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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 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:

Contradictory forces moved Europe/China relations this fortnight. On the one-hand diplomatic outreach has been strong with high-level meetings and dialogue taking place, on the other Europe seems to distrust China's geopolitical role and increasingly acts as a rival rather than a partner. Still bilateral economic ties remain mostly bright, especially in the luxury sector and tourism which should both boom in 2023.

NEWS ROUND:

BUSINESS & TRADE



The expected Chinese tourist boom in Europe is slow to materialize

Despite the lifting of pandemic restrictions on travel, Chinese tourist bookings in Europe are still few and far between compared to pre-Covid levels. Expectations are high as Chinese tourists are among the highest spenders, but experts say Covid cases, difficulties in obtaining visas and the attractiveness of other destinations in Asia have hampered visits to Europe.

European airlines expand China operations

Although China has reopened its borders and now seeks to rebuild its air network, the closure of Russian airspace to Western operators has led to some difficulties in doing so. Consequently European companies with joint-ventures in China such as Air France KLM or British Airways are shifting some of their operations to their Chinese partners who are still allowed to fly over Russia.

China's reopening should help European growth

The reopening of the Chinese economy should strengthen European exports which make up almost 50% of the continent's nominal GDP. However, experts warn that the eventual return of Chinese tourists may also increase inflationary pressures in the service sector.

Covid and the war in Ukraine weighed heavily on China-Europe rail freight in 2022

Out of the c. 400,000 TEU containers exchanged between China and Europe in 2022, Poland accounted for almost 200,000 and Germany totaled around 170,000. In those two countries, volumes fell 22 and 39% respectively compared to 2021, illustrating the trend across other European countries with the exception of Hungary

Luxury sector eyes reopening of China

Chinese consumers' share of global luxury spending had fallen to 17% during the pandemic, down from 33% in 2019, UBS analysts say. Hence, luxury groups are counting on Chinese pent up demand to maintain and expand their growth, beyond their already record results in 2022.

EU-CHINA RELATIONS

EU pressure mounting on TikTok

Following comprehensive inquiries and sizable fines on digital giants Meta or Google, the EU is now turning to TikTok over privacy concerns, notably that the app's user data could be accessible to the Chinese government. Partly to alleviate these concerns, Tik Tok is planning on opening a second data center in Ireland whilst plans for a third center are underway albeit the location remains unknown.



EU sidelined in Dutch-US semiconductor chip deal

Washington scored a significant win last month with the Netherlands, and in particular the semiconductor giant ASML, joining its export ban on advanced chip technologies to China. The lack of an EU-wide response makes the bloc look weak and open to bullying, some politicians said.

Norway considers deep-sea mining to reduce Europe's dependence on China

The Norwegian Petroleum Directorate has discovered significant quantities of rare earths and copper, key resources in the energy transition. Their offshore exploitation however would require the development of the nascent deep-sea mining industry which causes environmental concerns and still requires legislative approval.

China's energy rethink may keep Europe warm

Gas-hungry Europe should benefit from the recent adjustment of China's energy strategy. As Beijing refocuses on coal, increases its domestic gas production and turns to gas pipelines from Russia, the pressures on liquified natural gas exports should decrease over the next few years, increasing Europe's energy security.

The EU launches a platform to fight Russian and Chinese disinformation

Josep Borrell, the EU's foreign affairs chief, announced the launch of a new platform to counter disinformation campaigns from Russia and China. In cooperation with NGOs and cybersecurity agencies, the platform will address a new wave of propaganda using fabricated images and fake media outlets.

Foreign ministers of China and Belgium call for deepening bilateral relations

Commenting on a telephone exchange with Belgium's foreign minister Hadja Lahbib, the Chinese minister of foreign affairs, Qin Gang, welcomed an expansion of cooperation between the two countries. The protection of a fair and non-discriminatory business environment as well as the opposition to weaponising economic and trade issues were especially underlined.

The EU-China Human Rights Dialogue resumes after 3-year pause

The 38th Dialogue on Human Rights between the EU and China took place in Brussels on February 17th. China focused on the treatment of migrants and racism in the EU, while the situation of Muslim minorities in Xinjiang took center stage on the EU side.

China's top diplomat starts tour of Europe

China's top diplomat began a weeklong tour of Europe visiting Paris, Rome, Berlin and Budapest before attending the Munich Security Conference where he exchanged with the EU's foreign affairs chief. He stressed that China and the EU are not rivals, warned against economic decoupling and a new Cold War, whilst emphasising China's neutrality over the war in Ukraine.

EU countries agree to scrap Covid tests for travellers from China

Following the opinion of the EU's Centre for Disease Prevention and Control, the EU will lift its testing requirement on passengers inbound from China on the basis that fears of new variants emerging in China have not materialised. Japan is likely to ease its requirements soon but the US, Canada, Australia or South Korea are set to keep restrictions in place for now.

Italy's Transport Minister calls EU ban on combustion vehicle sales by 2035 a «gift to China»

Matteo Salvini, transport minister as well as deputy prime minister, denounced the recent approval by the EU Parliament of a 100% CO2 reduction target by 2035 for automakers, calling it « suicide » and « a gift » Chinese industries.

HAINAN



New Year holiday sales reach record high in Hainan

Over the 7-day Spring festival holiday, duty-free sales in Hainan reached \$380 million, an increase of 329% compared to 2019. The launch of Hainan as a Free Trade Port with duty-free status in 2021 is already producing solid results and retailers are confident the trend will continue.

The 3rd edition of the China International Consumer Products Expo (CICPE) kicks off in Hainan

From April 10th to 15th, consumer brands from around the world will showcase their products in Haikou, the capital city of Hainan. Italy will be this year's « country of honour », the organisers said.

Hainan and China's other pilot Free Trade Zones set to launch another wave of reforms

Chinese officials said stress tests in free trade zones would intensify in key fields such as customs clearance, services or high tech in order to build experience, deepen China's « opening up » reforms across the country and better align with international economic and trade rules.

EXPERT EXCHANGES: NAVIGATING EUROPE-CHINA RELATIONS THROUGH RESEARCH



Anna-Michelle Anamakapoulou MEP: EU must look both to China and the US for its industrial strategy

As Washington joins Beijing in its approach to supporting strategic industries with massive state subsidies, most recently through the Inflation Reduction Act, the EU must rethink its own strategy to remain competitive, MEP Anamakapoulou warns.

East Asia Forum - Andrei Lungu: « The hardening political environment will eventually impact economic ties »

Pointing to recent exchanges of sanctions and export restrictions, as well as Beijing's non-alignment with the West on Ukraine, Andrei Lungu, the president of the Romanian Institute for the Study of the Asia-Pacific (RISAP), warns « EU-China relations are disintegrating on auto-pilot ».

The Diplomat - Rupert Schulenburg: For the EU to contribute to Indo-Pacific security « focus on Europe »

Whereas European countries have started to shift their attention and military toward the Indo-Pacific in recent years, Schulenburg, researcher at the Defense Strategy and Planning Program of the Stimson Center, suggests the most effective strategy would be to focus on European security, thus enabling the US to concentrate its resources there.

SPIEGEL international: the slow start of the EU's Global Gateway Initiative

Global Gateway, like China's Belt & Road, seeks to implement infrastructure projects abroad to support developing economies, secure supplies of key resources and increase geopolitical influence. Yet the lack of consolidation and focus of Europe's development environment remains, EU countries push for different priorities and geographies, and doubts remain across the board.

Ars Technica - Eric Berger: Why Europe is abandoning plans to fly aboard China's space station

European astronauts had begun training alongside their Chinese counterparts and planned to join them on China's brand new Tiangong space station, however geopolitical tensions, coupled with budgetary pressures on Europe's space agency have for now put a stop to cooperation.

China Dialogue - You Xiaoying: How will EU's 'green tariff' impact China's carbon market?

Starting in January 2026, the EU's imports of steel, cement, aluminium, fertilizers, electricity and hydrogen will be subject to a green tariff equalising carbon prices paid for EU products. Experts predict this may motivate China to improve its own carbon accounting system in future.

Channel News Asia - Yang & Birchard: Europe and China might go head to head over gas supplies as China reopens

Before its lockdown, China was the largest importer of liquified natural gas in the world, a position it may recuperate as it reopens completely in a scenario which would clearly increase the pressure on gas markets and Europe's energy security in particular.

Bruegel - podcast: The impact of China's reopening on the global economy

Bruegel's Senior Fellow and Head of Outreach, Alicia Garcia-Herrero and Giuseppe Porcaro are joined by the Managing Partner of High Impact Capital Advisor, Steven Ying, to discuss the global implications of China's reopening and its consequences for Europe and the rest of the world.

Carnegie Europe - Judy Dempsey: Can Europe Influence U.S.-China Rivalry?

Several scholars answer Judy Dempsey's question on the role of Europe in US/China competition. They underline how the situation has become akin to the Cold War, leaving little space for a third way. They also point out that Europe currently lacks unity to effectively influence the situation.

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