



ASG ANALYSIS:

Diplomacy and De-Risking

EU-China Relations After Macron and von der Leyen's Beijing Trip

Key takeaways

- After the pandemic and despite deteriorating EU-China relations in recent years, European leaders are keen to restart face-to-face diplomacy with Beijing, focusing on two main priorities: Ukraine and economic cooperation.
- China's stance on the Ukraine conflict will significantly shape European attitudes towards Beijing, with many EU leaders skeptical of President Xi Jinping's personal engagement to help resolve the conflict and the EU likely to respond with unity should China provide lethal military assistance to Russia.
- Europe also wants to safeguard economic ties with China amid supply chain disruptions and higher energy prices caused by the Ukraine conflict and decoupling from Russian oil and gas. Yet despite recent Chinese overtures and rumblings by some European leaders, the EU-China Comprehensive Agreement on Investments (CAI) remains dead in the water and may be permanently terminated.
- During their recent visit in Beijing, French President Emmanuel Macron and European Commission President Ursula von der Leyen hoped to present a unified European front on several issues. They largely succeeded, though some notable differences were on display. However, these differences – including comments by Macron about Europe's approach on Taiwan – are not necessarily representative of the emerging EU position and bely stronger European strategic discussions on Taiwan.
- The EU and its member states are continuing to reassess their own China strategy. Having strengthened its geoeconomic toolbox in recent years, the EU is focused on a “de-risking” agenda which includes outbound investment screening and safeguarding the export of sensitive technology, including advanced microelectronics, quantum technology, robotics, biotech, and AI.

- Still, it is unclear to what extent the EU will sign up for a tough “economic security” agenda to “friendshore” supply chains with the U.S. and other likeminded partners as the bloc seeks to maintain a degree of autonomy from Washington on China policy. While von der Leyen has endorsed friendshoring ahead of the upcoming Japanese G-7 summit in May, where it will feature prominently, the German government is on the fence and member states are wary of ceding too much foreign policy influence to Brussels or undermining the EU’s commitment to free trade.
- Some member states such as France and Germany prefer continued economic engagement with China. They want to tread lightly on sensitive geopolitical issues like Taiwan to avoid causing Chinese economic retaliation. Others, especially some Central and Eastern European members, favor greater alignment with Washington. However, even more hawkish European leaders such as President von der Leyen are skeptical of economic decoupling and are careful not to rock EU-China relations or undermine the fragile European unity on China.

Background

In recent years, relations between the European Union and China have become more challenging, further accelerated by China’s harsh anti-Covid-19 measures and the era of assertive diplomacy. As President Xi Jinping begins his third term, perceptions of China in Europe continue to deteriorate, exacerbated by the declaration of a “no limits” partnerships between China and Russia and deeper trans-Atlantic cooperation over the war in Ukraine.

At the same time, both sides have an interest in diplomatic rapprochement. With pandemic restrictions easing, both Beijing and EU leaders are eager to resume high-level official visits, and European leaders are taking advantage of China’s reopening to rekindle economic ties. German Chancellor Olaf Scholz went to Beijing in November; French President Emmanuel Macron and European Commission President Ursula von der Leyen in early April; Spanish Prime Minister Pedro Sanchez in March; and Italian Prime Minister Giorgia Meloni and the EU High Representative Josep Borrell will visit in the coming weeks. EU leaders are keen to avoid getting caught up in increasingly tense U.S.-China ties, though European officials generally see the Biden administration as mostly taking a constructive approach toward relations with Beijing. They would prefer to take advantage of commercial opportunities, and some are even hopeful they can convince China to play peacemaker in Ukraine.

Despite the recent visits, the EU has not suddenly changed its stance on China. EU-China relations remain fraught, and the EU will continue to sharpen its trade defense toolbox to deal with what it perceives as unfair Chinese economic practices as part of a broader European reassessment of China. The European Commission is expected to roll out a new Economic Security Strategy before the end of the year and is in coordinating with the Biden administration on a number of China-related trade and technology issues in the context of the U.S.-EU Trade and Technology Council, which convenes next on May 30-31 in northern Sweden.

This does not mean that European capitals and Washington are fully aligned. While some member states, especially in Central and Eastern Europe, are keen to align with Washington for geopolitical reasons, France and Germany want to continue engage China politically and economically. They also want to keep some distance from Washington, which they view as too hawkish, and are concerned about potential Chinese economic retaliation against their national companies. The U.S. [Inflation Reduction Act](#) (IRA) also continues to be an obstacle for trans-Atlantic alignment, reinforcing European concerns regarding the U.S. protectionism. The EU also views the 2024 U.S. elections and the emerging bipartisan consensus in Washington on China with a degree of trepidation. As a result, it unclear how closely the EU will coordinate with the U.S. and likeminded partners on supply chains and high-tech export controls.

Despite the recent visits, the EU has not suddenly changed its stance on China.

Intra-European dynamics on China will be an important aspect for businesses to track over the coming months. An increase in tensions between the EU and China – or perceptions that Brussels is following Washington's lead on export controls – could expose European companies to reputational or operational risks in China. Germany's new National Security Strategy, due for release before the summer after months of delay due to internal disagreements, and a separate China Strategy that will follow will be important signposts for how Europe's largest economy views the EU's de-risking and economic security agenda and will be key for determining the rest of the EU27's position.

Resuming European in-person diplomacy in Beijing

Despite the challenges facing EU-China relations, European leaders have been keen to get face-time with President Xi and share European perspectives with Chinese counterparts. Recent visits have also offered a chance for European leaders to get first-hand understanding of the Chinese thinking after last year's Party Congress and the National Peoples' Congress in March. German Chancellor Olaf Scholz's November visit to Beijing, accompanied by a large delegation German CEOs, was the first by a Western leader since Covid-19 and the first following the 20th party congress. Scholz' main message was to reject economic decoupling and argue for deeper political and economic engagement. Subsequent visits by Spanish Prime Minister Pedro Sánchez and European Council President Charles Michel were cordial and carried similar messages.

President Macron, who allegedly had sought to travel with Scholz last year, has been keen to present himself as the key European interlocutor to the Chinese leader on the Ukraine conflict. For Macron, the opportunity to present leadership on the global stage and make the case for greater European sovereignty also provided a welcome respite from the domestic turmoil in France over his controversial pension reforms. Macron's decision to invite von der Leyen to join him on the trip was not accidental either – in 2019, Macron invited both then-Commission President Jean-Claude Juncker and then-Chancellor Angela Merkel to meet with Xi in Paris. Having the commission president join him was intended to help send a message of European unity and drew a contract to Scholz' visit, which was perceived by some European capitals as too unilateral and mercantilist.

Macron's and von der Leyen's top priorities for the visit were the Ukraine conflict and stabilizing the economic relationship, though both leaders had low expectations going into the meetings. Both EU leaders urged Xi to not provide support for Russia in Ukraine, to refrain from helping

Russia evade Western sanctions, and to engage directly with Ukrainian President Volodymyr Zelenskyy though Macron struck a softer tone in public. To reinforce her message, von der Leyen had made a point of calling Zelenskyy before the trip and delivered a tough speech on the EU's China strategy (see more below).

In terms of concrete outcomes, the visit did not yield much on substance and no date has yet been set for the next EU-China summit. This will likely take place in late 2023, since the EU first wants to hold a summit with Washington. Macron, accompanied by a large French business delegation, was able to finalize a deal with China on ordering 160 new Airbus aircraft. The two sides agreed on an extensive [joint declaration](#) pledging, among other things, to expand cooperation in a number of economic sectors, space, science and technology, and nuclear energy. While von der Leyen also brought up Taiwan in Beijing, Macron made some comments to a group of journalists on the way back where he suggested that Europe should avoid getting dragged into a conflict over Taiwan issue and should avoid becoming a “vassal” of the United States.

Although Macron's comments sparked controversy in the media, and privately annoyed other EU leaders, there was not much new in what he said. Macron is prone to making bold philosophical arguments out loud – for example, once referring to NATO as “braindead.” He has long advocated for Europe to play the role of a third pole, maintaining some distance from Washington under the banner of European sovereignty. However, Macron's Taiwan statements do not necessarily reflect a fuller and more nuanced understanding of his views or the stances France has taken China-related issues. For example, more than any other European country, France has a clear strategy for the Indo-Pacific. It has carried out freedom of navigation operations in the South China Sea, including the Taiwan Strait. France has also supported a tougher EU trade defense agenda, including tighter screening of foreign investments. It has also effectively banned the Chinese networking equipment company Huawei from building 5G wireless internet in sensitive areas in France. French companies are also generally less dependent on the Chinese market than their German competitors.

Even if Macron's comments may have annoyed some other European leaders, they have spurred a European strategic debate on the Taiwan issue and forced other leaders to clarify the EU's position. In a subsequent phone call with President Joe Biden, Macron apparently discussed his trip to Beijing, though the official U.S. and French [readouts](#) of the call differed on whether Taiwan came up in the conversation.

In contrast, German Foreign Minister Annalena Baerbock made her own trip to Beijing the following week for meetings with her Chinese counterpart. Known to be more hawkish, she spoke more clearly about the need for Europe to not be “indifferent” on the future of Taiwan. At the G-7 foreign ministers' meeting in Japan on April 18, Germany and the other G-7 members [reaffirmed](#) the importance of peaceful Cross-Strait relations and the “One China” policy. Even so, the German coalition government is deeply divided on China and still struggling to define its own coherent position even as it seeks to remain close to the Biden administration.

Work in progress: Updating the EU's China Strategy

The last time the EU rolled out its China strategy was back in early 2019, when a Brussels strategy paper notably referred to Beijing as a “partner, competitor, and systemic rival” and proposed a

series of policy steps. While the EU is still keen to partner with China on some global issues such as health and climate, the emphasis has clearly shifted toward competition and rivalry following the pandemic and amid worsening geopolitical tensions between the U.S. and China.

Although 27 different member state relationships with China have long rendered the EU's China policy a collection of sometimes contradictory national interests and priorities, a more coherent EU strategy on China has been in the making. For instance, the EU has signed up for stronger positions on Taiwan, including in the [G-7 context](#). Brussels has likewise introduced new policy tools to better protect European economic interests when trading with China, while taking care not to label any of these efforts as anti-China.

New countermeasures include upgrading the EU's foreign investment screening procedures, a toolbox on 5G security, an anti-subsidies instrument to push back against companies receiving excessive state subsidies, an international procurement instrument to impose limitations on countries from accessing the EU procurement market without providing access for European companies, and an anti-coercion instrument to impose costs on countries exerting undue trade pressure, which is still under development. The EU has also adopted a Global Gateway Initiative to compete with China's Belt and Road Initiative and, more recently, a [Critical Raw Materials Act](#) to reduce dependence on China for critical minerals such as processed lithium. The EU is also planning new supply chain due diligence obligations that would ban products produced with forced labor from the EU market.

The Covid-19 pandemic and the war in Ukraine has also further reinforced the need for Europe to reduce dependence on economies with strong state direction and pursue supply chain diversification with more likeminded partners. It was against this backdrop that von der Leyen recently delivered a landmark address on EU-China relations in Brussels. The unusually candid speech for a European politician was intended to update the EU's outdated China strategy, send a clear message to Beijing warning against supporting Russia's war effort in Ukraine, and set the tone before Macron and other EU leaders' forthcoming visits to Beijing.

In her speech – and in a separate address delivered to the European Parliament after her trip – von der Leyen described a China that is becoming more authoritarian at home and more assertive abroad, depicting it as seeking to replace the rules-based international order with an alternative order. The speech took a somber note, noting that the EU's assessment of China is becoming more negative and the trajectory of relations with China more “difficult” in recent years. On Ukraine, she warned Beijing in stark terms not to provide support for Russia in its war against Ukraine but also acknowledged China's potential role as helping to resolve the conflict. Von der Leyen made it clear that how China continues to interact with Russia will significantly shape EU-China relations and expressed skepticism in Xi's 12-point plan for Ukraine, a view shared by many other national EU leaders. However, despite the strong EU red line on Chinese lethal military aid to Russia's war in Ukraine, there is no shared view in EU on whether it would be ready to apply sanctions against China should it provide lethal military assistance to Russia, something the U.S. has said it would do and explicitly requested Europe do as well.

Most importantly, however, the speech noted the need for Europe to “rebalance” its dependence on China and grow ties with other partners. On trade, von der Leyen made clear that the EU is not interested in decoupling from China but is seeking to “de-risk” its trade relations. Despite rumors that some EU leaders seek to revitalize the Comprehensive Agreement on Investments

(CAI) deal after it was frozen in early 2021 after China imposed counter-sanctions on several EU officials and organizations in response to limited EU human rights sanctions against Chinese officials over alleged atrocities in Xinjiang, von der Leyen effectively closed the door for reopening the CAI. Instead, she praised the EU's geoeconomic toolbox and pledged further action on outbound investment screening and common standards and approaches on export controls as part of a broader European Economic Security Strategy to be presented later in the year. This strategy is also intended to avoid fragmented European responses as when the Netherlands recently joined the U.S. and Japan on joint export restrictions on advanced semiconductor manufacturing equipment. Taken together, these new instruments give the commission greater role in shaping the EU's foreign policy towards China. While member states agree that the commission's de-risking agenda represents the right direction for EU policy toward China, some capitals are reluctant to cede too much ground to Brussels whereas others see it as undermining the EU's approach to free trade. How member states interpret von der Leyen's agenda will significantly shape the European debate on China over the coming year and beyond.

Even so, von der Leyen also pledged that the EU will continue to engage with Beijing on vital global issues such as climate change and stressed the importance of diplomacy. While a staunch trans-Atlanticist, who had just returned from a successful visit with President Joe Biden in the White House before giving her speech, she was careful to avoid mentioning the U.S. for fear of antagonizing those European leaders more reluctant about teaming up with Washington on China, arguing instead that it is in Europe's own interests to update its China strategy.

What to Watch Next?

As the EU works out China strategy elements that seek to combine dialogue and firmness, focus will be on China's role in the Ukraine war, the situation in Taiwan, and the need to balance bilateral economic cooperation with de-risking dependencies on China in certain sectors. The forthcoming Economic Security Strategy that von der Leyen announced will further flesh out new approaches on outbound investment, export controls, other issues, echoing to some degree similar approaches in Japan and the United States though the EU approach will not necessarily align completely with stronger U.S. measures. More details are expected in the coming months, but member state buy-in and implementation is far from guaranteed. The EU and member states will also continue to pursue agreements with U.S. and other likeminded partners on issues with a China nexus like critical minerals and semiconductors.

The EU will continue direct diplomatic engagement with the Chinese side even as the bilateral EU-China agenda remains rather limited. Other European leaders – including Italian Prime Minister Giorgia Meloni, who has surprised many so far by being more tough on China, and High Representative Josep Borrell – are slated to make visits to Beijing in the coming weeks. What tone these European leaders strike in their meetings with Chinese counterparts, especially on sensitive issues like Ukraine and Taiwan, will be subject to much scrutiny back home. An EU-China summit is also likely later in the year.

This outreach to Beijing is in sharp contrast with the United States, where high-level visits are stuck on neutral after Secretary of State Antony Blinken's visit in February was cancelled over the "balloon incident." There are currently no prospects for face-to-face meeting between U.S. and Chinese leaders until possibly Asia-Pacific Economic Cooperation (APEC) meetings in November. If other European leaders choose to echo Macron's comments about avoiding being

drawn into conflict, and if U.S.-China tensions over Taiwan further escalate – for instance due to congressional visits or renewed discussions of arms sales – the fragile European consensus on Taiwan might become more shaky.

The EU will also continue coordination with the United States and other democracies on supply chain and high-tech export control issues. The G-7 summit in Hiroshima from May 19 to 21 will have a strong focus on economic security cooperation. Moreover, the U.S.-EU Trade and Technology Council (TTC) in northern Sweden from May 30 to 31 will be a key test whether the warm meeting between Presidents Biden and von der Leyen in Washington recently can trickle down to stronger trans-Atlantic coordination on a range of green tech and industrial policy issues ahead of an anticipated fully-fledged EU-U.S. summit in the fall.

About ASG

Albright Stonebridge Group (ASG), part of Dentons Global Advisors, is the premier global strategy and commercial diplomacy firm. We help clients understand and successfully navigate the intersection of public, private, and social sectors in international markets. ASG's worldwide team has served clients in more than 120 countries.

ASG's [Europe & Eurasia practice](#) has extensive experience helping clients navigate markets across the region. For questions or to arrange a follow-up conversation please contact [Erik Brattberg](#).