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Spain's awakening as a mediator between the EU and China



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Abstract:

On 4 October 2023, the European Commission launched an anti-subsidy investigation into imports of electric vehicle batteries from China. During this dispute, Spain offered to mediate in the conflict between Europe and China. This reflects Spain's national interests, as it is intensifying its economic relations with China more intensely than the EU average. However, such a role could not be more complex than in the current context of growing rivalry between the US and China, the crisis of the global economic regime, especially since President Trump's so-called 'Liberation Day,' and the increasing divergence of positions among EU states on what their policy toward China should be. At this crossroads, this article discusses the benefits and costs associated with the mediating role that Spain proposed to play between the EU and China, taking the specific case of last year's investigation into Chinese electric vehicles.

Keywords:

Spain-China relations, European Union-China relations, electric vehicles, trade, investment, anti-subsidy investigations.

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Introduction

Diplomatic relations between Spain and the People's Republic of China were established in 1973, two years before the European Union's predecessor, the European Community, established them on 6 May 1975. Both waited for the People's Republic of China to be admitted to the United Nations, replacing the Republic of China (the current government of Taiwan) as established by Resolution 2758 passed by the General Assembly on 25 October 1971. It was then that most Western countries shifted their diplomatic recognition from the Republic of China to the People's Republic, with the exception of a few countries that had already made the switch during the previous two decades, after the end of the Chinese civil war in 1949, when Mao Zedong's government relegated Chiang Kai-shek's to the island of Taiwan.

Therefore, Spain's initial approach was one of caution, also influenced by ideological considerations, as Francisco Franco's military dictatorship was not very sympathetic to communist ideology, especially given that we were in the midst of the Cold War between the Soviet Union and the United States, a time of high global ideological polarisation. However, since then, relations between Spain and China have undergone significant development in all areas – political, commercial and economic, cultural, scientific, etc. It is noteworthy that Spain's policy towards China is a State policy, as it is not altered by changes in the ruling party, instead prioritising economic issues over other areas of the relationship.[1] Spain's priority is to take advantage of the economic opportunities offered by China since its economic opening under Deng Xiaoping in the 1980s, delegating other more thorny issues – such as disputes over human rights, Taiwan or trade disputes – to the European Union, thus reducing the degree of conflict in the bilateral relationship.

Reversing the previous trend, in recent years Spain has been intensifying its economic relations with China at a faster pace than the European Union average, thanks to the greater attention that the public administration and Spanish companies, which have been gaining more experience in internationalisation and greater awareness of the particularities of the Asian giant in business and cultural matters, have paid to this country, particularly since the Eurozone crisis of 2008.[2] Even so, the economic relationship

[1] Esteban, M. (2018). Relaciones España – China. *Real Instituto Elcano*, Report 24.
[2] Ibid.

between Spain and China is fundamentally asymmetrical and characterised by a structural trade deficit, which is common among Western countries and China (Figure 1). In 2024, China was Spain's fourth largest trading partner and its second largest supplier of goods. In terms of investment, in 2023 China was the third largest Asian investor in Spain and the largest recipient of Spanish investment in Asia (Figure 2).[3]

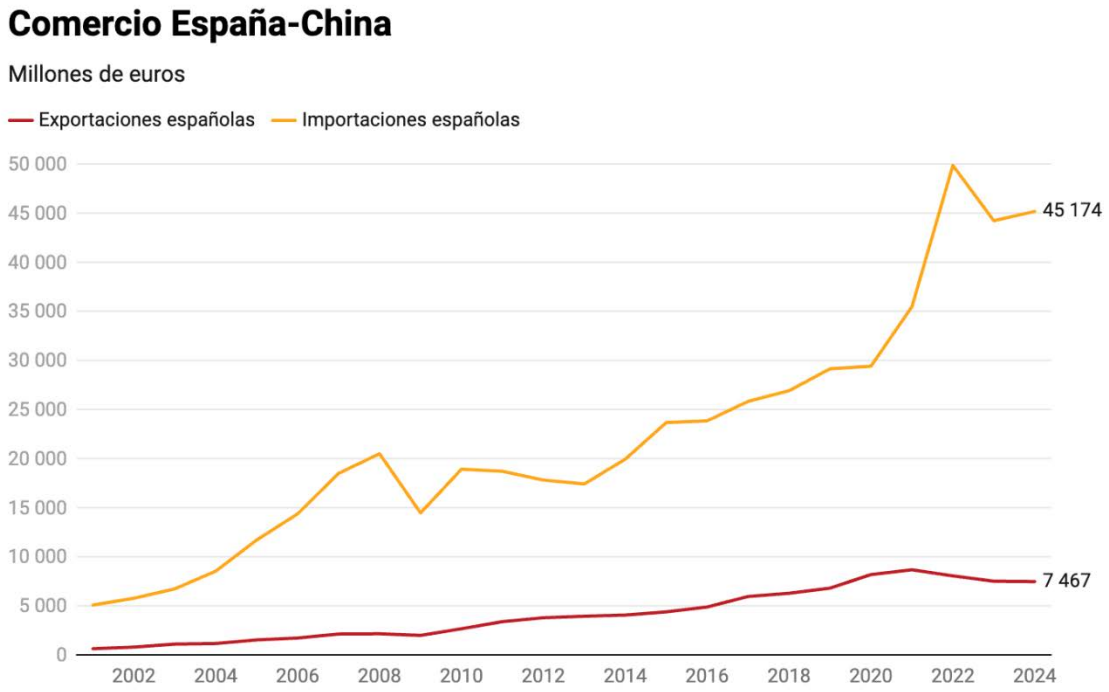


Figure 1. *Spanish exports to China and imports from China. Source: Fundación Consejo España China*.

[3] The data related to the economic relationship between Spain and China was extracted from the data repository and visualisations of the *Fundación Consejo España China*. Available at: <https://spain-china-foundation.org/relaciones-economicas-espana-china/> (last visit: 12 August 2025).

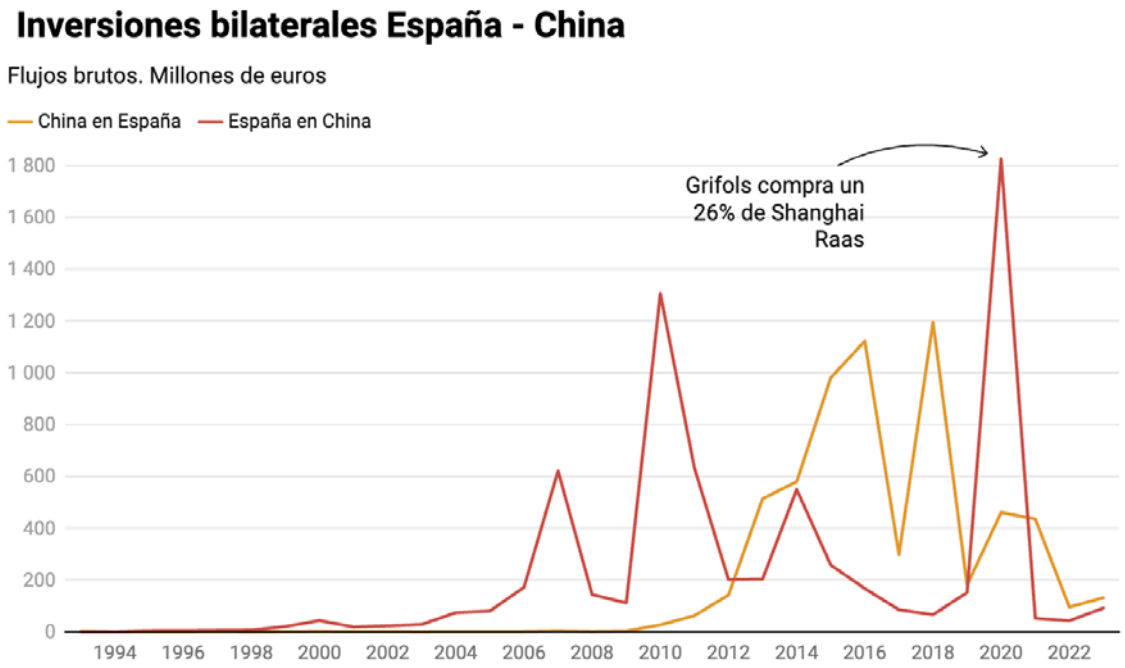


Figure 2. *Bilateral investment between Spain and China. Source: Fundación Consejo España China*.

China, instead, is more interested in Spain's political influence in Europe and Latin America than in its economic potential, although it has been developing relations with other countries, such as Greece and Hungary, which can also exert such influence, particularly in Europe, with China itself having gained considerable ground in the countries of the Global South.[4] It is at this crossroads that the present analysis is located. On the one hand, Spain has certain economic interests in its relationship with China, while China is less interested in the economic benefits that Spain can offer and more in its influence in Europe, especially considering that it is the European institutions that have exclusive competence in trade and investment matters (Art. 207 TFEU). On the other hand, the relationship between Spain and China is fundamentally asymmetrical, which is why Spain, in certain circumstances, compensates for this asymmetry by acting through the platform of the European Union. However, there it must face not only its own interests but also the complex amalgamation of interests of all Member States regarding the relationship between the EU and China. Spain must therefore strive to increase its political weight in European institutions, especially at the Council.

[4] Jenkins, R. (2010). China's global expansion and Latin America. *Journal of Latin American Studies*, 42(4), 809-837; Roby, V. (2020). China's growing influence in Latin America. *American Journal of Economics and Sociology*, 79(1), 233-244.

With this puzzle in mind, the next section will briefly summarise the evolution of the cooperation framework between the European Union and China. Next, the case study that this article will use to illustrate how this interplay of forces materialises in concrete policies will be presented. The fourth section will analyse Spain's role in the conflict and the interests currently at stake in the relationship between Spain and China. The final section will offer the conclusions of the analysis.

The European framework

China and the European Union have a long-standing but complex relationship that is crucial to global economic governance. While the EU had viewed China primarily in economic terms since the 1975 Trade and Economic Cooperation Agreement between the European Economic Community (EEC) and China,[5] in recent years the relationship has taken on a strong political character. Differences in the rules governing their economic systems have come to the fore. The relationship, once opportunistic and based on beneficial trade, has become more conflictual and tense, marked by mistrust and misunderstanding.

The Western expectation that China's economic opening would lead to its democratisation (Hayek-Friedmann hypothesis[6]) has not been fulfilled. China has consolidated a system of state capitalism based on state control and intervention in the economy, and on censorship. This model, based on different rules, challenges the international liberal economic order, founded on free trade, the rule of law and democracy.

While China has benefited greatly from the current international order, shaped by the West, with the European Union as one of its main architects, some argue that, as an emerging power, it has a strong motive to build its own normative identity and promote its own vision of global governance,[7] embodied in what Xi calls the 'community of shared

[5] Brown, K.; Beatson, S. (2016). The European Union and China: The Need for a More Politicised Relationship. *Asia and the Pacific Policy Studies*, 3(3), 412-419.
[6] The Hayek-Friedmann hypothesis states that countries which are politically free sould also be economically free, but not the other way around. See: Rode, M.; Gwartney, J.D. (2012). Does democratization facilitate economic liberalization? *European Journal of Political Economy*, 28(4), 607-619.
[7] Zhou, W.; Esteban, M. (2018). Beyond Balancing: China's approach towards the Belt and Road Initiative, *Journal of Contemporary China*, 27(112), 487-501.

destiny'.[8] Others, however, believe that there is no alternative to the current governance regime and that China's challenge to prevailing global governance norms will be mainly unintentional and accidental, rather than deliberate,[9] as China has abandoned the market rules of liberal governance in its institutional proposals, such as the Asian Infrastructure Investment Bank (AIIB), the Belt and Road Initiative (BRI), and the New Development Bank (NDB).[10] Therefore, China's policies and actions could, intentionally or unintentionally, lead to a challenge to the global governance system.

China's economic rise has inevitably led to its political rise and the development of a greater role in international institutions and global governance, not only because of its size but also because of China's growing confidence in itself and the place it should occupy in international relations. This has led China to assert its interests more forcefully, popularising the term 'wolf warrior diplomacy' as several of its ambassadors, mainly posted to European countries, engaged in heated discussions in the media and on social media to defend China's interests and 'honour', especially during the COVID-19 pandemic.

This greater assertiveness on China's part has been met with suspicion in Europe, as it is perceived as an attack on the norms and rules of the pre-existing global order, whose values largely represent the founding values of the European Union. This, in addition to the intensification of certain conflicts surrounding China's policy vis-à-vis Taiwan, Xinjiang, Hong Kong and Tibet, led the EU to rethink and redefine its policy towards China, resulting in the famous tripartite definition of China as a "partner, competitor and rival".[11] Since then, the relationship between the European Union and China has been more conflictual, especially since the start of the Russian invasion of Ukraine, and complex, due to the need for mutual cooperation in a more unstable global economic context in order to counter the isolationist and protectionist turn of the United States under President Trump.

Finally, it is important to mention the significance of the evolution of European trade policy

[8] Callahan, W.A. (2016a). China's "Asia Dream": The Belt Road Initiative and the new regional order. *Asian Journal of Comparative Politics*, 1-18.
[9] Jones, L. (2020). Does China's Belt and Road Initiative Challenge the Liberal, Rules-Based Order?. *Fudan J. Hum. Soc. Sci*. 13, 113–133.
[10] Liu, W.; Dunford, M. (2016). Inclusive globalization: unpacking China's Belt and Road Initiative. *Area Development and Policy*, 1-18.
[11] European Commission (2019). EU-China – A strategic outlook. *JOIN(2019)5 final*.

towards new concepts of strategic autonomy,[12] economic security[13] and de-risking, which have led the Union to create a series of trade instruments to deal with cases of trade imbalances, unfair practices, strategically sensitive investments and even economic coercion by third countries. This, together with various anti-dumping and anti-subsidy investigations into Chinese imports, has led China to accuse Europe of protectionism, as China is currently experiencing a domestic crisis of low private consumption and industrial overcapacity. The most emblematic case in recent years has been the anti-subsidy investigation into imports of electric vehicles from China. This is the case that we will consider in the next section.

The case of EV batteries

On 4 October 2023, the European Commission formally launched an anti-subsidy investigation into imports of electric vehicle batteries from China, with the aim of determining whether electric vehicle battery value chains in China were benefiting from illegal subsidies, and whether these subsidies were causing or threatening to cause economic damage to electric vehicle battery producers in the European Union. If so, the investigation was to determine the likely consequences and impact of the measures on importers, users and consumers of electric vehicle batteries in the EU, and to establish whether these unfair trade practices should be remedied by imposing tariffs on imports of such batteries from China.

In July, the Commission concluded that electric vehicle battery value chains in China were benefiting from unfair subsidies, causing economic damage to European battery manufacturers.[14] The Commission therefore contacted the Chinese authorities to discuss these findings and explore possible solutions in accordance with World Trade Organisation rules. If these negotiations were unsuccessful, the Commission announced that it would impose countervailing duties from 4 July of 17.4% for BYD, 19.9% for Geely and 37.6.1% for SAIC. Other producers who cooperated with the investigation would be

[12] European Commission (2021). Trade Policy Review – An Open, Sustainable and Assertive Trade Policy. *COM/2021/66 final*.
[13] European Commission (2023). European Economic Security Strategy. *JOIN(2023)20 final*.
[14] Commission Implementing Regulation EU) 2024(1866 of 3 July 2024 imposing a provisional countervailing duty on imports of new battery electric vehicles designed for the transport of persons originating in the People's Republic of China. *OJ L. 4.7.2024*.

affected by an average duty of 20.8%, while those who did not cooperate would face a duty of 37.6%. The negotiations were unsuccessful, so the Commission imposed provisional countervailing duties from 5 July 2024 for a maximum period of four months, pending the approval of the definitive duties by the Council.

This discussion and vote in the Council by Member States took place on 4 October 2024, when it was voted in favour of imposing taxes on electric vehicles from China for a minimum period of five years. However, this vote highlighted the deep divisions among member states regarding the approach the Union should take with China, as 10 member states voted in favour (including France), 12 abstained (along with Spain) and 5 voted against, including Germany and Hungary.

Spain's role in the conflict

On the eve of the vote in the Council of the European Union by member states in September 2024, Prime Minister Pedro Sánchez made an official visit to Beijing, where he met with Chinese President Xi Jinping. As a result of the meeting, Sánchez changed Spain's position on taxes on electric vehicles from China, as Spain had previously been in favour of them. Instead, Sánchez expressed his concern about the possible negative consequences that the trade conflict between the EU and China could have on Spanish industry, and urged Brussels and Beijing to find a compromise to avoid a trade war "that will benefit no one".[15] He also urged member states to reconsider their position and help find a compromise between China and the European Commission.

In fact, not only was China expected to retaliate against the European automotive industry as a result of the taxes, but in July 2024 it had also launched an anti-dumping investigation into the European pork industry, particularly in Denmark, the Netherlands and Spain, as part of its strategy to put pressure on the trading bloc. These three countries – the Netherlands, Spain and Denmark – had until then supported the taxes on electric vehicles. The Spanish producers' group in question, Interporc, announced that it would cooperate with the investigation. In fact, the Chinese market is one of the most important

[15] La Moncloa (2024). Pedro Sánchez apuesta por una relación con China basada en la apertura: "Queremos más comercio e inversiones". https://www.lamoncloa.gob.es/presidente/actividades/paginas/2024/100924-sanchez-viaje-china-.aspx?galv2r=7 (last visit: 5 September 2025).

markets for the European pork industry, as 51% of Chinese pork imports come from the EU, valued at around $3 billion in 2023. Such exports mainly include pig ears, snouts, feet and offal, which are not usually consumed by European consumers.

During and after the visit, various Chinese investments in the electric vehicle battery and renewable energy sectors were confirmed in Spain. These include a factory by battery manufacturer CATL and a factory to manufacture electrolysers for green hydrogen production by Envision. Electric vehicle manufacturer Leapmotor, lithium battery manufacturer Sematec and Chinese electrolyser manufacturer Hygreen are also considering new projects. In addition, Chinese electric vehicle battery producer Chery Auto plans to establish a manufacturing plant in Barcelona, although this investment has been delayed until October 2025.

However, support in the Council to block the taxes was insufficient, as Pedro Sánchez and the other governments opposed to the taxes, namely Germany, Hungary, Malta, Slovenia and Slovakia, failed to form a coalition against them, causing the governments that wished to abstain to vote against them. Although it had Germany's support, the countries that were in favour of the taxes were significantly more numerous. They also had the support of France and Italy for the taxes, despite China's decision to launch investigations into imports of cognac and pork and dairy products from Europe, as well as threats to limit Chinese investment in electric vehicle production in Europe.

The European Commission's taxes on Chinese electric vehicles not only illustrate the aforementioned shift in EU-China relations towards a more confrontational approach, but also the consequences of the rise of the Chinese economy in value chains. As a result, Europe and China now compete with the same types of products not only in third markets, but also in their own domestic markets. This is the root of European complaints and their advocacy for a level playing field, as subsidised Chinese imports have a proven ability to displace entire industries in Europe and create dependencies in the supply of certain products, as happened in the 2010s with solar panels.

Therefore, it is to be expected that the European Union will continue its efforts to reduce its dependence on China through its de-risking policies, i.e., managing the risks associated with economic and technological dependence by seeking alternatives in supply chains for strategic products that could affect the autonomy and economic security of the EU and its Member States. However, this policy will come at a high cost, as Europe

depends on Chinese imports for its digital and energy transition, as well as on Chinese investment and imports for the growth of its economies, particularly in industries such as the automotive sector.[16]

Spain's interests towards China

Spain's policy towards China has therefore been consistent and stable since the establishment of diplomatic relations, based on taking advantage of the economic opportunities that China's rapid growth offered and continues to offer Spanish industry. It is important to note that, unlike in many other European Union countries, relations between Spain and China have not been particularly mediatised or politicised in terms of public opinion or party politics.

In terms of public opinion, although we are seeing significant Chinese investment in critical infrastructure – which is increasingly criticised by the European Union, especially since the publication of its Economic Security Strategy[17] – this has not been the subject of major demonstrations, protests or media coverage in Spain. For example, the state-owned company COSCO – the majority investor in two of the three port docks at the Port of Piraeus in Greece – owns 51% of the largest container terminal in Valencia, CSP Iberian Valencia Terminal, which it purchased from the leading Spanish port operator, Noatum Ports. It is also the largest container terminal in the Mediterranean. In Spain, COSCO has pursued a network expansion strategy, as it has stakes in two intermodal terminals, one in Zaragoza and the other in Madrid, and owns 40% of the other maritime terminal in Bilbao. COSCO also owns a rail operator in the Iberian Peninsula to improve connections between these four terminals and thus offer an integrated system.[18]

Therefore, although Spain is not a member of the BRI, Chinese investment in the country's infrastructure is considerable, and the Port Authority of Valencia maintains close relations with China, having participated in several summits on logistics and the BRI since 2017.[19] Added to this are recent investments in the semiconductor and electric battery

[16] García-Herrero, A. (2024). European Union duties on electric vehicles point to new era of EU-China relations. *Bruegel*.
[17] See footnote num. 12.
[18] Comerma, L. (2023). The complex relationship between Europe and Chinese investment: The case of Piraeus. *King's College London, Lau China Institute Working Paper*, China in focus No.1.
[19] Ibid.

sector, which not only aim to develop this cutting-edge industry in Spain, but also, on China's part, to avoid tariffs imposed by the European Union on certain products that are important to its domestic industry. This is the same strategy it has followed in opening BYD electric vehicle factories, for example, in Hungary.

However, some of these investments have attracted the attention not only of the European Union, but also of the United States, which over the last decade has pressured EU member states not to allow Huawei in particular, but also ZTE, to participate in their national 5G networks. Even so, in 2025, the Spanish government awarded Huawei contracts worth €12.3 million for the management of digital storage of the results of telephone tapping ordered by judges and prosecutors. This has contributed to a cooling of relations with the United States, as Donald Trump's administration conveyed its displeasure with the agreement with Huawei to the Spanish government, demanding the cancellation of the contract on the grounds of security risks, and the chairmen of the US House of Representatives and Senate intelligence committees called on Trump's intelligence director, Tulsi Gabbard, to review the secret information-sharing agreements with Spain.[20]

Despite assurances from the Spanish government, the fact is that the rapprochement between Spain and China in recent years, although it may follow the historical trend of previous Spanish governments and be seen as a way to play a greater geopolitical role, acting as a mediator at a time when tensions between the West and China are higher than ever, could easily backfire. By walking this delicate balancing act between China, Europe and the United States, Spain runs the risk of being labelled China's "Trojan horse", as has happened with Hungary under Orbán's government or with Greece previously, when it decided to veto a joint European Union statement at the United Nations in 2017 criticising human rights violations in China.

Conclusion

The case of the investigation, and especially the final vote in the Council of the European

[20] Ruiz Sierra, J. (2025). El contrato del Gobierno con Huawei eleva el choque con el PP y enfría aún más la relación de España con EEUU. *El Periódico*. https://www.elperiodico.com/es/politica/20250812/gobierno-huawei-choque-pp-tension-eeuu-120538765 (last visit: 13 August 2025).

Union, on subsidies in Chinese electric vehicle battery value chains illustrates not only the role that Spain can play in relations between the European Union and China, but also the complexity of such an endeavour.

On the one hand, the rapprochement between Spain and China and the mediating role that Spain played in the investigation, attempting to reach a compromise solution in the Council, entailed both costs and benefits for Spain at different levels. On the one hand, it benefited from various Chinese investments in sectors of interest to Spanish industry, which may enable it to raise Spain's technological profile in sectors where China is already a leader and America's main competitor, such as electric vehicles and artificial intelligence. However, it remains to be seen whether this increase in investment will also be reflected in trade flows, i.e. in an increase in Spanish exports to China, in particular, which would reduce the structural imbalance in their trade relationship, or in any change in Chinese imports to Spain, both in terms of volume and structure.

The cost associated with this closer economic relationship stems from the repercussions it may have on the implementation of European economic security and autonomy strategies in Spain, if the Spanish economy becomes more dependent on China instead of diversifying and reducing risk in Spanish value and supply chains. The implementation of such strategies is a key priority for the European Commission and, if it proves to be an obstacle, could lead to conflicts between the Spanish government and European institutions, as well as with other member countries for which it is also a key priority.

Finally, this rapprochement between Spain and China could raise Spain's international profile in Europe, as mentioned above, if Spain manages to find a formula that allows for more fruitful cooperation between Europe and China in the current context of instability and uncertainty in relations with the United States. However, the latest summit between the leaders of the European Commission and Council and China demonstrates the complexity of such cooperation, even with such powerful variables as the rapid rise in tariffs by Donald Trump's administration in the United States and the consequences this will have for world trade. This is without considering the challenge it poses to the pre-existing free market rules based on the World Trade Organisation.

The complexity of such cooperation is mainly due to the sensitivity of cooperation with China, the wide divergence of opinions among EU Member States, and the fact that it is a highly polarising issue not only politically but also in the media and public opinion in

Europe in general. Therefore, Spain's role as a bridge between Europe and China carries a high risk to its international reputation, especially in the Council of the EU. This means that it is highly necessary to consider whether this more public profile adopted during the conflict surrounding the anti-subsidy investigation into electric vehicles from China is in Spain's interest, or whether it would be better to return to the previous strategy of keeping a low profile – illustrated by the fact that Spain, unlike Italy, never formally joined the Belt and Road Initiative – which reduces the risk of polarisation and media coverage of Spain's relationship with China, while maximising its economic interests.

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