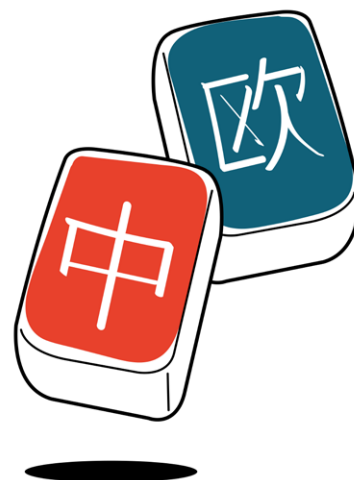


NOVEMBER 4, 2021

MERICCS

Europe China 360°

FRANCESCA GHIRETTI, GRZEGORZ STEC



CONTENTS

ANALYSIS.....	2
A collaborative G20, but tensions with China loom.....	2
Xi's absence	2
Outcomes	2
IPAC	3
BUZZWORD OF THE WEEK	3
REVIEW	4
No new climate pledges from China at COP26	4
Taiwan's diplomatic and economic offensive in Europe	5
Wang Yi tours China-friendly countries before G20	6
SHORT TAKES.....	7



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ANALYSIS

A collaborative G20, but tensions with China loom

At last week's G20 meeting in Rome, the Italian Presidency managed to navigate a complex geopolitical global environment and bring home a global corporate tax, commitments for the delivery of vaccines worldwide and a modest climate pledge. Yet, on the side of the summit, tensions with China kept shaping the conversation.

Xi's absence

In a now well-established fashion, Xi Jinping did not attend the summit in person and only delivered his speech via video. The Chinese President seems determined not to leave his country, be it to avoid contamination or to make sure he is physically present supervising what really matters i.e., internal affairs. In his place he sent his Minister of Foreign Affairs, Wang Yi.

Xi's absence most likely had an impact on how much the summit was able to achieve. Wang's mandate was limited. Throughout the G20 summit, Chinese delegates had to confer back with Beijing before committing to anything. Intermediaries and distance must have made the negotiations rather cumbersome. Had Xi gone to Rome, the summit would have presented an occasion to shorten those distances. However, he was not the only leader who was physically absent. The Russian President, Japan's prime minister and the Mexican President also sent delegates to Rome.

Outcomes

The global corporate tax and pledges to reach 40 percent global vaccination rates by 2021 and 70 percent by 2022 are only part of the success story. Before the summit started, members – including China – agreed the Common Framework for Debt Treatments, a common framework for the restructuring of government debt.

China recognizes the value of the G20 as a format – a gathering of global leaders that includes not just Western countries, and one in which China can weigh in on attempts at setting global standards.

China's growing influence was, however, also the catalyst for another significant achievement that was concluded in Rome. The United States and the EU succeeded in bringing to an end a three-year long dispute with the EU over the production of steel and aluminum. The next step will be the adoption of a "green" deal for the production of these materials in the next two years. The deal has a two-pronged objective: ease tensions between the transatlantic allies and expand joint action to counter China. President Biden did not make it a secret what the main targets of the new deal will be: "dirty" aluminum and steel produced by countries such as China.

The side initiatives fostered by the G20 also include a Statement on Principles for Supply Chain Resilience, which followed a discussion amongst the United States, the EU, Australia,

Canada, Democratic Republic of the Congo, Germany, Indonesia, India, Italy, Japan, Mexico, Netherlands, Republic of Korea, Singapore, Spain and the United Kingdom. The main topic? Establishing the pillars required for strengthening the resilience and security of global supply chains, with a view to a dedicated summit planned for 2022.

IPAC

The Inter-Parliamentary Alliance on China (IPAC), a group of parliamentarians advocating for a stronger response against China's violations of human rights and threats to democracies, gathered in Rome at the same time. The parliamentarians aimed to remind G20 leaders and the world that China continues to pose a threat to democratic values. Unsurprisingly, the main themes on the IPAC agenda included Hong Kong and the request to lift extradition treaties with China, the violation of human rights in Xinjiang and Taiwan.

Taiwan has recently become a hot topic in the EU, and China knows it. On top of the report on Taiwan released by the European Parliament, and the visit of Joseph Wu to Brussels, a delegation of MEPs is now in Taiwan (more on Taiwan-EU below). A few hours before the summit, Wang made clear how concerned China is about the increasing support for Taiwan. In a warning to countries backing any form of recognition of Taiwan, Wang clarified that there is no acceptable alternative to the One-China policy. Those who support Taiwan in a manner that would endanger the long-standing principle will be met with an intransigent response from Beijing. If there was any doubt about the seriousness of Beijing's commitment to its word, one should look at the coercive response to Lithuania's decision to welcome the opening of a Taiwanese representative office.

Read more:

- Politico. [Beijing warns G20 nations they'll 'pay a price' for backing Taiwan](#)
- South China Morning Post. [Do not give China a free pass on human rights, protest group tells G20](#)
- Reuters. [EU and U.S. end clash over steel and aluminium, take aim at China's 'dirty' steel](#)

BUZZWORD OF THE WEEK

STOP OR NOT

China Railway considered temporarily halting EU-China rail traffic last week at two of the busiest Chinese border rail crossings in Alashankou and Erenhot. The decision, revoked soon after it was announced, was supposed to help deal with rail congestion created by an increase in traffic together with increased border controls.

Over the course of the first nine months of 2021 the volumes transported between Europe and China via these crossings increased by 36 percent year on year, while Covid-19 cases discovered on the border led to the introduction of time-consuming restrictions. The authorities are looking to increase flow through alternative routes.

Read more:

- RailFreight.com: [China Railways stops China-Europe trains for the first time](#)
- RailFreight.com: [China Railways: trains to Europe not stopped at the border after all](#)

REVIEW

No new climate pledges from China at COP26

The COP26 UN climate summit running in Glasgow from October 31 to November 12 brings together world leaders to intensify efforts to tackle the climate crisis.

What you need to know:

- **Buildup:** Ahead of the summit, Beijing published a revision of its nationally determined contributions. The document did not offer any new commitments but instead, formalized pledges made previously by Xi Jinping – peaking the carbon dioxide emissions by 2030 and achieving net zero carbon dioxide emissions by 2060. It also provided clearer objectives for the 2030 milestone with plans to reduce the carbon intensity per GDP unit by over 65 percent and increase the usage of non-fossil fuels in primary energy consumption to 25 percent (up from 20 percent).
- **Texting, not calling:** President Xi Jinping did not attend the summit in person, limiting himself to a written statement. China was represented instead at the summit by its special envoy for climate change, Xi Zhenhua, who also had the first in-person meeting with the EU Commission’s Vice-President responsible for the European Green Deal, Frans Timmermans.
- **Xi’s remarks:** In his written statement, President Xi emphasized the importance of “upholding multilateral consensus” and urged developed countries to increase support for the green transition of developing countries. Despite these statements, Xi did not include any new pledges or proposals, instead describing China’s unilateral plans to carry out its green transition. China’s reluctance to intensify its global climate efforts drew criticism from EU Commission President Ursula von der Leyen.

Quick take: President Xi’s downscaled participation combined with the lack of new pledges and the focus on the responsibility of developed economies show that China is reluctant to take a leadership role on climate in multilateral frameworks. Recent domestic energy shortages that pushed Beijing to increase the output of its coal power plants must also have played a role in the Chinese leadership’s climate ambitions in the buildup to the summit.

We will reevaluate the prospects of an effective EU-China climate cooperation in the next issue of MERICS EU-China Opinion Pool.

Read more:

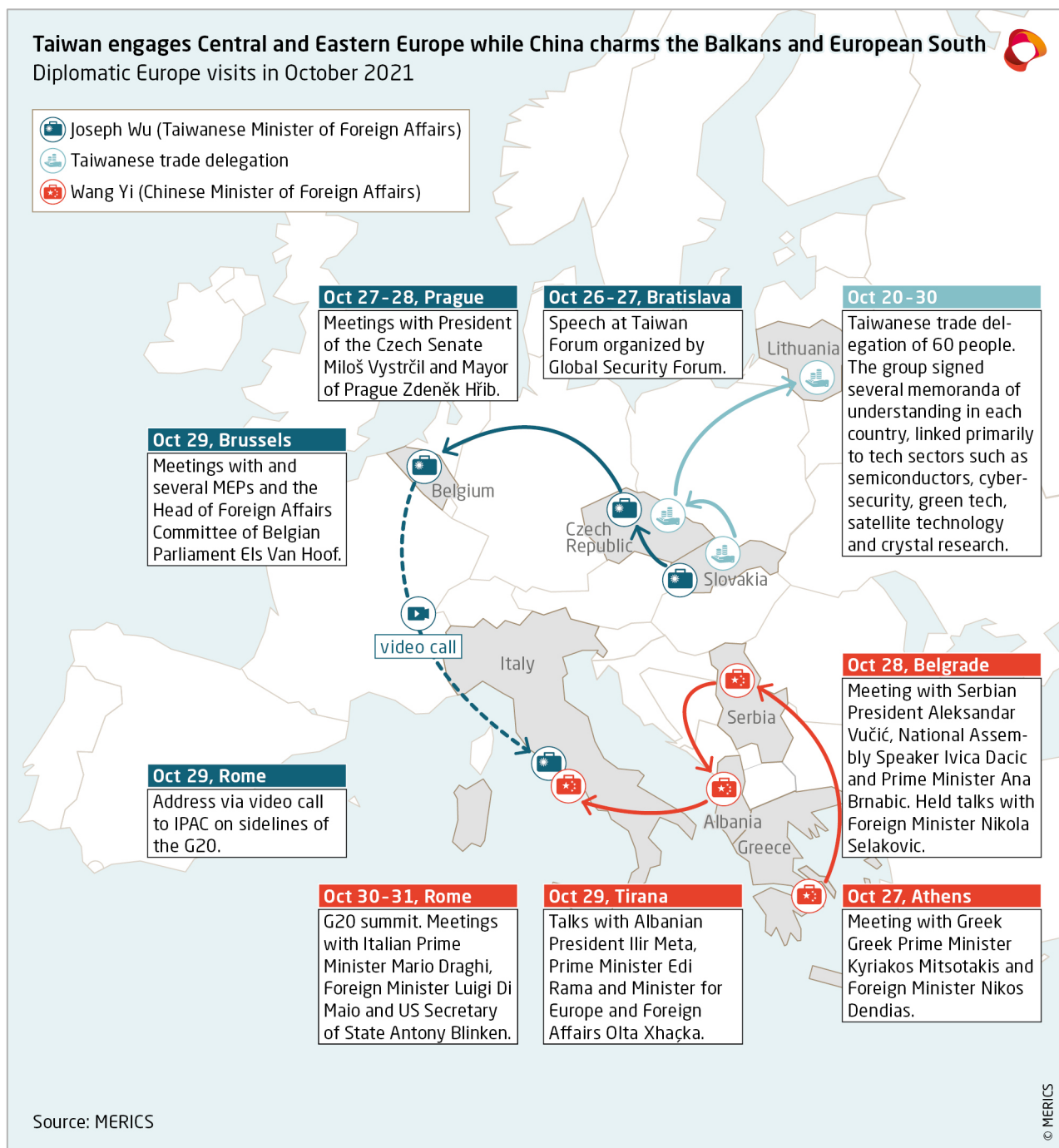
- The Guardian: [China’s new climate plan falls short of Cop26 global heating goal, experts say](#)

- Statement by President of the PRC: [Unite for action to protect the planet, our shared home](#)

Taiwan's diplomatic and economic offensive in Europe

Taiwan's Foreign Minister Joseph Wu travelled through Europe last week promoting bilateral and EU-Taiwan engagement. His trip partially overlapped with a Taiwanese trade mission to Slovakia, the Czech Republic and Lithuania.

Exhibit 1



What you need to know:

- **Wu's stops:** Wu travelled for public engagements and meetings with lawmakers in Slovakia, the Czech Republic and Brussels (see graphic above). He also addressed via videocall an event of the Inter-Parliamentary Alliance on China urging the EU and G20 countries to hold China accountable on human rights and lobby for the EU-Taiwan bilateral investment agreement.
- **Econ-charm:** Trade delegates signed almost 20 memoranda of understanding focused on high-tech sectors such as semiconductors, cybersecurity and green tech. Lithuanian authorities also hinted at the possibility of establishing a joint semiconductor factory in Lithuania with plans for joint semiconductor talent and research university programs. Taiwan authorities also confirmed that the representative office in Vilnius, contested by Beijing, will open by the end of the year.
- **MEPs' delegation:** Shortly after Wu's visit, Raphaël Glucksmann, the French MEP sanctioned by Beijing and Chair of the European Parliament's committee on democratic resilience, led a mission of the committee to Taipei. China's Mission to the EU criticized the move saying that it breached the EU's One-China policy and could "undermine the healthy development of China-EU relations."

Quick take: Taipei's charm offensive has been most effective in Central and Eastern Europe. These states are disillusioned with China after it failed to fulfill its economic promises under the now 16+1 framework. At the same time, they are interested in Taiwan's tech capabilities, share historical parallels with the island and have a security stake in messaging alignment with Washington on China. However, it is mostly lawmakers, rather than governments, that are driving the engagement with Taiwan. To succeed in the longer-term, Taipei will need to show its commitment to the signed memoranda and show that, in contrast to Beijing, it will deliver.

Read more:

- Lrt.lt: [Taiwan delegation visiting Lithuania amid Beijing-Vilnius tensions](#)
- SCMP: [European lawmakers to visit Taiwan next week to meet with Taipei officials](#)
- China Mission to the EU: [Spokesperson speaks on a question concerning the planned visit of MEPs to Taiwan](#)

Wang Yi tours China-friendly countries before G20

On his way to the G20 summit in Rome, China's Minister of Foreign Affairs, Wang Yi, stopped off in European countries that are traditionally friendly towards China: Greece, Serbia and Albania.

What you need to know:

- **The Balkans:** Much like his previous tours, Wang focused on members of the 16+1 and Southern Europe. This time, however, none of the Central and Eastern EU countries hosted him. China's attention appears, for now, to be on the Balkans. Rumors have it that the next 16+1 summit will be hosted by Tirana.
- **Greece:** Greece's relationship with China and COSCO's acquisition of shares in the Port of Piraeus have been at the center of the Europe-China debate for years. Wang's visit came only days after COSCO obtained the additional 16 percent of the port's shares it had been promised, bringing its ownership to 67 percent. The two countries expressed their hopes for further engagement and launched the Greece-China Year of Culture and Tourism.
- **Italy:** Italy was an unmissable stop as Rome was hosting the G20 summit – arguably the main reason for Wang to be in Europe in the first place. While in Rome, Wang met with his Italian counterpart, Luigi Di Maio and with Italian Prime Minister, Mario Draghi. Interestingly, according to the transcript of the Italian Ministry of Foreign Affairs, there was no mention of further engagement in the framework of the Belt and Road Initiative.

Quick take: Rather than an attempt to re-engage Europe, Wang's tour was used to flaunt some of China's European friends. The countries being targeted were solely ones that are known to be friendly to China. Notably, it did not include any EU member state from the CEE, whose relationship with China has been going through a rough patch. If anything, Wang's tour demonstrated China's increasingly selective foreign engagement.

Read more:

- The Diplomat. [China's Foreign Minister Tries Again to Win Europe Back](#)
- South China Morning Post. [China's Wang Yi warns European nations not to develop ties with Taiwan](#)

SHORT TAKES

Xi and Macron exchange a call on October 26 ahead of COP26

The French President called for greater Chinese commitment on climate and increased trade reciprocity towards the EU. The Chinese leader advocated for the EU to double-down on its strategic autonomy agenda, which is understood as an initiative to limit its reliance on the US.

- Élysée [FR]: [Readout from phone call with Mr. Xi Jinping, President of the People's Republic of China](#)
- Ministry of Foreign Affairs of the PRC: [Xi Jinping Speaks with French President Emmanuel Macron on the Phone](#)

China's appetite for investments in Spain decreases

Chinese investors sold their holdings in Spanish waste-management, food and logistics companies – Urbaser, GM Food, Logisor logistics – constituting major divestments. One of the reasons for these moves is the strengthening of anti-takeover measures, including an obligation for non-EU investors to seek approval for over 10 percent purchases of strategic companies.

- La Nueva Espana [ES]: [Spain begins to lose Chinese investors to the protectionist attitude of the EU](#)
- Reuters: [Platinum Equity to buy waste management firm Urbaser for \\$4.2 billion enterprise value](#)

Chinese Chamber of Commerce in the EU releases report on EU business environment

The report, released on October 18, highlighted the modest growth of Chinese companies in Europe and their concerns about the increasingly regulated legal landscape.

- China Chamber of Commerce to the EU: [CCCEU launches 2021 annual flagship report in Brussels](#)
- China Chamber of Commerce to the EU: [CCCEU Report on the Development of Chinese Enterprises in the EU in 2021](#)

Outgoing German Minister of Education calls for reassessment of Confucius Institutes

Minister Anja Karliczek sent her message in a dedicated letter to rectors of German universities. The move follows the Chinese government's successful interventions to cancel book events focused on President Xi that were to take place at the Universities of Duisburg-Essen and Hanover.

- Der Spiegel [DE]: [Karliczek calls out for Confucius Institutes](#)
- The Times: [German universities warned Xi is 'beyond discussion'](#)

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