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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 main highlights of this edition lie in the EU's economic security strategy proposal and the conclusions gathered after the Summit hosted at the end of the month. The topic has been present both in the political and the economic spheres, as the bloc is seeking to find its voice and position in a context of complexity and relative uncertainty. However, the EU's goal seems halfway achieved, as despite developing these kinds of strategies and the measures accompanying them, priorities are still being balanced by the member states. Hence, while waiting for the upcoming steps to advance the economic security strategy, requiring the member states' saying, the de-risking approach seems to have toned down. On Hainan, progress is on track, fostering the opening of the island to investment and tourism.

NEWS ROUND:

BUSINESS & TRADE



The US vs Europe's divergence on Chinese EVs

The US and the EU diverge on the approach towards China's increasing lead in electric vehicles. While the EU remains more open to Chinese carmakers penetrating the market, the US stays hawkish and protective of its market. Still, China possesses 2/3 of the world's total registered battery electric vehicles and controls 76% of global battery cell production capacity. Hence, the country's potential for disruption is feared in both Europe and the US.

Reluctance towards the new outbound investment measures

The Commission's idea to implement stricter economic safeguards on outbound investments as a measure to protect European interests, by integrating new systems to scrutinize investments and control exports of highly sensitive technology has been met with reluctance from the Member States, particularly Germany and France. Since despite agreeing on the need for a clear framework, these also seek to be cautious at the same time. Preoccupation has been expressed by Ambassador Fu Cong, fearing that the implementation of such measures will negatively affect the business community and the trading relationship between the two entities.

EU-CHINA RELATIONS

The EU's economic security strategy and China

On June 20th, the Commission presented the EU's new economic security strategy. Outlined as a priority for the EU and many of its partners and based on three policy strands: promoting, protecting, and partnering, the former is seeking to provide a more comprehensive approach to risk management. Despite not directly referring to the country, understood as a top concern, the measures do challenge China's growing economic might.



The Chinese Premier Li Qiang answered by acknowledging the strategy, but remained reluctant on its definition and limited boundaries, rejecting a generalised application of the concept. Particularly after China's effort to reboot trade ties with the bloc, with the letters of intent on cooperation with European corporate giants in multiple areas signed during the Premier's visit to the top EU economies acting as an example. On the European side, besides Hungary's foreign minister's declarations naming the strategy a 'suicide' for the economy, general acceptance seems to be the answer.

China criticizes EU ban on Huawei and ZTE

The Commission's call for more countries to ban Huawei and ZTE, considered high-risk vendors, from their 5G telecoms networks was firmly opposed by China, arguing that the Commission had no legal basis nor factual evidence to prohibit the companies, and claiming that the decision goes against the principles of free trade. After the proposal for an economic security strategy, Commissioner Breton responded that the decision was justified and in line with EU guidelines, as it sought to avoid maintaining critical dependencies that could become a weapon against the bloc's interest. Thus far, only 10 out of the 27 member states have imposed restrictions on "high-risk suppliers" despite part of the guidelines on 5G cybersecurity, stemming from China's 2017 National Intelligence Law, dating back to 2020.

European Summit 29-30 June: conclusions on China

The conclusions from the European Council identified China as the triad 'partner, competitor, and systemic rival' and outlined the bloc's intent to maintain its engagement with China in addressing global challenges. Likewise, the document addressed the economic and trading relationship between the two entities, rejecting any sort of decoupling but seeking to reduce critical dependencies and vulnerabilities to ensure a balanced and reciprocal relationship. On security matters, the conclusions called for China to press Russia to stop its war of aggression in Ukraine and acknowledged the EU's concern for stability in the South China Sea and on human rights while recognising the improvements achieved thus far.

HAINAN



Infrastructures completed at the Qinglan Port

The development of the Hainan Free Trade Port keeps advancing with the construction of necessary infrastructures being completed at the independent customs operations project in the Qinglan Port of Wenchang. It is expected that by the end of 2025, independent customs operations will be taking place throughout the whole island.

Hainan's promotion in London and Geneva

For the first time in three years, the Hainan Province is holding large-scale promotional conferences in London and Geneva advertising the island's Free Trade Port. With attention directed towards finance, education, biomedicine, high-end food, health care processing, and retail tourism, the island representatives introduced the FTP's preferential policies and showcased China's opening-up. As a result of the exchanges, seven new projects were signed, and local businesses expressed interest in expanding their market reach in Hainan.



Hainan: a new stop for international cruises

With the restart of China's cruise industry, Resorts World Cruises has announced its plan to sail to Hainan in its new winter season, becoming the first international cruise ship to Hainan. The initiative will allow to showcase Hainan's visa-free access and duty-free shopping attractive, and encourage international tourists to visit the region.

RECOMMENDED RESOURCES

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

- Elisabeth Braw for POLITICO: [To reduce dependence on China, more of us need to work in factories](#)
- Dan Pototsky for SCMP: [The US, EU and China need each other, regardless of the heated rhetoric](#)

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:



June 20, 2023. Friends of Europe: Peace, Security and Defence Summit – Beyond the Aftermath: Envisioning the New Security Normal

The event addressed the security and defence situation in Europe in the aftermath of the war in Ukraine. The discussion started touching upon NATO and its capacities and limitations in addressing threats and followed with a panel



June 27, 2023. Friends of Europe: Climate and Energy Summit – Integrated Thinking for a Climate-resilient EU

The event covered different aspects concerning Europe's readiness to shift towards a new industrial age based on clean energy technologies. The first session focused on Europe's Green Industry potential, and the panellists shared their

discussion based on Paul Taylor's study 'After the war: how to make Europe safe'. The following panel focused on sharing best practices to counter disinformation across Europe, identifying resilience as the answer to face any threat related to the field. The last panel dealt with navigating the uncertainty left by post-war Russia. The interventions addressed Russia's power and potential to recover from a post-war context, discussed the changing dynamics between China and Russia, the 'problem' China will become due to its ambitions and analysed the cooperation between the EU and NATO. The event was closed with some final remarks from Dalia Grybauskaitė, the former president of Lithuania.

views on the EU's strength and capability to develop the required infrastructure to enable the Green Transition, explored the potential for building strategic partnerships to counter its limitations, and addressed the financial aspects enabling such transition. The next session centred on the narratives accompanying the transition and its relevance to being just and socially conscious. Likewise, the panel addressed the transition-finance frameworks and answered questions on re-distribution. The last session dealt with the policy landscape, and it addressed the REPowerEU initiative, shed light on the benefit of taking into consideration the telecommunications sector when discussing the green transition, and reflected upon the issues related to the electrification processes, with its limitations included.

We also had the opportunity to participate in the **European Blue Economy Conference** and Politico's **Competitive Europe Summit**, and to attend another round of the **EIB Lunch Dialogues**, this time covering the EIB's Activity in Latin America and the Caribbean in the context of the EU Global Gateway.

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info@ices-eu.org