

The Effect Of “Sovereign Europe” Strategy On The Economic and Trade Relation Between China And EU

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Abstract. China and the EU are powerful international actors that play an essential role in the current international society. Economic and trade cooperation between China and the EU is a significant aspect of China-EU cooperation. However, China-EU relations have been facing several challenges since 2019. The concept of ‘sovereign Europe’ was implemented in 2020, in which the EU aims to gain ‘autonomy’ and ‘independence’. By using secondary data on China’s total trade value between 2019 and 2023, it is found that the total trade value between China and the EU shows an increasing trend before the end of 2021, apart from a decrease in the first half year of 2020, and starts to decrease since 2022. These trends are shown in several European countries, including France, Germany, and Spain. However, European countries such as Sweden and Estonia show a different trend. These trends show that the efforts to establish a ‘sovereign Europe’ did not cause the decline of China-EU economic cooperation until 2022 due to interdependence and the EU’s need to cooperate with China in combating the US’s influences in defense and finance. However, after 2022, the Russia-Ukraine conflict increases the EU’s concerns about geopolitical tension and, thus, views China more as a ‘threat’. As a result, the decline of the China-EU economic relation is likely due to the combined effect of building a ‘sovereign Europe’ and the Russia-Ukraine conflict.

Keywords: Sovereign Europe; China-EU relation; economics and trade.

1. Introduction

As the second large economy in the world, China exerts significant influences on the world, while the European Union (EU) is also a powerful international actor in the current international system [1, 2]. China and the EU are essential in constructing the current international configuration. China-EU relations have progressed in various fields since 2003, when China and the EU established a partnership of comprehensive cooperation with each other [2]. However, as the progress of globalization faced more challenges and the change of international order, China-EU relations also entered an adjustment period. In 2019, the EU officially identified China as a ‘partner’, ‘economic competitor’, and ‘systemic rivalry’, which signals the downturn of China-EU relations [3]. China-EU relation has a significant effect on the current international society.

Li Qiang, the premier of China, said that “China and EU are two major forces, two major markets and two major civilizations in the current multipolar world, and China-EU relation has global influence and significance” during his meeting with Ursula von der Leyen, the president of European Commission in April 2023 [4]. This means that China-EU relation is crucial for international society and the well-being of human beings.

The establishment of a ‘sovereign Europe’ was proposed by French President Emmanuel Macron in 2017 and is the main focus of the European Commission led by Ursula von der Leyen [5]. Cooperation in economics and trade is the most crucial aspect and acts as a ‘stabilizer’ in China-EU relations, though facing more challenges in recent years. [4]. This essay aims to investigate the effect of building a ‘sovereign Europe’ in China-EU economic and trade relations empirically using a variety of reliable secondary sources.

2. The Concept of “Sovereign Europe”

According to a document related to security and defense published by the EU in 2016, ‘strategic autonomy’ is defined as ‘the ability to cooperate with global and regional partners, and the ability to

act autonomously where necessary.’ which is thought as the predecessor of ‘sovereign Europe’ [6]. During his speech at Sorbonne University, French President Emmanuel Macron proposed several policies to implement ‘sovereign Europe’ in six fields: defense, refugees, Mediterranean and Africa, ecology, digital technology, industry, and finance [7]. Macron’s thoughts have been endorsed by many politicians in the EU and have been gradually implemented in the form of policies. Most importantly, the EU Commission, led by Ursula von der Leyen, clearly aims to make Europe play an independent global role [8]. Since 2020, the EU Commission has published several policies regarding the establishment and enforcement of ‘sovereign Europe’, including ‘White Paper on Artificial Intelligence’, ‘Circular Economy Action Plan: The European Great Deal’, ‘An EU Strategy for Energy System Integration’, ‘A European Strategy for Data’. These policies can effectively show the ambition of the current European Commission to establish ‘technological sovereignty’ and ‘economic sovereignty’ [9].

3. Data Analysis

3.1. Overview

The data of total trade value between China and EU from 2019 is collected, with the unit of a half-year (6 months). This is because that most of policies aimed to reinforce ‘sovereign Europe’ were published since 2020. By comparing data before and after 2020, the effect of those policies, representing the establishment of ‘sovereign Europe’ on trade between China and EU could be illustrated. Moreover, data of five different European countries is selected as representatives to show the effect.

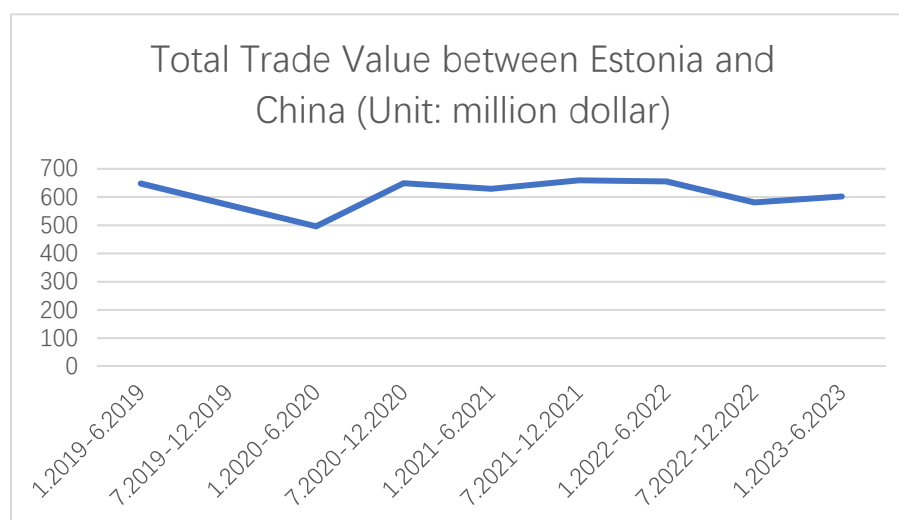


Figure 1. China-EU total trade value from Jan. 2019 to Jun. 2023 [10]

The figure is made by the author.

As shown in Figure 1, the total trade value between China and EU shows an increasing trend from Jan. 2019 to Dec. 2021, with a sharp decrease in the first half year of 2020, probably due to the disruption of global supply chain brought by the outbreak of 2020. However, after 2021, the total trade value starts to decrease slightly until today. The possible reasons of these trends will be explained in the discussion part.

3.2. France

France is considered as a leading country of EU and France is the first country to establish diplomatic relationship with China in western power countries. The bilateral relationship between China and France is stable and progressing overall. China and France reached several consensuses on April 2023, when French president Emmanuel Macron visited China and met with China president Xi Jinping [11].

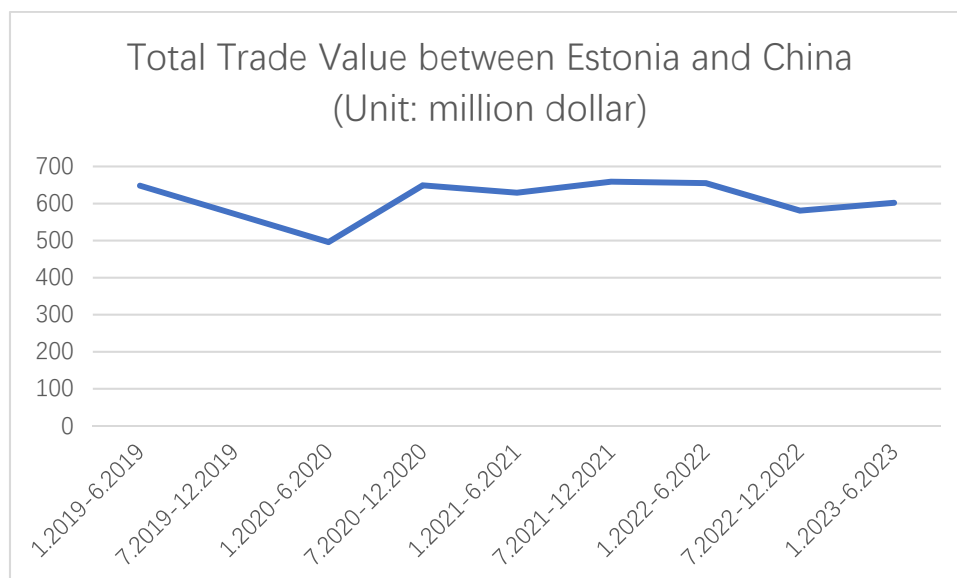


Figure 2. China-France total trade value from Jan. 2019 to Jun. 2023 [10]

The figure is made by the author.

As shown in Figure 2, the overall trend of China-France trade value is increasing from Jan.2019 to Jun.2023. However, the total trade value decreases from the second-half year of 2019 and reaches the minimum point at the first-half year of 2020. After that, the total trade value raises until Jul. 2021 and then begins to decline until Jun. 2022. The total trade value remains stable after that decline.

3.3. Germany

Germany is the largest trading partner of China in EU. Also, Germany is the largest economy in EU and plays an important role in EU economy [12].

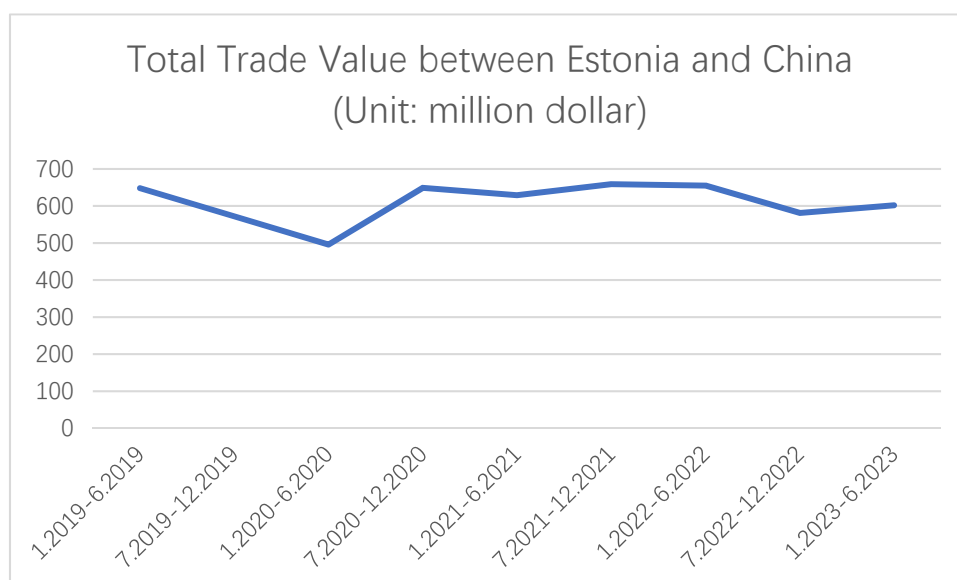


Figure 3. China-Germany total trade value from Jan. 2019 to Jun. 2023 [10]

The figure is made by the author.

As shown in Figure 3, the overall trend of China-Germany trade value is increasing slightly from Jan.2019 to Jun.2023. The total trade value is at minimum in Jan.-Jun. 2020 and then begins to increase dramatically until Jul.-Dec. 2021. After that, the total trade value shows a decreasing trend until today.

3.4. Spain

China-Spain bilateral relationship is generally stable and constantly developing, without significant challenges. China is the largest trading partner of Spain outside EU [13].

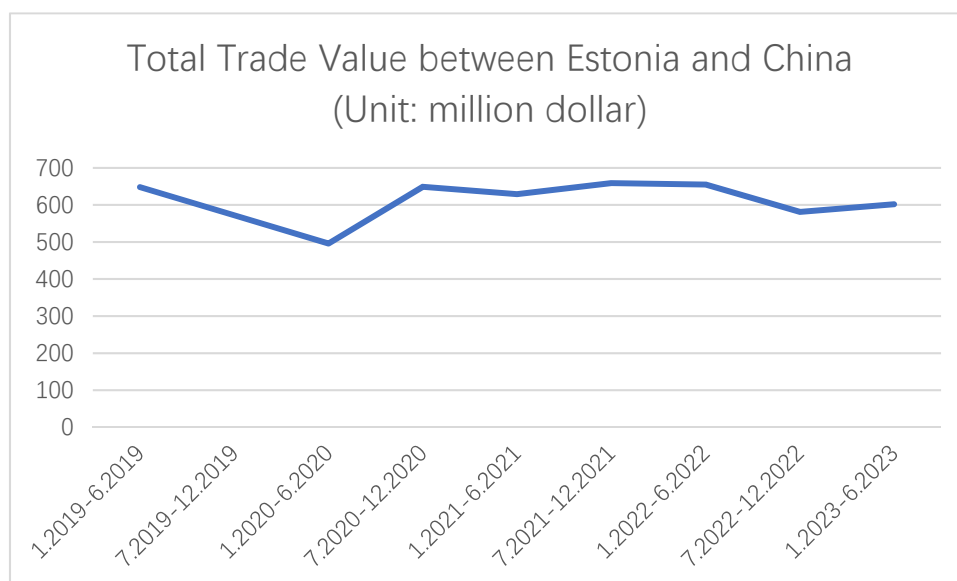


Figure 4. China-Spain total trade value from Jan. 2019 to Jun. 2023 [10]

The figure is made by the author.

As shown in Figure 4, the overall trend of total trade value between China and Spain is increasing, apart from a decrease at Jan.-Jun.2020. From Jan.-Jun. 2020 to Jul.-Dec.2021, the total trade value raises the most. After that, the total trade value keeps constant, without any significant change.

3.5. Sweden

Sweden is the first country to establish diplomatic relationship with China in the whole western world (May 9th, 1950) [14]. The economic and trade relationship between China and Sweden is growing steadily. China and Sweden are each other's largest trading partner in Asia and Northern Europe [14].

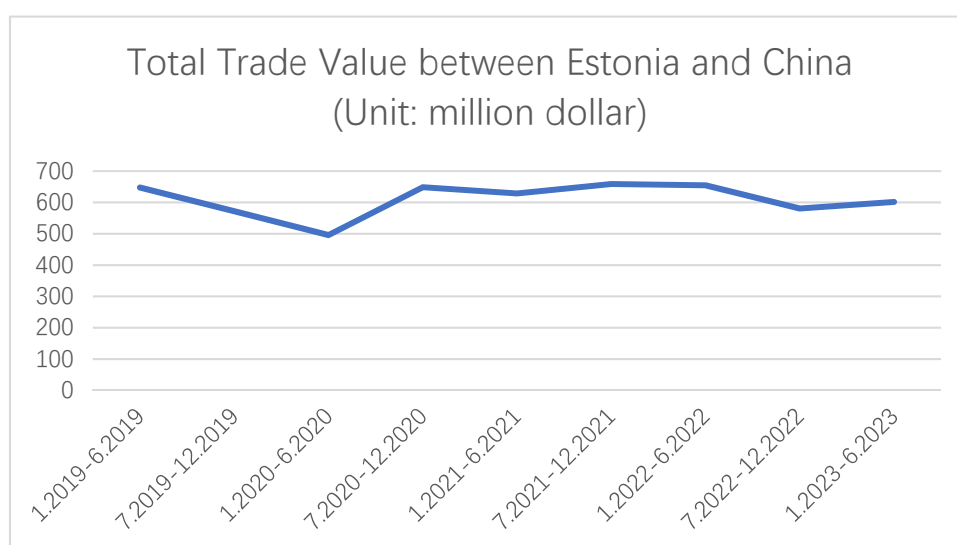


Figure 5. China-Sweden total trade value from Jan. 2019 to Jun. 2023 [10]

The Figure is made by the author.

As shown in Figure 5, the total trade value between China and Sweden increases slightly overall. Firstly, it declines from Jan.-Jun.2019 to Jan.-Jun. 2020. Then, it starts to increase and reaches the maximum at Jul.-Dec.2021. However, it begins to decrease again after Jul.-Dec. 2021.

3.6. Estonia

Estonia is a joining public of the Soviet Union until it got independence in 1991. Estonia and Russia relationship tends to be tight for historical and national security reasons, which may influence China-Estonia relationship, given the close relationship between China and Russia.

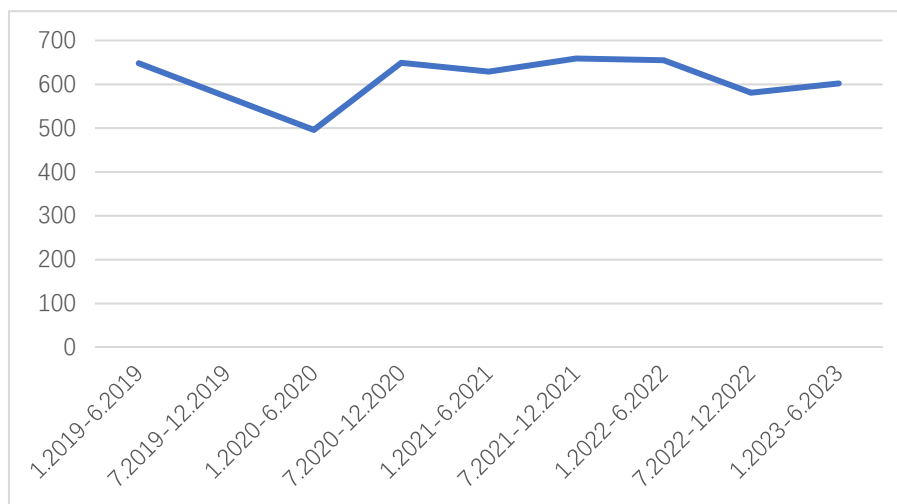


Figure 6. China-Estonia total trade value from Jan. 2019 to Jun. 2023[10]

The Figure is made by the author.

As shown in Figure 6, the total trade value decreases from Jan.2019 to Jun.2023. It first decreases constantly from Jan.-Jun.2019 to Jan-Jun.2020 and then increases until Jul.-Dec. 2021. After that, the total trade value remains stable, with a decrease and an increase at Jul.-Dec.2022 and Jan.-Jun.2023 respectively.

4. Discussion

As illustrated in the data analysis part, the pattern of the total trade value between China and the EU is increasing in 2019 and facing a sharp decrease in the first half year of 2020. Then, it increases again until the second half year of 2021 and then decreases or remains stable. The sharp decrease in the total trade value between China and the EU in the first half year of 2020 may be due to the outbreak of COVID-19, disrupting the global supply chain. This is similar to the trend of China-France, China-Germany, and China-Spain. However, China-Sweden and China-Estonia show a different trend. For China-Sweden, the total trade value decreased instead of increasing in 2019. For China-Estonia, the total trade value decreases in 2019 and remains stable in 2021. Moreover, it will increase slightly in 2023, while the total trade value between China and other representative countries and the whole EU will decline.

The change in the total trade value can be an operationalization of the economic and trade relationship. The policies to implement “sovereign Europe” were published in 2020. It seems that those policies caused the strengthening of the economic and trade cooperation between China and Europe in 2021. However, the economic and trade cooperation started to downturn in 2022, which may be caused by the policies aimed to reinforce “sovereign Europe” after a time lag, the increasing geopolitics tension and safety threat in Europe brought by the Russia-Ukraine conflict, or the combination of both.

The establishment of “sovereign Europe” raised attention and awareness in Europe when the global supply chain and the process of globalization were disrupted and blocked due to the rising unilateralism of the US during Trump’s presidency and the outbreak of COVID-19 globally, which was a threat for many industries in Europe if they rely on the global supply chain [5]. According to Rethinking Strategic Autonomy in the Digital Age, published by the EU, although imports help make up for the shortcomings of the EU, over-reliance on imports would be a threat [15]. Moreover, the

intense competition between China and the US makes the EU concerned about its position. They want to be independent and not involved passively in the competition [5].

Under the rising awareness of “autonomy” and “independence” by the EU, it started to view China differently in economic terms and considering geopolitics, which are more closely related. [16]. From the geopolitics perspective, the EU is deeply concerned about the threat of a “rule-based international order” brought by China. With China’s increasing national power, the EU thinks that China will replace the current international order based on liberalism [17], which threatens the EU. The Russia-Ukraine Conflict further increases the geopolitical tension in Europe. It makes the EU think China and Russia are trying to break the “rule-based international order,” further limiting China’s transactions with and development [18]. From the perspective of economics and trade, though there are some voices that cooperation with China should be maintained in the EU, the majority of the EU doubts the position of the “market economy” of China due to the increasing control of CPC and government on resources allocation and the position of state-owned enterprise, which results in the provision of massive subsidies by the government, threatening the development of local industries of EU [19].

In combination with geopolitics and economic factors, and under the Russia-Ukraine conflict, the EU is trying to avoid relying on China overly, seeking to develop its industries and restricting the geopolitical power of China and its influence on Europe. Therefore, the EU applies several protectionism measures on China-EU trade to protect local industries and limit the development of China’s high-tech and digital industries, which play a crucial role in developing the modern-day military, economy, and society and raise threats to the EU’s network information security. The fact that several European countries decided to forbid the usage and application of 5G provided by Huawei, a Chinese high-tech company, would be an example.

Although the EU does not want to be over-dependent on China, breaking all chains with China would be unacceptable due to increasing global economic integration. Under such integration, countries are becoming more interdependent, resulting in ‘sensitivity’ and ‘vulnerability’. Sensitivity refers to the speed at which an international economic event will affect a country. In contrast, vulnerability refers to how an international economic event will affect a country [20]. In the case of EU-China trade relations, sensitivity and vulnerability are high. This is because China and the EU are the second largest trading partners of each other, which means that if the EU breaks all chains and deals with China, its economy will be affected quickly and deeply, including lower revenues for industries, increasing production costs, and lowering consumer’s well-being due to higher market prices and fewer choices available.

Moreover, the ambition of ‘sovereign Europe’ also changes the EU’s views and attitudes toward the US. Currently, the EU depends on the US for national defense through NATO. In addition, the US dollar limits the euro’s international position. In building a ‘sovereign Europe’, the EU must cooperate with China in economics and trade to gain enough resources to build their defense system and improve the euro’s international position. The interdependence between China and the EU’s economy and the need for the EU to cooperate with China may explain the increasing pattern of China-EU total trade value before 2022.

5. Conclusion

By collecting and analysing the data on the total trade value between China and the EU from 2019 to 2023, It is found that the total trade value between China and the EU in 2023 is higher than that in 2019, and the same for France, Germany, and Spain. Nevertheless, the total trade value between China and Sweden and China and Estonia in 2023 is lower than in 2019. The general trend of the total trade value is increasing until the end of 2021, except for a sharp decrease in the first half year of 2020, and decreasing since 2022. The possible explanation for this general trend is that with the increasing concern about ‘independence’ and ‘autonomy’, the EU attaches more importance to geopolitics, national security, and its industries. Besides, the EU views China as threatening the

‘liberal international order’ and EU security. In addition, the EU deems that it would be a threat if the EU overly depends on China in economics and is currently putting efforts into developing its industries. The concerns of the EU about China are enlarged by the Russia-Ukraine conflict, in which the EU views that China and Russia are working together to break the ‘liberal-based international order’. The total trade value between China and the EU decreased in 2022 when the Russia-Ukraine conflict occurred. However, since different European countries are interdependent with China to a different extent, the change in the total trade value also shows a different pattern for different countries.

To conclude, after the ambition to establish ‘sovereign Europe’, which was implemented in 2020, the economic and trade cooperation is still progressing until the end of 2021, which is similar to before the publication of ‘sovereign Europe’, since the total trade value still increases until the end of 2021. This is mainly because of the interdependence between the EU and China’s economy, and the EU needs to avoid relying on the US in defence and finance. By contrast, the Russia-Ukraine conflict further reinforces the EU’s geopolitical considerations. Under this view, China is more considered a ‘threat’ rather than a ‘partner’, so the economic and trade cooperation is blocked and starts to decline. In other words, the combination effect of building a ‘sovereign Europe’ and raising geopolitical tension blocks the economic and trade cooperation between China and the EU.

This essay considers the effect of building a ‘sovereign Europe’ on the economic and trade cooperation between China and the EU. As a primary goal of this European Commission, establishing ‘sovereign Europe’ is likely to affect China-EU economic and trade cooperation profoundly. Therefore, the result of this essay can be used to predict the future pattern of China-EU economic relations and, thus, make relevant diplomatic policies to cope with the possible changes in China-EU relations. Moreover, this essay examines the economic and trade relations between China and several European countries, which may be used to understand different European countries’ concerns about China specifically. However, there may be other factors apart from the ambitions to establish a ‘sovereign Europe’ that also tend to affect the China-EU relation, such as EU-US relations and the effect of ideology difference between China and EU, which is hard to separate from the factor of building ‘sovereign Europe’. Therefore, the change in China-EU economic relations may not be due to building a ‘sovereign Europe’, which is a limitation of this essay.

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