

SHORT BRIEF

WHAT IS THE WAY FORWARD FOR EU-CHINA RELATIONS?

Views from European business

We are at pivotal moment in EU-China relations. BusinessEurope is contributing to the debate by releasing a new position paper that aims at presenting business views on how the relationship should evolve in a way that is mutually beneficial for the EU and China.

BusinessEurope's position is that the EU needs a dual-track approach: firm where necessary and open where possible. China remains a major market and source of innovation for European businesses. At the same time, China now competes with Europe in high-value sectors, often on unfair terms. Systemic risks, dependencies and market distortions have increased significantly.

The EU should therefore implement its de-risking agenda more consistently. It should strengthen competitiveness, reduce critical dependencies and defend against market distortions through effective use of its trade toolbox, while also actively shaping cooperation where interests align. Europe should engage from a position of greater strength, competitiveness and reciprocity.

DEEP INTERDEPENDENCE MEETS STRUCTURAL ASYMMETRIES

- **Trade is large, but the imbalances are growing.** Bilateral trade exceeded €759 billion in 2025, and the EU's bilateral goods trade deficit with China reached €360 billion and continues to widen.
- **Competition is distorted by state support.** According to the OECD, Chinese companies benefit from state support at levels averaging 4 to 8 times those of their counterparts in OECD countries. China accounts for around 30% of global manufacturing output but only 13% of global consumption.
- **Dependencies can be weaponised.** The EU relies on China for over 90% of its rare earth supplies. China's export controls on rare earths and related technology directly impacted nearly a third of European Chamber of Commerce in China members.
- **The business environment has become increasingly challenging.** Businesses report on market access barriers, growing politicisation, discriminatory procurement practices, issues related to intellectual property enforcement, and an unpredictable regulatory environment.
- **China remains an important economic partner.** It is a crucial market and a profitable one for the majority of European companies. It is also a global innovation ecosystem: 48% of European companies in the Chamber survey view Chinese firms in their industry as more innovative than their European counterparts.

WHAT BUSINESSEUROPE CALLS FOR

1. **Distinguish security risk from competitive challenges.** The EU must build explicit criteria in dialogue with business to separate security-sensitive trade from ordinary competitive challenges. Security tools (FDI- Foreign Direct Investment screening, export controls, anti-coercion) should address security risks, while instruments such as TDIs- Trade Defence Instruments, FSR- Foreign Subsidies Regulation and IPI-International Procurement Instrument should deal with competitive distortions. Low-risk trade should be allowed to flow without restrictions.
2. **Use the toolbox effectively.** Existing tools should be deployed to their full potential and made fit for purpose before new ones are created. Measures must remain WTO-compliant, targeted and proportionate, while adequate institutional resources are a key prerequisite. Any new instrument requires further assessment and wider consultation, including with businesses.
3. **De-risk, not decouple.** The objective is to reduce vulnerability where it is demonstrable and significant, not to minimise the relationship as such. The pace and scope of de-risking must be realistic, and diversification requires an ambitious trade agenda with willing partners.
4. **Strengthen Europe's long-term competitiveness.** Trade defence and de-risking cannot replace structural reforms. This means closing the energy cost gap, completing the Single Market, reducing the regulatory burden and improving businesses' access to finance.
5. **Be clear and transparent about costs.** Maintaining the status quo is neither sustainable nor desirable but finding alternative suppliers will not always be easy or cost-effective and European measures can also bring responses from China. European unity and solidarity will be key to ensure costs don't fall disproportionately on specific countries, sectors or companies.
6. **Maintain dialogue and cooperation.** De-risking does not mean disengagement. Dialogue is the primary mechanism for managing escalation, and businesses should be actively involved. There is room for cooperation in areas of shared interest like multilateral trade reform, decarbonisation, global health preparedness and international standard-setting.

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