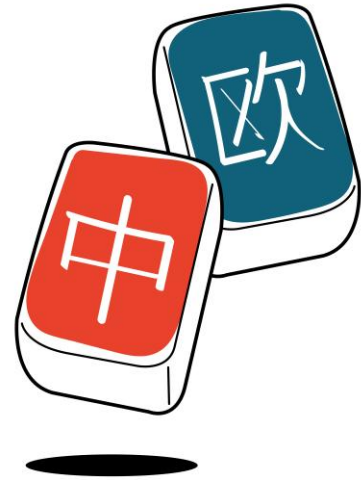


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# MERICCS

## Europe China 360°



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## ANALYSIS

### The new European Commission: Geared toward China challenges

By **François Chimits** and **Grzegorz Stec**

The new European Commission of President Ursula von der Leyen's second term is taking shape, with the 26 proposed commissioners awaiting approval by the European Parliament. The mission letters sent by the president to the prospective commissioners show that even if China isn't named directly, responding to China-related challenges more coherently will be a key task of the new EU ministers, as the Commission plans to focus on bolstering the EU's competitiveness and its geopolitical standing.

The structure of the new Commission, with overlapping portfolios and shared responsibilities, strengthens von der Leyen's position in guiding the EU. For China policy, this means a continuation of her assertive yet pragmatic de-risking approach, while also addressing trade tensions driven by China's overcapacity. But shaping the topical agendas and their execution rests with the new commissioners, who will play a pivotal role in the EU's practice toward China.

Not all the new designates have extensive experience with China, but they seem positioned to take a firm stance on key issues. An analysis of portfolios and commissioners can shed some light on the new Commission's China-related priorities. (See the [July edition](#) for insights on the top positions within the new EU administration.)

#### ***Trade: A risk-focused portfolio***

The EU trade portfolio has been expanded to "trade and economic security," marking a stronger focus on risk management, particularly regarding China, whose distortions were a key impetus for the EU's 2023 economic security strategy. A top priority will be preventing spillover into the EU single market of economic distortions stemming from the techno-industrial focus of China's state-led economy, especially those driven by overcapacity. The Commission's intensified efforts of the past two years in opening investigations on goods imported from China will likely continue in the next five years.

Maroš Šefčovič of Slovakia, the Commissioner responsible for the European Green Deal in the previous administration, is now set to take the trade portfolio. His key challenge will be developing an EU economic security doctrine and standards so that EU trade policy can respond even better to trade tensions. This includes coordination with like-minded partners, likely focused heavily on China.

Crucially, the new trade portfolio features building new strategic partnerships with countries like India and developing "clean trade" agreements to secure raw materials and advance green technology in order to limit overdependence on China. These tasks will also fall under the purview of Jozef Síkela of Czechia, Commissioner for Global Partnerships. He is responsible primarily for the EU's infrastructure initiative Global Gateway, aligning this crucial EU response to China's Belt and Road Initiative more closely with the EU's risk mitigation towards China.

### ***Industrial policy: More supportive de-risking policies ahead***

China's industrial ambitions and US responses to defend its global technological leadership, as highlighted in the recent EU competitiveness report by former European Central Bank head Mario Draghi, have focused the new Commission on expanding its industrial policy efforts. That means aligning public procurement to enhance supply security and boosting domestic industrial capacity, as well as diversifying supply chains and stockpiling critical raw materials.

Stéphane Séjourné, a close ally of President Macron, is taking on the high-profile role of vice president with a focus on industrial policy and overseeing trade and three other commissioners as well as the directorate for industrial policy (DG GROW). In this role, Séjourné, who led the French Foreign Ministry in building momentum for EV tariffs, will surely not deviate much from the effective position of France on China under Macron, one of strong engagement alongside assertive actions for European interests and industries.

Séjourné's direct portfolio has expanded compared to that of his colorful predecessor Thierry Breton to include managing industrial instruments like the Important Project of Common European Interests (IPCEI) and EU funds like EUInvest.

Séjourné also has significant responsibilities in supporting green industries and biotech and implementing the Carbon Border Adjustment Mechanism (CBAM), alongside leading EU customs reform. In each of those areas, China appears to be a clear background motivation for policy as well as a potential partner in the roll-out of the associated measures. It is also likely to be among the most-impacted by any concrete European action on those fronts. This powerful portfolio is likely to stir tensions in EU-China relations, particularly given Séjourné's previous roles in implementing EU assertiveness.

### ***Technology, telecoms and data: More de-risking on the agenda***

As technologies and their value-chains become ever more geopoliticized, with China as a frequent actor or target, the EU is ramping up its efforts to bolster resilience in the fields of innovation, data and information.

The new Commissioner for Technology Sovereignty, Security, and Democracy, Finnish Vice President Henna Virkkunen, will manage both DG Connect (Networks, Content, and Technology) and DG Digit (digital services), and oversee the work of four colleagues. Additionally, Virkkunen will manage four other commissioners, including the defense commissioner from Lithuania, Andrius Kubilius, a member of the Inter-Parliamentary Alliance on China, the European Parliament's Subcommittee on Human Rights sanctioned by China and a critic of Beijing's policies.

Her primary focus will be on technology and data security, particularly in areas like cloud computing, artificial intelligence, and telecom networks – sectors where China plays a major role. With her strong stance on reducing Europe's dependency on Chinese products, she is expected to confront Chinese interests. A key China-related component of her portfolio will be developing European Cybersecurity Certification Schemes, and her assertive enforcement of existing digital regulations is likely to spark tensions with Chinese firms and potentially Beijing itself. While the Russia dimension takes precedence,

her mandate also covers disinformation and the European Democracy Shield, which could further fuel EU-China contention.

### ***Competition and climate: A bit more cooperation, but no less confrontation***

The unexpected bundling of competition and environmental ambitions resonates with China's dominance in green industries and technologies. First Executive Vice President Teresa Ribera Rodríguez, the Spanish socialist Commissioner for a Clean, Just, and Competitive Transition, will not only lead the competition administration (DG Competition), but also oversee the three commissioners most directly dealing with EU "clean" ambitions (climate, environment, and energy). Her mandate is about adjusting the rather strict EU competition and state aid regulations to better address current international tensions and environmental challenges.

Although Ribera's stance on China has focused more on cooperation than most of her new colleagues, her mandate to enforce the 2023 Foreign Subsidy Regulation – aimed at leveling the playing field in the EU's single market – puts Chinese firms in the spotlight. This regulation could limit her ability to avoid confrontation, despite her emphasis on preventing a trade war with Beijing.

Ribera is also tasked with reviewing the EU competition regulations to foster international champions and enhance European innovation and resilience. Beyond competition policy, her cooperative approach on climate issues may prove challenging too. Indeed, Commissioner for Climate Action Wopke Hoekstra of the Netherlands, for example, has been vocal about the risks posed by Chinese state-backed competition to Europe's green industries and Beijing's insufficient contributions to global climate financing under the Paris Agreement.

### ***Ambitious EU China policy needs member states' support***

The proposed Commission appears geared to address the challenges posed by China. While the first von der Leyen term focused on building common awareness of the problems as well as defensive measures, this term emphasizes supporting the EU's competitiveness and geopolitical standing. Concretely, this will mean more industrial policies and global partnerships to operationalize the EU's de-risking strategy.

With von der Leyen strongly at the helm and the majority of proposed Commissioners likely to support greater assertiveness toward China, the Commission is better positioned to develop a coordinated EU response to China and navigate the necessary trade-offs.

With a more assertive Commission in place, Beijing is likely to intensify its attempts to exploit divisions among member states, as seen with the pressures on capitals preceding the final vote on EV tariffs. Ensuring alignment between member states and Brussels will be crucial for the EU to roll out concrete measures, as it will be in asserting the credibility of Europeans as respected geoeconomic players.

#### **Read more:**

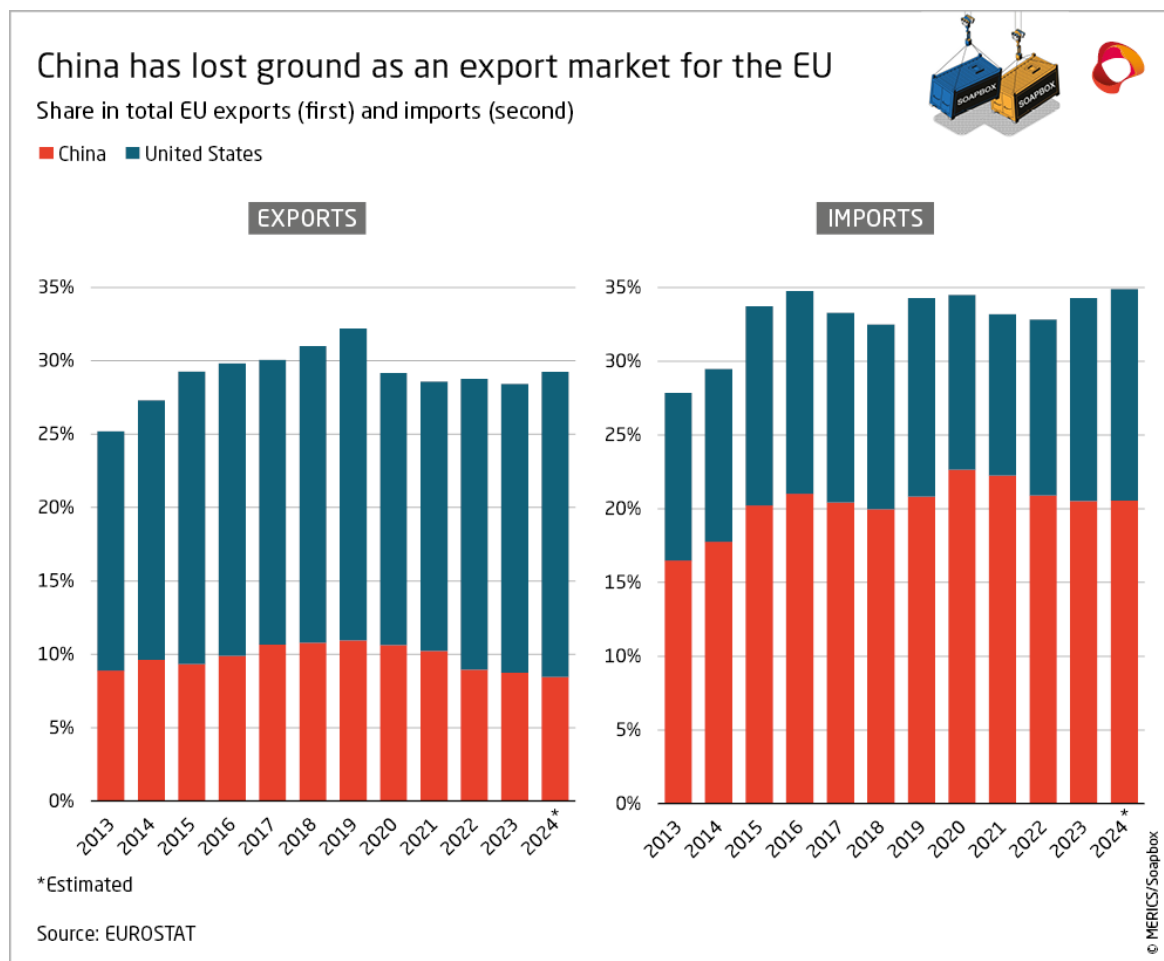
- European Commission: [Commissioners-designate \(2024-2029\)](#)

- European Commission: [Political guidelines of the next European Commission 2024-2029](#)
- Politico: [Meet the commissioners: Class of 2024](#)
- MERICs: [De-risking from China hits the road](#)

## SOAPBOX-MERICs DATA HIGHLIGHT

### The US is solidifying its position as top trading partner for the EU over China

*The Soapbox-MERICs Data Highlight offers data visualizations of EU-China economic relations. We have partnered with trade specialist **Rafael Jimenez Buendía**, Lecturer of International Trade at Taltech University in Tallinn, Estonia, and co-founder of “Soapbox,” a free weekly newsletter focused on China trade. In this edition, Rafael and MERICs Senior Economist **François Chimits** look at the numbers for bilateral EU trade with its two main external partners, the United States and China.*



**Rafael Jimenez Buendía:**

When it comes to exports, the EU's pattern has remained consistent across three US administrations: EU exports to the US are consistently double its exports to China. Given their respective economic size and growth, this reality says a lot about the lack of traction for Chinese imports.

During the Obama administration, the EU imported 50 percent more from China than from the US. This gap grew under Trump, with imports from China reaching 70 percent more than from the US. This increase was likely due to the impact of the COVID-19 pandemic on supply chains and demand that redirected imports towards China, rather than the US-China trade war. Since the beginning of the Biden presidency, EU imports from China averaged 70 percent more than from the US. However, by the end of his term, imports from China were only 40 percent more than from the US.

**MERICS Senior Economist François Chimits:**

Amid growing trade tensions with China on the one side and election-related uncertainties with the US on the other, a quick look at aggregate trade numbers can indicate the magnitude of economic consequences each of these geopolitical challenges may entail. China has, in fact, lost significance for European exports over the past decade. Despite protectionist tendencies, the US economy has grown significantly. A decade ago, for every euro's worth of goods the EU exported to China, it sent 1.8 euros in goods to China, versus 2.2 euros' worth in 2024. On the import side, things have been more stable, apart from a temporary rise in inflows of China-made goods during the pandemic.

Despite all hopes and growth, China remains more than ever mostly a supplier to the European economy, not a market for its production.

## UPDATE

### **Member states greenlighted China-made EV tariffs - What's next?**

On October 4, EU member states authorized the European Commission to move ahead with the countervailing duties on Chinese electric vehicles proposed in July, potentially impacting EUR 10 billion in imports. Concretely, this means the Commission must impose those tariffs, ranging now from 7.8 to 35.3 percent (depending on the findings of the investigation and the cooperativeness of the exporting firm), starting October 30. However, a solution with Beijing may still be found and the tariffs could be suspended, even after they are implemented.

**What you need to know:**

- **More support than it seems:** Ten countries, including France, Italy, and Poland, supported the tariffs, while 12, including Spain, abstained, and five, including

Germany and Hungary, opposed them. This means that despite significant pressure and outreach from Beijing, 22 countries effectively supported the tariffs.

- **Not quite the end yet:** Commission officials have been vocal about their desire for a negotiated solution with Beijing to avoid the full implementation of the tariffs. This likely reflects discussions with member states. However, the Commission has said that any solution should be “fully WTO-compatible, adequate in addressing the injurious subsidization established by the investigation, monitorable and enforceable.” Each word counts here. This puts an ambitious set of constraints on any deal. Any deal would need to be accepted by the member states, under the same voting procedures the tariffs just underwent (i.e., a qualified majority would be necessary to block a deal agreed upon by the Commission).
- **Another step in a long process:** China seriously pressured member states in the run-up to the vote, launching procedures to allow de facto retaliatory measures and expanding its outreach to European capitals. Once the measures passed, a first wave of retaliation took the form of tariffs on French brandy, to which the EU responded by filing a case with the WTO. Beijing also formalized an investigation into European large-engine vehicles, and continued to informally float the idea that such tariffs would impede Chinese investment in European EV value chains. That runs counter to the expected market-based results of tariffs – that foreign investment in Europe would happen to avoid the border levy – and completely contradicts the spirit of international economic rules – which requires countries to not to retaliate and discriminate against legitimate measures.

**Quick take:** Member states seem to have settled on implementing tariffs while also pursuing a negotiated solution. But views diverge on what would be acceptable in such a deal. Against the backdrop of regulatory investigations on Chinese players in Europe, from biodiesel imports to ecommerce platforms or value chains free of forced labor, both sides may have decided to test the other and even themselves on those EV tariffs discussions. As Chinese capacities need European demand and European industrial EV ambitions need Chinese know-how, the tariff issue looks a lot like a game of chicken. It remains to be seen whether a slow-motion train wreck could still be avoided.

**Read more:**

- Politico: [EU will hit China with electric vehicle duties, but peace talks to go on](#)
- Chinese Ministry of Commerce: [The spokesperson of the Ministry of Commerce answered reporters' questions on the EU's vote to approve the final draft of the anti-subsidy case on electric vehicles](#)
- Politico: [China's hit at EU brandy sparks fear of all-out trade war](#)
- Yahoo Finance: [China targets EU cars, brandy in retaliation over EV tariffs](#)

## MERICS FORUM

In the latest edition of the MERICS Forum, **Grzegorz Stec**, Head of MERICS' Brussels Office, asked several experts: **Are Chinese EV investments in Europe an essential boost or a brewing risk?** You can find the assessments of Jörg Wuttke, Ágnes Szunomar, Jakub Jakóbowski, Gregor Sebastian, Wendy Chang and Alexander Brown [here](#).

## SHORT TAKES

### Ukraine and EU say China supplies most tech for Russian weapons

Ukraine's presidential adviser Vladyslav Vlasniuk told reporters in late September: "If you take all the usual types of weapons and count the foreign made components – about 60 percent would be coming from China." The special envoy for EU sanctions, David O'Sullivan, cited an even greater magnitude of China shipping weaponry technologies to Russia earlier this month in Brussels ahead of a meeting of the G7 partners that are sanctioning Russia for its invasion of Ukraine.

- Reuters: [China is a key route of foreign technology supply to Russia](#)
- EPC: [Talks Geopolitics with David O'Sullivan](#)

### New leadership for European Parliament's China delegation

On October 3, Engin Eroglu (Renew Europe, Germany) was elected as the new chair of the EU's China delegation, with Markéta Gregorová (Greens/ALE, Czechia) as First Vice-Chair. Both have a strong record of advocating for human rights, including addressing violations in Xinjiang and promoting democratic values.

- European Parliament: [D-CN Constitutive Meeting of 3 October 2024](#)

### Beijing opens investigation of EU Foreign Subsidies Regulation

On July 10, China's Minister of Commerce launched a trade barrier investigation against the EU Foreign Subsidies Regulation. The EU instrument has been in place since 2023. It extends the EU rules against state support to foreign companies in the single market and has so far been used mainly against Chinese firms, with half a dozen formally investigated. The Chinese investigation should conclude in January 2024 and could lead to a very broad scope of actions, from bilateral consultations to retaliatory measures.

- Chinese Ministry of Commerce: [Announcement of the Ministry of Commerce on the Investigation of Trade and Investment Barriers in the EU Investigations on Chinese Enterprises under the Foreign Subsidies Regulation \(in Chinese\)](#)
- SCMP: [Are EU trade barriers on China fair? Beijing's new probe demands answers after bloc action](#)



### **Unprecedented China de-risking measures in EU green hydrogen auction**

On September 27, DG Climate published the conditions for its second green hydrogen auction to take place in the next six months. Based on a “a significant risk of increased and irreversible dependency of the EU on imports originating in China” and as encouraged by the recent Net Zero Industry Act, projects will have to cap Chinese electrolyzer stacks – the main component for hydrogen production systems – at 25 percent in order to be accepted. In addition, bidders would also have to “contribute to Europe’s industrial leadership and competitiveness hydrogen sector.”

- European Commission: [Terms and Conditions for the second Innovation Fund hydrogen auction](#)
- Reuters: [EU changes hydrogen project auction rules to limit Chinese presence](#)

### **EU and China Sign Five-Year Action Plan on Regional Policy Cooperation**

The signing took place on September 23, during the EU-China High-Level Regional Policy Dialogue in Beijing, part of EU Commissioner for Cohesion and Reforms Elisa Ferreira’s two-day visit to China. The plan aims to promote the exchange of experience on regional and urban policies through joint seminars, capacity-building activities and studies.

- European Commission: [Commissioner Ferreira in China to deepen cooperation in regional and urban policy](#)

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