

10 points for the European position on China

1) The EU has no choice as to whether or not it wants cooperate with China. Given China's economic strength and international influence, dialogue with China is essential. This is particularly true when it comes to combating climate change or maintaining the multilateral trading system. Isolation would have severe economic and political consequences that would also hinder sustainable development in the EU. When it comes to trade, the EU and China account for more than a third of global GDP and world trade. A breakdown in trade relations is therefore not an option. For this reason, we must also work together with China on the reform and modernization of the World Trade Organization (WTO).

2) However, China is pursuing an aggressive, hegemonic industrial policy with the clear goal of dominating the global market for industrial goods. China has now developed significantly and has become a serious competitor capable of manufacturing high-quality and complex products. China's goals are clearly laid out in its five-year plans and should therefore come as no surprise to anyone. Government subsidies fuel massive growth—about 4.4% of GDP is spent on this—and fierce domestic competition further drives down prices. China produces over 30% of the world's goods but consumes only 13%. Enormous export capacity is flooding the global market and distorting international competition, with disastrous consequences for production in other countries. Of course, not all export capacity is equivalent to overcapacity. However, when clear criteria are applied, there is evidence of unfair overcapacity[1]. This is a serious structural problem facing the EU and the global economy as a whole.

3) I would like to clearly refute the claim that we were naive toward China. In recent decades, a liberal, supply-side economic policy has prevailed, one that gave the free market a great deal of leeway; active industrial policy was unpopular. This led companies to pursue their export opportunities and manage their supply chains solely with an eye toward the most cost-effective solutions—characterized by low wages, minimal environmental standards, and massive outsourcing. Sustainability and one-sided dependencies played virtually no role in these decisions. As a result, much of the production and processing of raw materials was shifted to China, which is now coming back to haunt us in part. That is why I do not want to let our companies off the hook. They should ensure that their supply chains are not dependent on individual suppliers in the future. In the current geopolitical situation, that would be irresponsible. I therefore support the idea of requiring companies to have at least two suppliers for every component.

4) The government is exploiting the dependence of many supply chains on China for its own political purposes. Export controls on rare earths and magnets led to EU companies in sectors such as medical technology and automotive manufacturing having to shut down production lines in the fall of 2025. This manipulation of trade flows is unacceptable and underscores the urgent need to reduce unilateral dependencies. The “Regulations of the State Council on the Security of Industrial and Supply Chains” and the “Regulations of the People's Republic of China on Countering Improper Extraterritorial Jurisdiction by Foreign States”, enacted by China in April, are a source of great concern to me. With these measures, the country is creating the legal basis for unspecified economic countermeasures against EU legislation and the ability to prevent companies from complying with foreign laws.

5) Given this situation, it is positive that the EU has expanded its toolkit against unfair competition in recent years. Examples of effective measures include the International

Procurement Instrument, which is used against Chinese medical devices on the European market for instance, due to discrimination against European products in China, or the anti-subsidy legislation imposing countervailing duties on unjustifiably subsidized electric vehicles from China. The fact that companies have the option to set an appropriate price floor in the latter case shows that the EU is always open to dialogue. But with the Anti-Coercion Instrument, we have a tool to resist the use of trade measures and investments as political pressure. And clarity regarding foreign direct investment is necessary. We need investment, and we also want technology transfer, but the conditions must be right. Critical infrastructure must remain in European hands, and investments must not be based on unfair subsidies. Our position is clear: competition, yes, but it must be fair here as well.

6) Existing instruments are insufficient to restore fair competition. Investigations into potential cases of dumping and subsidies have taken too long so far; the measures are too susceptible to circumvention, and they do not account for upstream or downstream products. The EU therefore needs a comprehensive strategy for economic security. The current toolkit must be refined and expanded for this purpose, e.g., by including the ability to intervene when foreign direct investment creates one-sided dependencies. In addition, market surveillance must be strengthened to keep unsafe products off the European market.

7) Furthermore, the undervaluation of the Chinese currency must be addressed. The fixed exchange rate has resulted in an undervaluation of between 20 and 40%, which, alongside other unfair measures, also gives China a significant competitive advantage. The EU must find a way to address this. First and foremost, of course, is dialogue with Chinese partners. However, there can also be joint actions with other countries, particularly Japan and Korea, which are also severely affected by the undervaluation. As a last resort, the EU could consider imposing countervailing duties.

8) Unfortunately, security must also play an important role in trade relations with China. Chinese companies are generally legally required to cooperate with government agencies. This poses a risk, particularly to cybersecurity, as Europe uses many devices with Chinese components that could potentially contain spyware. However, China must not be given any opportunity to spy on our society, our economy, and our politics, or to influence and control them to its own advantage. The EU must therefore develop its own capabilities, build resilient supply chains, and develop its own infrastructure. For example, it is advisable for Europe to only allow goods whose connectivity software and hardware are manufactured in Europe by Europeans. A central component of this is the recently presented Tech Sovereignty Package.

9) It is also clear to me, however, that any measures the EU takes in the future must be WTO-compliant. The rules-based global trading system guarantees fair conditions under which all countries can develop to their advantage and participate in the global economy. Even though we are seeing increasing violations of these rules, 72% of global trade is still conducted under WTO rules. The EU benefits not least from the stability and predictability these rules create, and that is precisely why the EU should not be the one to call the rules into question. If arbitrariness and the law of the jungle were to prevail again in the future, Europe would be left behind.

10) The EU needs partners to stabilize this rules-based trading system. The EU already has them. Over 40 trade agreements with more than 70 countries represent a vast network of allies who follow jointly agreed rules and aim to create added value for all involved. Today,

economic cooperation among the “middle powers,” as the Canadian Prime Minister put it, is central. It is possible to cooperate while simultaneously maintaining a clear stance toward China. The EU should not follow the US’s purely politically motivated “America First” course in trade policy. Instead, it must find its own path to sovereignty. This path does not lead through isolation or agreements at the expense of third parties, but through dialogue, evidence, clear rules, and the ability to enforce them.

[1] Defined according to Mayr, Stefan, et al., 2026. Industrial overcapacities, with a focus on China. Brussels, European Parliament, External Policies Analysis and Support Unit, p. 4: “Industrial overcapacity arises when, over an extended period of 5 to 7 years, productive capacity expands faster than economically viable demand in industrial sectors, generating sustained overproduction pressure, while market adjustment occurs primarily through inventory accumulation, price declines, and trade spillovers rather than output contraction and capacity exit, allowing capacity and production to persist under depressed prices and margins. The prolonged duration of such conditions increases the likelihood that they are sustained by policy-induced incentives and institutional arrangements that encourage capacity expansion while weakening mechanisms for capacity reduction and exit.”