

## ASG ANALYSIS:

### The EU-China Summit – Limited Progress Amidst Low Expectations

December 15, 2023

#### Key Takeaways

- Despite being the first in-person EU-China summit since 2019 and following an increase in EU-China diplomatic activity over the past year, expectations for the summit in Beijing on December 7 were low.
- Given the entrenched nature of the issues which were unlikely to be resolved at the summit, the summit succeeded in helping to stabilize the EU-China relationship and reestablish high-level in-person dialogue at a time of growing tensions as both sides were keen to avoid any missteps. In this way, the summit followed the same script from the meeting between Presidents Biden and Xi in San Francisco last month.
- In terms of outcomes, little of substance was agreed on, especially on the EU's top priorities of addressing the trade imbalance and China's role on Ukraine. Limited progress was reported on artificial intelligence (AI) governance, financial regulations, and geographical indicators.
- Looking ahead, EU-China relations face many hurdles, reflecting a hardening European view of China as evidenced by the recent launch of electric vehicles (EV) anti-subsidies investigations against China. A risk assessment with member states on critical technologies is also ongoing, and while the assessment does not target China by name, the member state's dependencies on China is almost certainly on the top of mind for the Commission.

#### Limited outcomes belie the lack of common ground in issues

The December 7 EU-China summit in Beijing marked the first such meeting in-person in four years. For the EU, the timing of the summit in Beijing was intentional, as it followed a summit with U.S. President Joe Biden in October, allowing EU leaders to first align with their transatlantic partner. For more analysis on the EU-U.S. summit, please see [ASG Analysis: Overshadowed by Foreign Policy Crises, EU-U.S. summit Fails to Deliver Any Trade Wins](#). For China, the summit followed an intense period of diplomatic engagement and a charm offensive with Europe. For more analysis on the recent intense diplomacy between the EU and China, please see: [ASG Analysis: EU-China Relations After Macron and von der Leyen's Beijing Trip](#). Right before the summit with European leaders, Beijing announced plans to extend visa-free travel privileges to

five more European countries and remove restrictive trade measures against Lithuanian goods originally imposed after Vilnius opened a trade mission in Taiwan in 2021.

The President of the European Council, Charles Michel, and President of the European Commission, Ursula von der Leyen, were accompanied by High Representative Josep Borrell to meet Chinese President Xi Jinping and Premier Li Qiang at two separate sessions in Beijing. The discussions between the leaders were dominated by trade and economic issues, climate change, and the wars in Ukraine and Israel-Hamas. The fact that no joint statement was issued after the summit is not unprecedented in EU-China summits, but it does serve as an illustration of the difficulties in reaching common ground.

There were no breakthroughs from the summit on the top two issues for the EU: trade imbalance and China's support for Russia in the war in Ukraine. The EU side pushed China on the trade relationship, stressing the lack of a level playing field that European officials and companies have raised for years, but to no avail. While Beijing is keen to boost economic activity with the EU at a time when it struggles with growth at home, it is accordingly not taking any steps to address more fundamental structural problems in the relationship such as China's excessive subsidies. To this end, the Chinese side did not offer any tangible steps to provide greater market access in China, a long-standing ask from the EU.

China also made its dissatisfaction with the EU's de-risking agenda clear, fearing it could undermine China's technological and economic interests. Wang referred to the EU's de-risking efforts as "protectionist," and noted that he had urged the EU to maintain openness on Chinese trade and investments, while President Xi echoed previous points about the need for Europe to not view China as a "rival" and "engage in confrontation." Von der Leyen referred to China's "unfair competition" as something that will not be "tolerated," and doubled down on de-risking to manage risks and diversify supply chains to increase resilience. The EU side did emphasize that Europe is not interested in fully decoupling from China, and the Chinese side was also careful to downplay some of their differences with the EU, pledging to work towards a more balanced trade relationship.

On foreign policy, the EU is increasingly concerned about China's dubious stance on Russia's war in Ukraine, and is leaning on Beijing to tell Moscow to pull its troops back from Ukraine. More worryingly for the EU, the leaders did not receive commitment from the Chinese side to not help Russia in the war in Ukraine. During the meeting, Michel and von der Leyen reportedly confronted Xi with a list of 13 China-based entities that have circumvented sanctions against Russia, and asked him to address their concerns. Chinese officials merely referred to the war as a "sovereign" decision made by Putin and encouraged the EU side to pursue diplomatic solutions with Moscow. The EU could potentially put Chinese companies back on its next list as part of its forthcoming 12<sup>th</sup> package, a step that could trigger retaliation.

However, despite the shift towards a more skeptical view of China and a more assertive economic response against Beijing, the EU still wants to pursue continued cooperation with China on global challenges. The two sides agreed to establish new working groups on cosmetics, financial regulation, geographical indicators, and export controls where EU wants to see concrete progress. China agreed to clarify its restrictive approach to cross-border data transfers out of China for foreign companies, which has been a major source of complaint from European companies. Both sides also committed to increase people-to-people ties, and made isolated

progress in the governance of AI and climate, especially after the EU released a landmark legislative framework on AI.

## Fundamental imbalances driving at the heart of the relationship

Underpinning the EU's economic concerns is the lack of a level economic playfield with China, as evidenced by the growing trade deficit that reached a record-high 400 billion euros in 2022, which the EU attributes to Beijing's subsidies and lack of market access for European companies in China. Earlier this year in October, the Commission launched investigations into Chinese subsidies in the EV sector. For more analysis on the EV investigation, please see: [ASG Analysis: EU Probe Into Chinese EV Subsidies Points to More Difficult EU-China Trade Relations Ahead](#). This landmark step was driven by growing concerns over China's overcapacity and exports to Europe in a critical sector that is vital to Europe's economy.

The EV investigations follow a stronger EU focus on restrictive trade measures. Von der Leyen has spearheaded the EU's de-risking agenda, aiming to reduce critical dependencies and supply chains from China and to strengthen European economic resilience. Member states are currently discussing the Commission's Economic Security Strategy proposals for stronger rules on inbound and outbound investment screening, as well as export controls for critical technologies. While member states have endorsed the re-risking concept and have recognized the necessity for de-risking measures, many are still on the fence on how to fully implement such measures, fearing surrendering additional influence to Brussels or triggering Chinese retaliation.

Further illustrating the increasingly strained EU-China relations was Italy's decision, in the lead up to the summit, to announce its departure from the Belt and Road Initiative, the global infrastructure project spearheaded by President Xi. As Italian Prime Minister Meloni has proven tougher on China than her predecessors, the departure was long in the making, and the decision marks a setback for Beijing since Italy was the only member of the G7 to be part of the initiative.

## What's next?

The EU-China summit was important in stabilizing the relationship and providing more predictability going forward, and was positive in enabling both sides to convey tough messages to the other. However, it did not unlock any of the major structural problems in the relationship, and the hardening of the European view of China will only continue. The results of EV anti-subsidy investigation, which are expected next year, could potentially lead to the EU imposing countervailing duties on Chinese EVs. Other EU investigations into Chinese wind and steel subsidies are also possibly in the pipeline. Beijing may feel compelled to retaliate, although response measures would likely be muted, as Chinese officials will want to maintain the attractiveness of the market for European companies and investors. Even after the summit, Chinese state media put a positive spin on the meeting, glossing over areas of disagreement.

While the upcoming European Parliament elections in June will see a new European Commission take shape, the focus on de-risking is likely here to stay even if there will be little appetite for direct confrontation. The upcoming U.S. presidential elections will also have significant impact on the role of transatlantic cooperation, as a possible return to Donald Trump would mark a setback for any alignment between the U.S. and the EU.

For additional information or to arrange a follow-up conversation, please email [Amy Celico](#) or [Erik Brattberg](#)

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