

# Euro-Thai Newsletter

## Von der Leyen and Macron visit China, fail to present a united EU front

German Chancellor Olaf Scholz, European Council President Charles Michel, Spanish Prime Minister Pedro Sánchez... the list of European leaders and ministers who are visiting Beijing is stretching even longer since Xi Jinping secured a third term as Secretary General of the Chinese Communist Party and, consequently, as President of the PRC. Only a positive covid test prevented EU High Representative Josep Borrell from joining the throng. Soon there will be fewer senior figures who have not been than the other way around.

The 6 April joint visit to Beijing by European Commission President Ursula von der Leyen and French President Emmanuel Macron was **presented as an opportunity for the two to do a duet as they sang a common European song vis-à-vis China**. Someone got the wrong hymn sheet. From an EU perspective, it was **difficult to sell it as a success**. The same was not true of China.

Von der Leyen met with President Xi Jinping principally to discuss EU-China trade relations. As expected, there was no breakthrough. The Commission President stressed the **importance of bilateral trade** amounting to **€2.3 billion per day in 2022**. Her main problem is the need to **address the growing trade gap** – the EU's trade deficit with China reached €400 billion last year and it has ballooned over the last decade. Von der Leyen pointed to the **unfair practices that hinder EU companies' access to the Chinese market** as one of the principal reasons of this imbalance, but made **no mention of the EU-China Comprehensive Agreement on Investment (CAI)**, agreed in December 2020, and designed to – partially at least – address the issue. While Council and Commission would like to move forward on the CAI, the European Parliament's deep Sino-scepticism leaves EU industry bereft and Washington delighted. Her meagre take away was the promised **resumption of the high-level economic and trade dialogue** and a **high-level digital dialogue**. Yet, no dates were set.

Von der Leyen's spin was that the **EU is seeking to de-risk and not decouple**. Not everyone is naïve. Macron had a different take, challenging the EU's apparent China consensus. **Brussels' approach is not necessarily shared across EU capitals**, driven by economics rather than politics. It is not even shared by all in the Commission. The French President travelled with over 50 French business leaders to try **bolster ties with China** and **signed several deals** on transport, energy, agriculture, culture, and science. He carefully stepped away from all the thorny politics to give business a free rein.

The EU's **three-legged China policy** which portrays the country as a 'partner for cooperation and negotiation, an economic competitor and a systemic rival' is **due to be re-visited later this year**. Clearly, the skirmishing is already underway. The two crucial elements will be first the **transatlantic relationship versus 'strategic autonomy'**. Any prospect of a 'Trumpist' victory in 2024 will weigh in favour of the latter. The second will be how Berlin's coalition falls. Which partner will Chancellor Scholz follow? The business-friendly Free Democrats, or the ideologically driven Greens?

## More renewables require more electricity grid flexibility

While the EU's electricity mix becomes greener and consumption patterns shift, **the need to ensure a stable supply of energy is proving increasingly challenging**. Switching from stable big gas and coal power to less reliable solar and wind leaves supply exposed to the vagaries of the weather. Consumers increasingly purchasing their own solar panels, becoming providers and selling excess electricity, does not help when the sun stops shining. All this is being tackled with the European Commission's mid-March proposal for a **revision of the Electricity Market Design**.

One of the proposal's key measures is to **improve the grid's ability to respond to rapid changes in supply and demand, as well as to trade closer to real time**, both at cross-border and national level. The Commission claims that cross-border purchasing takes up to one hour to deliver. Now, the Commission aims at **shorten the response time to close to 30 minutes**.

Here EU experience in reducing cross-border response times will have valuable lessons **for ASEAN's Power Grid initiative** as ASEAN member states look to greening their energy sources and further connect their electricity grids with their neighbours.

## The impact of waste shipment regulation on third countries

European waste exports reached 33 million tonnes in 2021, a 77% increase in the last two decades. In November 2021, the European Commission presented a proposal to **revise EU rules on waste shipments**. With the motive of improving reuse and recycling rates within the EU, the proposed reform seeks to **facilitate domestic waste shipments within the EU**. In parallel, the reform would **tackle the issue of illegal dumping** and, important for the digital transition, contribute to **reducing European dependencies on critical raw materials**.

To that latter end, the Commission proposal suggested **imposing strict rules on exports of non-hazardous waste to non-OECD countries**. To avoid being banned from receiving these shipments, third countries will need to demonstrate their ability to treat such waste in an environmentally-friendly manner. In practice, this will **increase administrative burdens** by obliging them both to prove the sustainability of their practices or probably amend domestic legislation to make it OECD compatible.

The countries benefitting the most from this legislation are OECD members Turkey, the UK, Switzerland and Norway, who accounted for around 58% of EU waste exports in 2021. Southeast Asian countries – especially Indonesia, eighth biggest destination of EU waste – will be negatively affected. **Exports to Thailand peaked in 2019** (630,000 tonnes) and were down around 40% to **390,000 tonnes in 2021**<sup>1</sup>. The revision will particularly impact exports of paper and cardboard waste, which accounted for more than 70% of this waste. Metal (25%) and mineral (2.5%) waste will also be affected.

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<sup>1</sup>[https://ec.europa.eu/eurostat/databrowser/view/ENV\\_WASTRDMP\\_custom\\_5781663/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ENV_WASTRDMP_custom_5781663/default/table?lang=en)