

EU-China trade relations

As political relations between the EU and China have encountered increasing challenges, including in the context of China's ambiguous position on Russia's war on Ukraine, the trade deficit of the EU with China has risen substantially. The EU has reacted by taking measures to improve its own economic security and to ensure a level playing-field; the most recent measure, announced by Commission President Ursula von der Leyen on 13 September, is the anti-subsidy investigation into electric vehicles coming from China. Since mid-September 2023, three Commissioners – including the Vice-President in charge of trade – have visited China, and the High Representative, Josep Borrell, will visit China in mid-October to co-chair the EU-China Strategic Dialogue.

Background

In 2019, the EU [defined China](#) as a partner, competitor and systemic rival. Since then, the EU has adopted a number of measures to improve its economic security and ensure a level playing-field, including with China; these measures include the [foreign investment screening mechanism](#), the [foreign subsidies regulation](#) and the [anti-coercion instrument](#). In 2020, the EU and China agreed on a Comprehensive Agreement on Investment (CAI) which is currently de-facto frozen, in particular because of sanctions imposed by the Chinese side on Members of the European Parliament.

In 2022, [China](#) was the third largest partner for EU exports of goods (9.0%), and the largest partner for EU imports of goods (20.8%). In the years from 2018 to 2022, the EU's bilateral [trade deficit](#) with China increased from €154.7 billion to €396 billion, driven primarily by a strong rise in EU imports (+83%) from China (see Figure 1). However, the strong rise in EU imports from China – from €342.6 billion in 2018 to €626.5 billion in 2022 – is primarily due to the deterioration in the EU's terms of trade, as volumes rose 'only' by 34%, meaning that prices for EU imports from China rose considerably more than actual quantities. Customs data [show](#), however, that Chinese EV imports into the EU in the first seven months of 2023 increased by 112% on the year, and by 361% from 2021. China's [ambiguous position](#) on Russia's war of aggression against Ukraine, combined with the rising bilateral trade deficit, has arguably led the EU to put more emphasis on China's role as a competitor and systemic rival.

European Commission: Recent developments

In her 2023 speech on the [State of the Union](#), von der Leyen insisted that competition has to be fair, and mentioned the electric vehicles sector, where there are huge subsidies in China. She then announced that the Commission is launching an anti-subsidy investigation into electric vehicles coming from China.

On 18 September, Commission Vice-President [Věra Jourová co-chaired](#) the 2nd EU-China High-Level Digital Dialogue in Beijing, which also touched upon the difficulties faced by EU companies in China to make use of their industrial data.

On 25 September, Commission Executive Vice-President [Valdis Dombrovskis co-chaired](#) the 10th EU-China High-Level Economic and Trade Dialogue, together with China's Vice-Premier He Lifeng, a member of the Chinese Communist Party's Politburo. Dombrovskis reiterated during the meeting the EU's strong concerns about the business environment for EU exporters and investors in China. He raised the issue of access to the Chinese market for European businesses, notably in the areas of agrifood exports, medical devices, cosmetics and infant formulas. Long-standing [concerns](#) raised by European businesses have, among other things, included a lack of transparency around licensing delays and de facto barriers in public procurement. According to the EIU, the EU also raised concerns about cross-border data flows and export controls, and underlined the importance of transparent and [predictable supply chains](#) in particular for critical raw materials. The same source suggests that no major improvements were achieved.



On the same day, and also in Beijing, Commissioner [Virginijus Sinkevičius co-chaired](#) the 2nd meeting of the EU-China Water Policy Dialogue, which provided an opportunity to reflect on the successful EU-China cooperation during the March UN water conference.

European Parliament positions

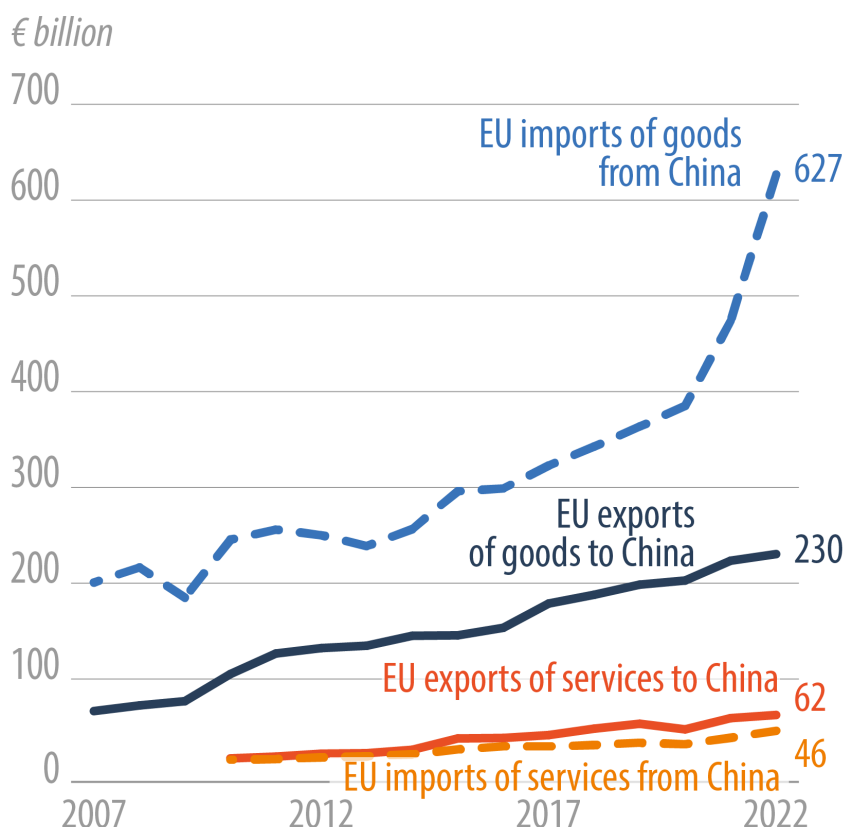
Parliament has, through its [resolutions and reports](#), criticised 'the counter-sanctions on EU entities, MEPs and MPs' ([resolution](#) of 20 May 2021), and asked for a new EU-China strategy ([resolution](#) of 16 September 2021).

Parliament has also repeatedly criticised the human rights situation in China and, in particular, in Hong Kong and Xinjiang. In its [2020 resolution](#) on the national security law for Hong Kong and its [2021 resolution](#) on the crackdown on the democratic opposition in Hong Kong, Parliament also commented on the Comprehensive Agreement on Investment, stating that it 'will carefully scrutinise the agreement, including its provisions on labour rights and reminds the Commission that it will take the human rights situation in China, including in Hong Kong, into account when asked to endorse [the CAI] or future trade deals with the PRC'.

On 14 February 2019, Parliament adopted its [legislative resolution](#) on a 'Framework for screening of foreign direct investments into the European Union'. On 4 May 2022, Parliament adopted its [position](#) on the proposed regulation on distortive foreign subsidies, subsequently [adopted](#) in November. Regarding the proposed anti-coercion instrument, [the text agreed](#) in interinstitutional negotiations (trilogues) has been approved by the International Trade Committee and is on the agenda of this plenary session.

Parliament has also commented on the developments surrounding Taiwan, demanding in particular that the Chinese government refrain from any measures which could destabilise the Taiwan Strait and regional security. Parliament is currently preparing an own-initiative report ([2023/2127\(INI\)](#)) on EU-China relations.

Figure 1: EU trade with China, 2007 to 2022



Data source: Eurostat ([goods](#), [services](#)); graphic by Giulio Sabbati, EPRS.

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