

JUNE 15, 2023

# 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:

As the EU implements measures to strengthen its trade defence strategy, the bloc faces growing pressure as the industry sector strives to adjust to the Green Deal targets and requirements despite lagging far behind China in the mining and processing of critical raw materials. Meanwhile, Chinese investment in Europe is declining and changing in nature and sector. Beyond the discussion on de-risking and its complexities, the bloc has shared its intention to increase its presence in the Indo-Pacific and decided to narrow its list of Chinese firms subject to sanctions. On the diplomatic front, China and France have reaffirmed their commitment to a political settlement in Ukraine. Regarding Hainan, the island has gained interest from UK businesses and is working to contribute to carbon goals through its initiatives.

## NEWS ROUND:

### BUSINESS & TRADE



#### **The EU agrees on a new anti-coercion trade tool**

The EU agreed on a trade tool aimed at punishing countries seeking to pressure one of its member states after China targeted Lithuania with a set of trade restrictions for enhancing ties with Taiwan. The agreement would allow imposing tariffs, restricting investment, and limiting access to public contracts for those nations partaking in economic blackmail, sending a strong message that the EU rejects all forms of economic coercion.

## **France pushes the EU to engage in a trade war with China**

Answering to the forced electrification ordained by the EU in the wake of the fossil fuel ban for 2035, France is pushing to hit back against China's 'unfair advantages' in export sectors like electric vehicles. A symptom of the struggle faced by European car-makers when it comes to competing with China over electric vehicles in the European market and in the Chinese one, since European companies need to catch up to the preferences of the Chinese consumers. Despite the French demands, however, the EU remains wary about the risks of triggering a trade conflict with Beijing.

## **China's investment in Europe is changing while decreasing**

A recent study published by Rhodium Group and MERICS has shown the ongoing decline in Chinese FDI in Europe, reaching a new decade low in 2022. The former has also been accompanied by a change in the nature and target of the investments, shifting and focusing on the automotive and consumer-oriented sectors. Despite the changes, Europe remains a relevant market with prospects and, thus far, more openness to Chinese investments than the US.



## **China is ahead of Europe in critical raw materials**

The country is strategically far better prepared than the EU when it comes to the Green Transition, as it counts with an edge of at least 15 years in terms of the mining and processing of critical raw materials. Given that these materials are key to fuelling the net-zero industry and ambitions, uneasiness over how the EU can overcome this challenge is growing.

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## **EU-CHINA RELATIONS**

### **China and France reaffirm commitment for political settlement in Ukraine**

Top diplomats from China and France agreed to keep working to foster the conditions to start a political settlement in Ukraine. The exchange came days after China's special envoy for Eurasian affairs concluded his tour to European capitals to promote peace talks, throughout which he expressed Beijing's readiness to assist in easing the tensions and promoting negotiations.



### **The Shangri-La Dialogue and the EU's ambitions in the Indo-Pacific**

The EU turned to the Shangri-La Dialogue to formalise the intention to increase its presence and security engagement in the Indo-Pacific after the rising tensions in the region. Borrell remarked on the potential for working together to promote peace and security, thus avoiding confrontation in the area, and acknowledged the EU as a reliable security partner. This conception was challenged by some participants, like China's ex-ambassador Cui Tiankai, who questioned the bloc's success in ensuring the continent's security, embodying the perception of the EU as an extra-regional actor with limited impact on the regional security dynamics. Despite the divergences, the EU appeared as a key interlocutor with Beijing.

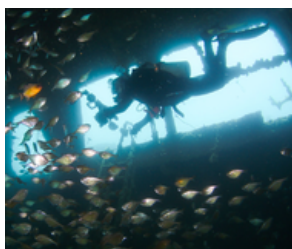
## **De-risking and its complexities**

Despite the widespread presence of the term 'de-risking', there is still confusion on what it means and concern over its impact. And even though there is broad support for reducing Europe's dependencies on China, disagreements emerge on the way to do so, as some countries warn against mimicking the US' route while others push for a tougher approach. There are also worries that the Commission is moving too fast and too extensively, intruding on the member states' national jurisdiction by mistaking trade policy with national security.



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## **HAINAN**



### **High-tech marine ranching aids Hainan's environmental protection**

The Wuzhizhou Island in the Hainan Province is building a modernized marine ranch to monitor and restore the local marine ecosystem. The improved eco-environment has attracted hundreds of species to the ranch, and it is working to contribute to China's 'dual carbon' goal with its biodiversity advantages.

### **Hainan promotion in London**

Representatives from business associations and enterprises in the UK have expressed their interest in the Hainan Free Trade Port at the Hainan Free Trade Port UK promotion conference in London. The former has translated into seizing the opportunities offered by the port and actively participating in its development after the strong momentum Hainan has gained in advancing towards becoming a free trade port with a world influence, with Hainan officials pledging to further open to the world.



### **Hainan, PB Liner and fish collagen peptides**

After PB Leiner's announcement in November 2022 of its joint venture with the Hainan Xiangtai Group to bring fish collagen peptides to the world market, the first production batches of PB Leiner's SOLUGEL product are on their way to customers in Asia and the US, answering to the growing demand for the product.

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## **RECOMMENDED RESOURCES**

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

- The EIAS: [Understanding and Engaging China in the Fight Against Climate Change: Perspective for the EU](#)
- Foreign Policy: [Is China re-shaping the Global Oceans Regime?](#)
- European Council on Foreign Relations: [Keeping America close, Russia down, and China far away: How Europeans navigate a competitive world](#)
- John Bruton for Fair Observer: [Two Reasons China Can Be a Valuable Partner for Europe](#)

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## **PREVIOUS EVENTS**

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



**14 June 2023: Bruegel. From Metals to Minerals: Building the Right Policy Mix for EU's Critical Raw Materials' Supply'.**

The speakers exchanged their views on creating the right policy strategy for the EU concerning the supply of critical raw materials. The discussion touched upon strategic interdependency, the need for consistency and flexibility in order to understand the different speeds involving industrial activities and their regulation, and the relevance of working with emerging economies to diversify the sourcing of critical raw materials while ensuring a mutually benefiting exchange, among others. Due to its inherent link to the topic, China was often mentioned.

**15 June 2023: Friedrich Naumann Foundation. Future Prospects of EU-UK Co-operation Regarding New Stories of Power**

The discussion addressed the EU and the UK's relationship with China and their respective transatlantic partners, under the context of complexity, interconnectivity, and conflict framing such engagements.

Under the Chatham House Rules, and among the different topics covered, the interventions strengthened the importance of finding a way to maintain a functional relationship with China without this coming at the cost of the multilateral system. They also reviewed the different narratives encompassing the actions of China and the EU. And on de-risking, the comments pointed out that the strategy is still being framed and understood, with the questions being what is to be de-risked and how the EU is supposed to do so.

On the topic of the Green Deal, we had the opportunity to attend Scotland House's event '**Transport Decarbonisation: Hydrogen's Role in Meeting Net Zero Ambitions**' and Microsoft's webinar '**Green Transition Challenge: Closing Sustainability Skills Gap**', which provided a more extensive insight on the scope of the EU's Green Transition. Additionally, we were present at significant gatherings such as the **European Health Summit** and the **EU-Africa Business Summit**.

In terms of security discussions, we had the chance to participate in the events '**Europe's Evolving Role in US Grand Strategy: Indispensable or Insufferable?**' organised by the Egmont Institute, and '**The EU's Legal Contribution to International Peace and Security**' hosted by CEPS.

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