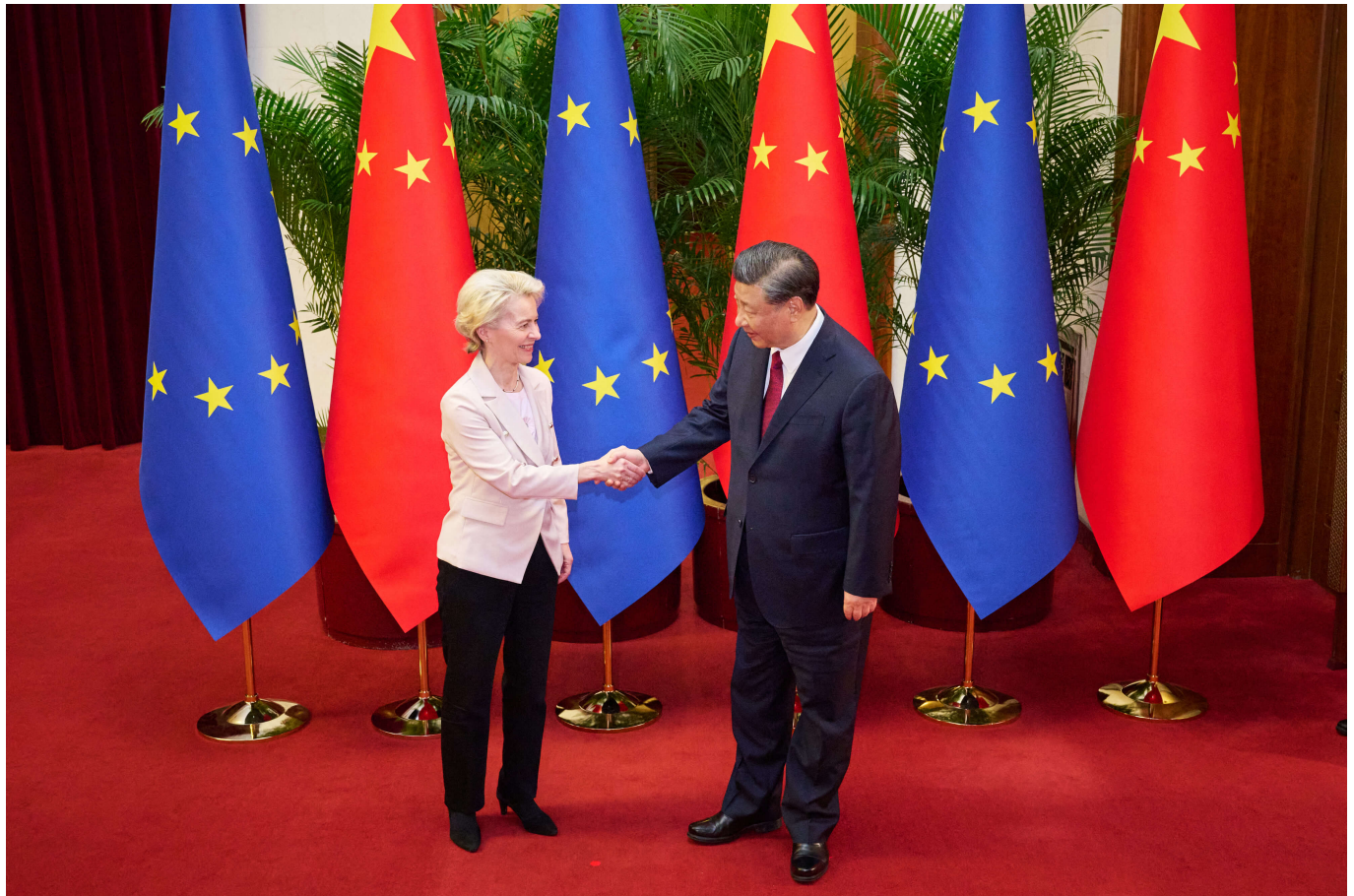




By: Tomorrow's Affairs Staff

# EU-China summit in the shadow of relations with the US



Given its traditional taste for celebrations and anniversaries, China will try to make the forthcoming **summit** with the EU leaders as festive as possible – 50 years since the establishment of relations between the EU and China.

However, this will only be a sugar-coated façade for the complicated, even strained, political and economic relations that this duo has long enjoyed and which show no signs of improving in the near future.

The worsening of EU-China relations had "structural and longer-term" reasons, **said** Lukas Fiala from LSE IDEAS. Therefore, on the eve of the 25th summit, the leaders face an enormous burden that they will certainly not be able to resolve in a single meeting. It's likely that they won't be able to resolve the issue in numerous subsequent high-level meetings.

The EU's top duo, Commission President Ursula von der Leyen and EU Council President António Costa, will hold talks with Chinese leader Xi Jinping and Premier Li Qiang on Thursday.

Although the date for the talks in Brussels was announced back in June, albeit unofficially, Beijing only confirmed that they would take place at the beginning of this week.

Furthermore, the earlier protocol seems to have been shortened from two days of talks to just one day. All in all, this shows Beijing's not very high ambitions for the forthcoming meeting.

However, China still values its relations with the Europeans very **highly**, and there should not be doubt regarding its determination to avoid confrontation as much as possible, particularly in trade.

## Car war

At stake is a huge trade exchange, totalling almost USD 1 trillion, making the EU China's third-largest partner, while conversely China is by far the largest exporter to the EU.

Even more important for Beijing is the enormous trade surplus with Europe, which accounts for around a third of total trade and is one of the main reasons for the mutual economic conflicts.

Europe reacted very harshly to the Chinese export offensive, particularly in the field of electric vehicles, when it introduced tariffs of 45.3% on imports of Chinese EVs last October. Chinese EVs are far more favourable than European manufacturers.

This "elephant in the room" in relations between China and the EU will certainly come up in the forthcoming talks in Beijing. The Europeans will have reason to remain firm, as their **policy** of high tariffs has already begun to have an effect.

At the beginning of the year, there was a decline in sales of Chinese EVs in Europe, while at the same time sales of cars from European manufacturers increased sharply.

**China does not want to lose the potent European market for its growing electric vehicle industry**

At the same time, parallel Chinese-European negotiations have been ongoing since April to replace the tariffs with an agreement on the minimum price of Chinese cars on the European market. If this agreement materialises, it will reduce tensions in bilateral relations and bring the "tariff war" to a negotiating level.

China does not want to lose the potent European market for its growing electric vehicle industry, but it will have to play less aggressively, i.e., correct its policy of high state subsidies in this sector.

On the other hand, European manufacturers are not happy about the high European tariffs either, as they are losing out on the huge Chinese market, where they sell a third of their production, due to Beijing's reciprocal measures.

## No changes in relations with Russia

Politics continues to strongly determine overall relations, including economic ones, and at the forthcoming summit, there should not be any significant changes in the main directions for both actors.

Since the war began, Ukraine and its relations with Russia have been an insurmountable obstacle in relations between the EU and China.



*Beijing can't accept Russia losing its war against Ukraine - Wang Yi*

Wang Yi, the head of Chinese diplomacy, confirmed this during a recent visit to European institutions in Brussels. He then **said** that Beijing can't accept Russia losing its war against Ukraine, as this could allow the United States to turn its full attention to China.

The West's previous conviction about China's support for Moscow was confirmed during a lengthy and challenging conversation in Brussels between the first Chinese diplomat and Kaja Kallas, the head of EU diplomacy.

On the other hand, Mrs Kallas was no milder: "Enabling war in Europe while seeking closer ties with Europe is a contradiction Beijing must address," she **said** after the conversation, referring to Beijing's constant claims that it is neutral in the Russian-Ukrainian conflict.

In this context, the Europeans are **trying** to pursue as independent a policy as possible without relying too much on the alliance with

the US, which has made it clear over the past six months under Donald Trump's presidency that it will no longer be as strong as before.

## Trump's shadow in Beijing

Nevertheless, the unpredictability of the US president's foreign policy, particularly in relation to the war in Ukraine, is keeping both European and Chinese leaders waiting for a safer path to peace.

The shadow of US policy will be strongly felt at the forthcoming EU-China summit and in economic agreements, as both Beijing and Brussels have major and still unresolved issues with Washington over tariffs.

**Shortly after the EU-China summit in Beijing, the trade negotiations between the US and China will continue in Stockholm**

The US-China-EU triangle accounts for almost half of all global trade, and the disruption caused by the new US tariff policy will not be resolved without a mutual balancing between all three parties.

Shortly after the EU-China summit in Beijing, the trade **negotiations** between the US and China will continue in Stockholm, with Chinese Vice President He Lifeng in attendance.

This dynamic confirms that no single meeting, including the forthcoming one in Beijing, should be expected to be a major breakthrough, but only one of the steps towards stabilising relations between the three largest political and economic entities.