



By: Tomorrow's Affairs Staff

# The EU does not want to annoy Beijing - trade is still a priority



EU leaders have decided to play it "softer" with China, more as a partner than a threat. They will continue to wrestle with conflicting opinions regarding one of their biggest economic partners.

At the summit in Brussels, the leaders of the 27 EU member states settled on a soft approach to China: so-called de-risking, not decoupling, even though this diplomatic formula does not close the door to further disputes within the bloc.

"The EU will continue to reduce critical dependencies and vulnerabilities, including in its supply chains, and will de-risk and diversify where necessary and appropriate. The EU does not intend to decouple or to turn inwards", stated the conclusions of the EU Council adopted last Friday.

For now, China can be satisfied with its mission of flattering the European Union and its efforts to keep it as far as possible from the influence of Washington, which seeks greater deviation from the Europeans.

Beijing could conclude that its Prime Minister Li Qiang's visit to Berlin and Paris in June has had an effect, and perhaps this was even more visible after the frequent visits of Europeans to China in recent months.

The bloc leader's opinion that "the EU and China continue to be important trade and economic partners" is sufficient for China, and meets its expectations to preserve the market where it has a trade surplus of more than €360 billion.

## Relief due to US-China thaw

A significant reason for the EU to make such a political declaration on relations with China

was the slight warming between Beijing and Washington last week.

US Secretary of State Antony Blinken's visit to Beijing in June marked the end of the mini-Cold War since last February, after the downing of a Chinese spy balloon over US territory.

Even though the effects of this visit are still not fully visible, it was still the first trip of the head of the US State Department to Beijing in the last five years, after considerable tensions.

Altogether, it was an important signal to the European leaders that they could follow the line of the most influential in their ranks - Germany and France - without worrying much about the reaction of the US.

As the two largest EU economies, Germany and France prioritise maintaining trade interests as the most significant for the EU, above the security concerns insisted on by the US, but also a good part of the "new Europe" in the east of the EU.

## China's support for Russia discussed occasionally

The Europeans did not put more pressure on Beijing this time either because of its de facto support for Russia in its aggression against Ukraine.

They stayed in line because of the call to Beijing to "press Russia to stop its war of aggression and immediately, completely and unconditionally withdraw its troops from Ukraine". This was written on the second half of the page with six conclusions regarding China.

This conciliatory attitude towards Beijing has confirmed the political dominance of the large and influential bloc members over smaller partners, demanding a tougher attitude towards China because it supports Russia.

The reluctance to react more harshly to China's "balancing" regarding the Russian invasion included the expectation of (richer) Europeans that it is unacceptable to annoy Beijing at this moment because it could be counterproductive for trade.

## Maintaining balance through NATO

Protagonists of the EU's soft policy towards China could find excuses elsewhere, perhaps in other decisions they reach, proving they remain committed to the partnership (with the US above all) but also their long-standing position (from 2019) that China is a "systemic rival" and "an economic competitor".

The recent decision to introduce sanctions for companies and entities that help Russia's military and industrial complex by circumventing sanctions against Russia is one of the possible areas.

One of those areas is the recently initiated procedure for the adoption of the EU Economic Security Strategy. The Strategy aims to limit China's access to sensitive technologies and markets that could be used for military purposes.

The upcoming NATO summit in Lithuania will be a chance to balance the EU's current mild political declaration regarding China.

It is an opportunity for the leaders that insist on not entering into a conflict with China to

repeat their intention and help Ukraine in its fight against Russian aggression and sharpen their tone towards China regarding its support for Russia.

It will be easier for them to do this in the company of the US and the UK than alone in their EU format.

## Reducing the trade deficit remains a priority

Influential Europeans, above all Germany and France, will continue to balance their relations with China, transferring such a position to the entire bloc, counting on the fact that they could cope with the US pressures, which is beginning to thaw relations with Beijing.

It will be far easier to cope with pressures from the EU's east, as they represent their main economic and political partners in the 27-member bloc, where they still have a dominant influence, as demonstrated once again at the summit last Thursday and Friday.

The effort to equalise the trade balance, currently on China's side (two-thirds to one-third) will continue to dominate their policy.

To achieve this priority, the EU will try not to annoy Beijing and not affect the volume and the desired balance of trade exchange.