

Europe between China and the US: the dilemmas of geopolitics, technology and trade

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Dilemmas for Europe: industrial strategy

- What does EU industrial strategy mean?
- Germany - can it move fast enough toward an EV future?
- UK – Brexit allows regulatory variance but at cost of missing out on shaping global standards
- AI: where is European innovation?
- US: how real is the threat of tariffs?
- China: greater efficiency or overcapacity?

Where is European security at risk?

US: less interested in underpinning European security, leading Europe having to be more autonomous than at any time since the 1930s

China: tacit support for Russia undermines European eastern border security, highlights infrastructure vulnerability

- *Yi Peng* incident (2024) shows tensions

Unstable relationship with UK illustrates wider wishful thinking

- EPC happy to talk security, but EU Commission less keen to link with trade



What is European industrial strategy?

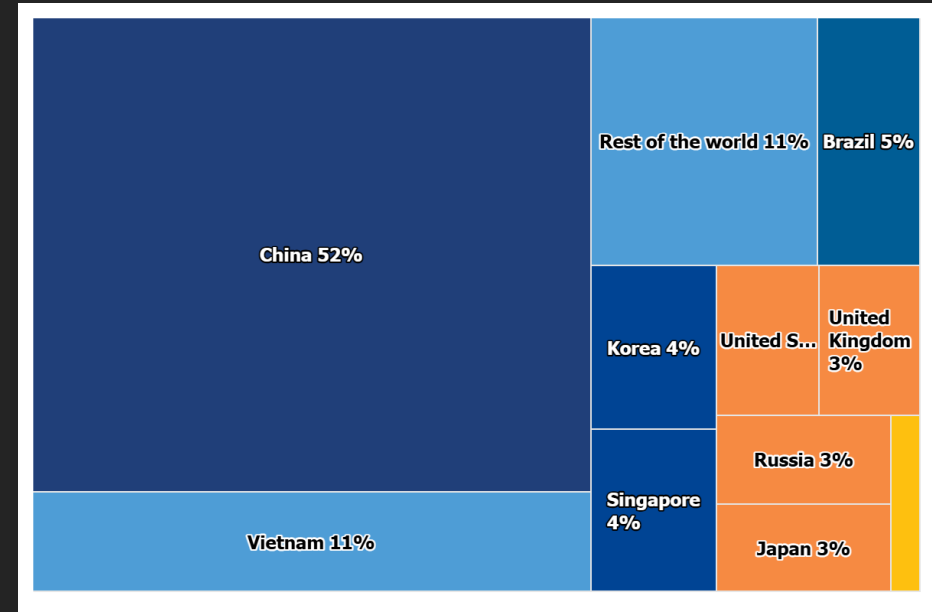
Europe is embarking on a transition towards climate neutrality and digital leadership. The European industrial strategy aims to ensure that European industry can lead the way as we enter this new age.

On 10 March 2020, the Commission laid the foundations for an industrial strategy that would support the twin transition to a green and digital economy, make EU industry more competitive globally, and enhance Europe's open strategic autonomy. The day after the new industrial strategy was presented, the World Health Organization announced the COVID-19 as a pandemic.

https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy_en

Where is Europe vulnerable?

- raw materials
- batteries
- active pharmaceutical ingredients
- hydrogen
- semiconductors
- cloud and edge technologies



Where is Europe strategically dependent?

- **Strategic dependencies analysis**
- 137 products in sensitive ecosystems for which the EU is highly dependent on foreign suppliers, from a total of 5200 products analysed
- These products represent 6% of the value of all imported products in Europe.
- Over half of these dependencies originate in China, followed by Vietnam and Brazil.
- 34 products are more vulnerable, with low potential for diversification and substitution with EU production. They include various raw materials and chemicals used in energy-intensive industries and health.
- These products represent 0.6% of the value of all imported products in Europe.
- https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy_en

Why are European carmakers struggling in the electric vehicle market?

By **Piero Cingari**

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- **European carmakers are struggling in the global electric vehicle market, with key brands like Stellantis, Mercedes and Volkswagen losing ground to competitors. High costs and limited new models are hindering growth, with BMW being a rare exception among European brands.**
- Electric vehicle sales in July 2024 totalled 853,000 globally, increasing by just 6% year-on-year, a tepid performance that highlights weaker-than-expected demand for battery-powered models and raises doubts about the sector's ability to sustain its growth momentum.
- What's even more worrying is the underperformance of European carmakers, with several key brands such as Stellantis, Volkswagen, and Mercedes-Benz seeing significant losses in market share, according to the latest Bank of America's EV Tracker report.

<https://www.euronews.com/business/2024/09/11/why-are-european-automakers-struggling-in-the-electric-vehicle-market>



Europe on AI – competing with US/China

- The Heitor Report warns that the EU has lost its global leadership position on AI research that it held 2000-2015, falling behind China and the US in the number of top-quality citations. Europe cannot improve its global position without serious investment in fundamental research in AI.

- <https://www.the-guild.eu/news/2024/the-guild-calls-for-the-responsible-use-of-ai-in-r.html#:~:text=The%20Heitor%20Report%20warns%20that,in%20fundamental%20research%20in%20AI.>
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The dilemma

- Key need is for European growth to prevent major political and social upheavals in domestic politics
- Relationship with China needs
 - to become closer because of green energy needs, markets and EV tech,
 - but needs also to be constrained because of Chinese security and tech links with Russia
- Growth needs US markets, but harder in era when tariffs increase barrier
- Security issues with Russia mean higher defence spending, particularly with US demands for Europe to do more on security
 - But that means higher taxes and diversion of spending to defence rather than consumer innovation and tech development (War economy planning)