THE HAMBURG SUMMIT
China meets Europe

digital conference

November 30, 2021

Summary Industry Dialogue: “Opening up or closing in? New approaches to trade and investment in China and Europe”

Chinese-European trade relations clouded by policies, but companies find ways to adapt

Last year, China overtook the United States as the largest trading partner in goods for the European Union, the global pandemic notwithstanding. But this success can hardly hide the fact that the relationship between the two sides is becoming increasingly difficult.

The Comprehensive Agreement on Investment (CAI), a planned investment deal between the People’s Republic of China and the European Union, is just one example. “It has been parked in parliament since last year after it had been worked on for seven years,” said Rieke Schües, Managing Director of United Europe and moderator of the Industry Dialogue.

The idea of the treaty is to mitigate imbalances in trade and investment between the two sides. But the situation is unlikely to change in the current political context, said Luisa Santos, Deputy Director General of BusinessEurope in Brussels, as long as a number of European parliamentarians are still sanctioned by China. “In the meantime, the main objective for us should be to keep talking. Between Europe and China, we have a lot of things to talk about.” Climate change, standardisation – but also the economic relationship in more general terms – are just some of the aspects where cooperation is vital.

The good news is that companies on the ground remain rather confident. “Most European companies I talk to face positive business prospects,” said Clas Neumann, Chairperson of the Board of the German Chamber of Commerce in China, based in Shanghai. A recent survey among German companies showed 77 percent expecting better business this year than last. And a whopping 96 percent have no inclination to leave the country.

Nevertheless, businesses continuously have to adapt to the changing environment. Mergers and acquisitions are one example. 2016 saw a record of Chinese transactions in Europe. Since then, the pace has slowed, said Yi Sun, Partner and Head of China Business Services Europe West at business consultancy EY in Dusseldorf. But that doesn’t mean that the Chinese side has lost interest. “Companies are doing more and more greenfield investment to enter local markets.”

This trend is especially visible in fast moving sectors, like electric vehicles or green energy, said Eric Wang, Director and Vice President of MIDEA Group. Chinese and European companies both don’t have all the solutions to help mitigate the climate crisis yet. But they are actively looking for alternatives like direct investment into operations on the ground. “Opportunities are out there. If we don’t move, US companies and others will seize them. Thus, we have to find a way to make it happen.”