o volném obchodu.

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List of abbreviations

1. AIIB
2. CAI
3. CETA
4. CGN
5. CIC
6. CNOOC
7. ECJ
8. EEC
9. EU
10. FATT
11. FTA
12. FTZ
13. GTA
14. IPR
15. NI
16. OPEC+
17. SOE
18. TRIPS
19. UK
20. WTO

1. Introduction

Economic diplomacy can be estimated as one of the key drivers of international development in form of the establishment of free market areas of different levels, facilitating the formation of closer and more transparent relations among the countries and regions.

The United Kingdom was always more connected to China than any other European country in diplomatic relations. China has gained great results reforming the obsolete and inefficient planned economy and reactionary communist governance into the rapidly growing international economy, turning into the world's top manufacturer and then using the accumulated capital in various ambitious projects domestically and overseas, including the European Union's member states.

The establishment of the United Kingdom has always been reluctant towards its participation in the project of the European Union and the accession to the European Economic Community was based on the prospects of developing a Common Market. The current time brings a brand new tide that can be characterised by the necessity of structural reforms of the economy, division of trade, various social and political policies. Great focus and potential lie within the service economy, especially financial services.

Due to Brexit, the United Kingdom and China may have an opportunity to mutually benefit from establishing a closer integration in economic cooperation in trade in goods and services. The position of the UK in that plausible negotiations and its outcomes requires an analysis as it would affect also the whole European region.

2. Objectives and Methodology

2.1. Objectives

The purpose of the thesis is to examine the strategy and direction of China-UK diplomatic relations on the basis of the existent economic agreements. In order to define the possible vector of China–UK bilateral relations within the new framework of Post-Brexit period, two main research questions are proposed: hypothesis 1: The UK is the most important trade partner of China in Europe, consequently hypothesis 2: UK’s Post-Brexit independence in policymaking creates a favorable opportunity for Free-trade agreement with China.

A second line research level covers the analysis of the history of China-UK diplomatic relations with a focus on economics in the context of the institutional development of the European Union.

2.2. Methodology

This thesis uses an interdisciplinary approach. The theoretical part of the thesis builds on current literature review, identifying main trends and research questions of the issue. Relevant economic agreements, strategies and concepts will be analysed (primary sources analysis).

Subsequently, content analysis and comparative case study method (the hypothesis-generating case study) will be carried out in order to verify the examined research questions (the two hypotheses). For the second research line, comparative historical analysis will be used.

Conclusions are based on the synthesis of the theoretical literature review, primary sources analysis and statistical data use in confrontation with the outcomes of the examined hypotheses.

3. Literature review

3.1. Definition of Diplomacy as a tool of Foreign Policy

In order to elaborate on the notion of economic diplomacy, it is important to reveal what is implied by the general diplomacy and goals it pursues and how it corresponds with the modern development of international society and a free-market economy.

Diplomacy essentially is the organized system of negotiation between sovereign states. Diplomacy is neither the invention nor the pastime of some particular political system, but is an essential element in any reasonable relation between man and man and between nation and nation (Nicolson, 2001, p. 4).

Diplomacy designates the art of negotiation; and the aim of sound diplomacy is the maintenance of amicable relations between sovereign states. Once diplomacy is employed to provoke international animosity, it ceases to be diplomacy and becomes its opposite, namely war by another name (Berridge, 2010, p. 156).

3.1.1. The Notion of Economic Diplomacy

The economic diplomacy as an activity within the global notion of diplomacy was institutionalized not a long time ago. In Ancient Greece, the cradle of European civilization, diplomacy was not viewed as a function of government to be set apart from other affairs such as those of war or finance (Adcock, Mosley, 1975, p. 121).

In a non-institutionalized and non-theorized way, the economic diplomacy was everpresent as early as in pre-Westphalian system diplomacy, and even further back in history in a way of controlling the trading routes on the rivers or economically-driven war campaigns in order to be payed-off, tactical alliances or even dynastic marriage. History knows many cases of bribing the entire nations to fight on the proponent's side. It is still very connected to the war as yet may be used as a tool of de-escalation of conflicts, economic dominance over the competitor, or even regional or global hegemony.

The process of institutional establishment of economic diplomacy in the international arena undergone significant historical development. In history, the cases of the Templar Order its impact on European and middle-eastern politics and earliest stated banking

operations The next case shall be brought up is The Hanseatic League.

3.1.2. Theory of Economic diplomacy and its implications for international economic order from the international relations point of view

The first diplomatic attempts to facilitate trade led to the creation of what is now often seen as the first international organization, i.e. the Central Commission for Navigation of the Rhine (Bjola, Kornprobst, 2013, p. 49).

Another important development growing out of trade has been the establishment of free trade zones and regional organizations. American economic hegemony over the West is largely shaped with Kennedy rounds of GATT in 1964-1967. That is arguably the most significant action that shaped the modern world order, which greatly advanced free trade and rebuilding Europe and develops the idea of establishing the Common Market (Kunz, 1997, p. 105).

The theory of economic diplomacy is very pronounced in French Academia. In fact, the French government was the first to establish a special governmental institution dedicated solely to economic diplomacy, aside from the Ministry of Foreign Affairs, L'Association nationale d'expansion économique in 1915.

The birth of multilateral economic diplomacy dates back to the aftermath of the First World War and the organization of conferences, under the aegis of the new League of Nations, to deal with problems arising from reparations and, more broadly, from the reconstruction of the European continent (Jennesson, 2005, p. 9).

According to Marie-Christine Kessler the economic diplomacy is defined by the implementation, by a public authority, of a commercial and financial policy, intended to ensure the economic prosperity of the country through the interests of its enterprises, its socio-professional groups, its citizens (Kessler, 1999, p. 247).

According to Guy Carron de la Carriere, economic Diplomacy seeks economic objectives through diplomatic means, whether or not they rely on economic instruments to achieve them (Carron de la Carriere, 1998, p. 28).

Guillaume Devin focused on the emergence of private economic actors, on the

phenomenon of transnational companies and their increased independence from the States.

According to the definition of Bergeijk and Moons, economic diplomacy consists of a set of activities aimed at the methods and procedures of international decision-making and relating to cross-border economic activities in the real world. Its fields of action are trade, investment, international markets, migration, aid, economic security and the institutions which shape the international environment, and as instruments relations, negotiation, influence (van Bergeijk, Moons, 2008, p. 2).

For Nicholas Bayne and Stephen Woolcock, who offer the most recent analysis to date, economic diplomacy is defined not by its instruments, but by the economic problems that give it its content (Bayne, Woolcock, 2017, p. 2).

Economic diplomacy tries to respond to new needs by combining several disjointed elements:

- it is long term while reacting in real time;
- it mainly relates to heterogeneous relationships (business-states, businesses-NGOs, companies-opinion movements ...);
- it has a preventive role in a world where conflicts are becoming commonplace.

In addition, it shares with basic diplomacy three fundamental characteristics:

- it focuses primarily on transnational interactions.
- It is decided at the highest level of organizations: States, companies or associations. Finally, it attaches strategic importance to international perception.

Economic diplomacy serves the key objectives of companies, first and foremost the overall promotion of global civil society (Pitti, 2011, p. 106).

3.1.3 The notion of New Economic Diplomacy

The modern international society is well beyond Fukuyama's End of History, which implies the radical unification of primary ideology, compared to the 20th century with the bright variety of modernist age creations like fascism, communism.

The novelty of the modern age since the end of the Cold War undeniably affected economic diplomacy. The ideological change resulted in a unification of the way of organization of national economies. It is the global process of restructuring of diplomatic surface. The gentrification of the playground the economic diplomacy evolved itself gains the critical mass of impact in international relations. Within the international society, there is a gradual dynamics of converting international markets toward the global one facilitated by WTO objective to cut the barriers.

The global wave in 1980th of the establishment of common markets, custom union, free trade areas. The emergence of new kind of threats: cyclic economic crises, unexpected threats as COVID-19 critically damaging global market, impacts of deadlock negotiations within de-facto monopolies as OPEC+ and its Cutting Production deal, Climate change-imposed necessity to reorganize certain sectors of economy, economically driven separatism (Lombardia, Veneto, Catalonia, Scotland)

The observation of contemporary changes in international life has led political scientists to pay new attention to the theme of economic diplomacy.

Some, from a systemic perspective, emphasize the evolution of the environment and the recent themes induced by the notion of new economic diplomacy at the expense of the former economic diplomacy, or commercial diplomacy. Some even speak of a new economic diplomacy to characterize that which unfolds in an environment born of the end of the Cold War, the acceleration of globalization and the increase in non-governmental actors - in particular those from civil society (Badel, 2006, p. 171).

Multilateral economic diplomacy is impacted head-on by three characteristics of globalization:

- tangible and intangible international exchanges which have exploded, leading to competition which is also global and partly dematerialized;
- the need for new rules of the game to regulate them;
- and finally, the transformation of our global society into an information society, with immediate and planetary means of communication and expression, which induce new modes of functioning and decision, including the large-scale use of intelligence techniques and influence. Multilateral practices have perfectly integrated these new paradigms (Badel, 2006, p. 171).

Now, with the advance of globalization in the 21st century, there are far more non-government players, while ministers and heads of government are active alongside their officials (Bayne, Woolcock, 2017, p. 1).

To the usual tasks of diplomacy these facts of modern life add a whole new dimension. It is an important opportunity for NGOs to debate with one another and to infuse their ideas to a global audience. These ideas, if NGOs are successful in mobilising public opinion, do not stop at the gates of ‘official’ international political economy (Bjola, Kornprobst, 2013, p. 49).

One of the most notorious cases of interest within the subject of economic diplomacy is British-Chinese economic relations from the historical perspective as the economic diplomacy was closely connected to statecraftship and modernization of the very traditionalist society of the Chinese Empire.

Nowadays, China is a global power with the second powerful economy in the world. The United Kingdom had taken the Brexit course of a more sovereign economy. That is the long process of diplomatic negotiations of restructuring the economic relations, making new treaties, establishing tariffs.

That creates a unique window of opportunity for the United Kingdom and China to approach a possible free trade agreement given the historical background of close economic and diplomatic relations.

3.2. History of China-UK economic relations.

3.2.1. The British Focus of China

As stated by Jiirgen Osterhammel in *British business in China, 1860s-1950s*, the analysis of British – Chinese economic relations are based on three perspectives:

- An imperial perspective adopts a more narrow focus. It looks out into the world from one of the dynamic capitalist centres and examines business operations in terms of the projection of metropolitan resources (people, technology, commodities, capital, etc.) into areas of the globe that have been linked up with a particular imperial system either through direct rule ('formal empire') or through indirect control ('informal empire').

- The second one, expatriate perspective, shifts the angle of observation to foreign enterprise 'on the spot'; it tells the story of Western firms and businessmen operating in non-capitalist or semi-capitalist economic environments and non-Western cultures.

- The final one, the indigenous (or host country) perspective, poses the most difficult question of all, that of the 'impact' of the West on 'Third World' economies and societies (Osterhammel, 2003, p. 189).

Both the British Imperial metropole, its policies and military forces, and private businesses had shaped the outline of modern relations with the New state of China. Great Britain, as an emerging «World Empire», greatly impacted the establishment of the united capitalist economic system and its institutes.

It is undeniable that the relations were not equal. The traditional manner of dealing with colonized states implied using its resources, labour, making it a stock market to the flow of goods from different parts of colonial empire.

The role of the United Kingdom, the East Indian Company, and a number of British private companies were to integrate China, being merely isolationist traditional society, despite its historical technological genius that created powder and paper, into the international system of free-market. That led to the establishment of modern institutes that led to the swift development of China as a modern state with a relatively free-market economy.

Adam Smith characterizes China in the XVIIIth century as an opulent empire with

vast natural resources, goods, and labour (Smith, 1991, p. 73).

China allowed maritime trade along its South-Eastern littoral, increasingly concentrated on the port of Canton (Guangzhou), to grow into one of the most important sub-systems of the international economy in the eighteenth century (Osterhammel, 2003, p. 190).

By 1715 the commercial mechanisms of the Canton trade had been established in their basic form. On the Chinese side foreign trade was conducted as 'administered' trade (Osterhammel, 2003, p.190).

China had been elaborating its traditional way of conveying trade and administration of economics for centuries, and its prosperity and wealth attracted foreign powers. The importance of the Canton trade led to the advancement of European Powers such as Great Britain, France, Germany, and Russia. The greatest result of the establishment of the British-Chinese economic relations is such an influential transformation - China opens itself for the international society, and further on is forcefully made to remain open.

The establishment of diplomatic relations of Great Britain with the Qing Dynasty China is largely economically driven act and heavily influenced by the perspectives of acquiring a share in Canton trade. The arrival of Lord Macartney in 1792 and Lord Amherst in 1816 on trade missions signaled China's heightened importance to British interests (Chow, 2017, p. 36).

The East Indian Company was a major beneficiary of the establishment of diplomatic ties with China. The EIC lost its monopoly in India only in 1813, still had been protecting it in China trade until 1823. EIC operated from Bengal to China coasts the main supplier of opium and cotton and exporter of Chinese Tea. The later efforts of Macartney and Amherst to force a trade on the unwilling Qianlong and Jiaqing emperors also anticipated the increasingly acrimonious relations between the two countries (Chow, 2017, p.37).

The Opium trade played a role of immense importance in both shaping and reforming China, as a modern state, and the impact conveyed to the contemporary People's Republic of China and the perception of the Chinese government. The complexity of the actions, engaged by the British government and business, included treaties, creating syndicates, banks, corporations, military campaigns, which may be formulated as Opium

diplomacy.

3.2.2. The impact of Opium diplomacy

From the 1780s to the eve of the First World War, the opium trade was instrumental in integrating China into the world market and in harnessing that country to the institutions of European, especially British, colonialism.

During this period the economies of China, India, and Britain were structurally linked to one another in a trade triangle that until the 1860s was one of the most important components of the world economy.

The sale of Indian opium to China was a significant part of this triangular structure throughout the nineteenth century; for much of the period, it was an essential part (Wynam, 2000, p. 214).

The First Opium War, 1839-1842, had also been motivated and justified by the idea that the Chinese needed to learn to adhere to modern economic practices and respect and protect Britain's trading rights (Chow, 2017, p. 39).

The British government engaged in direct military intervention solely for economic reasons. It was an act on enforcement the terms of economic cooperation aimed to crush the influence of the Chinese government over the trade.

Treaty of Nanjing of 1842 had crushed the Chinese protectionism and started the reformation of the entire economy, which caused another reaction of traditional governmental institutions and lead to the second war in 1856-1860.

British firms were ready to exploit the new opportunities offered by a 'system of limited free trade that included the opening of five 'treaty port!'' (among them Shanghai), the cession of Hong Kong, the abolition of the Chinese monopoly, the establishment of consular representation, and the fixation of uniform and 'moderate' tariff (Osterhammel, 2003, p. 191).

As it is highlighted by P. Chow - The war, Palmerston, the Foreign Secretary, repeated again and again, was not focused on perpetuating the opium trade (Chow, 2017, p. 39). As the impact of opium trade itself should not be overestimated as the Opium Wars were the forceful proclamation of the economic will, as the Chinese government was seen to unresponding to more traditional ways of economic diplomacy and advocated for protectionism of its market.

The second treaty settlement was imposed on China in 1858 and 1860: another twelve treaty ports opened (at least on paper) to commerce, the entire interior of China made accessible to foreign travelers; above all, foreign shipping was now allowed to enter the river Yangzi China's main artery for traffic between the coast and the interior (Osterhammel, 2003, p.191).

Other important results of Opium Wars :

- Cession of Hong Kong;
- Acceptance of foreign diplomatic representation in Beijing in 1861;
- First Chinese diplomatic mission abroad in London in 1877;
- Establishment of Hongkong & Shanghai Banking Corporation in 1865 on the foundation of Hongkong and Shanghai Bank and Jardine, Matheson & Co;
- Establishment Tsung li Yamen modern institute of centralized governance which became the subject of international treaties, as it would be greatly inconvenient to make minor commercial treaties with the Divine Emperor of China, including British loans, as in 1894 the loan of 10 million silver Taels (1 Tael equivalent of 40 grams of silver);
- Establishment of British Lobbying institute – China Association founded in 1898 as a syndicate of British entrepreneurs active in China;
- Establishment of joint mining initiatives provided by Chinese Engineering

and Mining Company, founded in 1879.

3.2.3. Further development and tightening economic relations with China

The establishment of the Tsung li Yamen apparatus and Hongkong & Shanghai Banking Corporation made possible loaning projects for infrastructure development.

That created the British Chinese Central Railway Company and made possible the elaboration of infrastructure projects such as Shanghai – Nanking Railway, Taokow-Chinghua Railway, Shanghai- Hangehow- Ningpo Railway, Beijiing-Mukden Railway.

Between 1895 and 1914, the Chinese signed contracts for foreign railway loans that totaled in £75, 000,000. Of this sum, at least £16,000,000 consisted of 10all1s arranged exclusively by the British-Chinese Corporation (Osterhammel, 2003 p. 199).

The United Kingdom motivated the establishment of the unitary monetary system. According to the Treaty respecting commercial relations, etc., of September 5, 1902, China was obligated to form a national coinage, which shall be legal tender in payment of all duties, taxes, and other obligations throughout the Empire by British as well as Chinese subjects (Treaties and Agreements with and concerning China 1894-1919, 1921, p. 342).

The treaty is also notorious for its following obligations:

- Article III. Unification of tariffs with British Company Imperial Maritime Customs operated in the Canton region.
- Article IV. The legalization of the Chinese investment to non- Chinese enterprises.
- Article VII. Mutual protection of trade-marks from infringement, imitation, or colourable imitations.

Article VIII. China completely lifts Liking tariffs, China's inland trade tax, ensuring free movement of goods in exchange the United Kingdom allows a surtax on goods imported by British subjects on the export duty on Chinese produce destined for export abroad or coastwise.

The closest economic ties also lead to the resolution of the opium crisis in China,

which was a very sensitive issue for the nation. Ten Year Agreement for Suppression of Exports of Opium from India, January 24, 1908. Implied gradual reduction of opium imported to China. The Plan stated that by 1918 the entire export of Indian opium would be terminated.

3.2.4. Great Britain and the New China

The fall of the monarchy led to significant changes in the economic relations of Great Britain and China. The rise of national sentiment and the further development of the market or social institutions founded by the British led to a change in power balance, making China a more competent actor in economic relations and diplomacy. For example, the Peking Syndicate got into political trouble in 1925 and kept its mines closed between 1927 and 1933.

Hong Kong remained slightly more important than Shanghai as a port for overseas shipping, while Shanghai was the center of a coastal and river shipping, the largest emporium in the country, and by far the most important industrial and financial center (Osterhammel, 2003, p. 202). When the war between Japan and China began in the summer of 1937, important sectors of British business in China had good reasons for looking forward to a prosperous future. In 1936-1937, the period before the invasion of Japan, British investments in China were about double the amount of those in 1914, while the British had managed to retain their share of about 35% of total foreign investment (Osterhammel, 2003, p. 215).

With the loss of political influence and military power in the region, the United Kingdom could not continue to act in an early established manner - directly advocate and sway the Chinese government to sign treaties on preferable for the British business terms.

The system of 'unequal treaties' had been partly eroded on paper and more radically undermined in practice, but survived until the advent of the Imperial Japanese Army. Fourthly, British business in China became the target of repeated strikes and boycotts, many of which were of a political nature and were motivated by resentment against the foreign presence in general. Anti-imperialist activities reached their peak in the mid-1920s; they much declined in number and intensity in the early 1930s (Osterhammel, 2003, p. 209).

3.2.5. China-UK economic relations after the WWII

During WWII and the Chinese Civil war, the British government chose the politics of non-intervention. In 1949 the United Kingdom recognized the People's Republic of China, making the assumption that integration of communist China into international society would ensure the development of economic relations.

The major British economic actors in China - Jardine, Matheson and Co., Hong Kong and Shanghai Banking Corporations were centered in Shanghai and Hong Kong, and their well-being relied upon whether the communist regime would nationalize British enterprises in mainland China. The Chinese government took a moderate position combining anti-imperialist and communist rhetorics, stating along that they would not destroy the capitalist system in China.

On the supply side, the Chinese authorities, operating through centralized buying agencies, made it difficult for foreign companies to obtain raw materials. (Clayton, 1997, p. 128).

To compound matters, the Nationalist blockade of China's east coast crippled Shanghai's import and export trade, dominated by foreign and, especially, British mercantile interests. Once drained of locally available resources, British firms were forced to remit funds from abroad to pay for their losses. The situation for British firms was exacerbated because foreign businessmen were held individually responsible for the failure of their companies to pay wage or taxation demands. Businessmen, lacking *habeas corpus*, faced and suffered enforced imprisonment without trial if their companies refused to remit to China. By refusing businessmen exit permits, the PRC forced companies to remit funds or accept the imprisonment of their representatives. (Clayton, 1997, p. 130).

On examining China's trade with the outside world, it is clear that the period 1950-54 was one of profound change. The majority of China's trade was with the Soviet bloc, and in particular with the Soviet Union.

There was a gradual shift direction toward Socialist Bloc. China and Britain did not enter into formal, full diplomatic relations, and China was not admitted to the UN until 1971. Great Britain and its business generally weren't able to secure its position in China.

The number of British diplomatic representatives in China fell, and the status of those who remained was ambiguous and precarious. Only in 1980th market reforms of Xi Jinping reopened China to the market economy and collaboration with the British Business.

3.3. Economic diplomacy in the EU context

3.3.1. EU and UK economic relations

Membership in EEC (EU) or any similar supranational continental organisation always has been a very sensitive matter for British politics. The question is based on the existence of the higher authority over the Royal Parliament and the Supreme Court of the United Kingdom.

In the aftermath of two ruinous World Wars rose idea came to be the most important for the Modern History of the European Continent. Many European politicians were publicly considering different configurations within the idea of a united Europe. Winston Churchill, the Member of the cohort of the most esteemed and prominent British statesmen, was not the exception, yet while in public knowledge and academia the idea of United States of Europe coined by Churchill is well-known, yet it a common misconception:

„The idea of a United States of Europe started off with a profound misunderstanding. The idea originated in the United Kingdom, but it never intended to join that Union.

It was a Union in itself and saw itself not as a part, but as a partner - as Churchill had remarked on another occasion “with Europe, but not of Europe” (Rudolf G., 2020, p. 3).

Churchill wrote 1930 in The Saturday Evening Post in 1930 (USA):

“The conception of the United States of Europe is right. We see nothing but good and hope in a richer, freer, more contented European com-monalty. But we have our own dream and our own task; we are with Europe, but not of it. We are linked but not comprised. We are interested and associated but not absorbed” (Churchill, 2019).

That idea that the United Kingdom, being a very important part of European culture is not a part of continental Europe, and should not be one, was dominating the British establishment. Hence, United Kingdom rejected membership in the European Coal and

Steel Community (ECSC). Prime Minister of France Robert Schuman said: “Without Great Britain there can be no Europe!”

Prime Minister of the United Kingdom in years 1955-1957 Anthony Eden stated: “If you drive a nation to adopt procedures which run counter to its instincts, you weaken and may destroy the motivating force of its action/.../ You will realise that I am speaking of the frequent suggestions that the United Kingdom should join a federation on the continent of Europe. This is something that we know, in our bones, we cannot do. For Britain’s story and her interests lie far beyond the continent of Europe. Our thoughts move across the seas to the many communities in which our people play their part, in every corner of the world. These are our family ties. For most Britons, British India, Australia, New Zealand, South Africa, Kenya, and Rhodesia were closer than those ‘far away countries, of which we know nothing’, as Neville Chamberlain had referred to Czechoslovakia in 1938 (Rudolf G., 2020, p. 5).

Two figures that contributed the most to the ascension of the UK to EEC: UK’s Prime Minister Edward Heath; French President Georges Pompidou.

Edward Heath became Prime Minister on 18 June 1970, putting an end to six years of Labour rule. He represented the Conservatives party's vision for UK’s future. They were enthusiastic about the economical prospects of the Common Market and Customs Union, the growth dynamics. Heath was negotiating the EEC membership since 1962 facing very strong opposition from the French president De Gaulle until his resignation in 1969.

“Georges Pompidou, President De Gaulle’s successor, had a reputation of being a pragmatic, down-to-earth technocrat“ (Rudolf G., 2020, p. 15).

France, being a strong continental power with vast overseas territories, was sensitive to the rising American influence and interference to Europe during the Cold War. Pompidou’s idea was to use the United Kingdom, the first United States’s European ally to secure and strengthen continental grip, assert continental power over Western Europe and utilize economy of scale benefits of free trade and common customs policy. The UK had to neglect its natural position towards the idea of a federal supranational organisation of European states facing diminishing economic and political power of collapsing Empire,

traditionalist economy of the metropole, as seen by the Conservative government, needed a serious boost as many EEC countries were experiencing due to the finalising the functioning model of the European Single Market. Yet from the very ascension of the UK to ECC two major problems were creating evergrowing Anti-federalist agenda within the British politics:

Insufficient and unfair functioning of CAP towards the British agriculture - Productivity of arms and insufficient and, therefore, inadequate payments to the British agriculture within CAP;

The contribution to EEC (EU) budget is higher exceed receipts, raising the popularity of the political agenda of how much per British national membership in EEC actually costs.

UK had always been a net contributor to the EU budget, as shown at the table of UK's receipts and contributions to the EU budget

Table 1. UK's contribution and receipts from the EU budget, 1973-2019

| Year | UK's Public sector receipts from EU budget | UK's contribution to EU budget (after rebate and refunds) | Net contribution to EU budget |
|------|--|---|-------------------------------|
| 1973 | 842 | 1 928 | 1 087 |
| 1974 | 1 376 | 1 660 | 284 |
| 1975 | 2 894 | 2 487 | -407 |
| 1976 | 1 864 | 2 916 | 1 052 |
| 1977 | 2 035 | 4 076 | 2 041 |
| 1978 | 2 602 | 6 668 | 4 066 |
| 1979 | 2 849 | 6 942 | 4 093 |
| 1980 | 3 463 | 6 001 | 2 539 |

| | | | |
|-------------|-------|--------|-------|
| 1981 | 3 470 | 4 741 | 1 271 |
| 1982 | 3 669 | 5 465 | 1 796 |
| 1983 | 4 274 | 6 091 | 1 817 |
| 1984 | 5 391 | 7 142 | 1 751 |
| 1985 | 4 824 | 9 403 | 4 579 |
| 1986 | 5 381 | 6 767 | 1 386 |
| 1987 | 5 355 | 9 313 | 3 958 |
| 1988 | 4 738 | 7 696 | 2 958 |
| 1989 | 4 261 | 8 922 | 4 661 |
| 1990 | 4 067 | 8 678 | 4 611 |
| 1991 | 4 831 | 5 782 | 951 |
| 1992 | 4 789 | 8 228 | 3 438 |
| 1993 | 5 428 | 8 981 | 3 553 |
| 1994 | 5 292 | 8 890 | 3 597 |
| 1995 | 5 822 | 12 204 | 6 382 |
| 1996 | 6 672 | 10 254 | 3 583 |
| 1997 | 7 035 | 9 446 | 2 410 |
| 1998 | 6 153 | 13 028 | 6 875 |
| 1999 | 5 155 | 10 545 | 5 390 |
| 2000 | 6 169 | 12 267 | 6 098 |
| 2001 | 4 941 | 6 941 | 2 000 |
| 2002 | 4 516 | 8 944 | 4 428 |
| 2003 | 5 143 | 10 218 | 5 075 |
| 2004 | 5 776 | 9 823 | 4 046 |
| 2005 | 6 994 | 11 695 | 4 701 |

| | | | |
|-------------|-------|--------|--------|
| 2006 | 6 318 | 11 310 | 4 992 |
| 2007 | 5 393 | 11 120 | 5 727 |
| 2008 | 5 440 | 9 425 | 3 985 |
| 2009 | 5 238 | 10 399 | 5 161 |
| 2010 | 5 590 | 14 243 | 8 654 |
| 2011 | 4 747 | 14 031 | 9 285 |
| 2012 | 4 711 | 14 279 | 9 569 |
| 2013 | 4 432 | 16 039 | 11 607 |
| 2014 | 4 992 | 15 643 | 10 651 |
| 2015 | 4 205 | 15 860 | 11 655 |
| 2016 | 3 702 | 13 908 | 10 206 |
| 2017 | 4 249 | 13 517 | 9 270 |
| 2018 | 4 353 | 13 445 | 9 092 |
| 2019 | 4 988 | 14 428 | 9 442 |

Source: Keep, 2021.

As the very fact of the ascension of the United Kingdom to the European Economic Community was based purely on economic reasoning, one can assume that the UK was never truly committed to the idea of Britain within the Community. That assumption may be confirmed by the fact that the first UK secession referendum in 1975, having accended just 3 years earlier, in 1972.

That crisis of membership escalated greatly on the way of evolution through the European Union. Treaty of Niece, Amsterdam, Reformation of CAP, Competition policy, Common Monetary Policy. In the end, the great advantages of the Single Market were overwhelmed with the new vision of the European Union and the level of integration and supranational authority in various spheres of member states' interconnection and cooperation.

Table 2. UK trade in goods and services with the EU, 1999-2019

| UK trade in goods and services with the EU | | | |
|---|------------------------------|------------------------------|------------------------------|
| Year | Exports £ billion | Imports £ billion | Balance £ billion |
| 1999 | 135.8 | 147.9 | -12.1 |
| 2000 | 148.8 | 158.2 | -9.4 |
| 2001 | 156.4 | 173.9 | -17.5 |
| 2002 | 158.0 | 186.6 | -28.6 |
| 2003 | 159.5 | 190.8 | -31.3 |
| 2004 | 163.1 | 197.5 | -34.4 |
| 2005 | 180.4 | 215.9 | -35.4 |
| 2006 | 219.3 | 246.4 | -27.1 |
| 2007 | 198.6 | 231.8 | -33.2 |
| 2008 | 215.2 | 245.7 | -30.5 |
| 2009 | 197.7 | 226.6 | -28.9 |
| 2010 | 217.7 | 248.3 | -30.5 |
| 2011 | 243.5 | 266.3 | -22.8 |
| 2012 | 234.1 | 271.9 | -37.8 |
| 2013 | 237.6 | 286.3 | -48.8 |
| 2014 | 234.7 | 292.9 | -58.3 |
| 2015 | 225.6 | 293.8 | -68.3 |
| 2016 | 245.6 | 318.8 | -73.2 |
| 2017 | 278.0 | 347.0 | -69.0 |
| 2018 | 298.3 | 366.3 | -68.0 |
| 2019 | 294.3 | 373.5 | -79.2 |

Source: Keep, 2020.

The only EU member state with a significant positive balance of trade with the UK is Ireland, historically closely connected and sharing a land border in Northern Ireland. The

rising negative balance of trade with the EU and the status of a net contributor to the EU budget is the economic foundation for the Brexit process.

The Conservative government has been actively seeking new export destinations, as an example, the UK has approached Ukraine with FTA, ensuring limitless access for the British goods to a vast 40 million people consumer market, thus, supporting national producers during the pandemic recession.

Table 3. UK trade in goods and services with non-EU countries, 1999-2019

| UK trade with non-EU countries, 1999 - 2019 Goods and services | | | | | |
|--|---------|------------|--------|------------|---------|
| Year | Exports | % of total | Import | % of total | Balance |
| 2011 | 266.4 | 52.3 | 259.5 | 49.4 | 7.0 |
| 2012 | 279.2 | 54.4 | 262.6 | 49.1 | 16.6 |
| 2013 | 294.2 | 55.3 | 270.5 | 48.6 | 23.8 |
| 2014 | 290.7 | 55.3 | 261.4 | 47.2 | 29.3 |
| 2015 | 297.8 | 56.9 | 257.8 | 46.7 | 40.0 |
| 2016 | 317.6 | 56.4 | 280.5 | 46.8 | 37.1 |
| 2017 | 344.9 | 55.4 | 305.7 | 46.8 | 39.1 |
| 2018 | 363.3 | 54.9 | 320.8 | 46.7 | 42.6 |
| 2019 | 396.5 | 57.4 | 347.8 | 48.2 | 48.7 |

Source: Keep, 2020.

The opposite situation is with the international trade of goods and services with Non-EU countries, where the UK has a dynamics of a positive trade balance with the countries beyond the Common market. That seems to be the top priority for the UK government, leaving the European Union out of focus.

3.3.2. EU and China relations

In 1975, the Vice-President of the European Commission Christopher Soames visited China. Respectively, the Chinese government decided to host an ambassador from the

European Economic Community (EEC). On 16 September 1975, the EEC and China established official relations, opening a new chapter of bilateral relations. (Zhang and Borgh, 2018, p. 43).

The EEC and China established diplomatic relations in the Cold War era's hostility primarily to develop economic cooperation as the prospects of economic cooperation with China were anticipated to be greatly beneficial.

EEC and China's volume of trade developed greatly from the beginning of diplomatic relations due to the adopted the open-door policy in 1978, a policy of harvesting benefits of Free Trade by encouraging imports and exports between China and the rest of the world.

Trade still dominates the EU–China relationship, even if other economic issues, such as investment, or political ones, such as human rights, occasionally compete for attention (Farnell and Irwin Crookes, 2016, p. 69).

Table 4. EU-China trade in goods, 2017-2019

| EU-China Trade in Goods , € billions | | | |
|---|-------------------|-------------------|----------------|
| Year | EU imports | EU exports | Balance |
| 2017 | 322.7 | 178.8 | -143.9 |
| 2018 | 341.8 | 188 | -153.9 |
| 2019 | 362 | 198.3 | -163.7 |

Source: European Commission, 2020.

Table 5. EU-China trade in services, 2017-2019

| EU-China Trade in Services , € billions | | | |
|--|-------------------|-------------------|----------------|
| Year | EU imports | EU exports | Balance |
| 2016 | 29.8 | 38.6 | 8.8 |
| 2017 | 29.8 | 41.5 | 11.7 |
| 2018 | 30 | 46.6 | 16.7 |

Source: European Commission, 2020.

EU–China trade can be seen as a success story, a striking example of the impact of globalisation which has generated a massive two-way flow of consumer and producer goods and closer integration of businesses across continents, growing steadily and occasionally very rapidly until the economic recession in Europe led to a leveling-off of two-way trade from 2011 (Farnell and Irwin Crookes, 2016, p. 69).

EU-China are greatest trading partners concerning the trade in goods. Yet the volume of trade in services dramatically drags behind stating that Chinese economic relations with the EU, and its very structure of the national economy, needs a reformation in order to gain sustainable trade in the modern World Economy, as China is threatened to lose its attractiveness in competitive productivity.

The lack of competitive service industries carries economic and social risks for China. Its labour cost competitiveness is decreasing, and at the same time, expectations about the quality of life in China are increasing. China is the largest and fastest-growing e-commerce market, including cross-border. Big opportunity for European goods – great supply market. China has recognised that developing its services industries must be part of its economic reform program.

There are serious restrains in EU–China economic relations. Each party has formulated the core complaints about terms of trade in goods and services and investments.

On the EU side, there is continuing suspicion that China abuse benefits from mostly open international markets and, at the same time, restricting access to its domestic market. EU exports to China are restricted in many areas where Europe considers itself competitive. In the EU there are also serious concerns about the applicability of China's system of state aid to major producers and exporters to fair trade policies.

2) From China's point of view, the EU appears less open to international competition than it claims and it continues to treat China differently from other trade partners (Farnell and Irwin Crookes, 2016, p. 69).

China's trade policy is the threat of unfair competition. The main focus is on Chinese trade practices and policy affecting the EU market, such as dumping or subsidies, but other distortions of competition, such as support to Chinese exporters and restrictions on exports of raw materials from China, are also relevant (Farnell and Irwin Crookes, 2016, p.80).

Closed public procurement markets – International market of public procurements is regulated with WTO Government Procurement Agreement (GPA). China started the negotiations to enter GPA in 2007, yet the attempts had not given results.

Uncertain protection of IPR - It is widely considered that China's reputation for the protection of Intellectual property rights is poor. The European companies bear a high risk of leaks of intellectual property to the vast market of China and whether the Chinese judicial system is equipped enough to defend the European IPR from breach of agreements trademarks coming from Chinese nationals or companies.

Chinese export subsidies - a potential source of unfair competition (as subsidies may lower the cost to businesses of such support);

Chinese export restrictions - there are restrictions on exports of raw materials and rare-earths since 2011.

“EU–China negotiations for a bilateral investment agreement could, if successful, mean that EU direct investment in China replaces some of this trade, and voluntary or forced technology transfer may also reduce China's need for imports of European technology ” (Farnell and Irwin Crookes, 2016, p. 71).

The current configuration of EU-China economic relations as envisioned by the EU is formulated in the EU-China 2020 Strategic Agenda for Cooperation.

The core of the EU-China 2020 Strategic Agenda for Cooperation is EU-China Investment Agreement as long-term bilateral relations with China. Negotiations for the Investment Agreement began in 2013 with the main objectives to :

- improve investment for European and Chinese investors by creating investment rights and guaranteeing non-discrimination;
- improve transparency, licensing and authorisation procedures;
- provide a high and balanced level of protection for investors and investments, and;
- put in place rules on environmental and labour-related aspects of foreign investment (China - Trade - European Commission, 2021).

It may be stated that EU's vision is - make China Investment more palatable for EU's businesses and investors, and for the Western Business in general. That includes insuring the commitment to European standards of competition, transparency of activities and commitment to high social and environmental standards.

EU's strategy for China seems to be aimed to intercept an initiative of primary Western partner for China and a key of modernising and restructuring In vast services segment of economy, especially, a very perspective branch of financial services and aim to introduce RMB to global financial capital markets.

In December 2020 was presented the Agreement in Principle, a summary of continuous negotiations and the key aspects agreed so far. Important to note that it is still is not a legal document without any binding powers for both parties.

In the Preamble, both parties have agreed to reaffirm the commitment to the Charter of the United Nations, principles stated in the Universal Declaration of Human Rights. There was reached an agreement to promote investment aligned with high levels of environmental and labour rights protection, including climate change awareness actions.

That may indicate that both EU and China took a rather pragmatic approach to the recent political backlash in China concerning Hong Kong and the Xinjiang Uyghur Autonomous Region. The EU has to compromise to re-establish diplomatic relations, with the focus on the economy, by introducing China to more advanced social, labor, and civil rights standards. Thus, China's declaration of commitment to improve social and environmental standards within its Economy and civil rights in society can be regarded as a great success for European diplomacy.

The key aspects of Agreement in Principle of EU-China Comprehensive investment agreement:

1) Market access and investment liberalisation

The text of Agreement in Principle contains the most important aspects of trade relations with EU: Market Access, National Treatment, and Most-Favoured Nation treatment as well as a list of prohibited Performance Requirements of protectionist mechanisms such as local content requirements, technology transfers requirements, or R&D targets.

It also contains a commitment not to impose nationality requirements as regards Senior Management and Board of Directors. China will also commit to market openings in the area of private healthcare, new energy vehicles, cloud services, as well as computer reservation systems beyond its current level of autonomous liberalisation EU-China Comprehensive Agreement on Investment The Agreement in Principle, 2020, p. 2).

2) State-Owned Enterprises.

The Agreement will require state-owned enterprises to act in accordance with commercial considerations and not to discriminate in their purchases and sales of goods or services. The same conditions for private and public companies should contribute to securing fair competition on the market and have a favorable effect on investor confidence.

The Agreement will include specific transparency rules, including to obligation of the Parties to provide, upon request, information to allow for the assessment of whether the behavior of a specific entity (or group of entities) complies with the agreed obligations

3) Domestic regulation.

These provisions will ensure that licensing and qualification requirements and procedures are publicly available, easily understandable, and reasonable so that they do not act as a barrier to investment.

4) Transparency and standard-setting.

The Agreement will include a comprehensive set of transparency rules for regulatory and administrative measures enhancing legal certainty and predictability, as well as on procedural fairness and the right to judicial review, including in competition law cases.

5) Financial services.

Provisions regulating new and steadily expanding financial services, self-regulatory organisations, payment and clearing systems, and transparency. They are necessary to address specificities of the financial services sector and complement market access and national treatment disciplines (EU-China Comprehensive Agreement on Investment The Agreement in Principle, 2020, p. 2-5).

The Agreement also includes a commitment by both sides to pursue the negotiations on investment protection and investment dispute settlement within 2 years of the signature of the Agreement.

The common objective is to work towards modernised investment protection standards and a dispute settlement that takes into account the work undertaken in the context of UNCITRAL on a Multilateral Investment Court. It is not clear however at this stage whether it will include any sanctions, and whether these rules will apply also to the numerous “state-owned companies” (Kerneis, 2018, p. 57).

3.3.3. Brexit - a new reality

The United Kingdom and European Union went through a long and difficult process of negotiations, compromises and adjustments and, the most important for both parties, formation of the new model of co-existence and cooperation.

The most important part for the British Side – the restoration of the absolute sovereignty of the British Parliament and Royal Government, and the Royal Court and its ultimate and un authority over the United Kingdom. No lesser importance have the crucial abilities to form its own Foreign Policy, Economic policy.

Article 50 of the Treaty of the European Union, has formalised the roadmap of diplomatic relations of any secessionist state and the EU as “an agreement [...] setting out the arrangements for its withdrawal, taking account of the framework for its future relationship.” (Poptcheva, 2016).

After the long negotiations over the Brexit withdrawal agreement, and the transition period the EU and the UK turned to the crucial foundation of future bilateral relations in various spheres of public activities and private of respective states nationals.

The EU- UK Trade and Cooperation Agreement – as formulated on 1246 pages – established a Free Trade Agreement with the full removal of restrictions like tariffs and quotas on the movement of goods.

It started a process of development of a new model of a social and economic partnership between the EU and the UK in such as energy, transport, climate awareness.

“Brexit and Trade and Cooperation Treaty ended free movement of services, including financial services, as well as free movement of persons, without setting up an alternative arrangement on individual mobility: on the contrary, the parties only took note “that on the date of entry into force of this Agreement both Parties provide for visa-free travel for short-term visits in respect of their nationals in accordance with their domestic law” (Fabbrini, 2020, p. 12).

Moreover, the EU-UK Trade and Cooperation Agreement in its current configuration does not cover the field of Common Foreign and Security Policy, essentially leaving EU-UK cooperation in external affairs to informal mechanisms. It also does not cover collaboration in the field of foreign policy and security, education.

The treaty covered the economic aspects of the EU-UK relationship, with provisions on free trade in goods, digital trade, fisheries, cross-border trade in services, public procurement, energy, transport, and mobility of persons (Summary Explainer, 2021).

Agreement established the Partnership Council, representing the UK government and the European Commission, as a supervisory body with high authority over the main and subsidiary treaties. The Partnership Council is set to obtain the power to oversee the attainment of the objectives of the treaty, to discuss any matters concerning the subjects covered in the treaty, and, what is the most important, the ability to amend the treaty.

Concerning dispute resolution, the Agreement opted for the establishment of an arbitration body, and “For greater certainty,” explicitly stated, that “the courts of each Party shall have no jurisdiction in the resolution of disputes between the Parties under this Agreement. Instead of the ECJ-based dispute resolution mechanism, there shall be created a new institution - arbitration tribunal, mostly modeled out of the WTO dispute settlement mechanism, is vested with the power to deliver binding judgments, but its jurisdiction does not include all aspects of the Agreement, which is why parties enshrined also a right to unilateral remedial rebalancing (Fabbrini, 2020, p. 12).

That means the end of ECJ’s authority over the UK - as the Agreement is based on international law, not EU law. There is no role for the European Court of Justice in the treaty. Trade and Cooperation treaty covered 2 fundamental issues that were disputed the whole period of Brexit negotiation beyond the special provisions concerning the Northern Ireland status.

Trade in Goods and Services - The United Kingdom and the European Union have agreed to full tariff liberalisation. This means that the Common Market, in general, between the EU and the UK will not be dramatically dismembered, however, several regulatory provisions concerning the goods will be implemented. The Agreement also includes provisions to support trade in services. This will provide many UK service suppliers with legal guarantees that they will not face trade barriers when selling into the EU and will support the mobility of UK professionals who will continue to do business across the EU (The EU-UK Trade and Cooperation Agreement, 2021).

The Agreement recognises UK's sovereignty over its fishing waters. The agreement implies that UK will fully restore its fishing fleet across all the UK, including Scotland. On fisheries, the parties accepted that – after a 5 and a half years adjustment period going until 30 June 2026 – the UK would exercise the sovereign right of a coastal state, and that the EU and the UK would annually negotiate the total allowable catch and connectedly access to waters (Fabbrini, 2020, p. 13).

3.3.4. Future expectations of EU-UK economic relations

The EU-UK Trade and Cooperation Agreement opens the new epoch in the process, which is expected to be no less challenging than the withdrawal negotiations.

While the deal still need to be ratified, and is potentially subject to judicial review on the EU side, the Agreement creates a framework in which the EU and the UK are expected to continue adjusting their relationship: this is not only resulting from a treaty obligation to “review the implementation of this Agreement and supplementing agreements and any matters related thereto five years after the entry into force of this Agreement and every five years thereafter. In fact, the EU and the UK also reserve the possibilities to enrich the Trade and Cooperation Agreement with other separate agreements – an option which is of particular value considering the important areas, e.g. financial services and foreign affairs, which are currently not covered by the new EU-UK deal. (Fabbrini, 2020, p. 14).

The negotiation about the functioning of financial services between the UK and the EU is virtually the decision on the fate of the City of London, whether the UK shall secure the leading position of the center of financial services, foreign and stock exchange capital of Europe, what will virtually mean that with the Trade and Cooperation Agreement, the UK gained the full freedom of policymaking yet secured its very privileged and beneficial position in trade in goods and services with the EU.

The status of Gibraltar UK, the British overseas territory, remains uncertain. In essence, at the end of 2020, a joint understanding between the UK and Spain has been reached, that it shall be seen as being part of the European Schengen Area, which governs the free movement of persons in order to prevent a hard border. But in order to prevent

customs controls, Gibraltar must be part of the Customs Union. There is no treaty or agreement on this issue yet (Weerth, 2021, p. 4).

4. Practical part

Based on the Literature Review the practical part is dedicated to defining the possible vector of China-UK bilateral relations within the new framework of the Post-Brexit period, the factors that affect both positively and negatively on the possibility of reaching the UK-China Free Trade Agreement. This part will also analyse the position of the UK in possible FTA negotiation

Two main research questions are proposed:

Hypothesis 1: The UK is the most important trade partner of China in Europe;

Hypothesis 2: UK's Post-Brexit independence in policymaking creates a favorable opportunity for a Free-trade agreement with China.

The practical part of the thesis is dedicated to prove or disprove stated hypotheses, in that thesis, there was used interdisciplinary approach. The practical part of the thesis is conducted with content analysis and the comparative case study method (the hypothesis-generating case study) will be carried out in order to verify the examined research questions (the two hypotheses).

4.1. The nature of the Post-Brexit period. UK's diplomatic and legislative power concerning trade and investment agreements.

Brexit is the global process that interlinks the history of British national character and foreign relations, colonial-era economic diplomacy, and the modern European economic background.

EU is faced with the problem of structural inequality of its Member States. That implies problems of harmonic economic development, effective and compromisable policies. The general question is the sustainability of each level of the EU organisation structure and effectiveness of its institutions to and its public image within the Member states

The EU Member States will be affected in different ways:

In terms of trade Ireland, the Netherlands, Germany, and France will feel the effects most strongly. Other countries, particularly those in the East, have little trade but large expatriate communities. Ireland will suffer effects not only in its trade. The border regime in the north could reignite violence and political terror. The general rule is the following: the harder Brexit, the harder the border on the island of Ireland (Rudolf G., 2020, p. 9).

One of the driving forces of Brexit, except for traditional representatives of anti-federalist and eurosceptic agenda like notorious United Kingdom Independence Party (UKIP) leader Nigel Farage, was Prime Minister, at that time, David Cameron as the referendum has called by the Conservatives he was leading.

David Cameron wanted to reform the EU to become less invasive, less bureaucratic. Envisioned the new EU as an economic union and confederation cooperating in essential as defense, education, environment, agriculture, and food security policies.

Westminster called for much less authority given to overall European legislation manifested in such ways as Competition policy, European Central Bank supervision of financial operations. Cameron wanted EU membership, but an EU that was slimmed down, less bureaucratic, more intergovernmental, less uniform, and, above all, less interfering. He wanted to put an end to EU directives and regulations transforming the laws of his country and forcing British courts to observe norms that were alien to British traditions.

He was afraid that a slow, but irresistible, the tide was threatening to upturn the constitutional order of the United Kingdom, gradually shifting competencies and eventually obliterating the essence of Britishness - or in his case, Englishness (Rudolf G., 2020, p. 49).

The Covid-19 pandemic affected the Brexit process in multiple ways. It disrupted the pre-agreed schedule of negotiating meetings and shifted the general agenda of the negotiating parties to the health and economy sectors. Brexit negotiations were suspended and postponed in March and April 2020.

Agreement negotiations restarted in May 2020, yet they were very complicated and dragging to the very last moment bringing the UK and the EU to the brink of no-deal so-called Hard Brexit.

Beyond the EU-UK Withdrawal Agreement, the Brexit as a process includes two important pieces of legislation of high importance for the peaceful resolution:

Northern Ireland Protocol as due to the high importance and sensitivity of the UK-Republic of Ireland border – Northern Ireland, that can easily slip into the status of a disputed territory, especially in the context of brutal fights inflaming periodically over the last 100 years since the very partition of Ireland, the provision concerning the status of Northern Ireland in Brexit process is stated in separate subsidiary agreement. According to Northern Ireland protocol Northern Ireland is part of the UK customs territory, it will be treated as if it were part of the EU Customs Union.

The UK Internal Market Bill was presented to Parliament on 9 September 2020 and was set to organise the structure of the economy in the movement of goods in the post-Brexit period. The Bill contrasted with the clear commitments undertaken by the UK in the Withdrawal Agreement. In particular, while section 40 of the bill re-affirmed Northern Ireland's place in the UK internal market and customs union, section 41 prohibited the UK executive from introducing “a new kind of check, control or administrative process (Fabbrini, 2021).

4.2. Analysis with China-UK economic relations. Comparative analysis with economic relations within the China-EU framework.

4.2.1 Golden era and its prospects for economic diplomacy of the UK and China after the Brexit.

The Golden era in the China-British diplomatic and economic relations as it was coined by President Xi Jinping during his visit to the UK in 2015 now is great instability and uncertainty. The main actors of the Golden Era are Former Prime minister David Cameron and former Chancellor of Osborne, current President Xi Jinping, with the excellent execution of the policy of close economic relation engagement by the Foreign Office, Royal Treasury, City of London Corporation, China-Britain Business Council. Both state actors and non-state actors are affiliated with the general state's agenda.

Osborne, the principal architect of the UK's China policy during this period, would expend considerable political capital in his attempt to bring the UK into Beijing's orbit. Osborne believed that the UK had to recognise realities: China was a juggernaut and had to be treated as such. The treatment of the British domestic economy with the special treatment called the 'China market' is familiar, successive British governments have reached for in times of economic hardships (Yule-Smith, 2020).

The nature of British interest in the Far East in the 1930s meant that both the Treasury and the Board of Trade were necessarily closely involved with the making of foreign policy (Bennett, 1992, p. 545)

Yet that policy was not successful to the lack of resources to defend China from Imperialist Japan.

In the post-Brexit period, the necessity to recover from the world's economic recession due to Pandemics. Having secured the trade in goods with the UK due to the Trade and Cooperation Agreement it is in the best strategic interests of Westminster to assert its dominating economic power, especially the sphere of financial services. According to government reports, in 2020, the services industry's share of the national economy of China grew to 54 percent of the GDP, and in the same year, contributed to 60 percent of

the nation's total economic growth. Beijing announced service industry openings in 2015, 2017, 2019, and 2020 (Wong, 2021).

Osborne's China policy was significantly taken down with the resignation of the Cameron government. However, while Osborne was excluded from the cabinet of Prime Minister Theresa May, a global outline of Osborn's vision of befriending China stayed within the British foreign politics for a while.

Theresa May continued the UK's China strategy with the visit to China in 2018 where she expressed Westminster's commitment to the mutual project of Shanghai–London Stock Connect which facilitated further cooperation in the financial services sphere. Yet, the turning point in current UK-China diplomatic relations was Hong Kong and the global political crisis over it.

Hong Kong, the pearl of Chinese service economy, financial economy is under international pressure, China-UK comprehensive economic relations strategy is compromised and the UK can lose an essential asset of its post-Brexit foreign strategy. Financing and insurance, real estate, professional and business services constitutes in 31% of Hong Kong economy (2020 Economic Background and 2021 Prospects., 2021, p. 18).

The termination of diplomatic relations with Hong Kong significant threat:

- The future of the judiciary in Hong Kong, given the Court of Final Appeal still includes a foreign judge, often UK-based (Lady Hale and Lord Sumption are recent examples);

- Threats to Hong Kong's status as a pool of capital for the burgeoning tech sector across the border in Shenzhen – which remains one of the few reasons that China is concerned to keep some autonomy in Hong Kong;

- As the UK seeks to expand its provision of legal services for Belt and Road (BRI) projects, it will likely use Hong Kong as a key venue for common law commercial dispute litigation. Again, this is both an opportunity and a vulnerability for the UK;

- Hong Kong remains economically important – the UK currently exports over the US \$10 billion worth of goods to Hong Kong every year, 600 UK companies have a presence in Hong Kong, and its position in the Asia-Pacific gives the UK valuable access to Asian markets (Gaston and Mitter, 2020, p. 33).

4.2.2. China-Britain Business Council as a tool of promotion of further economic cooperation and development of diplomatic relations.

China-Britain Business Council (CBBC) is a private agency that is aimed to promote the British economic interests in China, and attraction of Chinese investors and companies to enter the UK's market.

Founded since 1954, known at that time as Sino-British Trade Council, CBBC was the leading agent facilitating the British diplomacy and promoting stronger economic ties and the British business in China. That was important as the official state agents were restricted in their actions in the difficult political landscape of the Cold War with the hostility between the East and the West blocks.

As the UK for centuries had a special kind of relations with China creating from a traditional feudal empire a modern state. The UK decided before European Community had entered diplomatic relations with China in 1972. The persons of the highest tier executives of CBBC, Lord James Sassoon, Sir Serard Cowper-Coles, represent the nature of CBBC as a diplomatic tool, a para-state agent.

Lord James Sassoon - chairman of the China Britain Business Council, member of the House of Lords Commercial Secretary to the Treasury, in years 2010-2013.

Important to note that Sassoon served under Chancellor of the Exchequer George Osborne – who is known to be a strong supporter and, in many ways, creator of the UK-China closer economic ties, financial sphere agenda. Reinventor of UK-China economic diplomacy in the Golden Age.

Since James Sasson is executive director of Jardine Matheson Holdings Limited has been active in Hong Kong since the Treaty of Nanking in 1842 and cession to the British authority, expanding from the opium trade to a vast number of financial spheres and businesses becoming the largest private British company operating Hong Kong area.

China Britain Business Council is directly tied to many centuries of the UK-China diplomatic ties. Chairman of China Britain Business Council, Sir Sherard Cowper-Coles - is a former British diplomat. In the years 1994-97 held the office of Head of the Hong Kong Department of the Foreign, Commonwealth, and Development Office that is responsible for the promotion of British economic and political interests overseas. Cowper-Coles was British Ambassador to Israel from 2001-2003, then an ambassador to Saudi Arabia in Riyadh, 2007-2009 served as an ambassador to Afghanistan in Kabul.

Hence, it can be stated that China Britain Business Council is a semi-state diplomatic agent in the sphere of economic diplomacy that plays a very important role in the process of negotiations since both the UK's and China's establishments are facing political backlash over very sensitive and controversial issues like Hong Kong.

On 20 January 2021, Ambassador of China to the United Kingdom Liu Xiaoming hosted an event dedicated to summarised the progress made between China and the UK during his service. He reflected on the beginning of the «Golden Era» of the UK-China diplomatic relations with ambitious prospects on economic cooperation.

Ambassador Liu has stated: «High-level dialogue mechanisms between China and the UK offered the strong impetus for cooperation between the two countries. China-UK cooperation has played a pioneering and leading role in many areas of productive cooperation between China and Western countries» (Ambassador Liu Xiaoming Attends the CBBC Farewell Roundtable and Delivers a Keynote Speech, 2021).

CBBC for both parties represents the importance of investment, and trade in goods and services, financial services and foreign exchange, and the stock market. New records have been made in China-UK trade and investment. The surging bilateral trade and

deepening cooperation in investment have made the UK the second largest destination in Europe for Chinese investment.

China Britain Business Council is acting as a mediator between the UK and China authorities.

There have been achieved great advancement in China-UK cooperation on financial services and the BRI. Eight Chinese banks have opened branches in the UK. The Shanghai-London Stock Connect was officially launched, connecting for the first time the Chinese capital market with a foreign one. London has become the world's largest offshore RMB exchange center and the second-largest offshore RMB clearing center with a total clearing volume of more than 50 trillion RMB. And as a natural partner for China in BRI cooperation, the UK has sent its special representative of the Prime Minister to attend both sessions of the Belt and Road Forum for International Cooperation. China and the UK are also committed to working together in third markets, financing, expertise, and services.

Ambassador reflected on the future of the UK-China relations in the post-Brexit period:

«As China is soon opening a new chapter to roll out the 14th Five Year Plan to build the "dual circulation" development paradigm that encourages a reinforcing interaction between the domestic and international markets, and the UK that has just completed Brexit is now entering into a new stage of building a "global Britain", China and the UK should leverage their respective strengths, coordinate policies and dovetail growth strategies to deepen cooperation in areas such as trade and investment, infrastructure, financial services, and high and new technology» (Ambassador Liu Xiaoming Attends the CBBC Farewell Roundtable and Delivers a Keynote Speech, 2021).

4.3. Free Trade agreement initiative. Prospects and drawbacks to negotiate.

The case of the UK-China Free Trade Agreement is a complicated matter as it involves a various number of variables either worsening the general negotiating position for the UK or rather advantageous.

China is building the International Economy not only by its vast Market of Goods

and Manufatorial Power side but by following a Global Strategy of a highly visible presence in Europe, by introducing RMB to financial markets, investing in infrastructure and industry of EU member-states.

The Chinese Global Strategy is visible withing concrete steps:

- Acquisition of Piraeus Harbor in Athens and turning it into a Global Transportation Hub;
- The Road and Belt Initiative, which has a prospect of turning the Europan states and China into the most valuable economic partners.

United Kingdom's relations with China are far more well-established than its European competitors. The historical background within UK-China cooperation might be considered in a different way among the officials of the respective countries. Yet the British policy of Compromises and Conciliation forged in the 1970th, memorable for the Hong Kong Handover deal of 1997 is paying off for the United Kingdom in the crucial moment of its Modern History.

The rather nationalist Chinese government, founded in the cultural paradigm of national humiliation of the Opium wars Era, growing its economy to be the 2nd in the World, and with that restoring its National Pride, sees the United Kingdom as an important Western Ally and Facilitator of the reformation of the Chinese Economy, rather than an old foe.

Brexit opens an opportunity to form British own economic partnership and alliance strategy without the holdback of the EU legislation. From 2010 there was a strategic shift towards China in the British Labour party government met very optimism from the Chinese side. That bipartisan shift towards one another continuing a decade, and the opportunities opened by Brexit, creates a very promising direction, underlined a decade ago by both of the parties.

The complex political and economic land space of both parties and the current situation requires a more detailed analysis of factors influencing if and why that Free Trade Agreement is possible. The factors are the following:

1. Factor of Hong-Kong and Civil Rights violations. 30 July 2020 In a press conference, Chinese Ambassador Liu says the relationship between the UK and China has been “seriously poisoned” and that the UK was at a “critical historical juncture” in its future with his country (BBC, 2020).

2. Factor of Competition with the EU concerning approaching the Chinese market. Parallel negotiations on FTA, from the UK and the EU.

3. Factor of approaching the USA facing Josef Biden presidency, resulting in the possibility of an economical ceasefire China-USA. Biden's sound Irish heritage and personal stance towards Ireland should put Westminster in a rather deadlock situation concerning the Irish border and the Good Friday Agreement.

4. The City of London, dominating European financial center, unleashing from the EU regulation and the authority of the European Court of Justice - huge opportunity for China and the whole Asian direction of further development, yet the threat of emerging competitors from EU major states like Germany and France.

7. The Factor of the Northern Ireland Customs Union and competitive advantage of UK's Trade with no European Court of Justice (ECJ), Commission regulations having an integral part of the state, Northern Ireland, as a member of EU Customs Union with the access to EU Common Market. A sensitive measure to prevent reescalation of the Troubles era, considering that IRA founding party had entered the Parliament of the Republic of Ireland the first time in 90 years.

4.3.1. The UK-EU Post-Brexit Economic Agreement

The UK Government position in Pos-Brexit trade deal negotiations implies the level of autonomy and limited obligation that suggests a similar to the Canadian Free Trade Agreement (CFTA), EU agreements with Canada and Japan, or rather return to European Free Trade Association (EFTA) configuration of economic cooperation with the EU.

The EFTA template would cover trade in goods but, unlike the agreements with Canada and Japan, would also include regulations to facilitate trade in services, a key

element for a service-based economy of the UK. It would exclude the free movement of persons and would allow the UK to develop its trade agenda.

The whole reasoning behind Brexit lies in the idea that the United Kingdom shall abide only a limited set of European regulations in its trade activities. Some of the norms and standards could be accepted voluntarily.

The UK proposes the adoption of separate bilateral agreements covering different policy areas (trade, fisheries, judicial cooperation, etc.) rather than a unified institutional framework. It envisages the establishment of dispute resolution mechanisms but explicitly refuses any role for the ECJ in these mechanisms (not even as an interpreter of EU law). Besides, many issues (competition policy, subsidies, labour and environment, taxation) would be excluded from the dispute resolution mechanisms, “in line with precedents such as CETA and the EU-Japan EPA” Besides, many issues (competition policy, subsidies, labour and environment, taxation) would be excluded from the dispute resolution mechanisms, “in line with precedent such as CETA and the EU-Japan EPA” (Eisl and Rubio, 2020, p. 7).

The EU's position implies EU–UK comprehensive economic agreement beyond the terms of the EFTA agreement or CFTA.

The EU has made it clear that privileged access to the Single Market would only be possible if the UK makes robust commitments to ensure a level playing field in certain areas (state aid, competition, social, labour, environment, etc.) (Eisl and Rubio, 2020, p. 7).

However, the EU's position has an important liability concerning Northern Ireland access to the Single Market and the Customs Union, its separation from borderless European legal and trade infrastructure would violate the Good Friday Agreement between the UK and the Ireland of 1998 that finished a continuous series of armed conflict and terror attacks over the British jurisdiction of the Northern Ireland and the question of the Irish Reunification.

EU states that the agreement should include an obligation to dynamic alignment to the EU acquis for competition policy, and non-regression clauses for the other policy areas. Besides, the EU would like the governing body of the future agreement to be able to “modify level playing field commitments in order to include additional areas or to lay down higher standards over time” (European Commission, 2020).

Finally, the EU has a strong preference for saving the unified dispute settlement mechanism involving the European Court of Justice. That bilateral positioning strongly suggests that the end of the transitioning period will end with a No-deal outcome.

The position of the UK is an outline of all prospected bilateral Free Trade Agreements, approached by the British government individually and, ideally, functioning autonomous without any external authority like WTO, ECJ in cases of dispute resolution.

With reaching the Trade and Cooperation Agreement in late December 2020, the UK succeeded in securing two essential both Westminster’s public image and the British economy problems: Free trade of goods and services and securing its internal waters with re-establishing domestic fishery.

4.3.2. The City’s of London Economic Diplomacy, Internatinalisation of the Renmimbi

The City of London Corporation is one of the most valueable assets of the British economy. It constitutes more than half of the entire industry of financial services of the UK.

Table 6. Financial and related professional services exports by region and nation, 2019

| Financial and related professional services exports by region and nation, 2019 | | |
|---|---|--|
| Region/ Nation | Financial and related professional services exports, £bn | Regional industry exports as % of GB industry exports |
| London | 67.4 | 52% |
| South East | 12.6 | 8% |
| Scotland | 9.7 | 7% |
| North West | 8.7 | 7% |
| Yorkshire and the Humber | 7.3 | 6% |
| South West | 6.6 | 5% |
| West Midlands | 6.4 | 5% |
| East of England | 6.3 | 3% |
| East Midlands | 3.0 | 3% |
| Wales | 2.5 | 2% |
| North East | 2.2 | 2% |

Source: Hutton and Shalchi, 2021.

The City of London, known also as Corporation within domestic British academia, is a Pan-European financial power that plays a great role in the economic diplomacy of the UK being not only one of the greatest assets in negotiation with China but the diplomatic actor itself. The City's offshore finance strategy, being the center of foreign currency flows, and trade of currencies of Europe dealing with international borrowing, lending, foreign exchange dealing, and trading. The gap between the UK and the next two most important European hubs, France and Germany, remains significant by the value of payments and its traffic.

The City's Special Advisor to Asia acknowledges that the Corporation is a bit of a chameleon, being simultaneously receptive to, and representative of, the interests of both private and public actors within the UK financial system (Green, 2017, p. 11).

Given the complicated situation around Brexit negotiations with European Union, The City's role as an actor is likely to intensify, as the City of London attempts both to reinvent its relationship to the EU and intensify its focus on the Asian financial markets. The conflict-mediator role of the City is could not be more useful in the current political crisis situation with the backlash of Hong Kong protests and alienation of UK-China diplomatic relations.

The Corporation's role is as part ambassador/networker; drawing together the relevant international players. And part market-maker: providing a forum in which fine-grained institutional and technical detail of RMB internationalization can be devised (Green, 2017, p. 13).

Concerning the investment relationship between the UK and China, there has been a bilateral investment agreement, the Agreement Between the Government of the People's Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland Concerning the Promotion and Reciprocal Protection of Investments that was concluded in 1986.

The BIT was intended to lay down a general legal framework for the promotion and protection of investment, particularly the UK investment. Except for the currency exchange agreement reached in 2014, no other agreement is relevant to the overall trade and investment relations between the two countries. The currency trading agreement made possible direct trading between the Chinese Renminbi (RMB) and Sterling, rather than through the US dollar. Currency exchanges facilitate the formation of a bilateral exchange rate, which in turn lowers transaction costs for the UK and Chinese companies (Kong, 2019).

The process of turning RMB into an international currency, the strategic goal of the Chinese government, might overcome political tensions over Hong Kong protests and

UK's pro-democracy stance in it. The long-run strategy of the UK-China partnership in the financial sector was introduced during Labour Prime-Minister David Cameron and was advocated by the Chancellor of the Exchequer, UK Minister of Finance equivalent, George Osborne.

Osborne's advocating for closer ties with China also shifted responsibility for China relations away from the Foreign and Commonwealth Office, centralizing Anglo-Chinese around the Royal Treasury. Once a top-level commitment to deepening UK-China finance cooperation had been coordinated, Osborne approached the City and tasked it with supporting the promotion of the RMB in the UK. This strategy of wider UK-China cooperation aimed to make London a hub for Chinese currency dealing, started with the currency swap agreement between the Bank of England and the People's Bank of China in 2013 (Crookes and Farnell, 2019, p. 6).

Chancellor Osborne suggested that 'the emergence of China's currency as one of the world's leading currencies will be the next huge change in the financial world (Panda, 2020).

In 2013, China opened its markets to British-based investors and allowed London-based asset managers to invest directly in Chinese RMB - denominated stocks and shares. Because of this agreement, London-based asset managers are the only ones within the West able to invest directly in this manner. By the beginning of the UK-China partnership under the Labour Government London accounted for 62% of RMB payments outside of China, gaining an important advantage over other world's financial centers.

To further these ties between London and Chinese banks the Bank of England's Prudential Regulation Authority decided that Chinese banks should be allowed to open new branches in the United Kingdom under the same rules that apply to other non-European Economic Area banks (Boleat, 2019, p. 143).

Under Johnson's cabinet, despite the tension around Hong Kong, Swift's RMB Tracker series, which monitors the Chinese currency's usage outside mainland China, has shown London to be second only to Hong Kong as an international hub for the Chinese

currency, and by far the most important European center (RMB Tracker Monthly reporting and statistics on renminbi (RMB) progress towards becoming an international currency, 2020).

The progress that has been made for 7 years by the City implies that the Chinese direction has bipartisan support within Westminster and only should be continued or, rather facilitated in Post-Brexit Era.

Considering the success of the 2010s UK Labour government with the joint UK-China Hinkley Point C nuclear power station £20.3 billion projects implying £30 billion Chinese investments, it is unlikely that the Conservative government of Boris Johnson would turn from the Chinese direction dismantling the years of progress, also promoted by the previous Conservative cabinet of Theresa May, and great investment perspectives in the period of restructuring the British economy for the new markets, and for the new terms of trade with the existing ones.

The City does, undoubtedly, have long-standing comparative advantages as an offshore financial center. But its growing importance to the Asian region can be used as leverage to ensure the dominating position over EU member-states using the City of London as a global financial center as it concentrates a third of all EU capital markets activities.

4.3.4. The Union of the Commonwealth and China. Comprehensive multilateral FTA in the Indian-Passific Oceans Region

The Commonwealth is an international organization concerned with the political and economic cooperation of the former Dominions formed after the process of Decolonisation of the British Empire. The Commonwealth includes such

developed economies as Canada, Australia, and New Zealand, which are the most relevant to the question of further development of the United Kingdom and China.

The Brexit and the deadlocked process of negotiating the trade agreement with the EU after the end of the transition period (currently 31 December 2020), surely, may lead to the refocus of the UK economy from the European countries to the Commonwealth,

especially given the progress of economic partnership in the area.

Australia and New Zealand both have free trade agreements with China, signed in 2015 and 2008, respectively. Moreover, Canada completed an investment agreement with China that entered into force in 2014 and has announced that it would explore the possibility of trade negotiations as well.

Australia was the UK single largest export market in the Commonwealth in 2019 - UK exports to Australia were £11.2 billion, around a fifth of UK exports to the Commonwealth and just under 2% of all UK exports.

Table 7. UK's largest Commonwealth export markets, 2019

| UK's largest Commonwealth exports markets, 2019 | | | |
|--|-------------------|-------------------|----------------|
| | £ billions | % C'wealth | % world |
| Australia | 11.6 | 17.8% | 1.7% |
| Canada | 11.5 | 17.6% | 1.6% |
| Singapore | 10.8 | 16.5% | 1.5% |
| India | 8.0 | 12.2% | 1.1% |
| South Africa | 4.8 | 7.3% | 0.7% |
| Malaysia | 2.6 | 4.0% | 0.4% |
| Nigeria | 2.6 | 4.0% | 0.4% |
| Malta | 1.9 | 2.9% | 0.3% |
| New Zealand | 1.7 | 2.6% | 0.2% |
| Cyprus | 1.6 | 2.4% | 0.2% |

Source: Ward, 2020.

Table 8. UK's largest Commonwealth imports markets, 2019

| UK's largest Commonwealth imports, 2019 | | | |
|--|-------------------|-------------------|----------------|
| | £ billions | % C'wealth | % world |
| India | 16.0 | 24.8% | 2.2% |
| Canada | 10.8 | 16.8% | 1.5% |
| Singapore | 6.7 | 10.4% | 0.9% |
| Australia | 6.5 | 10.0% | 0.9% |
| South Africa | 6.3 | 9.7% | 0.9% |
| Bangladesh | 3.2 | 5.0% | 0.4% |
| Malaysia | 2.6 | 4.0% | 0.4% |
| Pakistan | 2.0 | 3.1% | 0.3% |
| Nigeria | 1.8 | 2.9% | 0.3% |
| Cyprus | 1.3 | 2.0% | 0.2% |

Source: Ward, 2020.

2019 became an important milestone for the China-Commonwealth relations in the Region - The Upgrade of the Australia-China FTA.

The upgraded China-New Zealand FTA makes improvements to the FTA's existing chapters on Customs Procedures and Cooperation; Rules of Origin and Operational Procedures; and Technical Barriers to Trade. The upgrade adds new chapters on Electronic Commerce; Environment and Trade; Competition Policy; and Government Procurement. The agreement also includes new commitments on services and goods market access and outcomes on the movement of natural persons and investment (China FTA Network, 2020).

The very fact of Updating and intensifying FTAs with China from the Australia and New-Zealand side is implying the existing dynamics of trade facilitation within the crucial

members of the Commonwealth in the region. The next step of that dynamics's stem of economic diplomacy would be the ascension of the UK to that trilateral agreement.

Australia and the United Kingdom of Great Britain and Northern Ireland launched negotiations for a free trade agreement on 17 June 2020. The bilateral harmonization implied in the UK-Australian FTA draft and the existing trilateral FTA China-Australia-New-Zealand within crucial for both the British economy and the Chinese as telecommunications (Huawei) and the financial services (the City of London) as well as coercive regulations.

An important aspect of approaching China with the help of Australia and New-Zealand is the fact of existing negotiations with the EU. Australia and the European Union launched negotiations for a free trade agreement on 18 June 2018. As a bloc, the EU is Australia's third-largest trading partner.

4.3.5. The Irish Border, Good Friday Agreement and the EU

The Irish Border as it would contradict the Good Friday Agreement of 1998 that finished the brutal guerrilla warfare on the streets of Belfast and the terrorist attacks on cities in Great Britain known as The Troubles. The importance of the further commitment to the Good Friday Agreement is also facilitated by Joseph Biden, the President-Elect of 2020, being openly sympathetic towards official Dublin, several times expressed rather a hostile position towards the UK concerning Brexit resolution of the Northern Irish problem, claiming that Westminster acts in a harmful way towards its obligations for securing peace of Good Friday Agreement of 1998.

The current configuration of the Brexit process is stated in the «Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community» of 2019.

The arrangements solely dedicated to the complicated and sensitive matter of Northern Ireland are stated in the “Northern Ireland Protocol”, also known as an “Irish Backstop”. Considering that «Sinn Fein», the founder-party of the Irish Republican Army the party had entered the Parliament of the Republic of Ireland for the first time in 90

years. The current arrangement of the Protocol will apply differently in Great Britain and Northern Ireland. Great Britain, as an integral part of the United Kingdom of Great Britain and Northern Ireland, is no longer a member of the EU's Single Market for Goods and EU's customs union.

But Northern Ireland will stay in EU Customs Union, Commission and Court of Justice of the European Union shall have its jurisdiction there:

The objective of the Protocol is to address the unique circumstances on the island of Ireland, maintain the necessary conditions for continued North-South cooperation, avoiding a hard border on the island of Ireland, and protect the Belfast (Good Friday) Agreement ('the 1998 Agreement') in all its dimensions (The Protocol on Ireland/Northern Ireland, 2019, p. 5).

Northern Ireland Executive, the Northern Ireland Government, commissioned the Brexit impact research which states: "A key feature of the Brexit withdrawal deal and the Ireland/Northern Ireland Protocol is that Northern Ireland will remain within the UK customs area but that, for goods, it will also have access to the EU market without the requirement for border checks and tariff payments" (Lawless, 2020, p. 5).

The protocol highlights the unique circumstances and legal status concerning international and domestic trade. That creates an advantageous situation for the UK, as due to the legacy of the Troubles its integral part, Northern Ireland, will not lose access to the Single Market and shall use privileges of the EU Customs Union.

Hence, the UK shall be still an attractive economic partner to engage closer trade relations in the question of the UK ceasing to be obliged to observe a range of regulatory obligations in such areas as environmental, labour, social, and competition laws, which represent the EU standards. That is also connected to the status of the City and Northern Ireland's Custom Union Membership.

The UK Government has made commitments that Northern Ireland will have access to UK FTAs that are in force with third countries. How that commitment will be realized remains to be clarified fully.

The main concern of the EU officials and, to some extent, to the Northern Ireland government is whether the UK would abuse this opportunity to sell British goods to the EU without tariffs. The same reservations apply for the European goods coming from Northern Ireland. Northern Ireland is shall be both integrated into EU and GB markets. Secretary of the State of Northern Ireland had been granted the authority to get rid of EU paperwork concerning the movement of Northern Ireland goods to Great Britain.

To regulate the aspect of Northern Ireland's membership in the Customs Union and access to EU's Single Market the Government of the UK is preparing the Internal Market Bill, being amended by both Chambers of the Parliament and will be signed and enforced in 2021.

Internal Market Bill Northern Ireland Provisions:

(2) The mutual recognition principle for goods applies in relation to all qualifying Northern Ireland goods as if they were produced in, or imported into, Northern Ireland.

3) That principle does not apply in relation to goods produced in, or imported into, Northern Ireland that are not qualifying Northern Ireland goods, unless subsection (4) applies.

(4) If goods falling within subsection (3) are moved in a way that would, but for the fact that Northern Ireland is a part of the United Kingdom, amount for the purposes of the mutual recognition principle for goods to the importation of the goods into England, Scotland or Wales, the goods are to be regarded for the purposes of that principle as having been so imported (United Kingdom Internal Market Bill, 2020, p. 7).

Sections 3,4 regulate the protection of the UK's domestic market from EU goods that would be getting via Northern Ireland without tariffs and customs obstacles.

That is heavily criticized by the EU party in the negotiations as EU, due to the position of Ireland, seems, not able to set up an adequate protectionist measure of securing the EU Common Market from Northern Ireland Goods, as it is a crucial requirement that Northern Ireland shall stay the EU Customs Union member and shall have the access to EU Common Market. Northern Ireland is may be a liability to the EU Common market and a great possibility for the UK.

The negotiation over the Northern Ireland Protocol's provision of the Internal Market Bill of the United Kingdom, surely, complicating the overall process of Brexit negotiations, yet it puts the UK in an advantageous position, which could be used in relation to approaching China in developing FTA.

As claimed by Jullian Smith, the former Northern Ireland State Secretary, the UK would breach international law by abusing the special treatment of the Northern Ireland membership in the EU Customs Union, having free access to the EU Common Market, and having secured its domestic market, as provided in the Internal Market Bill, 2020.

4.3.6. UK's Financial sector as FTA's main facilitator

Chinese companies are known to be closely tied to the Chinese government, which largely influences their overseas business plans.

In particular, the Chinese state-owned enterprises (SOEs), such as China General Nuclear Group (CGN), China National Offshore Oil Company (CNOOC), and China International Investment Corps (CIC), have long favored investments in major infrastructure projects in the UK and worldwide (Yu, 2017, p. 110).

The SOE's have financial benefits from the state and support for overseas expansion, yet, concerning the big-scale projects, biased attitude and closer oversight from the European states and the USA.

Chinese SOEs are known to lack transparent corporate governance. That may lead to jeopardized major infrastructural projects and chinese businesses facing political resistance from the European part. Unlike Western multinational companies, their non-state shareholders play only a small role in determining their corporate strategies and overseas

investment plans. Instead, some party secretaries of the SOEs possess final decision-making power with regard to corporate strategies.

In the mind-set of both the Chinese government and investors – regardless of their ownerships, investing in the UK will ultimately increase their exposure to mature market economies, allowing them to learn sophisticated management skills and create long-lasting brand value for their products (Yu, 2017, p. 110).

Chinese SOEs are enthusiastic to participate in infrastructure projects in the UK as a stepping stone to global entry into developed economies, especially under the pressure of the tariff war and global competition with the USA.

UK's Ultra-Liberal Economy and Financial Sector are pushing the Chinese Economy further to the European and International markets. Chinese giants such as Huawei, which has suffered from such restrictions as national security review in the US market, have more liberal and unbiased

The UK was among the first European economies to embrace the China-initiated Asian Infrastructure Investment Bank (AIIB) in early 2015, earning it a sharp rebuke from the US, its ostensibly most important diplomatic ally. The UK within the EU was often found to be opposed to antidumping and/or anti-subsidy measures against imports against China (Mackiewicz and McCaleb, 2018, p. 258).

It also adopted a positive attitude towards the recognition of China's market economy status and the negotiation of the China-EU investment agreement.

Since 2013 there is ongoing work on EU-China Comprehensive Agreement on Investment.

With the EU-China Comprehensive Agreement on Investment (CAI), the EU seeks to create new investment opportunities for European companies by opening China's market and eliminating discriminatory laws and practices that prevent them from competing in the Chinese market on an equal basis with Chinese companies and companies from other third countries (EU Trade news, 2020).

Yet the European Commission and the High Representative of the Union for Foreign

Affairs and Security Policy pursue a political agenda beyond economical and financial operations regulations, which may be also viable in the process of committing to the final stage of the agreement negotiations. Such political pressure can be sensitive to the Chinese government especially after the Hong-Kong protests. The EU Council states that EU will strengthen the EU's cooperation with China to meet common responsibilities across all three pillars of the United Nations, Human Rights, Peace and Security, and Development, and elaborated a set of actions that would be on top of EU-China diplomatic and economic relations agenda:

Action 2: In order to fight climate change more effectively, the EU calls on China to peak its emissions before 2030, in line with the goals of the Paris Agreement.

Action 9: To safeguard against potential serious security implications for critical digital infrastructure, a common EU approach to the security of 5G networks is needed. To kickstart this, the European Commission will issue a Recommendation following the European Council (EU-China – A strategic outlook, 2019, p. 2-10).

That is where the competitive advantage of the UK comes to play in the relation of heavily regulated EU with a defined political stance towards China.

As was noted before the UK has experience in dealing with the Chinese business and its corporate culture. If FTA with the UK is conducted, the British Ultra-liberal economy and its financial sector would be open to China, moreover, Chinese para-state economic actors would not fall into ECJ jurisdiction.

FTA would also mean less trade in goods and services regulations, more freedoms in strategic pursuing modernization and internationalization of Economy in China.

Great Britain can provide China with a more liberal and desirable approach in addressing other problems in its economic relations with China, such as technical barriers to trade, regulatory obstacles, politically biased treatment towards Chinese enterprises.

Advancing the existing cooperation with the UK to the level of FTA not only is in line with its Belt & Road strategy, an ambitious geopolitical and economic strategy but helps avoid translating the friction between China and the US into a conflict between China and the West as a whole (Jackson and Shepotylo, 2018, p. 17).

4.3.7. The Role of European Court of Justice in FTA

In bilateral trade agreements, the EU includes a dispute settlement mechanism closely modeled on the WTO dispute settlement system. In the majority of cases, the resolution relies on formal provisions stated in the agreement.

The EU's toolset of resolution of the dispute within trade agreements includes bilateral consultations over the violated trade provision joint committees to monitor and regulate the trade agreements.

The ECJ jurisdiction can extend to trade partners determined by the depth of their agreements with the EU. This is the case in particular for deep and comprehensive free trade areas where legislative approximation and interpretation remain linked to ECJ jurisprudence.

Disputes relating to regulatory approximation retain the primacy of the ECJ to give a ruling. For instance, in its Opinion 1/17 (CETA), the ECJ held that the dispute settlement mechanism under an FTA was compatible with the EU acquis (Titievskaia, 2019, p. 25).

4.3.8. Political and Economic Constraints to FTA

The EU will constitute a major constraint on British policy towards China after Brexit. It will influence the UK economy and limit options for international negotiations, particularly if the UK remains in a customs union with the EU.

In 2018, the EU accounted for 49.3 percent of UK two-way trade, compared to 14.6 percent for the US and 5.3 percent for China (UK Trade in Numbers, 2020, p. 5).

The dominant influence of EU demand and market size on the UK economy compared to that of third countries with which the UK may negotiate trade deals. Some EU-based constraints may be accepted voluntarily. The UK may choose to align its standards and technical regulations with the EU in sectors where the EU is a major or dominant market for UK exports (motor vehicles, food products, pharmaceuticals) or where EU regulation has replaced US regulation as the world standard (chemicals) (Dhingra et al., 2017, p. 17).

In emerging technologies, the UK may choose to follow European standards to

assure its competitiveness with the EU Common Market. Wherever it aligns with EU rules and regulations, it may be reluctant to recognize different standards in agreements with countries like China.

In order to be able to finalize FTA, British officials need to find a balance between demands at home for stronger economic cooperation with China and highly controversial issues such as protests in Hong Kong, Uyghur persecution in the Xinjiang region, South China Sea military escalation.

Boris Johnson's cabinet's primary objective - is achieving a comprehensive trade agreement to compensate for Brexit-induced economic losses shall be harmonized with acceptable and sound and non-hostile policy towards different political systems of China. Difficult choices will have to be made in building a closer relationship with China after Brexit and British politicians will take full responsibility for the political and economic ramifications of their decisions.

The UK's history of membership in EFTA along with Switzerland, as both countries are advocates for its sovereign financial and trade policies and, both highlighting the somewhat uniqueness or authenticity of their economies.

4.4. FTA Possible Template. The Swiss-China FTA

Switzerland granted Market Economy Status (MES) to China in 2007, opened FTA negotiations in 2011, and only secured a final agreement after nine rounds of talks in 2013, with the FTA coming into force in July 2014.

The Swiss FTA with China of 2014 offers a possible template for the UK. Switzerland is a considerably smaller economy, its focus on financial services, and that the underlying structure of its competitive advantage towards of EU is similar to that of the UK.

Switzerland-China FTA led to the abolition or substantial reduction of import customs duties on both sides, but its implementation was asymmetrical.

For Swiss duties on goods from China, the majority of product categories were cut to zero immediately after the agreement came to force. Most tariffs on Swiss products

exported to China are set to be eliminated over the period from 5 to 12 years. That aspect of that asymmetrical approach might be problematic for the UK's officials within the negotiations process. Yet, it is the services chapters of the Swiss FTA with China which is the most interesting and relevant for the British establishment in given situation.

Two provisions in relation to bilateral trade in services:

The crucial provision of the China-Switzerland FTA Template is concerned with the financial services, in respect of ownership of joint venture firms, where special terms were granted to the Swiss companies nationwide, while previously the special terms acted within the Shanghai Pilot Free Trade Zone (FTZ). Which would be most relevant to the City of London, or just Corporation, with its struggle to secure its European dominance in the Post-Brexit period with the help of refocusing to the Asian market.

Switzerland secured its trademarks that went beyond trade-related aspects of intellectual property (TRIPS) standards, along with stronger enforcement of intellectual property violations of Swiss geographical indicators. The deepening in the economic partnership between the UK and China is due, in the main, to the complementarity in the dynamics of the two economies (Kong, 2019, p. 2).

This Economic complementarity, its dynamics, and the growth potential are clearly seen as a strategic direction for the UK, as the radical restructure of the domestic economy and internal trade configuration was conducted in the 1970s with the ascension of the United Kingdom to the European Community.

Theresa May visited China, hoping to reignite the «Golden Era» of UK-China economic relations announced by President Xi Jinping during his visit to Britain in 2015. May has made clear that she is interested in launching an FTA with China, the successive Conservatives cabinet of Boris Johnson, given the need for sustainable development of the Economy, shall continue to pursue this very perspective Asian direction. The cheap and reliable Chinese labor-intensive products are appealing to the UK market and help UK consumers sustain their living standards at a lower cost.

The investment flow between China and the UK is rising. According to the statistics of the Ministry of Commerce of China, 2017 recorded an outbound direct investment of US\$2.07 billion in the UK, exhibiting an increase of 39.6% over 2016 while the UK direct

investment in China was US\$1.35 billion in 2016 (Bencivelli and Tonelli, 2020, p. 10).

The complementarity, which originates from the respective economic endowments and development paths of the UK and China, is revealed in the evolving patterns of bilateral trade and investment flows. China has also become the economic powerhouse that the rest of the world is turning to in the aftermath of the new global economic crisis and Pandemics

Generally, it is hard to see what additional market access the UK could offer to China in order to leverage significant advantages in return. It is already one of the most open economies and the domestic and international pressures referred to earlier will tend to inhibit further negotiating leverage with China (Crookes and Farnell, 2019, p. 11).

The further development of economies' integration within the FTA configuration shall be set and focused on services with great attention to the financial segment and the City of London involvement.

Seen from the Chinese standpoint, it is also unrealistic to suppose that China would be ready to offer the UK, a relatively small economy compared with China's principal trade and investment partners such as the USA and EU, privileged access to its market without the strategic positioning of Chinese SOEs and RMB in Europe (Irwin Crookes and Farnell, 2019, p. 11).

However, given the current situation of the UK with rather successful yet far from comprehensive UK-EU Trade and Cooperation Agreement, the strong focus of the Royal Treasury as set by George Osborne shall not be abandoned.

Table 9. Summary of the UK-China FTA opportunities in Post-Brexit period

| External Factors | Opportunities | Threats |
|---|---|--|
| Internal Factors | Strengths | Weaknesses |
| | <ol style="list-style-type: none"> 1. China is interested in turning RMB into the world's currency and is currently set to work with the City of London Corporation. 2. China has a strategic goal of developing its service economy and can turn to the advanced British finance sector as the main part of comprehensive FTA. 3. The trilateral agreement of Australia, New Zealand, and China can facilitate the development of either a separate UK-China FTA or implementation of a multilateral agreement. | <ol style="list-style-type: none"> 1. EU had approach China with Investment Agreement retaking initiative to modernise the Chinese economy. 2. Northern Ireland, at the moment, is more integrated into the EU than to the UK. That can be the basis of the political crisis over the Irish border. 3. Due to the Hong Kong controversy the diplomatic relations with the UK are in deep crisis. FTA negotiations could be compromised with the termination of diplomatic relations |
| <ol style="list-style-type: none"> 1. The City of London Corporation is European leader in financial services. 2. Historical ties with Hong Kong, service-based capital of Chinese economy. 3. Close historical, political, and cultural ties with Australia and New Zealand, commonwealth member states that deeply connected with the Chinese economy. | | <ol style="list-style-type: none"> 1. Northern Ireland still a member of the EU Customs Union. 2. EU-UK Trade and Cooperation Agreement is not comprehensive and missing the resolution of some crucial for the UK aspects like the status of financial services. |

5. Results and Discussion

5.1. Results

1 Hypothesis: The UK is the most important trade partner of China in Europe, consequently hypothesis.

The conducted analysis in the thesis states that both China and the UK have a strong focus on the service economy, majorly financial. The UK had formulated a global strategy of approaching a «Golden Era» with China a decade ago and now due to Brexit is willing and has a unique opportunity to re-animate that strategy. As the British have an advantage of strong historical ties with Hong Kong, a service capital of the Chinese economy.

In the case of the development of the service economy, especially financial services and China's ambitions on the foreign exchange market for its RMB, the United Kingdom is proven to be the most important trade partner of China. The importance of financial services in the economic relations with China proves the EU's firm dedication to finalise the Investment Agreement that may seriously harm the UK's strategy, as the EU shall become a rival strategic partner of China.

Hypothesis 1 shall be proven to be true only with condition to define «the most important trade partner » as the foundation of the strategic development of service-based economy and its sustainable development. It is a means of salvation from the diminishing position of China as the world's manufacturer and exporter of goods.

2 Hypothesis: UK's Post-Brexit independence in policymaking creates a favorable opportunity for a Free-trade agreement with China.

Despite the various issues of concern within the complicated and contentious process of Brexit that is not yet reached its full resolution even with the great advancement that brought Christmas Eve's UK-EU Trade and Cooperation Agreement, the strategic position of the United Kingdom has more advantages in the post-Brexit period.

The financial services and the movement of persons are going to be the major topics of further negotiations. The UK had secured the terms of trade in goods and services with the EU and re-establish absolute sovereignty moving out from the authority of the European Court of Justice an ultimate dispute resolution mechanism within the EU.

The United Kingdom acquired the ability to formulate its independent foreign policy and has a strategy of refocusing its economy from Europe towards the Asian region, particularly China.

It is undeniable that the current Brexit resolution is the ultimate success for the UK and does not have any adverse effects. The position of Northern Ireland as a part of EU's Customs Union and protectionist provisions stated in the Internal Market Bill may have a prerequisite to becoming a major political and social crisis over unresolved historical clashes over the authority at that subject of the UK, yet the Free Trade provision stated in UK-EU Trade and Cooperation Agreement may help to avoid the escalation on Ireland-Northern Ireland border.

The political crisis over Hong Kong protests was met with the strong position of the British government over the civil rights violation. That, in its turn, is having a rather dramatical negative impact on general diplomatic relations and mutual institutional within Hong Kong, where the financial cooperation between the UK and China is presented the most. The political hostility would probably be overrun with the help of non-state actors within China strongly affiliated with the official Westminster agenda. ChinaBritain Business Council is the best-suited organisation for that role, having the top-management represented with the former British diplomats and representatives of deeply rooted private British corporations acting in China for centuries with the excellent network within the state.

Hence, the UK has mechanisms of resolution Brexit-induced political and economical problems and, at the same time, is free to implement its strategy towards China. Hypothesis 2 is found to be proven to be true.

5.2. Discussion

The reestablishment of the UK-EU relations formalised in the Trade and Cooperation Agreement is still a continuous process, as the document itself notes the dynamic structure of provisions that are subject to further adjusting. The future agenda for the UK-EU relations shall include comprehensive resolutions of two sensitive political questions of Northern Ireland and Gibraltar possibly in a global framework of restructuring Common Foreign and Security Policy cooperation between the Union and the United Kingdom.

The second cluster of problems to negotiate companies economic issues as to broaden and deepen Trade and Cooperation Agreement with subsidiary sections or sub-treaties in uncovered areas of Education, and decision on Free movement of persons that shall replace 3 months visa-free temporary resolution.

The framework of Post-Brexit UK-China relations is favorably affected by the internal issues of China and its place in the world's economy. In the medium term, China is tying its future to creating an indigenous, high-tech economy where labour and capital produce very significant added value. In the short term, however, it will need to revive the economy to recover some of the lead it has lost because of the effect of the pandemic, with its place in global supply chains particularly vulnerable.

It could be stated that China is naturally inclined to foster closer relations with the UK due to the Brexit, the problematics of Hong Kong, and China's security policies in that territory is a substantial drawback in the way to the FTA. However, it can be the rivalry with the EU over the investment and financial services sphere of China, British non-state diplomatic actors like China-Britain Business Council to lessen the level of political hostility over the sensitive for both parties issue.

Conclusion

The notion of diplomacy implies the art of negotiation. The aim of diplomacy is the maintenance of peace and amicable relations between states. The economy is the traditional aspect of diplomacy and was the crucial mechanism of conflict resolution and establishment of international relations.

The main feature of economic diplomacy – it is the instrument of soft power advancement of national interests overseas by facilitation of a strong economy and, hence, strong international connections. As the implication is that the trading partners in interconnected world markets are less likely to engage in military conflicts. International disputes could also be resolved with the economy, as this concept has been present and developing throughout the history of human civilization.

The notorious historical cases of strong non-state diplomatic actors were the Templar order, Hanseatic League British East India Company, Dutch East India Company. The new economic diplomacy is the natural transformation in the new informational society, which has been developing since the 1980s. In the globalization era of the 21st century, there is a far more increased importance of the non-government actors, than in previous periods. Economic diplomacy is also mainly related to heterogeneous relationships (business-states, businesses-NGOs, companies-opinion movements). Ministers of foreign affairs, diplomats, and heads of government are acting along with the corporate officials in order to advance the national interest and financial performance of the state and the company.

British-Chinese relations dating back to the XIXth century is closely connected to the notion of economic diplomacy as its case underlined and in some aspects formulated the further development of new economic diplomacy in the modern globalized world.

The case of the UK-China relations in a historical perspective is distinguished by the importance of the private actor in forms of corporations action on behalf of the Royal Government yet pragmatically and aggressively pursuing financial benefits, which has the best-known form of so-called Opium diplomacy. Despite the evident cases of abuse and neglect of some aspects of national sovereignty by the United Kingdom, it was Britain to push modernization in China and rebuild the traditional feudal state into the modern one.

The topic was chosen due to its current relevance of the most recent development of European diplomacy that will affect the EU, UK, and China in its multilateral relations. The thesis was elaborated using the most current anglophone and francophone literature covering the theory of economic diplomacy, nature, and development of the EU-UK relations. There also conducted work with primary sources in the forms of international treaties, agreements and provisions, regulations, and statistical data.

In order to restructure its and boost its service economy and make it globally competitive China is facing certain provisions that need to be conducted. To establish sustainable cooperation in essential aspects of the service economy with the EU or the UK, China would face the obligation of implementation of a set of provisions that would ensure the transparency, fairness of mutual business, and general adherence to values shared by the EU member states and democratic global society. Provisions would include improvement and maintenance of acceptable levels in sectors of civil rights, social and labour standards, climate awareness, and responsible industry.

This thesis used an interdisciplinary approach. The theoretical part of the thesis builds on the current literature review, identifying the main trends and research questions of the issue. There were analysed relevant primary sources in form of economic agreements, treaties, provisions, and strategies.

There were formulated two hypotheses to prove:

Hypothesis 1. The UK is the most important trade partner of China in Europe, consequently hypothesis. Hypothesis 1 is – proven to be true if to consider the necessity of China to substantially develop its services economy and turn RMB currency into the world's one.

Hypothesis 2. UK's Post-Brexit independence in policymaking creates a favorable opportunity for a Free-trade agreement with China. Hypothesis 2 – proven to be true. Brexit creates an opportunity to refocus the British economy, especially its service sector to the Asian direction as it was advocated by the creator of Chinese strategy George Osborne, former Chancellor of the Exchequer in Cameron's government.

Naturally, the question of Brexit was not only focused on the economy yet the major factors were the contribution to the EU budget and trade and overall disparity of the intra-EU trade. The Brexit agenda praised the unchallenged authority of the Supreme Court and the Royal Parliament, as well as the Government of the United Kingdom, over the British territories. The UK's ability to formulate its foreign policy and freedom to engage in various economic and political treaties not regulated by the European Court of Justice.

The UK position while approaching China is characterised by factors:

- Close historical and economical connections with Hong Kong, major financial services;
- UK-EU Trade and Cooperation Agreement and its further development in spheres of financial services, freedom of movement.
- High level of economic cooperation of China with Australia and New Zealand, Commonwealth member states, due to the trilateral Free Trade Agreement;
- EU-China relations and negotiations over Investment Agreement;
- Northern Ireland-Republic of Ireland border and the status of the Northern Ireland as a part of EU Customs Union;
- Status of City of London as major financial services capital of Europe and its business with the Chinese currency exchange.

For China, the UK is a very familiar Western partner with very important assets like the City of London Corporation. The most likely framework of the UK-China Free Trade Agreement is to be set similar to China-Switzerland Free Trade Agreement. The fact of reaching the Free Trade Agreement between the UK and the EU has fortified the position of Westminster in approaching China, setting a rivalry with the EU and its ambitious development of Investment Agreement negotiations. The non-state British actors will play a significant role in competition over priority in China's service economy. Thus, given the current Chinese strategy coined in the 2010s by the previous Conservatives government shall not be abandoned and Brexit facilitated that development.

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