

# Weekly China Insight

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## Special EU–China Summit Edition

### **Expectations low going into the EU-China summit amid escalating trade tensions**

In the lead-up to the 25th EU-China Summit held on 24 July in Beijing, expectations for progress were markedly low amid deepening trade and diplomatic frictions. Originally slated to take place earlier in the year, the summit was rescheduled and moved to Beijing after President Xi Jinping reportedly declined an invitation to Brussels. By June, EU officials had cancelled a key economic and trade dialogue intended to lay groundwork for the meeting, and in July, a planned second day of talks was reportedly dropped. These developments reflected a deteriorating atmosphere between the two sides.

Tensions were further inflamed just days before the summit, when the EU included several Chinese companies and two financial institutions in its 18th package of sanctions related to Russia's war in Ukraine. The Chinese commerce ministry (MofCom) issued a strong protest on 21 July, calling the sanctions baseless and warning of countermeasures. This followed an earlier exchange on 22 July, when MofCom minister Wang Wentao lodged a formal complaint during a video meeting with EU Trade Commissioner Maroš Šefčovič.

However, in an effort to manage the strained relationship, China lifted sanctions on some EU policymakers and excluded French cognac from new tariffs.

*Going into the summit, Beijing and Brussels remain sharply divided. China is seeking relief from EU tariffs on electric vehicles and broader access to European markets, while the EU is focused on rebalancing the trade relationship and defending its industrial base.*

### **At the EU-China summit, Xi urges strategic vision and mutual respect**

On 24 July, Chinese President Xi Jinping met with European Council President António Costa and European Commission President Ursula von der Leyen in Beijing for the 25th EU-China Summit, marking 50 years of diplomatic relations. In his remarks, Xi emphasized three guiding principles for the future of EU-China ties: mutual respect, open cooperation, and joint commitment to multilateralism. He asserted that differences in systems and development paths should not obstruct the relationship, reaffirmed China's support for EU strategic autonomy, and urged Brussels to respect China's core interests. Xi warned against

"decoupling" and trade protectionism, calling for "constructive management" of economic frictions and encouraging the EU to maintain openness to Chinese investment.

Xi highlighted that China and the EU, as "major players" on the global stage, must uphold international order, promote fair global governance, and lead efforts to tackle climate change. He also signaled readiness to deepen cooperation on emerging issues like artificial intelligence and biodiversity.

EU leaders, for their part, acknowledged China's global development achievements and stressed the importance of a balanced, reciprocal partnership, while also raising concerns on Ukraine, market access, and human rights.

*Xi's appeal to strategic cooperation amid global disorder positions China as a partner rather than a rival for the EU. However, sharp differences on trade, security, and values continue to constrain meaningful breakthroughs in the relationship.*

### **China and EU issue joint climate statement as only concrete outcome of the summit**

On 24 July, China and the European Union released a joint press statement on climate change, marking the 10th anniversary of the Paris Agreement and the 50th anniversary of EU-China diplomatic ties. In the statement, both sides reaffirmed their commitment to upholding the UNFCCC and Paris Agreement, emphasizing "common but differentiated responsibilities" in light of national circumstances. The joint statement called for accelerated renewable energy deployment, greater access to green technologies, and enhanced cooperation on climate adaptation, methane management, carbon markets, and low-carbon innovation.

Crucially, both sides pledged to submit new, economy-wide 2035 climate targets (NDCs) before COP30 in Brazil and to jointly support an "ambitious, balanced, and inclusive" outcome at the summit. The agreement also acknowledged the symbolic importance of the EU-China green partnership, framing it as central to global climate governance and sustainable development.

*While the climate statement provides a rare point of convergence between China and the EU, its implementation will hinge on bridging broader tensions in the bilateral relationship, particularly around trade, technology, and strategic trust.*

### **At the summit, EU and China agree to rare earth export mechanism**

At the 25th EU-China Summit on 24 July, European Commission President Ursula von der Leyen announced that the two sides had agreed to establish an upgraded mechanism to smooth exports of rare earth elements and magnets, marking one of the few tangible outcomes of a tense day of diplomacy in Beijing. The new "supply chain support mechanism" is intended to quickly resolve export bottlenecks, which have intensified since China introduced licensing requirements on rare earth exports in April. These controls, initially a response to US tariffs, have disrupted European manufacturing and heightened concerns over China's dominant position in critical minerals.

Von der Leyen acknowledged recent Chinese efforts to fast-track export licenses but stressed that reliable access to critical raw materials is essential to rebuilding trust. She emphasized that stability in rare earth supply chains aligns with China's own long-term economic interests, especially given its strategic reliance on exports to the EU, which is its largest trading partner.

*While the new rare earth export mechanism signals a tactical de-escalation, the EU remains wary of China's ability to weaponize rare earth minerals in future disputes, making supply chain diversification a key pillar of Europe's long-term strategic planning.*

### **Li Qiang calls for renewed confidence in China market as European firms highlight persistent barriers**

On 24 July, Chinese Premier Li Qiang and European Commission President Ursula von der Leyen co-chaired a high-level roundtable with nearly 60 business leaders as part of the 25th EU-China Summit in Beijing. In remarks to European and Chinese business executives, Li underscored the long-term gains of economic cooperation between the two sides, highlighting the resilience of bilateral trade and investment over the past five decades. He pledged continued high-level opening, including further reductions to the foreign investment negative list and enhanced protections for intellectual property and fair competition.

Yet despite these reassurances, European business leaders expressed serious concerns about the operating environment in China. Executives reaffirmed their long-term interest in the market but pointed to persistent challenges, including limited market access, unequal treatment compared to domestic firms, opaque and unpredictable regulatory environment, localization pressures, regulatory misalignment with international standards, and intellectual property risks. According to the European Chamber of Commerce, a record 63% of its members reported missing business opportunities due to these constraints.

European Chamber President Jens Eskelund called for a structural reset, warning that the current trajectory of EU-China economic ties is "not sustainable." He noted that industrial overcapacity in China, particularly in sectors plagued by vicious competition, is spilling over into the EU market and worsening the EU's growing trade deficit with China. Von der Leyen echoed the need to rebuild trust, stressing the importance of a transparent and balanced commercial relationship.

*While both sides used the business roundtable to reaffirm their mutual economic interdependence, the persistent concerns voiced by European firms reveal a growing mismatch between China's reform rhetoric and market realities. European firms are increasingly concerned about the credibility and pace of Beijing's pro-business commitments.*

*While structural challenges remain, the open exchange between top EU business leaders and Chinese policymakers signals a renewed willingness on both sides to address long-standing concerns. The fact that European firms continue to express long-term confidence in the Chinese market, despite current headwinds, suggests that, with targeted reforms and sustained dialogue, the EU-China commercial relationship still holds significant potential for revitalization and shared growth.*