

D2.5 THIRD PROGRESS REPORT ON RESEARCH CLUSTERS WP2

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1 LIST OF ABBREVIATIONS

Abbreviation	Meaning
DoA	Description of the Action – annex 1 to the GA
EC	European Commission
EU	European Union
CEASG	Centre for East Asian Studies Groningen
CCCM	Centro Científico e Cultural de Macau
EGMONT	The Royal Institute for International Relations
ELCANO	Elcano Royal Institute
IFRI	Institut Français des Relations Internationales
ZSI	Zentrum für Soziale Innovation

2 EXECUTIVE SUMMARY

Planned CEASG Roundtable:

European Union market access in China after Covid: Derisking, Decoupling or Doubling down?

Brief Summary:

Europe is at a crossroads when it comes to its relationship with China. On the one hand, economic ties remain thick, and it is indisputable that China remains an essential partner when it comes to furthering Europe's economic dynamism as well as its transition to a carbon-free economy. On the other hand, the political foundation of the relationship is eroding rapidly. The United States is leaning on Europe to adopt a more restrictive approach to sharing technology. European public opinion of China is increasingly negative. Furthermore, Beijing's ambivalent response to the Russian invasion of Ukraine as well as its increasingly aggressive posturing towards Taiwan has deepened suspicion in many quarters of Chinese geopolitical intentions.

Background to current progress report:

The Roundtable held in 24/01/2023, which was successfully organized by Dr. Laurens Hemminga, Professor Jan van der Harst, and Professor Tjallling Halbertsma. confirmed the topics and directions for research to be carried out by WP2. This roundtable has already been reported on.

3 OVERALL INTRODUCTION

ReConnect China aims to answer the question in which domains collaboration of the EU with China is desirable, possible or impossible. The question in which domains EU collaboration with China is desirable, possible, or impossible starts from the acknowledgment that in the modern geopolitical and geo-economic world, the EU and China stand in a perpetual dynamic relationship with each other. This project therefore identifies the following key fields on which the EU should upgrade its independent knowledge: Science & Technology, Economy & Trade, Domestic Governance, and Foreign Policy. To carry out this project, a database which will provide access to new sources of information will be developed. The independent knowledge that will be generated in this project will bring together stakeholders and experts in a Europe-China Knowledge Forum. The project also envisages steps to enhance awareness regarding China among the general public and youth.

4.1 Deliverables submitted by WP2 partners

4.2 The deliverables taken up in this report pertaining to WP2 were due during the period M25 and M37.

4.3 The key objective of WP2, which is divided into two sections, namely China's Economic Dual Circulation (T2.1) and China's Economic Diplomacy (T2.2), was to provide a clear and novel analysis of a range of economic and trade policy issues existing between the EU and the People's Republic of China. This was achieved by extensive research on a range of key topics.

4.4 Predicting which issues were likely to arise, based on analysis of decisions and actions taken in the short- and medium- term by both China and the EU, and thereafter reevaluating these issues in the light of European and Chinese economic interests and values, while also considering the all-important democratic underpinnings of the EU is central to WP2 research.

4.5 Based on the results achieved, WP2 developed policy recommendations related to EU-China economic strategy and industrial policy, and China's economic diplomacy, which were included in the Policy Briefs and Research Papers that were undertaken. Because of the diversity of the topics dealt with in the nine papers presented, a single policy recommendation was not feasible.

4.6 During the eleven months of the previous project period M1-M11, the WP2 partners, namely Egmont, Elcano, RUG, ZSI, IFRI and CCCM were actively engaged in desk research, while monitoring and analysing recent and ongoing developments related to the topics established for WP2.

4.7 The first major achievements in China's Economic Dual Circulation (T2.1) were the completion of a first draft of a literature review, and an analysis. Work carried out by the participants at Elcano include the literature review, and the preliminary design of a research methodology for the first academic paper focused on trade.

4.8 The titles of the deliverables submitted by WP2 during the period under review, up to and including M32, M33, M36 and M37, are presented in alphabetic order of the research institutions involved:

4.9 CCCM: Research Paper: *The Geopolitics of Perception: Non-Elite Views of the BRI and a New Policy Blueprint for the European Global Gateway*, Authors: Tiago Botelho dos Santos, Diogo Borges, and Carmen Amado Mendes.

4.10 CCCM: Research Paper: *Navigating a Multipolar Legal Order: European Institutions and Dispute Resolution in the Age of the Belt and Road Initiative (BRI)*. Authors: Tiago Botelho dos Santos, Diogo Borges, and Carmen Amado Mendes.

4.11 CCCM: Research Paper: *Chinese High-Tech Companies: Characterization of the field of AI and Policy Recommendations*. Authors: André Alves, Shiqing Song, and Carmen Amado Mendes.

4.12 EGMONT: Research Paper: *Lost in translation – Belgium's De-Risking Approach with China*. Author: Victor De Decker.

4.13 ELCANO: Research Paper: *China's Monetary Highways: Renminbi Internationalisation from a Sino-Chartalist Perspective*. Authors: Miguel Otero-Iglesias, Federico Steinberg & Agustín González-Agote.

4.14 ELCANO: Research Paper: *China's Dual Circulation and its Impact on European Industry: The Case of the Electric Vehicles*. Authors: Miguel Otero-Iglesias & Federico Steinberg.

4.15 IFRI: China Policy Brief, 21: 'The China-led AIIB, a geopolitical tool? Author: Françoise Nicolas.

4.16 RUG: China Policy Brief 18: 'Partner, competitor, or both? Thoughts on derisking in EU-China economic relations with China'. Author: Laurens Hemminga.

4.17 ZSI, RUG & CCCM: Joint Research Paper: *Policy and Discursive Shifts in China's Economic Diplomacy and the European Response*. Authors: Gábor Szüdi (ZSI) (Lead Author), Frank Gaenssmantel (RUG), & Carmen Amado Mendes (CCCM).

4.18 Based on the results achieved, WP2 members developed a range of policy recommendations related to EU-China economic strategy and industrial policy, and China's economic diplomacy, which were included in the individual Policy Briefs and Research Papers that were submitted.

4.19 Because of the diversity of the topics dealt with in the nine papers submitted, a single policy recommendation had proved not to be feasible.

4.20 Two deliverables remain to be submitted. One deliverable is a Research Paper titled *The Tripartite Relationship between the EU, PRC and Japan* which is authored by a research team at the CCCM. It has been delayed by the ill-health of one member of the research team.

4.21 The other deliverable is a Policy Brief titled *China's activism in multilateral economic institutions* that is scheduled to be delivered by Françoise Nicolas and John Seaman (IFRI) in March 2026.

4.20 The majority of scheduled deliverables have been delivered, and two further deliverables can be expected in the coming months.

4.21 No deviations or corrective actions regarding the topics or content of the deliverables have been undertaken, and the only consequences or impact on achieving critical objectives during the period M25-M36 have been the result of ill-health.

4 CONCLUSION

4.22 The majority of scheduled deliverables have been delivered within the allotted time frame, and two further deliverables can be expected in the coming months.

4.23 No deviations or corrective actions regarding the topics or content of the deliverables have been undertaken, and the only consequences or impact on achieving critical objectives during the period M25-M36 have been the result of ill-health.