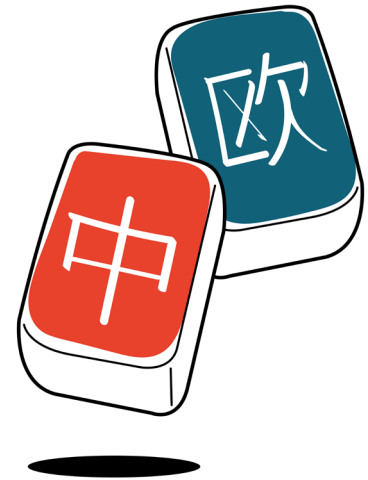


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# MERICCS

## Europe China 360°



### CONTENTS

ANALYSIS .....	2
Is China still trying to win the EU over or has it given up? .....	2
The Berlin-Beijing Rebalance: Germany's shifting China relations .....	4
BUZZWORD OF THE WEEK.....	5
Human Rights .....	5
REVIEW.....	6
Upgrading economic ties with Taiwan .....	6
SHORT TAKES.....	7



**MERICCS**

Mercator Institute for China Studies

## ANALYSIS

### Is China still trying to win the EU over or has it given up?

By **Francesca Ghiretti**

Yes, as long as that remains a low-cost effort that does not require China to make substantial changes!

[Wu Hongbo](#), Beijing's special representative for Europe, has recently visited Brussels and five other European countries in what appears to be an attempt for China to rescue its relationship with Europe. The previous attempt came from [Huo Yuzhen](#), China's special envoy to Eastern and Central Europe, in April who visited eight CEE countries to [salvage the 16+1 format](#).

There are several elements that contribute to the argument that [the EU is too important to lose](#) for China, but the main one remains the economic relationship. The EU as an economic actor has long occupied a role of relevance for China both thanks to the advantages of the European single market and for the range and value of investments European enterprises make in China. The economic impact of the "zero Covid" policy and more specifically of the lockdown in Shanghai may push China to boost engagement with the EU, with the soon to be held High Level Economic Dialogue acting as a fitting forum for that purpose. Beijing remains vigilant to not violate any of the sanctions imposed on Russia brought about by Russia's invasion of Ukraine and seeks to clarify with its European partners that it is not in bed with Russia. However, while symbolic gestures to avoid further deterioration of the relationship could proliferate, do not expect major real concessions.

Even signals of good will such as [the ratification of the International Labor Organization \(ILO\) conventions](#) and the rounds of visits to European countries only show that China is willing to push engagement with Europe when it suits her interest and as long as it does not require actual change in policies and approach.

#### **The EU is not the only important partner for China**

While the future direction of EU-China relations seems at least in question, China is prioritizing other partners.

The Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are alternative markets evolving, which will compete with the EU's single market. China is a member of the former and has applied to the latter.

Beijing is increasingly focusing on the Global South. Following the launch of the [Global Security Initiative](#), China is changing gear in its foreign policy endeavors, bringing forward a more military-focused foreign policy. Despite not going as well as Beijing would have intended, Foreign Minister Wang Yi's recent Pacific tour is a perfect example of China's new approach to foreign policy.

The change in gear in foreign policy is in line with China's long-standing conviction of the West's historical decline. And in the so-called West, the EU is viewed by China's leaders as an odd actor, one whose difficulty in balancing national and regional interests and varying competencies leave it unable to advance a credible and effective foreign policy.

Yet, economically and consequently strategically, the EU remains important to China, and so far, that has granted the EU quite some space to maneuver even in confronting contentious issues. But for how long?

### **Areas of attrition take a central role**

Although the Commission remains measured in its approach, human rights and Taiwan have come to occupy an increasingly outspoken role in the EU's agenda, and the European Parliament is driving it. Following the publication of the "Xinjiang Police Files", political groups in the European Parliament have pushed [a resolution on Xinjiang](#) (more on this in the Buzzword).

During [the annual EU-Taiwan trade and investment dialogue](#), the two have looked to upgrade their economic relationship. China has warned the EU of the risks but has not "punished" the block, not only because the Commission made sure not to cross the political red line, but also because unlike punishing single member states, punishing the whole of the EU may result in shooting oneself in the foot (more on this in the Review section).

The most important change is perhaps occurring in member states who no longer ignore or sideline difficult matters in their dealings with China. Even Germany seems to have taken tangible steps towards curbing its business links with the region. The government has refused to extend investment guarantees for certain Volkswagen projects in China.

However, CEE countries remain the most outspoken and active voices in the debate. The Czech Parliament's foreign affairs committee has approved unanimously a resolution to leave the 16+1, which is now with the Foreign Ministry. While from July 1, the Presidency of the Council of the European Union will be in the hands of a China-skeptic Czechia, a position aided and abetted by Beijing's position on Russia's invasion of Ukraine. The expectation is thus for the China-related agenda of the incoming Presidency to be pushing for a further distancing of the EU from China, which is set to test EU-China relations.

Beijing's response to the growing tensions with the EU will be telling of how far China is willing to go to rescue its relationship with Europe.

### **Read more:**

- MERICS. [China Security and Risk Tracker. China's Global Security Initiative seeks international buy-in for Beijing's vision of the global order](#)
- South China Morning Post. [China sends special envoy to Brussels in bid to salvage souring ties with EU](#)
- Reuters. [Germany denies VW China investment guarantees over human rights concerns - Spiegel](#)

## The Berlin-Beijing Rebalance: Germany's shifting China relations

By **Roderick Kefferpütz**

Since the new traffic light coalition came to power, Germany's relationship with China has been evolving. Beijing's growing authoritarianism at home and assertiveness abroad has made business-as-usual untenable.

In its [coalition agreement](#), the new German government supports the inclusion of Taiwan in relevant international organizations, intends to strengthen China and Asia competence in Germany, and aims to coordinate China policy with transatlantic partners. Equally, in line with the EU's "Strategic Outlook" Joint Communication from March 2019, Germany labels China a partner, competitor and systemic rival. This is a fundamental break from the [coalition treaty in 2018](#), when the conservatives and social democrats stressed the need to deepen Germany's strategic partnership with China.

But now changes in Germany's China policy are accelerating. This is largely of Beijing's own making. The disturbing pictures from the "[Xinjiang Police Files](#)", as well as China's pro-Russian neutrality in the war in Ukraine, have shone a spotlight on the systemic rivalry character of German-China relations. Given these circumstances, Berlin has been compelled to respond.

Chancellor Scholz and Foreign Minister Baerbock have both publicly criticized Beijing for its persecution of Uyghurs and other turkic Muslim minorities, [with Annalena Baerbock calling for a transparent investigation](#). While on May 28, Germany's Economy Minister Robert Habeck rejected granting government investment guarantees to Volkswagen for projects in China; allegedly the first time that such guarantees have been denied due to human rights concerns.

Likewise, Germany disapproves of China's position (or lack thereof) on the war in Ukraine. On 27 April, the [German Bundestag passed a resolution](#), warning Beijing that sending weapons to Moscow or supporting efforts to undermine Western sanctions, would lead to sanctions. A day later, Chancellor Olaf Scholz broke with tradition by travelling to Japan, as opposed to China, on his first trip to East Asia.

Russia's war in Ukraine has painfully shown Berlin the dangers of economic dependency. In this context, there has been an increasing realization that Germany needs to economically diversify away from China. Numerous government ministers have warned German companies about being too dependent on China, urging them to invest in resilient supply chains and decreasing their exposure to China risk while increasing exposure to Asian growth markets. German ministries are already looking into changing foreign economic promotion policies, such as export credits, in order to advance diversification efforts.

This year, the government will draft Germany's first-ever China strategy. The aforementioned signals of change suggest the strategy is likely to coalesce around two particular elements.

First, an increased accent on the systemic rivalry aspect of the relationship, and second, a reduction of economic dependence from China and diversification towards Asia in general.

In addition, there has been a strong emphasis by the government to invest in Asia, and specifically in China competence, with the ministry for education and research placing greater emphasis on this.

Most of these change markers, however, seem to be largely coming from the two junior coalition partners, the Greens and the Free Democrats (FDP) as they have promoted these changes within their respective federal ministries (Foreign Office, Ministry for Economic Affairs and Climate Action, Ministry of Education and Research).

It remains to be seen whether their approach will become overall government policy. The leader of the SPD parliamentary group, Rolf Mützenich, for example has argued that "just because the project 'change through trade' failed in Putin's case, it doesn't have to with regards to Beijing". Given these circumstances, a tug of war between the adherents of a largely engagement-centered strategy and those favoring a tougher approach and diversification remains, although momentum seems to lie with the latter.

#### **Read more:**

- Institut Montaigne: [Shifting Politics: The Future of Germany's China Policy](#)
- MERICS Executive Director Mikko Huotari for IP Quarterly: [China's Shadow over Germany's "New Era"](#)
- MERICS: [Germany's recent China policy](#)
- MERICS Podcast: [The China angle in the coalition treaty of Germany's future government, with Mikko Huotari](#)

## **BUZZWORD OF THE WEEK**

### **Human Rights**

The "Xinjiang Police Files" returned attention to human rights violations in Xinjiang just days before Michelle Bachelet, the UN's Human Rights Chief, went to Xinjiang. The striking dissonance between the accounts in the files and Bachelet post-tour statement has ignited the debate on the situation. In the EU, while the Commission expressed "regret" for the limited access the envoy had received in Xinjiang, the European Parliament has brought forward an urgent resolution to label the violation of human rights in Xinjiang as a "genocide". But after negotiations, the final text reads "crimes against humanity and serious risk of genocide". The resolution passed on Thursday May 9, sending a strong political signal. However, it will not change the official EU's position.

#### **Read more:**

- European Parliament: [Motion for a resolution on the human rights situation in Xinjiang, including the Xinjiang police files \(2022/2700\(RSP\)\)](#)

- [Xinjiang Police Files](#)

## REVIEW

### Upgrading economic ties with Taiwan

On June 2, the EU and Taiwan held their annual Trade and Investments Dialogue. But this time, the dialogue was led by DG Trade Director Sabine Weyand and Taiwanese Minister for Economic Affairs Mei-Hua Wang, an upgrade from deputy-director and vice-ministerial level to director and ministerial level.

#### What you need to know:

- **Semiconductors.** In terms of content, much of the upgrade in the dialogue is related to focusing on technological supply and investments with a specific attention on semiconductors. Taiwan is an important EU partner for the European Chips Act to be a success, both in terms of supply and investments. Notably, Taiwan's TSMC is negotiating the opening of a factory in Europe. Although semiconductors dominate the dialogue, the EU and Taiwan have also discussed export control and FDI screening practices as well as market access for agricultural products, bettering the investment environment for businesses and investments in the offshore wind sector.
- **China's reaction.** For the time being China's reaction has been limited to a warning from its spokesperson in the EU. Reiterating that any formal or official interaction with Taiwan would be firmly opposed by Beijing. [An article in the Global Times](#) further elaborates: "the EU and the US are just trying to use the island of Taiwan as a chess piece to contain China . . . the EU's economy has significantly benefited from strengthening economic and trade cooperation with China. The EU should not play with fire with the Taiwan question to cater to the US at the expense of its own economic interests."

**Quick take:** Three main takeaways. First, yet again China frames what it deems unfavorable EU decision making as attempts to ingratiate itself with the US, thus diminishing the EU's agency. Second, EU-Taiwan ties are being strengthened despite China's objections. With a certain degree of caution from the Commission and less restraint from the European Parliament. The Parliament's Trade Committee (INTA) may be going to Taiwan this winter. Third, China's mild reaction confirms that it is much more reticent to act against the whole block than it is to single out member states. Proving once again that there is strength in numbers which provides the EU greater space for maneuver.

#### Read more:

- European Commission: [EU and Taiwan hold Trade and Investment Dialogue](#)
- European Commission: [EU trade relations with Taiwan. Facts, figures and latest developments](#)
- Global Times: [EU should not to play with fire on Taiwan question](#)

- South China Morning Post: [EU to upgrade trade ties with Taiwan as China warns Brussels 'not to gamble on this issue'](#)

## SHORT TAKES

The EU has confirmed the nomination of the Spaniard Jorge Toledo Albiñana as next EU ambassador to the People's Republic of China. He currently holds the position of Ambassador of Spain to Japan and was previously Secretary of State for European Affairs in the Spanish Government. Ambassador Toledo Albiñana takes up the baton during tense times for EU-China relations.

- European External Action Service: [EEAS: High Representative Josep Borrell announces senior appointments](#)

In 2021, the EU became the primary recipient of electric vehicles produced in China, the output of which doubled last year. The trend, linked to European and American manufacturers moving their production to China, has a potential to move EU-China trade dynamics in China's favor.

- MERICs: ["Made in China" electric vehicles could turn Sino-EU trade on its head](#)

The Italian government used its "Golden Power" to veto technology transfer provisions in Beijing-based Effort Intelligent Equipment's bid to increase its shares in the Italian high-tech company Robox, citing tech transfer provisions. It is the fifth time Mario Draghi's administration has used the Golden Power in response to acquisitions by Chinese companies.

- Decode39: [Draghi vetoes Chinese deal on Italian robotics](#)

The European Commission revoked the temporary suspension of anti-dumping duties on rolled aluminum products coming from China. Last October the Commission determined the dumping margin to be between 14.3–24.6 percent but had suspended related duties in light of the pandemic-caused supply bottlenecks.

- Metal Miner: [Rolled Aluminum Anti Dumping Suspension on China by European Commission Ends](#)

A 10-member delegation, led by Deputy Speaker of the Slovakian Parliament Council Milan Laurenčík and President of the Bratislava Region Juraj Droba, is visiting Taiwan between June 5–10. The mission includes meetings with the Premier of Taiwan as well as with leading government ministers.

- TaiwanNews: [Slovakia delegation meets with Taiwan Premier](#)

- Focus Taiwan: [Deputy speaker, regional president to lead Slovak delegation to Taiwan](#)

A quarter of diplomatic staff at the French Embassy in Beijing joined a strike on June 2 over the eroding of the diplomatic corps and deterioration of working conditions amid zero covid policy conditions on the ground.

- RFI [FR]: [Strike by French diplomats: in China too, to defend a profession which "is not a gala dinner"](#)

A German supplier of materials and chemicals used in production of semiconductors, Merck, opened a new semiconductor base in Zhangjiagang. The deal, signed with the local authorities, is the company's largest electronics investment in China.

- Reuters: [Germany's Merck to open semiconductor base in China](#)



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