Institute of Chinese Studies

WEDNESDAY SEMINAR

EU-China Relations: Navigating Perilous Paths

EXECUTIVE SUMMARY

Speaker:
Jens Eskelund

22 May 2024

EXECUTIVE SUMMARY

Speaker: Mr. Jens Eskelund, President, European Union Chamber of Commerce in China, Beijing; Chief Representative, Maersk (Greater China Area and North-East Asia).

Chair: Mr. Santosh Pai, Partner, Dentons Link Legal; and Treasurer and Honorary Fellow, Institute of Chinese Studies, New Delhi.

Date: 22 May 2024.

Venue: Zoom Webinar

- The seminar provided an in-depth analysis of the current state of EU–China economic relations, focusing on the shifting business sentiments within the European corporate community operating in China. The Chair, Mr. Santosh Pai, referred to the "China +1" strategy, highlighting the growing significance of India as both a manufacturing hub and a market alternative amidst global supply chain realignments.
- Mr. Eskelund examined the historical evolution of EU–China trade ties, noting that the European Union had maintained robust relations with China largely because it never perceived Beijing as a direct geopolitical rival. However, the tide shifted as China's competitive exports began threatening Europe's industrial base, prompting increasing restrictions and strategic re-evaluation from the EU side.
- Citing fresh data from the European Chamber of Commerce's Business Confidence Survey, the speaker underscored a steep decline in business optimism among European companies in China. 15% of surveyed firms planned to continue investing in China, while a record 42% were seeking to expand operations elsewhere, with South East Asia, India, and Europe emerging as the preferred alternatives.
- Mr. Eskelund attributed this trend to structural weaknesses in the Chinese economy, including overcapacity, deflation, inventory build-ups, falling producer prices, and eroded profit margins. He particularly highlighted domestic demand shortfalls and increasing competition from Chinese firms in strategic sectors such as pharmaceuticals, telecom, and machinery, which had pushed European companies to reconsider their positions.

- Touching on consumer behaviour, the speaker pointed out that Chinese households are exhibiting high levels of savings but are reluctant to spend, as nearly 70% of household wealth remains locked in real estate. A significant dip in economic confidence was visible, with only 30% of respondents believing their economic condition was better than five years ago. However, nearly half remained optimistic about future prospects.
- Mr. Eskelund concluded by touching upon EU industrial transitions, where capital has begun shifting from real estate into core manufacturing sectors like electric machinery and automotive production. He noted China's "Big Three" emerging sectors — green technology, EVs, and high-end equipment — are heavily reliant on exports owing to weak domestic consumption. According to IMF data, while China accounts for 31% of global industrial manufacturing, it consumes just 40% of global output, revealing a structural imbalance.