EUROPE-CHINA RELATIONS

# European Companies Caught in Crossfire of US–China Tensions, EU Business Head Says

The business leader points to China's export controls on rare earth elements as a major source of trade disruption.

European Union flags fly outside the European Commission headquarters in Brussels on March 1, 2023. Johanna Geron/Reuters


**Bill Pan**

Reporter


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Businesses in the European Union are being held "hostage" in the ongoing friction between China and the United States, according to Jens Eskelund, president of the European Union Chamber of Commerce in China.

In an exclusive interview published on June 18, Eskelund told Nikkei Asia that the EU has suffered from "collateral damage" amid tensions between China and the United States, even after both sides recently reached a tentative trade deal.

Chinese and U.S. officials announced a preliminary framework aimed at bringing down spiraling duties and easing export restrictions. U.S. President Donald Trump said on June 11 that China would guarantee upfront supplies of both magnets and rare earths, but no final agreement has been reached yet.

Eskelund cited China's export controls on rare earth elements—metals critical to electric cars, wind turbines, and military hardware—as a major source of trade disruption. Although framed by Beijing as a countermeasure to Trump's sweeping tariffs, the restrictions apply to all countries and require licenses for each shipment.

While some European companies have managed to secure export licenses, Eskelund said many others were stuck in bureaucratic limbo because of backlogs and paperwork burdens, with Chinese authorities demanding detailed information about customers and production methods.

"China wants to avoid the U.S. getting their hands on these minerals through a third party, and therefore they want to have transparency in the supply chain," he told the Japanese media outlet. "But of course, it doesn't do anything good for China relations when European companies are taken hostage in the U.S.–China situation."

The uncertainty is fueling calls within the European Union to accelerate efforts to "de-risk" from China, according to Eskelund.

The EU and China are due to hold a high-profile summit in July to mark the 50th anniversary of formal diplomatic ties. However, recent remarks by European Commission President Ursula von der Leyen point to growing friction in trade relations ahead of the event.

Speaking at the G7 summit in Canada on June 15, von der Leyen warned of a "new China shock" and accused Beijing of perpetuating what she called a "pattern of dominance, dependency, and blackmail" on its trade partners.

Von der Leyen criticized the Chinese regime's efforts to dominate global manufacturing and supply chains by undercutting intellectual property protections and deploying massive government subsidies. She called these efforts a form of "distortion with intent" and urged member nations to present a united front in response.

Beijing pushed back against von der Leyen's comments. On June 18, Chinese foreign ministry spokesperson Guo Jiakun expressed "strong dissatisfaction and firm opposition" to her remarks.

At the center of the European Commission president's criticism is China's dominant position in the market for rare earth elements. China controls roughly 60 percent of the global rare earth supply and commands about 90 percent of the world's refining capacity, according to the Center for Strategic and International Studies.

“China is using this quasi-monopoly not only as a bargaining chip, but [is] also weaponizing it to undermine competitors in key industries,” von der Leyen said during one of the G7 summit’s sessions.

“We all witnessed the cost and consequences of China’s coercion through export restrictions,” she stated, referring to Beijing’s recent decision to restrict the export of seven types of rare earth elements.

Beyond U.S.–China trade tensions, European businesses are also growing wary of China’s overall economic outlook. An annual survey published in May by the EU Chamber of Commerce in China found that nearly three-quarters of its members said it was getting harder to do business in China. That marked the fourth consecutive year that the survey showed diminished optimism.

The chamber represents the interests of more than 1,700 European companies, ranging from industrial giants such as Volkswagen to small firms embedded in global supply chains.



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