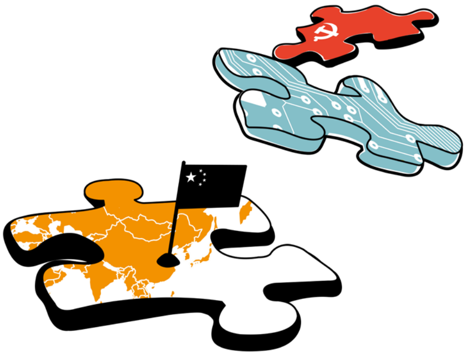
JULY 11, 2025

MERICS China Essentials



CONTENTS

MERICS
Mercator Institute for China Studies

TOP STORY

Medtech trade skirmish – China hits back after EU ban on bids for public contracts

Brussels and Beijing are locked in a tit-for-tat trade escalation ahead of the EU-China summit late July. China announced new restrictions on government purchases of medical devices, specifically barring contracts worth over 45 million CNY (5.3 million EUR) from European suppliers (except EU firms producing in China) and excluding non-EU companies from contracts if more than half the value of the medical devices comes from the EU. The move came after Brussels in late June excluded Chinese medical device suppliers from bidding for public contracts worth over EUR 5 million for a period of five years – the first time the EU has used its international procurement instrument (IPI) to address what it sees as grave imbalances in market access.

China's swift response signals it will not easily give in to attempts to leverage the EU's trading clout or relax its "Buy China" policies in its state-dominated medical market. Its countermeasures show that it is willing to use procurement restrictions as a tactical tool, further expanding its retaliatory toolbox in trade disputes. This puts the EU and China in a difficult position as two economies prepare to negotiate on issues including rare earths, green technology and agriculture. Although Europe's IPI is designed to be temporary and conditional – aimed at pressuring restricted countries to open up their procurement markets – it could in this case solidify into a longer-term trade barrier.

The European Commission argues that the ban was a necessary step to ensure fair market access, after finding that 87 percent of Chinese hospital tenders excluded foreign suppliers. China remains the EU's second-largest export market for medical devices, even though demand has been gradually declining, while imports from China to Europe have risen. But the move risks escalating broader EU-China trade tensions and could prompt Beijing to impose even stricter procurement rules in retaliation. This could ultimately harm even localized European manufacturers — Siemens Healthineers and Philips produce 80 to 90 percent of their goods locally — and create new uncertainties for EU companies.

For the moment, the economic impact of China's retaliatory measures appears limited. The procurement ban applies only to high-value government tenders and excludes private imports. But Beijing simultaneously introduced new support measures for its advanced medical equipment sector. It also announced measures to strengthen post-market oversight for innovative medical devices, boost research and development, and accelerate market entry of advanced tech like AI and biomaterials. China's ambitions for its medtech sector – outlined in policies such as "Made in China 2025" – remain high.

> *"Beijing's restrictions on European medical devices are less about economics than politics, signaling its willingness to use procurement rules to push back against Brussels. As both sides turn to these tools, there is a growing risk that their use could spread and harden from tools to force negotiation into lasting trade barriers."*
>
> ***Altynay Junusova**, Analyst, MERICS*

Media coverage and sources:

- Official Journal of the European Union: The European Commission implementing regulation (EU) 2025/1197 of 19 June 2025 imposing an IPI measure restricting the access of economic operators and medical devices originating in PRC
- NMPA: Announcement of the National Medical Products Administration on measures to optimize the full life cycle supervision and support the innovative development of high-end medical devices
- Xinhua: The Ministry of Commerce responded to the relevant measures taken on medical devices imported from the EU in government procurement activities
- China's Ministry of Finance: Notice on Taking Related Measures in Government Procurement Activities for Medical Devices Imported from the EU
- MERICS: Investigating state support for China's medical technology companies

METRIX

1.08 million CNY…

… or 132.000 EUR was the prize a bidder paid for a life-size Labubu figurine at an auction hosted in China last month. The little monsters created by Hong Kong artist Kasing Lung and sold by Chinese toymaker Pop Mart are not only extremely popular in China but have become a global craze, beloved among young adults all over the world. Unlike it's East Asian neighbors Japan and South Korea, China has been struggling to export cultural products that contribute to its soft power so far. (Sources: rfi)

TOPICS

Beijing sends mixed signals on trade disputes to build leverage ahead of EU-China Summit

China has drastically diluted its duties on French brandy, held back from playing other cards on European pork and dairy, and delivered blows on medical devices from Europe and rare earth exports to Europe – mixed signals ahead of the July 24-25 EU-China Summit. Beijing is using this negative and positive pressure to build leverage in a number of areas up for debate at the summit.

Paris, frustrated that Beijing targeted French brandy after the EU put tariffs on Chinese electric vehicles last year, has generally welcomed an agreement with China to set minimum price floors, exempting most French brandy products from tariffs. Party-state media has hailed this as an example of compromise that could apply to the EV tariffs.

Meanwhile, European pork and dairy exporters have been waiting anxiously since the imposition of EV tariffs, as China promised and then delayed investigations until December into their products. Several key member states make up a sizeable share of

European pork and diary exports to China. Beijing clearly does not want to give up negotiating leverage here that could be useful at the summit.

Finally, China has openly wielded sticks against European economic interests. The uncertainty of access to China's rare earth elements and magnets used for high-tech products has frustrated many sectors in Europe. Licenses have been approved in some cases and outright rejected or sent back for revisions in others.

> *"Beijing is applying a variety of pressure points to build leverage before the EU-China Summit. Some are positive, like on brandy, others delay issues such as pork and dairy investigations, and some are outright negative like on medical devices and access to China's rare earth products. The critical question is whether the EU or some member states, will seek concessions, attempt to convince Beijing to play nicely, or potentially escalate in order to deescalate."*
>
> ***Jacob Gunter**, Head of Program Economy and Industry at MERICS*

Media coverage and sources:

- SCMP: Why France is toasting China's new tariff on European brandy
- Reuters: China delays decision on EU pork imports as EV tariff talks continue
- European Parliament: Commission must tackle China's export restrictions on rare earth elements

BRICS displays unity at summit, reflecting China's influence despite Xi's absence

Despite Xi Jinping's (and Vladimir Putin's) absence from the 17th BRICS Summit in Rio de Janeiro on July 6-7, the group's communique still reflected many of China's messages and key positions on global issues – a testament to Beijing's influence and the galvanizing effect of Donald Trump's policies and statements on the group's stance against the Western-led order. Though the US was not mentioned directly, this year's summit had clear geopolitical undertones. The leaders criticized the proliferation of "trade-restrictive actions" and unilateralism – in a clear reference to the Trump administration's tariffs. They also threw a subtle jab at the European Union with references to "protectionism under the guise of environmental objectives."

Mostly, however, the group kept the focus on the BRICS' vision for the global order, which largely reflects Beijing's own. The tone and themes of the declaration were similar to those of 2024, promoting a fairer multilateral system, combating climate change and improving economic cooperation among BRICS countries. On peace and stability, the group also aligned with China, strongly criticizing Israel's actions in Gaza and the recent airstrikes against Iran, or NATO allies' rising defense budgets, while avoiding direct criticism of Russia's actions in Ukraine.

BRICS members are still a diverse group, with different values and strategic objectives, and often with difficulties in reaching agreements on key global issues. But dissatisfaction with the Trump administration's policies seems to have led to a new level of consensus. While they might disagree on just how the future global order should look, the BRICS seems increasingly aligned on the idea that the current international system should be reformed. Music to Beijing's ears.

> *"This summit has shown that China's priorities and perspectives are dominant within BRICS, even when Xi Jinping is not there to personally push for them. While it's unlikely they will be able to push a concrete agenda, the group appears increasingly united in pushing back against US actions and the Western-led global order, and in presenting a Global South-led alternative to Western models, very much in line with China's strategic objectives."*
>
> ***Helena Legarda**, Lead Analyst, MERICS*

Medienberichte und Quellen:

- SCMP: Trump vows bigger tariffs for 'anti-American' policies as China calls for BRICS cohesion
- 2025 BRICS Summit Declaration
- 2024 BRICS Summit Declaration
- CGTN: Li Qiang's remarks at 17th BRICS Summit session on peace, security and global governance reform

China's interference in Dalai Lama's succession will fuel international tensions

This week, exiled Tibetan Buddhist leader the Dalai Lama turned 90. Although he hopes to live until age 130, he announced that his successor will be born outside China. This reinforced expectations that, upon his death, there will likely be a schism: Tibetan Buddhists will follow centuries-old traditions to identify the reincarnation of the Dalai Lama, while Beijing will take the opportunity to elect its own party-approved leader, a development likely to fuel international tensions with China.

Tibetans have experienced several brutal crackdowns at the hands of the Chinese Communist Party (CCP), and their resistance has fueled Beijing's fears of "separatism," inducing harsh campaigns to reinforce the party's grip over religious practices. For that, Tibetan Buddhists have become international emblems of peaceful resistance and spiritual freedom.

The US made its stance on Tibet clear in its 2020 Tibet Policy and Support Act: matters of succession are to remain solely in the hands of Tibetan Buddhists, and interfering Chinese authorities will be subject to sanctions. Meanwhile, at a human rights dialogue with Beijing this week, the EU expressed support for free religious practices and requested information on the 11th Panchen Lama, who was kidnapped by Beijing and has disappeared for 30 years.

Most consequential and less predictable will be India's stance, given that it hosts the Tibetan government-in-exile in Dharamshala. Although it claims to take no position on religious matters, the Indian government has shown signs of support for the Dalai Lama, while balancing efforts to calm its tense relationship with Beijing, especially over border issues.

> *"To avoid further erosion of Tibetans' cultural and religious identities, more countries should make their stances clear and have a plan to push back against Beijing's control over Tibetan Buddhist practices."*
>
> ***Daria Impiombato**, Senior Analyst at MERICS*

Media coverage and sources:

- The Guardian: Dalai Lama celebrates his 90th birthday, triggering geopolitical questions for the future
- EEAS: China: 40th Human Rights Dialogue with the European Union takes place in Brussels
- Times of India: India has no position on Dalai Lama succession, says government; EAM to visit China

REVIEW

"House of Huawei: The Secret History of China's Most Powerful Company" by Eva Dou, Penguin 2025

The humble rural beginnings of a man who endured China's Great Famine of 1959-1961 and could barely understand computers when he arrived in Shenzhen in the 1980s set the tone for the remarkable story of Ren Zhengfei. Seemingly against all odds, he went on to build a Chinese tech company – and a global corporate empire – called Huawei. In "House of Huawei", US journalist Eva Dou sheds light on the unique origins of the telecommunications company that has become a household name across the world and dominates the global 5G infrastructure.

Dou masterfully intertwines details of Huawei's technological breakthroughs, international outreach and legal battles, with the personal stories of Ren and others behind the company's success. Their narratives intersect with major historical moments: from China's reforms and opening beginning in 1978, to conflicts in the Middle East, to the 2008 Beijing Olympics. Insights into Ren's military background and his deep-rooted sense of duty to his country and its people add depth to the often-superficial headlines about the tech giant.

Dotted with poetic aphorisms and marked by deeply personal stories of survival, Dou's book is a work of historical reconstruction through journalistic rigor, both illuminating and easily accessible. While Huawei remains at the center of the US-China tensions and debates about tech competition and national security, Dou offers valuable insights that could shape how its path is understood. This book is a must-read for anyone interested in understanding the secrecy surrounding China's domestic chip ambitions, Huawei's relationship with the Chinese Communist Party, and the company's complex internal structure – made "in the image of its nation".

*Review by **Daria Impiombato**, Senior Analyst, MERICS*

MERICS CHINA DIGEST

Von der Leyen deepens gloom over China-EU summit with attack on Beijing's Russia stance (South China Morning Post)

Ahead of the EU-China Summit in Beijing at the end of July, European Commission President Ursula von der Leyen made some of her strongest criticisms of China to date. In a speech at the European Parliament, she addressed Beijing's stance on Russia and its policies on trade. (25/07/08)

Italian police arrest Chinese national wanted by FBI for alleged industrial espionage (Reuters)

A 33-year-old Chinese national was accused by US authorities of involvement in a state-backed cyber espionage campaign was arrested in Milan this week. The arrest is linked to an alleged cyber espionage campaign targeting American Covid-19 vaccine research and government policy databases. (25/07/07)

German military plane targeted by Chinese laser, according to Foreign Office (Der Spiegel)

A Bundeswehr aircraft was apparently the victim of a Chinese laser attack during an EU mission off the coast of Yemen. The Chinese ambassador in Berlin was summoned to the Foreign Office because of the incident. (25/07/09)

Ukraine detains Chinese spies tasked with stealing Neptune missile technology, security service says (Kyiv Independent)

The Security Service of Ukraine (SBU) announced the detention of two Chinese nationals in Kyiv. They are suspected of attempting to steal classified military technology related to Ukraine's coastal defense missile system “Neptune”. (25/07/09)

EDITORIAL TEAM

MANAGING EDITOR

Claudia Wessling
Director Communications
and Publications, MERICS

EDITORS

Ellen Thalman
Freelance editor

Gerrit Wiesmann
Freelance editor

Linda Heyer
Project manager, MERICS

Hannah Seidl
Senior Communications and
Publications Manager, MERICS

GRAPHICS

Alexandra Hinrichs
Graphic Designer, MERICS

PUBLISHER

MERICS | Mercator Institute for China Studies
Alte Jakobstrasse 85–86
10179 Berlin
Tel.: +49 30 3440 999 0
Mail: info@merics.de
www.merics.org