EU-China: Strategic Outlook (2019)

- A new definition of a strategic multi-faceted relationship:
  - **Partner** (Especially on global issues)
  - **Competitor** (in trade and technology)
  - **Systemic Rival** (On governance, including human rights)
- None of the notions are mutually exclusive: a lesson in complexity
- Member States are united on this, but need to align better their national China policies
- An evolving balance, with the European Council confirming the Strategic Outlook (last time 30 June 2023), but has not yet identified China also as a « security threat » . EP more outspoken (7.10.2026 resolution)
- The unspoken, main reason for the 2019 Outlook had been the need to provide momentum for the adoption of new EU legislation to increase economic security.

5 G GUIDELINES	2016
Regulation On FDI in Critical Infrastructure and High Technology	2019
International Procurement Instrument	2022
Foreign Subsides Regulation	2023
Due Diligence Act (Labour Standards)	2024
<u>Not Mentioned in 2019 JC</u> - Economic Coercion Act - Critical Raw Materials Act	 2023 2024



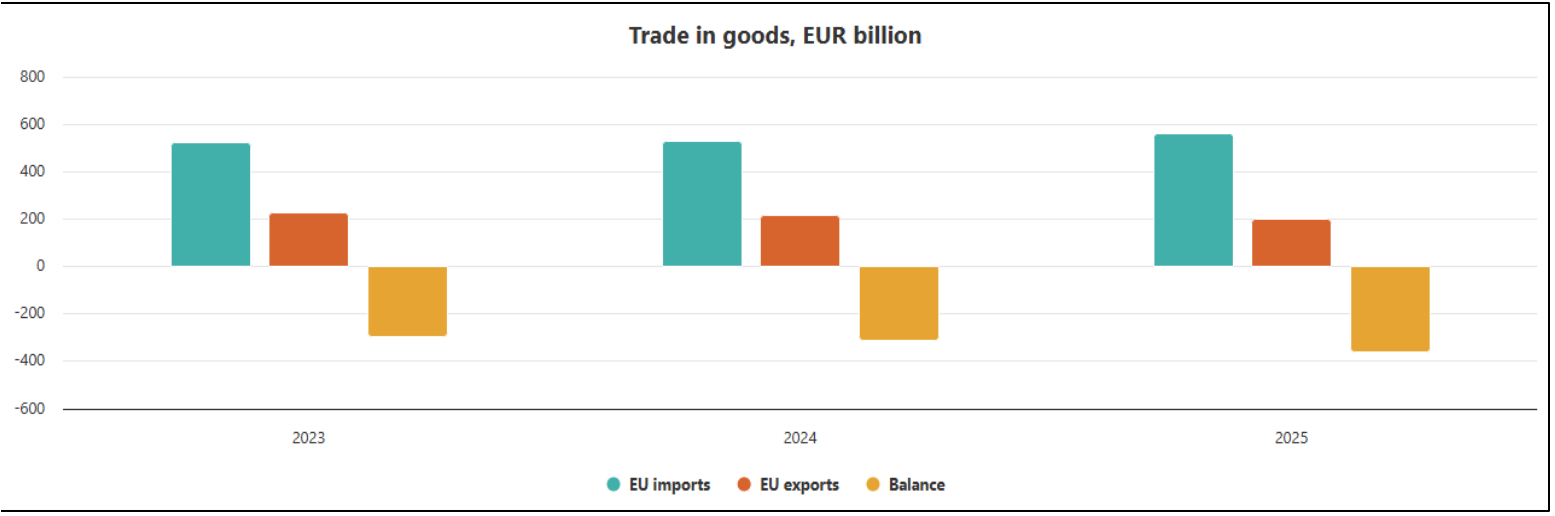
EUROPEAN COMMISSION

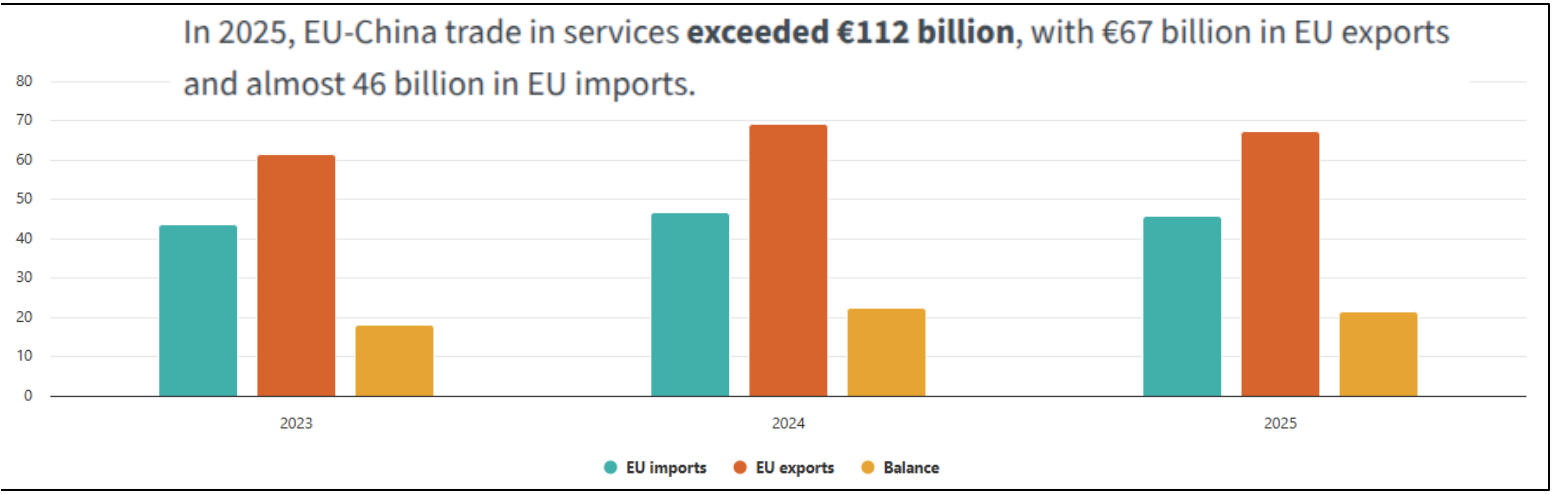
HIGH REPRESENTATIVE OF THE UNION FOR FOREIGN AFFAIRS AND SECURITY POLICY

Strasbourg, 12.3.2019
JOIN(2019) 5 final

JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL

EU-China – A strategic outlook

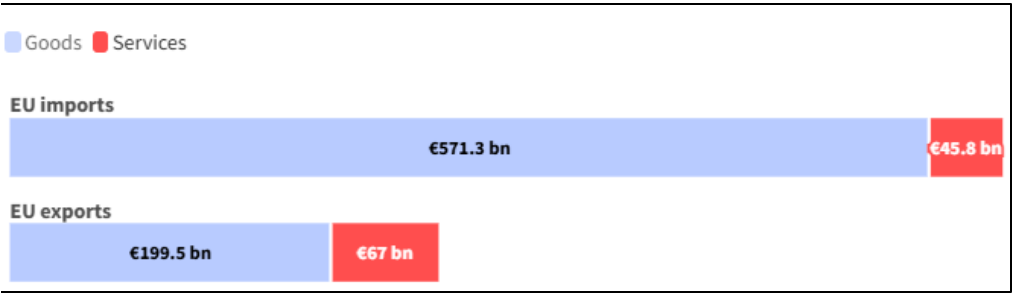




- **China is the EU's third-largest trading partner for goods and services** after the US and the UK
- **China is the EU's second-largest trading partner** for trade in goods alone, after the United States.

- ***Update 2025 on trade in goods*:**
- **Total trade** volume 2025 = **€ 883.6 bn**
- EU **exports** to CN : **€ 199.4 bn;**
- EU **imports** from CN : **€ 560 bn**
- **EU trade deficit** with China jumped from **€306bn in 2024** to **€360.6 bn in 2025 (= €1 billion per day)**
- **Trade deficit in 2026** expected to **reach up to €400bn this year** (Eurostat reports a €103bn deficit in the second quarter of 2026).
- Between **2015 and 2025**, EU imports from China increased by over 90%, while its exports to China grew by 37%.

China is the EU's **third largest trading partner** for goods and services combined, while the EU is China's top trading partner.



Foreign direct investments

The EU's investment stock in China stood at over **€239 billion in 2024**. The top three sectors were automotive, pharmaceuticals and biotechnology, and basic materials.

China's investment stock in the EU stood at over **€79 billion in 2024**. The top three areas were automotive sector, entertainment, media and education, and energy and basic materials.

https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en

https://www.consilium.europa.eu/en/infographics/eu-china-trade/

Chinese Subsidised Overcapacities

- Chinese savings rate oscillates around 45-50 % of GDP over the last 20 years. This is double as high as the OECD average, and 10-20% above East Asian countries .
- China **generates some 28% of global savings rate**. Such high savings lead to a low consumption rate, which stands at less than 40% of Chinese GDP.
- China produces some **18% of global GDP** but accounts for nearly **30% of global manufacturing output**. It is expected to reach some 35 % of the global manufacturing capacity by 2030.
- China spends roughly **5% of its GDP on industrial subsidies** (local, regional and national levels), ten times as much as the US, Brazil, Germany or Japan.
- In particular, the production of **semi-conductors, steel, aluminium is subsidised in China**, which accounts for more than 80% of global subsidies in these areas, but also high-technology products under "Made in China 2025".



Remarks by Undersecretary for International Affairs J. Shambaugh of the US Department of the Treasury on Chinese Overcapacity and the Global Economy, 10 July 2024

EU Future China Policy Direction?

European Commission President von der Leyen in her State of the Union address at the EP on 16 September 2026:

"We can bring down energy prices, invest and innovate more, reform our economies. But all this is undermined if our companies do not compete on a level playing field. […] Our trade deficit with China is now €1bn –a day. It has reached a tipping point […] it leads to deindustrialisation in the industrial heartlands of Europe. This is unsustainable. And this is why we are engaged in a dialogue with China to rebalance our trade. But this dialogue must now lead to results. […] we will use all the tools to rebalance our relationship."

President Macron and Chancellor Merz joint letter to President von der Leyern on 5 October 2026:

Call for "new legislative measures to promote diversification and to "react to cases where countries seek to undermine restoration of a level playing field and fair market conditions by political or economic means leading to severe and systematic distortions" – to be discussed (and decided?) at European Council on 15 October 2026

European Council conclusions of 15/16 October 2026:

"The European Council took stock of of global macroeconomic imbalances, and invites the Commission to continue to engage in results-oriented dialogues, to make effective use of the EU's instruments, and to urgently enhance the EU toolbox with new instruments to better address these imbalances.