

Rebuild Trust and Confidence in EU China Relations through Enhancing Economic Cooperation

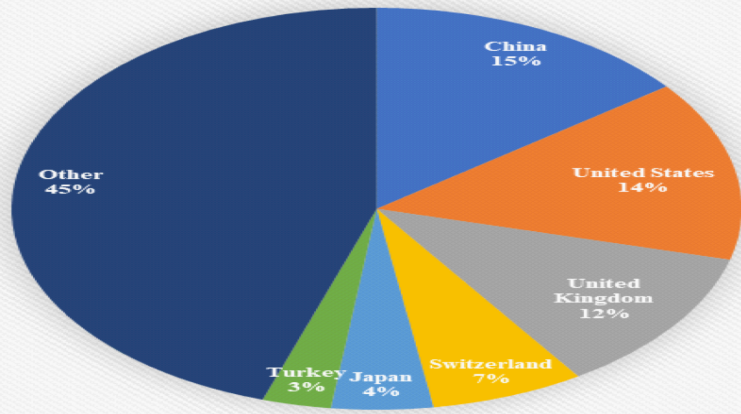
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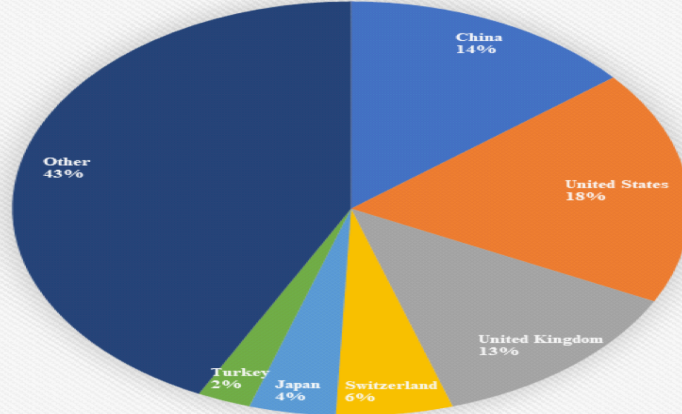
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China among the largest trade partners of the EU

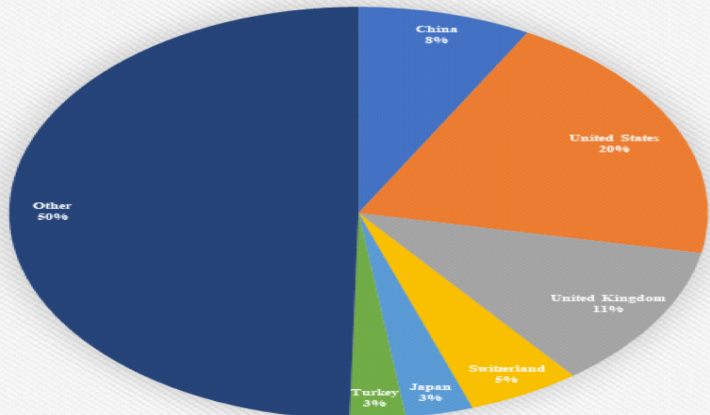
Intermediate Exports



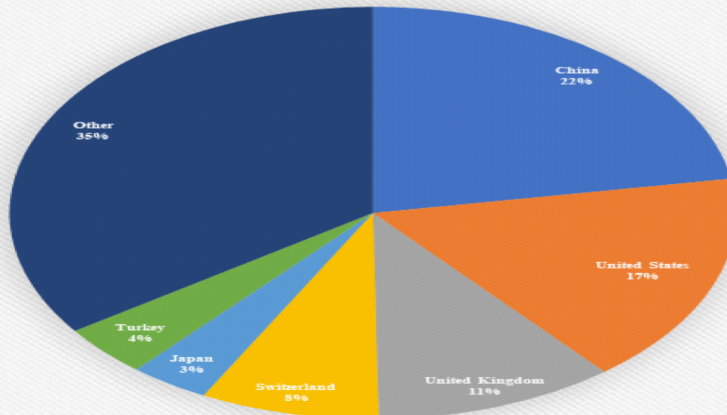
Intermediate Imports



Final Exports



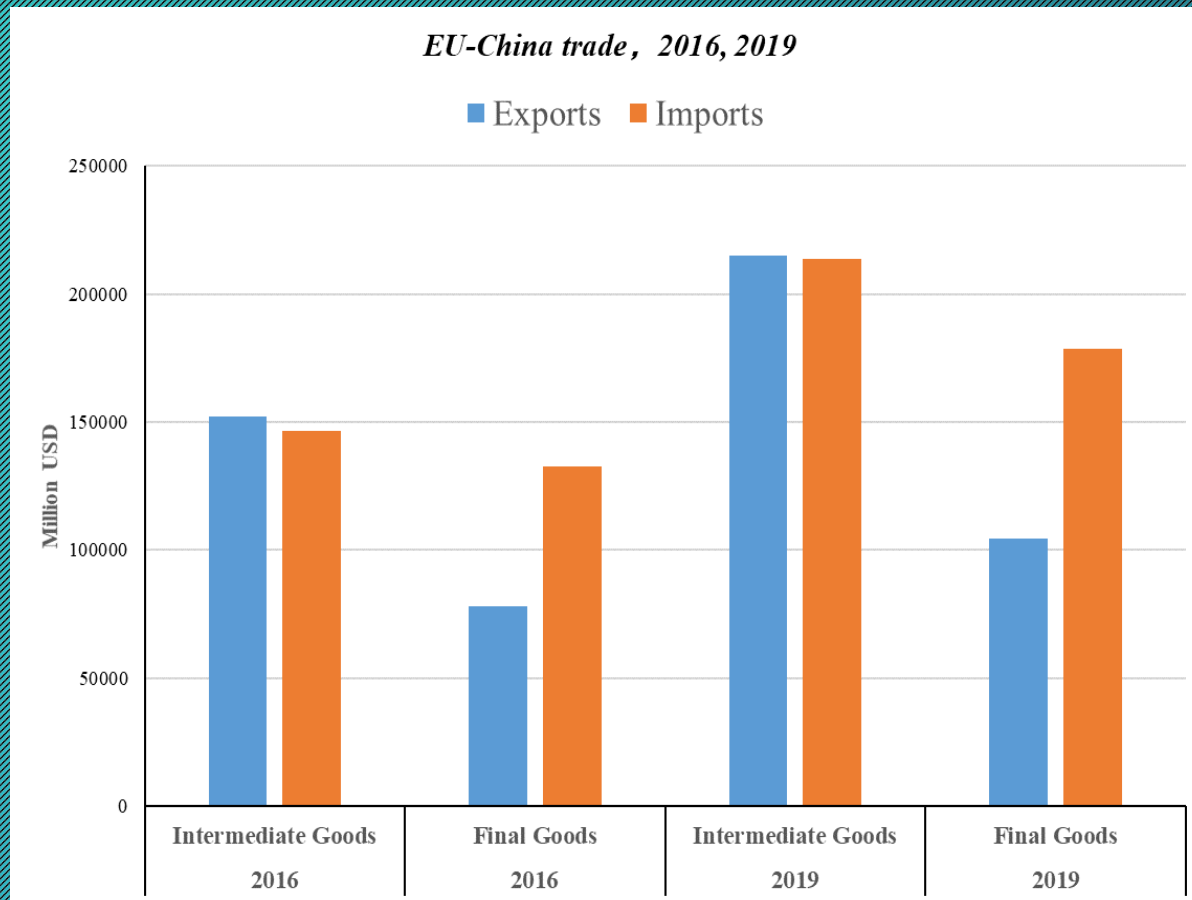
Final Imports



- Largest exporter/importer of intermediates
- Trade surplus with China in intermediate products: Exports (15%) and Imports (14%)
- Trade deficit with China in final: Exports (8%) and Imports (22%)

- Source: Calculated using data from OECD-ICIO

EU-China trade benefits



Source: Calculated using data from OECD-ICIO

- Market access: EU producers can tap into the vast Chinese market.
- Efficiency gains: Importing intermediate products from China can allow EU producers to access cost-effective inputs (boosts competitiveness).

EU-China trade is already avoiding emissions

- The exported intermediate products from the EU contribute to cleaner and more efficient production processes in China compared to what would occur without the imports from the EU.
- And *vice versa*.



Opportunities for EU-China cooperation in green technologies and sustainable transportation

- EU-China engagement on climate is inevitable.
- China: Reliable Renewable Energy Innovator and Supplier
 - - China manufactures 75% of the world's solar panels and holds over 1/3 of the global wind turbine market.
 - - The largest investor in renewable energy technologies from 2010 to 2019.
 - - Projected to lead in new renewable technology for the foreseeable future.
 - - China is the primary global supplier in multiple green energy industries.
 - - It leads key upstream segments of cross-border supply chains (like solar panels, critical minerals, and batteries).
- The EU is a significant market for Chinese clean technology, and cooperation can bring innovation to both the EU's and China's climate policy.

EU-China cooperation for electric vehicle adoption

- China has become the largest exporter of fully assembled electric vehicles (EVs), consolidating its position in the global automotive market.
- Several European countries have subsidized EV purchases, supported clean technology manufacturing, and subsidized clean energy production.
- Chinese EVs would offer opportunities to the EU in terms of cost-effectiveness, accelerating the transition to EVs, and combating climate change.
- Collaboration between the EU and Chinese automakers or leveraging China's expertise in EV production could accelerate EV adoption in the EU and enhance its competitiveness globally.
- This cooperation can significantly mitigate climate impacts promoting widespread EV adoption, reducing carbon emissions, and advancing sustainable transportation solutions.



Farm in Milan

Global impacts and spillover effects

EU-China policy choices have important spillover effects across jurisdictions

- For example, Chinese subsidization of solar panels has lowered the global costs of solar energy adoption, leading to greater solar adoption worldwide and important technological innovation.
- EU emissions reductions have benefitted the rest of the world while demonstrating the feasibility of tackling climate change through policy innovation.

Relations with Third Countries

- EU and China are both strong global exporters and investors in third countries and have active third-party cooperation programs.
- EU and China could aim to maximizing synergies and cooperation on investment priorities in third countries in key sectors like energy, transportation, agriculture, and forestry.

The EU-China partnership on climate change

- The EU-China Partnership on Climate Change established in 2005, renewed commitments in 2010, 2015, and 2021.
- Their joint efforts have resulted in policy convergence, such as China adopting an EU-style carbon trading scheme. China's national cap-and-trade system, launched in 2021.
- China now co-chairs a working group on setting global sustainable financial standards in the EU-led International Platform on Sustainable Finance.
- The EU and China have issued joint statements ahead of key climate conferences in the last decade, including COP21 in Paris and COP26 in Glasgow.

Renew the cooperation

- Trade negotiations can potentially serve as invaluable tools to further cooperation and climate aims.
- The gains from trade are mutually beneficial and large, and there is great value in a rules-based trading system, including the provision of frameworks that reduce their current frictions.
- New rounds of trade negotiation should aim to lower or eliminate trade barriers on goods, services, and technology that are needed to support clean energy adoption and innovation.
- Through cooperation, both parties can capitalize on the economic opportunities presented by the growing clean technology markets.