

hinrich foundation

advancing sustainable global trade

Discussion guide for educators

Will Europe's new economy be Made in China?

Paper by Henry Storey

Discussion guide by Mekhla Jha

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Objective of this guide

International trade policy is a core part of countries' foreign policy engagement, drives how goods and services are produced and distributed, influences where jobs are created, and is a strategic tool in shaping long-term competitive advantage.

One of the most effective ways to advance sustainable global trade is to invest in quality education for trade practitioners. Educators have expressed the need for teaching materials focusing on contemporary, real-world trade and policy scenarios that stimulate student interest and enhance skill acquisition.

The Hinrich Foundation offers a suite of resources at the [Hinrich Trade Educators Center](#) to assist educators with course delivery and help students gain up-to-date insights into global trade topics.

We look forward to your feedback and support in advancing sustainable global trade through education.

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About the paper



[*Will Europe's new economy be made in China?*](#) was published on 31 January 2023 by the Hinrich Foundation and authored by [Henry Storey](#), Senior Analyst—Asia at Dragoman.

Europe is becoming a focal point in the struggle for the commanding heights of the global sustainable economy supply chain. The continent's size, climate policy, trade openness, and single-minded efforts to wean itself off Russian energy have made it a natural prime target of China's push for renewable energy export. China's campaign is driven by flagging demand at home and a strategic imperative to break growing efforts by the US to isolate the Asian giant.

Yet China's inroads into Europe have already caused unease within the European Union (EU), which finds itself at a critical policy juncture. On the one hand, it will be prohibitively costly for the EU to decarbonize without a significant level of Chinese capital, know-how, and technology. On the other hand, clinging to traditional precepts of trade openness has the potential to decimate European industry.

In this paper, Storey examines how China's price competitiveness drove its renewables to be quickly absorbed by Europe, evaluates Europe's dilemma in the face of competing interests, and studies how Chinese companies are diversifying to new markets along the Belt and Road Initiative.

1. Introduction

The introduction section gives context on the global sustainable economy supply chain and Europe's dependence on China.

Questions

- 1a. What factors have led to Europe becoming the focal point for the global sustainable economy supply chain?
- 1b. What is the motivation for the Chinese push to ramp up its export machine for renewable energy?
- 1c. Why is the EU uneasy about its dependency on China?



2. Price wars batter China at home

The subsidized production and overcapacity in the domestic solar manufacturing industry in China have led to price wars.

Questions

- 2a. How has China aided the domestic growth of green technologies?
- 2b. Despite accounting for approximately 85% of global solar manufacturing capacity, why is China's solar manufacturing industry sluggish in profitability?
- 2c. Explain with examples how subsidized production and overcapacity have led to price wars in China's domestic green tech sector.



3. Europe's market allure for China

Subsidies, low labor costs, and protectionist procurement policies have made Chinese renewables exports price-competitive and strategically attractive. This section explains how the European markets are more exposed to China-dependency than the US.

Questions

- 3a. Describe the market conditions that have made Chinese renewables exports highly price-competitive and strategically attractive for European markets.
- 3b. Which provisions in the US' Inflation Reduction Act 2022 have been deemed discriminatory by the EU?
- 3c. Discuss the extent of Europe's exposure to Chinese competition in the green tech sector.



4. Europe tries to set terms as China circles

This section describes Europe's re-embrace of industrial policy as a dynamic process, with scope to increase as concerns over reliance on China intensify.

Questions

- 4a. What are the main goals and targets of the 2022 EU Solar Energy Strategy?
- 4b. Apart from the solar strategy, what are the other policy tools adopted by the EU to counter Chinese competition?
- 4c. Do you agree with the author that Germany is ground zero for Europe's re-embrace of industrial policy?



5. Berlin has second thoughts

Deciding what form European industrial policy ultimately takes will be an intensely political process involving competing sectoral and national interests. The section makes this argument using Germany's example.

Questions

- 5a. Outline the competing sectoral and national interests in Berlin that are guiding German trade policy and relations with China.
- 5b. What are the considerations that will guide Europe's industrial policy? How are they different from American considerations?



6. Chinese companies learn a new dance

This section discusses the various strategies used by Chinese companies to circumvent tariff and human rights-related sanctions aimed at Chinese production.

Questions

- 5a. Where should Chinese companies focus to diversify away from domestic political risk and US hostility? How are they operationalizing the diversification?
- 5b. How is the Belt and Road Initiative's outbound investment profile changing?
- 5c. Explain how China is using Southeast Asian nations to bypass US tariffs.
- 5d. Discuss the implications of Xinjiang's role in global polysilicon supply chains on US-Southeast Asia trade relations.
- 5e. Chinese manufacturers are tailoring their strategies to meet local demands in Europe and Southeast Asia. Discuss these strategies with examples.

About the authors



Henry Storey

Senior Analyst - Asia,
Dragoman

Henry Storey is a senior analyst at Dragoman, a Melbourne-based political risk consultancy.

He is also a regular contributor to The Interpreter published by The Lowy Institute. Henry was formerly an editor at Foreign Brief and Young Australians in International Affairs. He holds a Master of International Relations degree from Melbourne University.



Mekhla Jha

Research Manager,
Hinrich Foundation

Mekhla Jha is Research Manager in the International Trade Research program at the Hinrich Foundation with multi-sectoral experience in business strategy development, management consulting, public policy, research, and international relations. She has worked as a management consultant with EY India and as a policy and communication professional at the UN along with undertaking short-term projects with the Government of India.

Mekhla has an undergraduate degree in Business Administration from Mumbai and a master's degree in International Affairs from the National University of Singapore (NUS) where she was also a Hinrich Foundation Global Trade Scholar. During her time at NUS, she worked on a range of research projects on international and intra-regional trade, on peacekeeping and technology, and on the geopolitics of Asia-Pacific. She has also worked as a research associate with the Institute of South Asian Studies and with Friedrich-Ebert-Stiftung, a foundation based in Germany.

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