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The ICES Bulletin

- Bringing you the latest insights on China-Europe relations -

Dear ICES friends...

We are delighted to present you the latest issue of our bi-monthly Newsletter. We warmly invite you to take a look at our takeaway, the events we participated on, and this month's event recommendations.

- Editor's Note -

Few relations are as crucial and valuable as the ones, past present and future, connecting Europe with China. At the ICES, we believe regular knowledge-sharing can be the bedrock that empowers mutually beneficial partnerships and the foundation for fruitful collaborations. In this biweekly newsletter, we identify and highlight the latest ideas and developments in a variety of fields, in view of improving cross-continental communication and understanding.

The ICES' Takeaway from this edition:

The discussion on EU-China relations is going on amid the holiday season. It seemed suggested from the developments on the ground and reflections in the public opinions that the EU is still trying to keep a balance between maintaining a mutually beneficial relationship with China and its de-risking strategy from the country. EU is also facing challenges in treading on a distinctive line from a rising US-China strategic rivalry. There is also a growing interest in how the EU continues to play its role in Indo-Pacific when potential flashpoints such as territorial disputes in the South China Sea keep flaring up from time to time.

NEWS ROUND:

BUSINESS & TRADE



Renault Chairman warns of supply-chain “China storm”

Renault's Chairman warned that China's export restrictions on gallium and germanium, crucial metals used in EV and semiconductor production, are creating a challenging situation for the European automotive industry, which he refers to as a “Chinese storm”. The Chairman also highlighted the potential disruptions and the need for costly new supply chains to reduce China's dependencies.

Navigating a context of competition, contest, and tech curbs: the EU, US, and China

Joe Biden recently signed an executive order to prohibit and restrict US investments in Chinese entities in the three tech sectors, meanwhile, the EU declared that, despite staying in contact with the White House, it will wait to make its own proposal by the end of the year. A core concern for Germany, France, and other member states that have expressed their worry about following a similar path to the US, pointing out the divergences between the US and EU economies and the different levels of intertwining of the former with China.



Chinese EV firms concern European carmakers

Electric cars outsold diesel cars across the EU for the first time in June this year, showing consumers' willingness to move towards cleaner vehicles. The change in the demand has opened the market to Chinese automotive manufacturers, such as BYD, that aspire to eventually become major players in Europe's competitive market. Such aspirations have led European carmakers to express their concern about their ability to stand up to the competition and pressed the Commission's trade defence unit to consider the possibility of launching an investigation into Chinese car manufacturers, potentially leading to the imposition of restrictions protecting Europe's own car production.

EU trade chief presses China on “unbalanced trade relationship” and China reacts

The EU trade chief Dombrovskis declared that Brussels would press China to lower barriers to European exports during a high-level meeting to take place in September. The representative stated that the China-EU trading relationship remains “very unbalanced”, and China is running a huge trade surplus. Despite this, he remarked on the bloc's desire to maintain good relations with Beijing. The Chinese side responded by stating that China had never sought trade surplus deliberately and argued that many EU companies have benefited from China-EU trade.

EU-CHINA RELATIONS

China responds to Italy's intention to leave the BRI

Italy has expressed its intention to leave the BRI, despite trying to avoid any damage to its relationship with Beijing, arguing that the two countries could enjoy good relations without Italy having to be part of the initiative. China replied by criticising “home forces” for “hyping up and politicising” China and Italy's cultural and economic exchanges via the BRI, stating that the moves have “interfered with cooperation and created divisions”.



How the EU can achieve the goal of de-risking from China is still being debated

The EU is looking to diversify its supply chains in the digital, green, and health industries, as well as make better use of existing trade rules, defend critical sectors, and increase trade with other countries. However, achieving so will come at a cost and with a plethora of challenges that the EU will have to handle, including finding a joint position on China and using the limited time von der Leyen's term has left to push the economic security agenda before a new Commission is in place by 2024. Still, EU officials increasingly accept that breaking ties with China will prove difficult, given the size of its economy.

Von der Leyen takes aim at China during her visit to Manila

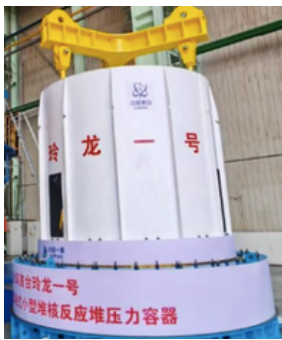
During her speech at the Philippines Business Forum, the Commission's President took the opportunity to blame China on the South China Sea issues. Von der Leyen also committed to deepen maritime security cooperation with the Philippines.



France expected to “stabilise the tone” of EU-China relations

China and France's representatives engaged in trade talks in Beijing on 29 July. Chinese Vice Premier He Lifeng said he hoped France could stabilise the tone of EU-China relations, while French Minister of Economy Le Maire outlined that the country sought better and more balanced access to the Chinese market. Le Maire said important advances had been made in French-Chinese relations in different sectors, while He Lifeng viewed the meeting as a positive signal.

HAINAN



Hainan welcomes the core module of the world's first commercial small modular reactor

The core module of the Linglong One, the world's first commercial small modular reactor, has been unloaded at the Changjiang Nuclear Power Plant in China's Hainan province. The reactor is expected to provide clean energy support for the province to build a national ecological civilization pilot zone and a clean energy island, setting the path to realising China's carbon peak and carbon neutrality goals.

Hainan witnesses a foreign trade surge

The dynamic performance of private enterprises has played a crucial role in Hainan's foreign trade, which has maintained rapid growth in the first half of the year, increasing import, and export volumes, optimising trade structure, and improving trade quality. The EU, ASEAN, and Australia are among the top three trading partners of the island from January to June 2023.

Hainan: a popular summer destination

Due to the high temperatures in northern China, families and students are visiting Hainan to enjoy water sports and a change of scenery. And with the approval of a visa-free entry for individual tourists from 59 countries, the island's attraction has extended to international tourists.



Hainan's duty-free shopping booms during summer vacation

Profiting from the summer holidays, the Haikou International Duty-Free Shopping Complex has experienced a surge in tourists, both domestic and foreign. The increased number of visitors, attracted by Hainan's natural attractions but also by the range of duty-free products it offers, has led to a duty-free shopping boom.

Hainan and California partner to fight climate change

A new Memorandum of Understanding has been signed between the State of California of the United States and China's Hainan province outlining five areas of cooperation to fight the climate crisis at a global scale. The former comprises cutting air pollution, developing and implementing climate adaptation and carbon neutrality plans, advancing clean energy, accelerating zero-emission vehicles, and driving nature-based solutions.

Europeans in Hainan

Hainan welcomes European presence in the province after Germany's Bielefeld University of Applied Science announced to set up China's first institution of higher education wholly owned by a foreign university. Efforts that have led to cases like Isidro's, a Spanish cooking teacher that turned into a foreign mediator at the Second Foreign-Related Civil and Commercial Tribunal of Hainan.

RECOMMENDED RESOURCES

For this edition, we suggest you check the following materials:

- ETNC: [From a China strategy to no strategy at all: Exploring the diversity of European approaches](#)
- EPC: [EU-China Relations: Decoding complexity, mitigating risk.](#)
- Emanuele Scimia on SCMP: [Germany's China strategy reflects the country's delicate balancing act](#)
- Ann Mettler for POLITICO: [Europe lost to China on solar — now it's about to do the same with wind](#)
- Peter Morici for MarketWatch: [U.S. and Europe are finding that breaking up with China is hard to do](#)
- David Matthews and Raffaele Guerini for Science Business: [Bans, flagships, and a green pivot: the state of EU-China research relations](#)

PREVIOUS EVENTS

Over the past weeks, the ICES has actively participated in a series of events, and we are delighted to share some insights from a couple of them:



July 20, 2023. Hanns Seidel Foundation. A New Momentum for the MERCOSUR Trade Agreement under the Spanish EU Council Presidency?

The panellists shared their views on the potential and feasibility of an EU-MERCOSUR trade agreement. They also reviewed the recent EU-CELAC summit in Brussels and highlighted the momentum it provided to back and enhance the EU-MERCOSUR trade agreement. Another topic of discussion was the EU's Global Gateway in its relationship with the Latin American countries. China was briefly mentioned regarding its role and presence in Latin America. Overall, despite some disagreements on the dynamics between the EU and Latin American countries, the optimism about the EU-MERCOSUR trade agreement prevailed.

Moreover, we had the chance to attend an online webinar covering the implementation of **FDI Screening in Belgium** organised by the Flanders-China Chamber of Commerce.



July 26, 2023. Hessen Representation: Europe Has Voted. Spain After the Elections

On this occasion, we attended an insight presentation and reflection on the results from the Spanish elections held on July 23, 2023, from the hand of Mr. Aitor Hernández-Morales, a POLITICO journalist expert on the matter. Together with a discussion shared with Mr. Bengt Ljung, the interventions showed the singularity of the results in the history of Spain and pointed out the uncertainty framing the next steps. Overall, Mr. Hernández-Morales provided some reassurance on the limited impact of the results at the European level under the context of the Spanish Presidency.

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info@ices-eu.org