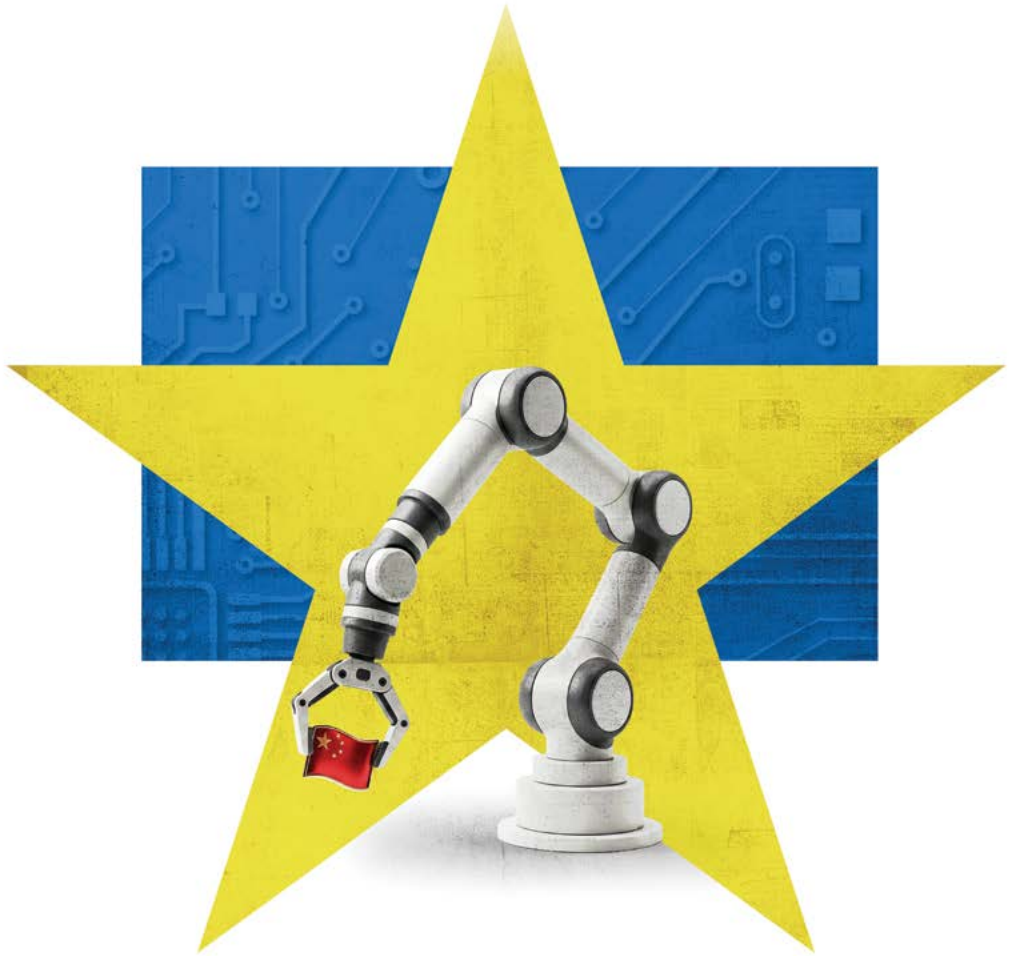
Wilfried
Martens Centre
for European Studies

Made in China, Powered by Europe:

Mapping the EU's Strategic Leverage Over the People's Republic of China

Sam Goodman



Credits

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About the Martens Centre

The Wilfried Martens Centre for European Studies, established in 2007, is the political foundation and think tank of the European People's Party (EPP). The Martens Centre embodies a pan-European mindset, promoting Christian Democrat, conservative and like-minded political values. It serves as a framework for national political foundations linked to member parties of the EPP. It currently has 30 member foundations and one permanent guest foundation in 25 EU and non-EU countries.

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Executive summary

This research paper offers an overview of ongoing trade tensions between the EU and the People's Republic of China (PRC) regarding the latter's unfair competition practices and large trade surplus. It analyses the way the PRC utilises strategic leverage against the EU and other trading partners, and assesses the sectors of China's economy in which there is still a level of strategic dependence on European businesses. Finally, the paper provides policy recommendations on how the EU can utilise this strategic leverage and strengthen its approach to economic security.

An increasingly emboldened PRC, which sees itself as a peer in economic power to the US, has become a master at utilising strategic leverage to achieve its policy aims and ideological goals. It does so using tools ranging from making formal dialogues conditional, using import bans to exert pressure and utilising foreign investment as strategic leverage, to the recent weaponisation of rare earth element export-control licences.

Despite narratives from the PRC to the contrary, the EU has strategic leverage in areas in which the PRC has dependencies: that is, in a number of narrow sectors which China believes to be integral to its future industry, including semiconductor chips, civil aviation, pharmaceuticals and biotechnology, and robotics. However, these dependencies weaken every month and will likely be non-existent within the next decade. The EU, therefore, has the choice of using or losing its strategic leverage over Beijing.

Introduction

The drive by the People's Republic of China (PRC) to achieve self-sufficiency through its industrial policies, and then to export its way back to growth by increasing the world's dependency on its goods, has created a fault-line in the PRC's relationship with the EU.

With 2025 marking the fiftieth anniversary of PRC–EU diplomatic relations, it should have been a year of celebration. Instead, it was undercut by tensions, and the celebrations of this anniversary and the outcomes of the EU–PRC summit were notably subdued. Then, the PRC introduced export controls on rare earth elements (REEs) for EU companies, and the EU introduced further measures to curtail PRC companies' access to the EU single market.

The hardening of the bilateral relationship has been driven by unfair competition as well as the PRC's own trade statistics. For example, in the first 11 months of 2025, PRC exports to the EU hit $1 trillion[1] while its trade surplus with the EU reached over €300 billion.[2]

The PRC's exports are fuelled by excess manufacturing capacity, which central PRC authorities acknowledge as being problematic but have failed to tackle at a provincial level.[3] Instead, the authorities reject criticism of the country's excess manufacturing capacity by the EU and other trading partners, arguing that it is helping the world tackle climate change and contain inflation.[4] As a result, the PRC faced 79 international probes for anti-dumping and countervailing duties in the first half of 2025,[5] on top of the 198 trade investigations launched against it at the World Trade Organization (WTO) in 2024.[6] The EU launched 15 new investigations against the PRC in 2025.[7]

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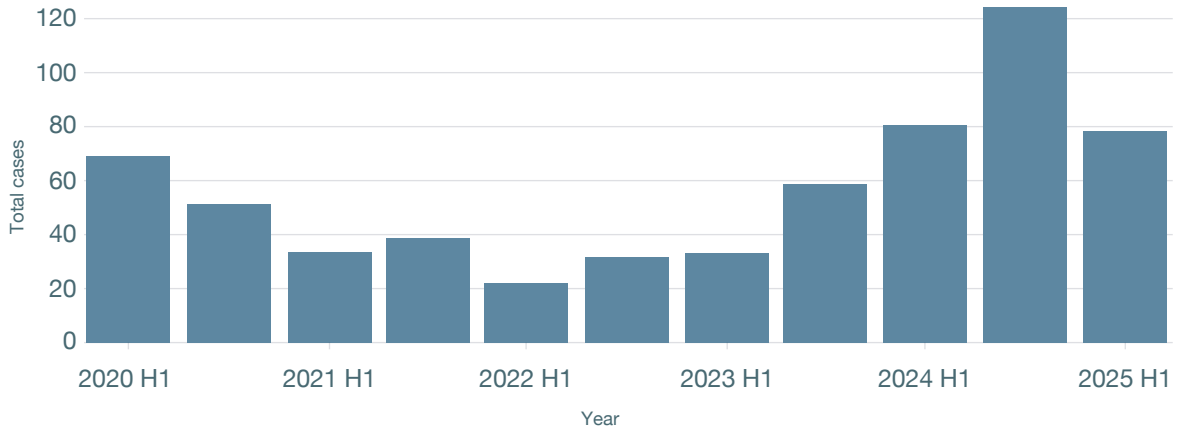
1 J. Cash, 'China Trade Surplus Tops $1 Trillion for First Time on Non-US Growth', *Reuters*,8 December 2025.
2 T. Nicholson, 'European Industry Faces "Life or Death," Macron Says—and China Needs to Help', *Politico*, 7 December 2025.
3 A. Hawkins and H. Davidson, 'China Warns EV Makers to Stop Price-Cutting to Protect the Economy', *The Guardian*, 5 August 2025.
4 *South China Morning Post*, 'China Rejects "Overcapacity" Claims, Says Warming World Needs More Electric Vehicles', 27 July 2024.
5 K. Shiozaki, T. Okabe and Y. Nitta, 'Anti-Dumping Investigations Against China Risk New Trade Tension', *Nikkei Asia*, 11 November 2025.
6 R. McMorrow and W. Ding, 'China's Export Boom Sparks Record Number of Trade Challenges', *Financial Times*, 30 March 2025.
7 The Institute of International Studies Fudan University, 'EU Launches Anti-Subsidy Probe Into Chinese Tyres; Chinese Expert Slams Move as Risking Warping Competition, Hurting Own Consumers and Industries' (7 November 2025).

Figure 1 Analysis of WTO cases against the PRC



Source: Data from WTO.

Note: The graph shows the number of China-focused investigations for anti-dumping and countervailing duties. 'H1' indicates first half of the year.

Furthermore, the PRC's role as the 'decisive enabler'[8] of Russia's invasion of Ukraine through the purchase of Russian oil and gas and the provision of dual-use technology is an additional factor in the fracturing of EU–PRC relations.

The main factors driving tensions between the EU institutions and the PRC are the latter's unfair competition practices and the issue of its overcapacity. As the PRC cements its status as the largest global manufacturer, dominating the green technology supply chain and accounting for around 30% of global manufacturing added value in 2024,[9] its growth has come largely at the expense of EU manufacturers.[10] In the case of

[8] A. Hawkins, 'China a "Decisive Enabler" of Russia's War in Ukraine, Says Nato', *The Guardian*, 11 July 2024.
[9] A. Huld and Q. Zhou, 'China Manufacturing Tracker', *China Briefing,* 18 November 2025.
[10] The EU's production of manufactured goods fell by 2% in 2024 compared to 2023, and by 1.4% in 2023 compared to 2022: Eurostat, *Industrial Production Statistics* (July 2025).

Germany, the manufacturing powerhouse of Europe, the industrial sector has lost 5% of its total jobs and 13% of the jobs in the automotive sector since 2019.[11] This has become known as the 'China shock 2.0', in which jobs have been relocated from Germany to the PRC.[12]

This domination in global exports has come at a great environmental and social cost. The PRC continues to use coal to generate half of its electricity,[13] and its manufacturing base persists in its reliance on low wages and poor working conditions. According to French economist Thomas Picketty, if the EU were to take into account the PRC's exported carbon emissions as part of its plans for a carbon border adjustment mechanism, it would have to place tariffs as high as 80% on the PRC. Additionally, if EU leaders wanted to address the PRC's unfair competition due to its low wages and poor working conditions, they would need to impose compensatory tariffs of at least 15% on the PRC.[14]

At the same time, the PRC's 10-year industrial policy (2015–25), Made in China 2025, has been deemed a success for localising supply chains, establishing self-sufficiency and helping the country become a leader in research and development and the manufacturing of emerging technologies.[15] The Australian Strategic Policy Institute's Critical Technology Tracker reported in December 2025 that the PRC now leads in 66 of the 74 emerging technologies tracked.[16]

The president of the European Chamber of Commerce in China, in a report detailing the impact of the PRC's growth on European businesses, noted that the PRC has 'achieved leadership or near-leadership in a wide range of industries identified as strategically important under [Made in China 2025] while becoming highly influential in others, and the size of China's market and its ability to build scale and optimise industrial processes have propelled many Chinese manufacturers into globally dominant positions.'[17]

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[11] T. Fairless and B. Benoit, 'Why Germany Wants a Divorce With China', *The Wall Street Journal*, 14 December 2025.

[12] J. Page and D. Rennie (hosts), with J. Volkmann, 'China Shock 2.0: Why Germany Is Worried', *Drum Tower*, Podcast, *The Economist* (18 November 2025).

[13] Q. Qin and C. Shearer, *Coal Is Losing Ground but Not Letting Go: Structural Inertia and the Struggle to Shift Coal's Role in China's Power System*, Centre for Research on Energy and Clean Air (25 August 2025).

[14] T. Piketty, 'Thomas Piketty: "If Europe Does not Urgently Give Up Its Love of Free Trade, It Risks an Unprecedented Social and Industrial Disaster"', *Le Monde*, 4 October 2025.

[15] C. Boullenois, M. Black and D. H. Rose, *Was Made in China 2025 Successful?*, Rhodium Group (5 May 2025).

[16] Australian Strategic Policy Institute, *ASPI's Critical Technology Tracker: 2025 Updates and 10 New Technologies* (1 December 2025).

[17] European Union Chamber of Commerce in China, *Made in China 2025: The Cost of Technological Leadership* (16 April 2025), 2.

Case studies

Case study: electric vehicles

Nowhere is the PRC's success more evident than in the automotive sector, where the PRC has managed to leapfrog its European competitors in the development of electric vehicles (EVs) through a mixture of state subsidies, favourable regulations, and domination of the critical minerals supply chain and battery technology.

The result has seen the PRC supplant Japan as the largest exporter of vehicles, with Chinese EVs capturing 65% of the domestic EV market, around 11% of the EU EV market, and outcompeting European car-makers in emerging third markets.[18] In response, the European Commission undertook an anti-subsidies investigation, and EU member states ratified tariffs on Chinese EVs in the summer of 2024.[19] Despite these tariffs and a new price undertaking, the market share of Chinese EVs in the EU single market continues to increase, albeit at a slower pace than before.[20]

European policymakers' response to these developments has been disunity and a race to the bottom as some EU member states and European companies that were already sceptical of tariffs have competed to attract Chinese green investment. European car-makers have doubled down on their joint ventures with Chinese partners and plants in the PRC, and calls for Chinese companies to offer technology transfer and localise their supply chains have fallen largely on deaf ears.

As the PRC has secured a growing level of self-sufficiency and deepened the EU's dependencies, it has become more assertive in applying strategic leverage against trading partners that it believes are undermining its core interests. The use of this leverage was fully displayed after the EU's vote on introducing tariffs on EV imports, when future PRC investment in green technology in certain EU member states was reportedly linked to how the states voted on the tariffs.[21]

[18] S. Goodman, 'China's Electric Vehicle Challenge to Europe: Red Flags and Red Lines', *China Strategic Risks Institute* (15 July 2025).
[19] L. O'Carroll, 'EU Leaders Back Extra Chinese EV Tariffs Despite Split Vote', *The Guardian*, 4 October 2024.
[20] N. Winton, 'China's European EV Sales Acceleration Could Peak by Decade's End', *Forbes*, 26 November 2025.
[21] Goodman, 'China's Electric Vehicle Challenge'.

Case study: REEs

In April and November 2025, the PRC expanded its export controls on REEs. In this way it weaponised its dominance of the REE supply chain, where it controls 70% of REE mining and 90% of REE refinement.[22] This move reflects an increasing self-confidence and a willingness to punish trading partners. The impact has been felt acutely. Several EU companies have halted manufacturing production, and others have warned that they will have to do so in the future, due to a shortage of these critical minerals.[23]

Originally calibrated to respond to tariffs from the Trump administration, these export controls have not been applied consistently to trading partners. For instance, anecdotal evidence gathered by the author finds that Indian companies have not received any export licences for REEs, whereas South Korean companies have not faced any restrictions, due to the deep interdependencies between the Chinese and Korean supply chains. This shows that the PRC is very strategic in how it applies export controls. It also challenges the notion that the impact on EU companies is simply collateral damage from US–China trade tensions. This may also imply that the PRC has limits on the extent to which it can escalate REE restrictions before it risks losing global markets, which are integral for its export-led growth model.[24]

As a result of these new REE export controls, the PRC now has a better understanding of European businesses' supply chains and dependencies than the EU itself has. The controls require EU companies to submit granular confidential information and business secrets to the PRC's commerce ministry to obtain export licences and prevent stockpiling.[25] The PRC has used these export controls to strategically exert pressure on partners and obtain privileged information.

This is a critical moment at which the EU should consider taking a page out of Beijing's playbook. Rather than the EU siloing and segmenting parts of the bilateral relationship with the PRC, as it would with any other diplomatic partner, it should consider how it can leverage the PRC's dependencies to elicit behavioural change.

[22] G. Baskaran, 'China's New Rare Earth and Magnet Restrictions Threaten U.S. Defense Supply Chains', *Critical Questions, Center for Strategic & International Studies* (9 October 2025).
[23] *Bloomberg News*, 'EU Firms Face New Production Halts on China Rare Earth Pinch', 18 September 2025.
[24] L. Wright, 'US–China: 1972 or 1983?', *Rodium* (4 November 2025).
[25] J. Leonard, 'German Firms Hand Over Secrets That China Could Use for Leverage', *Bloomberg*, 25 October 2025.

If EU leaders are serious about rebalancing the EU–PRC trade relationship, applying the limited strategic leverage the Union has is the only way to achieve this aim and shore up the resilience of the EU single market.

As illustrated in the above EV and REE case studies, the PRC has used state subsidies, regulations and export controls to manipulate the EU–PRC trade relationship. Not only is this unfair competition and bad for business, but it also has strategic political aims which are benefiting the PRC and undermining EU interests. The EU can rebalance the trade relationship with the PRC by likewise strategically leveraging its industries, rather than simply being subject to the PRC's agenda.

If Beijing's narrative were taken at face value, one would assume that the PRC's current and future industrial success, which is driving forward self-sufficiency, is of its own making. However, closer inspection finds that whether it is the PRC's push for its own domestic semiconductor industry or the building of a domestic alternative to Boeing or Airbus, these sectors are being propped up by European companies that remain integral to PRC companies' supply chains.

Similarly, when it comes to emerging technology that has yet to be commercialised, such as 6G telecommunications or quantum computing, the PRC continues to partner with EU companies and research institutions, hoping to gain a technological advantage. After achieving their aims, PRC companies, in partnership with the PRC government, are able to keep the technical know-how and manufacturing while pushing out EU companies by using export controls or financial incentives. These practices ultimately enable PRC companies to unfairly dominate the market.

EU companies that operate in the PRC are consistently being taken advantage of by a range of public and private actors. PRC competitors poach the companies' intellectual property and then further develop it. This undermines EU industries; the EU is signing away their talent to the PRC in deals which are lucrative on the surface but consistently undercut them in practice.

Given both the speed and the resources that the PRC is putting towards gaining self-sufficiency in the remaining sectors of its economy where it still has significant dependencies, as well as in emerging sectors, the strategic leverage that the EU has is unlikely to last.

At the very least, EU policymakers may find that they earn the begrudging respect of PRC officials who recognise the benefits of a more transactional approach to diplomacy. And at best, it may lead to the PRC being willing to address the distortions and imbalances in its trading relationship with the EU.

The PRC's approach to strategic leverage

An increasingly emboldened PRC, which sees itself as a peer in economic power to the US, has become a master at utilising strategic leverage to achieve its policy aims and ideological goals. Coming to power in November 2012, Xi Jinping quickly abandoned the previous party policy of 'hide your strength, bide your time'26 for a more muscular foreign policy. This new approach has seen the EU, Australia, Lithuania, South Korea, Japan, Vietnam, India, Taiwan, the UK, the Philippines, the US and dozens of foreign businesses face increasing coercion as the PRC has utilised its strategic leverage.

This differs starkly from the approach of the developed democracies that welcomed the unreformed PRC into the WTO over two decades ago under the erroneous belief that membership would see it liberalise its market and its system of government.

Historically, the EU institutions have treated the PRC like any other diplomatic partner by pursuing a strategy where they silo off the difficult parts of the relationship and seek to prioritise areas of mutual agreement. This is particularly evident when it comes to the issue of human rights, which has been relegated to an annual and separate EU–China Human Rights Dialogue led by the European External Action Service rather than being integrated into trade and economic security policy. This is the normal procedure in the EU when it comes to dealing with trade partners, with these separate dialogues only brought together at high-level summits.

In contrast, the PRC has demonstrated a willingness to utilise every lever at its disposal to shape the calculations of partners to ensure they align with Beijing's agenda. At the low end, this is commonly seen as the implicit agreement that governments will reduce public criticism of the PRC's human rights policy as a precursor to any policy negotiation (on trade or climate talks, for example). *PRC officials present this understanding as non-negotiable, and most EU member states oblige by reducing criticism to guarantee increased engagement, yet they are reluctant to use the same tools.*

The PRC has shown a willingness to make formal dialogues conditional on countries not undermining its foreign policy aims. Following the visit of the US speaker of the House of Representatives to Taiwan in 2022, which was part of the parliamentary diplomacy between the US and Taiwan, the PRC suspended return climate and migration talks with the US. It later suspended nuclear weapons talks following US arms

[26] P. Rahe, 'Defending Taiwan', *Hoover Institution*, 6 June 2022.

exports to Taiwan. The PRC quietly restored talks with the US on climate and migration a year after their suspension and following a softening in the Biden administration's policy towards the PRC. But at the time of writing, the PRC has yet to restore nuclear weapons talks with the US.

Similar tactics have been applied to the EU and EU member states. Beijing reduced the recent EU–PRC summit in Beijing from two days to just one following the leaking of comments from a meeting between the EU's high representative for foreign affairs and the PRC's foreign minister in which the PRC side admitted that the PRC cannot allow Russia to lose the war in Ukraine.[27] A recent visit by the German foreign minister to Beijing had to be rescheduled because the latter refused to meet with him following his criticism of the PRC's 'aggressive behaviour' in the Taiwan Strait and South China Sea.[28] The EU is willing to accommodate the PRC's demands, even when they undermine the EU's own foreign policy aims, for the sake of trade.

Foreign investment is often considered an area of strategic leverage for the PRC. When EU countries voted on tariff increases on EVs from the PRC following an anti-subsidies investigation, the PRC was alleged to have linked green investment to EU member states' support or opposition to the tariffs, as noted above. It rewarded countries such as Spain and Hungary (which opposed the measures) with green investment projects and allegedly threatened to cancel projects in Italy, which supported the tariffs.[29]

The PRC uses import bans as a strategic tool to exert pressure on diplomatic partners. It recently reimposed an import ban on Japanese seafood following comments from Japan's prime minister in support of Taiwan.[30] It has also imposed an import ban on European medical devices, which China claims is reciprocal in nature.[31] Import bans are calibrated by Beijing to pressure partners to change their behaviour.

Foreign businesses are seen as fair game and a useful pressure point by the PRC. In the past, the PRC has used anti-competition investigations against US companies including Google, Tesla and Nvidia. In addition, it has deployed raids on US due-diligence companies and exit bans on corporate executives

[27] *Bloomberg*, 'China Poised to Scale Back EU Summit in Latest Sign of Strain', 3 July 2025.
[28] F. Knapp, H. von der Burchard and K. Verhelst, 'Diplomatic Bombshell as German Foreign Minister Postpones China Trip', *Politico* (24 October 2025).
[29] Goodman, 'China's Electric Vehicle Challenge'.
[30] H. Davidson, 'China Suspends Seafood Imports From Japan as Taiwan Row Escalates', *The Guardian*, 19 November 2025.
[31] M. Zaharia and Q. Li, 'China Retaliates Against EU Ban With Import Restrictions on Medical Devices', *Reuters*, 7 July 2025.

as leverage in its relationship with the US. The decisions to drop an anti-competition investigation into Google and remove an exit ban on a Wells Fargo executive as part of ongoing trade talks with the Trump administration add further weight to the view that these moves are not taken in isolation but are part of a broader negotiation strategy.

It is worth noting that a string of recent investigations into European drug manufacturer AstraZeneca regarding the importation of drugs into the PRC[32] and the arrest and ongoing detention of several of its executives have coincided with the PRC's push to become a leader in biotechnology.[33]

Similarly, under the PRC's Anti-Monopoly Law (2008), a pending merger between mining companies Rio Tinto and Glencore requires approval from Chinese regulators, and they are likely to demand assets to assent to the deal. Previously, in 2013 PRC regulators required Glencore to sell its stake in the Las Bambas copper mine in Peru to Chinese investors for $6 billion in exchange for their approval of Glencore's purchase of Xstrata.[34]

The PRC regularly uses consumer boycotts and the weaponisation of one of the largest markets in the world to exert strategic leverage. Recent examples include the consumer boycotts of Swedish fashion retailer H&M for stating that it will not use cotton linked to forced labour from Xinjiang, and of the Houston Rockets when its general manager voiced support for pro-democracy protests in Hong Kong. The weaponisation of the PRC's large consumer market is used to prevent criticism of government policy by foreigners. Between 2008 and 2021 there were 90 consumer boycotts of foreign companies, and around one-third of them received explicit public support from party- or state-affiliated organisations.

The PRC also regularly uses economic deterrence as a way of taking advantage of the low pain thresholds of democracies. PRC officials recognise that democracies are easily influenced by vested business interests which rely on the Chinese market, and they demonstrate a willingness to use these countries' low pain thresholds as a form of economic deterrence. In the case of the EU's recent EV tariffs, the PRC responded with an investigation into and temporary tariffs on brandy imports. Brandy produced in France's Cognac

[32] J. Kollewe, 'AstraZeneca Says It Takes China Investigation "Very Seriously"', *The Guardian*, 12 November 2024.
[33] R. Hastings, 'How a UK Big Pharma Exec Was Arrested in China – and Hasn't Been Heard From Since', *The i Paper*, 20 July 2025.
[34] L. Jackson, M. Burton and A. Lv, 'Rio Tinto-Glencore Merger May Need Asset Sales to Win Over China', *Reuters*, 18 January 2026.

region is a luxury product, so this strategy allowed the PRC to mitigate the economic pain for ordinary Chinese consumers while utilising the brandy industry to lobby and pressure the French government and the EU over the EV tariffs.

The PRC subsequently launched anti-dumping investigations into EU dairy imports and imposed tariffs of 4.9%–19.8% for five years on EU pork products.[35] The EU member states most likely to be impacted by these tariffs are Denmark, Spain and the Netherlands. Denmark and the Netherlands voted in favour of EV tariffs, while Spain abstained and its prime minister advocated publicly against them.[36] Consequently, Spanish pork products will have lower tariffs imposed, of around 9%, and an exemption was even secured for Iberian ham.[37]

The PRC uses tariffs and the downgrading of diplomatic relations to economically isolate countries. Whether it is the decision by Norway to award the Nobel Peace Prize to Chinese dissident Liu Xiaobo, Lithuania's decision to allow Taiwan to open a representative office in its country or Australia calling for an official inquiry into the origins of Covid-19, the PRC has demonstrated that it will use tariffs and downgrading of diplomatic relations to economically isolate countries that challenge its interests. There is an economic cost attached to isolation: Lithuania's central bank suggested that China's downgrading of relations cost the country as much as 0.5% of GDP in 2022 and 1.3% of GDP in 2023.[38]

The introduction of REE licences by the PRC is an escalation of its approach to strategic leverage and has weaponised the world's economic dependency on the PRC for critical minerals. In April 2025 the PRC introduced export control restrictions on seven REEs in response to US tariffs. Then, in October 2025, the PRC announced plans to introduce further restrictions in December 2025 on the ability of foreign companies to export goods with magnets or REEs in them without the explicit permission of the PRC. The first set of restrictions has already seen the global automotive sector warn of shortages and potential plant closures, while the PRC has demanded that foreign businesses submit sensitive business secrets in exchange for licences.

[35] *Euronews*, 'China Puts Anti-Dumping Tariff of Up to 18.9% on Pork Imports From EU', 16 December 2025.
[36] *Reuters*, 'How EU Governments Voted on Chinese EV Tariffs', 4 October 2024.
[37] E. Martínez, 'China Imposes 20% Tariffs on European Pork but Spain Benefits', *SUR in English*, 17 December 2025.
[38] European Commission, *WT/DS610 – China – Measures Concerning Trade in Goods and Services* (n.d.).

This builds upon the PRC's overhaul of its export control regime in 2023, when it announced that the export of critical minerals gallium and germanium would require a licence and modified its existing restrictions on graphite.[39] These actions were alleged to be a response to trilateral semiconductor export restrictions by the US, Japan and the Netherlands. The PRC is able to impose these high costs due to its dominance over the REE supply chain, which is a lesson to learn from and strategically prepare for in other industries.

The PRC is emboldened, as it believes the imposition of these export controls forced the US to back down on its previous threats to increase tariffs on Chinese goods and brought President Trump to the negotiating table.[40] It also recognises that the US tariffs imposed on traditional allies in the EU and elsewhere have undermined alliances and believes that this reflects a marked change. This is the idea that Trump's approach can no longer be characterised as 'the US or its allies versus China, but rather the US versus the rest of the world.'[41]

[39] J. Zhang et al., 'Key Changes and Updates to Chinese Export Controls in 2023', *Mayer Brown*, 1 February 2024.
[40] D. Wei, 'America and China Can Have a Normal Relationship: How to Move Past Strategic Competition', *Foreign Affairs*, 30 October 2025.
[41] Ibid.

The EU's contribution to the PRC's industrial policies

The narrative put forward by the PRC's government is designed to convey the view that the PRC's lead in cutting-edge technology is insurmountable and that its dependencies on the EU and other foreign partners are minimal at best.

This idea commonly appears in the ongoing debate regarding the removal of Huawei from EU countries' 5G telecommunications network. In this discussion the Chinese Ministry of Foreign Affairs and Huawei itself argue that removal would hinder the EU's technological progress and harm economic growth.[42] These assertions form a narrative which is designed to pit economic and national security interests against each other. It plays into fears that the EU is no longer seen as a natural leader in innovation, and appeals to politicians who are ultimately re-elected on the performance of the economy. At the same time, there is little mention in this narrative of the fact that EU telecommunications companies continue to operate successful joint-venture projects in China or are taking part in PRC government-run 6G trials. Both points demonstrate that the PRC's domination of the sector is not complete and that EU partners still offer value.

EU policymakers are not taking advantage of this dimension in their debates with the PRC or the public. Nor does this narrative reflect the fact that there are several current and new sectors of the PRC's economy that are or will be underpinned by the commercialisation of emerging technologies which are still dependent on European companies.

[42] *Reuters*, 'China Calls on EU Not to Hurt Enterprises' Investment Confidence', 19 January 2026.

Semiconductor chips

Nowhere is this dependency more on display today than when it comes to the PRC's drive for self-sufficiency in semiconductor chips, which are the bedrock of the artificial intelligence (AI) sector. While the AI sector was not a part of Made in China 2025, it is one of the future industries listed by the Ministry of Industry and Information Technology as part of Xi Jinping's successor intiative on 'new quality productive forces', launched in June 2024.[43] As part of this industrial policy, the PRC's State Policy Council has set an ambitious target of deploying AI across 90% of the PRC's economy by 2030.[44]

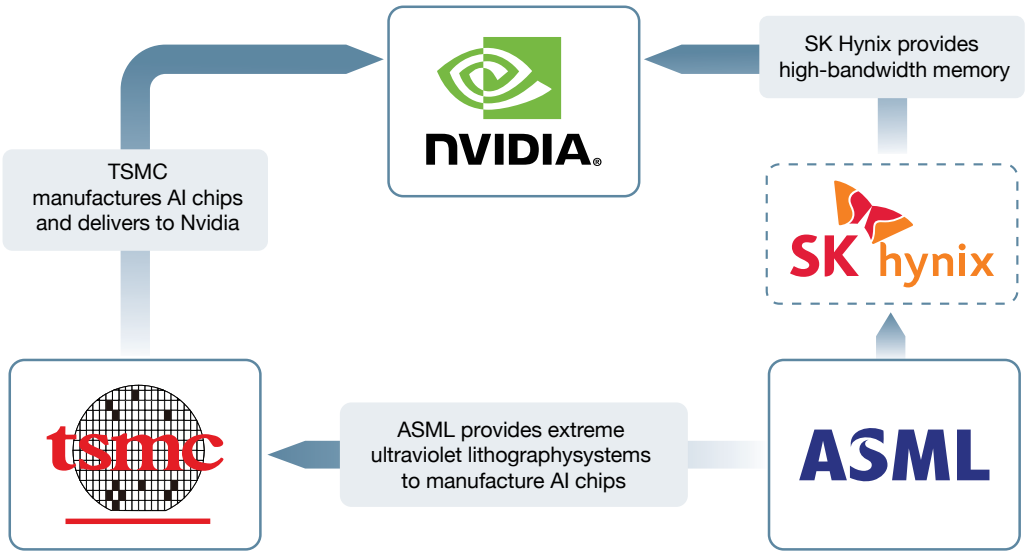
Analysis by Bloomberg Intelligence suggests that the PRC will fall short of its lofty ambitions in Made in China 2025 to command 43% of the global semiconductor market by 2030 and will instead have closer to a 27%–28% market share. Despite the likelihood that it will miss its target, the PRC has made significant inroads in its domestic semiconductor output. This is projected to grow from $48.3 billion in 2015 to $183.7 billion by 2030, which it is estimated will meet 75% of its domestic market demand.[45]

However, the PRC remains significantly behind the US and Taiwan in the production of cutting-edge chips. Semiconductor chips created by US company Nvidia are estimated to be around five times more powerful than those produced by the PRC's national champion, Huawei, and by 2027 that gap is estimated to widen to seven times more powerful.[46]

Aside from the introduction of US export restrictions on the sale of the most advanced semiconductors to the PRC since 2022, the PRC's attempts to gain self-sufficiency have been hampered by the interdependent and complex global semiconductor supply chain that has been built up around three companies: ASML, Nvidia and TSMC.

[43] A. R. Kroeber, 'Unleashing "New Quality Productive Forces": China's Strategy for Technology-Led Growth', *Brookings*, 4 June 2024.
[44] S. Singer, 'China Wants to Integrate AI Into 90 Percent of Its Economy by 2030. It Won't Work', *Carnegie Endowment for International Peace*, 2 September 2025.
[45] *Bloomberg Intelligence*, 'Made in China 2025: Industrial Master Plan Advances at Home, Faces Obstacles Abroad', 30 October 2024.
[46] C. McGuire, 'China's AI Chip Deficit: Why Huawei Can't Catch Nvidia and U.S. Export Controls Should Remain', *Council on Foreign Relations*, 15 December 2025.

Figure 2 Interconnectivity of the current global semiconductor supply chain and the dominance of three companies



Source: A. Jadhav, 'How Are Monopolies Formed in the Generative AI Hardware Ecosystem?', *EE Times*, 10 March 2025.

The Dutch company ASML is the exclusive maker of extreme ultraviolet lithography machines, which are the only lithography devices in the world capable of projecting the smallest blueprints that make up the most advanced semiconductor chips. It has a near monopoly on other ultraviolet machines, controlling more than 90% of argon-fluoride immersion tool sales globally, while Japan's Nikon accounts for the rest of the market.[47]

The sale of these machines to the PRC is banned, and ASML's deep ultraviolet machines have been restricted by the US, Japan and the Netherlands, although limited deliveries by ASML to the PRC of older

[47] T. Rühlig, *Reverse Dependency: Making Europe's Digital Technology Strengths Indispensable to China* (Digital Power China Report 3), German Council on Foreign Relations (6 May 2024).

models previously contracted for have continued. According to ASML's 2025 *Interim Financial Report*, net sales in the PRC up to 29 June 2025 were €3.7 billion, slightly down from €4.7 billion in 2024.[48]

PRC semiconductor chip companies, including SMIC, Huawei, CXMT, YMTC and SMEE, are testing their own ultraviolet lithography machines with limited success. It has been reported that SMIC and Huawei are using older ASML machines to build seven-nanometre production lines, and that Chinese companies are upgrading these older ASML machines with components obtained on the secondary market.[49]

While these companies are making steady progress, they do not have the technological capacity of their foreign counterparts and are still unable to import the most advanced machines. A report by Reuters on 17 December 2025 has found that Huawei has allegedly reverse-engineered AMSL's ultraviolet lithography machine with former ASML engineers and ASML parts from the secondary market with the aim of having these machines produce chips by 2028.[50]

ASML's chief executive, Peter Wennink, previously stated that the PRC was years away from replicating its technology, and that even with the blueprints, Chinese engineers did not have the decades of experience and tacit knowledge behind ASML's products.[51] A further obstacle facing Chinese efforts in self-sufficiency in semiconductor production is the need to use a single supplier of lithography machines, as mixing tools from different suppliers substantially reduces accuracy and yield.[52]

[48] ASML Holding NV, *Powering Technology Forward With You: Statutory Interim Report 2025* (16 July 2025).
[49] *Financial Times*, 'China Boosts AI Chip Output by Upgrading Older ASML Machines', 19 December 2025.
[50] F. Potkin, 'Exclusive: How China Built Its "Manhattan Project" to Rival the West in AI Chips', *Reuters*, 18 December 2025.
[51] B. Murphy, *Chokepoints: China's Self-Identified Strategic Technology Import Dependencies*, Center for Security & Emerging Technology (May 2022).
[52] Rühlig, *Reverse Dependency*.

Civil aviation

The PRC boasts the second-largest aviation market in the world but has yet to achieve its Made in China 2025 goal of producing its own large commercial airliner. The COMAC C919, which seeks to rival Boeing 737 MAX and Airbus A320neo in the lucrative narrow-body, single-aisle market, is heavily dependent on foreign suppliers, with over a quarter of them coming from the EU.

The C919 completed its first commercial flight in 2023 and has received more than 1,000 orders, but as of today only 16 have been built and only 14 are currently active. This slow pace reflects the limited progress that the PRC has made in increasing its share of the domestic civil aviation market. Air China, one of the main customers for the C919, has indicated in its annual report that only 10 out of the 40 new aircraft added in 2025 and another 10 out of the 76 to be added in 2026 are planned to be C919s.[53]

PRC officials have not allowed the slow uptake of the C919 to blunt their ambitions to compete in the global civil aviation market. Rather, they are aggressively pushing for EU regulatory approval, which the executive director of the EU Aviation Safety Agency has said will take from three to six years.[54] In May 2025 the chief executive officer of European airline Ryanair indicated that he would be interested in buying C919s at the right price, which suggests that European airlines may purchase them if they receive regulatory approval.[55]

Several notable C919 suppliers are from the EU.[56] Engine manufacturer Safran (French) supplies its engines as part of a joint venture with General Electric. Liebherr Aerospace (German) provides ice protection components, bleed air systems, cabin air-pressure control systems, air-conditioning equipment and aircraft landing gear. Avio Aero (Italian) provides casing for the engine. FACC Aerospace (Austrian) provides wing

[53] Boullenois, Black and Rose, 'Was Made in China 2025 Successful?'.
[54] *Reuters*, 'European Approval for China's C919 Plane Needs 3–6 Years, Regulator Says', 29 April 2025.
[55] D. Shepardson and A. Lampert, 'US Lawmaker Warns Ryanair Against Buying Chinese-Made Planes', *Reuters*, 1 May 2025.
[56] As of December 2020.

spoilers and cabin interiors. Saft (French) provides nickel-cadmium batteries. And Mecachrome (French) provides the turbine engine blades.[57]

Other than benefiting from contracts for the C919, a number of these EU aerospace companies are also beneficiaries of EU grants and contracts. Both FACC Aerospace and Liebherr Aerospace are recipients of an ongoing Horizon Europe grant focused on the next generation of ultra-performance wings and have received €759,000 and €1.35 million, respectively, to look at how new wing designs can tackle carbon emissions.[58] Safran recently received €4.5 million from Horizon Europe for a project looking into propulsion using hydrogen,[59] and the aerospace group is involved in 10 funded projects as part of the European Defence Fund.[60] There may be an increasing conflict of interest for these European companies if they continue to sign contracts with both the EU and COMAC.

Despite efforts by the PRC to localise production of the C919, research by the Rhodium Group has found that in 2020–4 progress was slow in moving away from foreign suppliers to either PRC suppliers or suppliers from local joint ventures. There was no change in the ratio of foreign to domestic suppliers of materials and components during this time period. And in both the power system and the airframe, the PRC has only managed to increase the percentage of domestic suppliers by 7%. The PRC has made the most progress in avionics, increasing domestic suppliers by 14%.[61]

The PRC's continued reliance on EU aerospace companies is reflected in a recent survey by the European Chamber of Commerce in China. It found that only 21% of its members in the aviation sector had reported a loss of market share since 2015 and that 64% of its members reported that they have not experienced any market access restrictions.[62]

As a result of trade tensions and in response to the PRC announcing export restrictions on REEs, in May 2025 it was reported that the US Department of Commerce had suspended licences for General Electric

[57] Center for Strategic & International Studies, *The C919 Major Suppliers* (updated 2 December 2020).
[58] Horizon Europe, 'Ultra Performance Wing', Fact sheet, European Commission (n.d.).
[59] Horizon Europe, 'Technological Research on Propulsion by Hydrogen', *Cordis Newsletter*, (n.d.).
[60] *Safran*, 'European Defense Fund: Safran Electronics & Defense Selected From 10 of Its 12 Submitted Projects', 12 July 2023.
[61] Boullenois, Black and Rose, 'Was Made in China 2025 Successful?'.
[62] European Union Chamber of Commerce in China, *Made in China 2025*.

to export engines to COMAC[63] as well as those of other US suppliers of the C919, including Honeywell Aerospace and RTX Corp.[64] These licences were restored over a month later, allegedly in return for Beijing allowing the export of REEs to the US.[65] This incident demonstrates the ability of the Trump administration to strategically leverage the PRC's dependence on foreign suppliers for its civil aviation sector.

Pharmaceuticals and biotechnology

Since 2015 the PRC has sought to compete with the EU and the US in the production of new pharmaceutical products and to become a global leader in biotechnology with some measure of success. This has included achieving its domestic goal of 20–30 innovative drug approvals and 9 overseas approvals of innovative drugs by the end of 2025.[66]

At the same time as deepening its global dominance of the active pharmaceutical ingredients supply chain for generic drugs,[67] the PRC has increased its research and development spending on pharmaceuticals five times faster than the EU.[68] It has also cut the approval time for human drug trials from 501 days to just 87 days, in a bid to increase its output of new medicines.[69] This has been achieved with the aid of a talented workforce, with the PRC producing 150,000–250,000 chemistry graduates annually compared to the EU's 30,000–50,000.[70] While these new products are launched at record speed, there may be ethical, health and safety risks related to approving new medicines so quickly.

[63] *Reuters*, 'US Suspends Engine Sales to Chinese Planemaker COMAC, New York Times Reports', 29 May 2025.
[64] J. Ostrower, 'US Engine and Component Ban Poised to Cripple China's Commercial Aircraft Manufacturing', *The Air Current, 6 June 2025*.
[65] K. Freifeld, 'US Lets GE Restart Jet Engine Shipments to China's COMAC, Source Says', *Reuters*, 4 July 2025.
[66] *Bloomberg Intelligence*, 'Industrial Master Plan Advances at Home'.
[67] Mercator Institute for China Studies, 'Europe's Increasing Reliance on China for Critical Drugs + Foreign Investment + China-Africa' (12 September 2024).
[68] European Federation of Pharmaceutical Industries and Associations, 'Europe's Pharmaceutical Industry Is at a Crossroads', *Politico*, 20 March 2025.
[69] *The Economist*, 'Chinese Pharma Is on the Cusp of Going Global', 23 November 2025.
[70] Kiel Institute, 'Pharma Made in China: Opportunities and Challenges for the EU Pharmaceutical Industry and Supply Chain Security?', Global China Conversations #44 (20 November 2025).

Despite the PRC's strides in developing its pharmaceutical and biotechnology sectors, the EU continues to have inherent advantages and strengths in these sectors. These include leadership in the number of patents granted. In 2024 companies in Italy, Germany and France alone had double the number of pharmaceutical patents granted compared to the PRC.[71]

EU companies continue to dominate the market in vaccine development, with Merck, Sanofi and GSK accounting for 51% of global vaccine market share in 2024. In comparison, Sinopharm had just 1% of the global vaccine market share.[72]

The foothold EU companies have in the global vaccine market and the PRC's continued reliance on them were displayed in September 2025 when the PRC's Guangdong province experienced the largest outbreak of the chikungunya virus in the country's history. French drug manufacturer Valneva SE and Danish drug manufacturer Bavarian Nordic are currently the only two pharmaceutical companies that produce a vaccine for the chikungunya virus,[73] so the PRC was dependent on these European companies to resolve this public health crisis.

The PRC's push for self-reliance and global leadership in pharmaceuticals and biotechnology has involved increased research and development spending, cheap manufacturing costs and reduced red tape for human trials. Because of these advantages, a number of EU pharmaceutical companies have established joint ventures and are increasing their research and development in the country.

- In 2025 German drug manufacturer Bayer announced the renewal of its 16-year partnership with Tsinghua University to accelerate pharmaceutical research[74] and a new research and development incubator hub to encourage private capital investment into PRC biotechnology companies.[75]

[71] A. Minhas, 'Number of European Patents Granted in the Pharmaceutical Industry in 2024, by Country of Origin', *statista*, 19 February 2026.
[72] World Health Organization, *Global Vaccine Market Report 2025* (17 December 2025).
[73] Valneva, 'Valneva Expands Access to Asia for Its Chikungunya Vaccine with Serum Institute of India', 19 December 2024; *Manufacturing Chemist*, 'Bavarian Nordic Launches Chikungunya Vaccine Vimkunya in the UK', 5 September 2025.
[74] Bayer, 'Bayer Extends Partnership With Tsinghua University to Accelerate Pharmaceutical Research in China' (24 June 2025).
[75] Bayer, 'Bayer Launches Bayer Co.Lab AdVenture Platform in China to Accelerate Access to Global Investment Network Enhancing Biotech Innovation' (8 September 2025).

- In December 2024 French drug maker Sanofi announced a €1 billion investment in a new insulin base in the PRC;[76] the company already boasts two research and development hubs[77] in the country.

- Similarly, the perils of operating in the PRC have not put off UK–Swedish drug manufacturer AstraZeneca. The company's joint-venture offices were raided in 2024, and its Chinese executives remain in prison, accused of violating the PRC's data-security laws.[78] Nevertheless, in March 2025 AstraZeneca announced a $2.5 billion investment in Beijing to create its second research and development centre in China as part of a partnership with the Beijing municipal government.[79] In June 2025 AstraZeneca also signed an AI-led research agreement with China's CSPC Pharmaceutical Group, worth $5.3 billion, to develop therapies for chronic conditions.[80]

These relationships appear mutually beneficial for both sides. However, it is highly likely that if EU pharmaceutical companies move more of their research and development to the PRC, this will help the PRC meet its ambitions for global leadership in pharmaceuticals and turn the EU from being an innovator to merely being a consumer. The US is already starting to experience this situation, with its life sciences centre in Boston being in a local recession because research jobs have moved to the PRC.[81]

As it has done with EVs and robotics, the PRC is hoping to leapfrog its competitors by cornering future industries and dominating export markets, this time focusing on future drugs that are based on genomics. This pursuit depends on partnerships with EU companies and EU countries for access to highly valuable and diverse genetic population data.

The Covid-19 pandemic was strategically utilised by PRC genomics companies as an opportunity to offer free commercial test kits to the world. Also at this time it struck up partnerships with university labs,

[76] *Reuters*, 'Sanofi Announces Its Biggest China Investment Deal Amid China-EU Trade Tensions', 2 December 2024.
[77] X. Wei, 'Sanofi Unveils First Global Research Institute in China to Develop Innovative Drugs', *Yicai Global*, 14 April 2021; N. Pagliarulo, 'Sanofi Expands China Presence With New R&D Hub', *Biopharmadive*, *2 July 2018*.
[78] K. Gilchrist, 'AstraZeneca Says Staff Detained in China Amid Reports of a Drug-Import Investigation', *CNBC*, 5 September 2024.
[79] A. Kemp, 'AstraZeneca to Invest $2.5 Billion in New Global Strategic R&D Centre, Biotech Agreements and Manufacturing in Beijing', *AstraZeneca*, 21 March 2025.
[80] *Reuters*, 'AstraZeneca Signs AI Research Deal With China's CSPC for Chronic Diseases'Diseases', 13 June 2025.
[81] J. Mitovich, 'Ph.D.s Can't Find Work as Boston's Biotech Engine Sputters', *The Wall Street Journal*, 29 December 2025.

and created over 100 'Fire-Eye' labs in partner countries to analyse the virus in their labs.[82] This resulted in scientific partnerships which gave these companies access to a wealth of genomic data. At the same time, the PRC has limited access to its own genomic data as a result of the 2020 Biosecurity Law, which prohibits foreign companies and individuals from collecting genomic data and Chinese companies from sharing it abroad.[83]

It will be a challenge for the PRC to out-innovate the Western companies that have historically dominated pharmaceuticals and biotechnology. The situation was summed up by a former AstraZeneca employee, who told the author of this paper that it was the difference between 'Europe and the US innovating 0–1 and China innovating from 1 to many.' They noted that it would be difficult for PRC companies to replicate the early innovations of EU drug manufacturers. This is despite the now commonly accepted view that the PRC has dominance when it comes to scale and productivity as a result of its '996' work culture in which employees work many more hours than their EU counterparts.

Robotics

The PRC made the robotics sector a significant part of its Made in China 2025 framework. Targets to advance industrial robots and special-purpose robots and now the development of humanoid robots powered by AI are seen as a core part of its 'new quality productive forces'. As a result, since 2021 the PRC has installed around half of the world's robots, averaging around 280,000 units annually.[84] Foreign robot producers have been languishing, seeing their global market share fall from 70% in 2020 to 53% in 2023.[85]

Despite the growth of the PRC's robotic market, which Morgan Stanley projects will double to $108 billion by 2028[86] under the close direction of the PRC government,[87] the country still relies heavily on

[82] J. Warrick and C. Brown, 'China's Quest for Human Genetic Data Spurs Fears of a DNA Arms Race', *The Washington Post*, 19 October 2023.
[83] Rühlig, *Reverse Dependency*.
[84] L. Zhu, 'China Surges Ahead as Global Robotics Powerhouse', *China Daily*, 29 July 2025.
[85] Ibid.
[86] Ibid.
[87] P. Szyzdek, '"Made in China" – Robotics Market Overview', *Medium*, 29 September 2024.

imports from foreign producers.[88] These include some makers of high-end industrial robots, who remain market leaders.[89] Examples are Japanese robot manufacturer Fanuc, Swiss manufacturer ABB and Italian manufacturer Comau.[90]

Chinese companies such as Shenzhen Inovance Technology and Estun Automation are catching up to these established players.[91] The sector's growth has been helped in part by the purchase of German robot manufacturer Kuka by Chinese home appliance company Midea in 2016. Although the PRC's industrial robots are significantly cheaper than those of their foreign counterparts, PRC academics have conceded that they have a higher failure rate. This may explain why the PRC continues to rely so heavily on foreign robots, with its companies opting to pay for established and more expensive robots to avoid the risk of disruptions in their manufacturing plants.[92] Considering the rapid changes in the industry, this gap may soon close.

At the same time, humanoid robot companies Unitree and UBTECH Robotics are building on the PRC's AI breakthrough with DeepSeek. They aim to make humanoid robotics the PRC's next area of global leadership; public displays of robots doing kung-fu even got a mention in Xi Jinping's 2026 New Year address.[93]

In the case of the high-end ball screws needed for robotic arms and legs, Japanese and European companies accounted for 90% of China's market in 2022. These included Rollvis (Switzerland), GSA (Switzerland), Ewellix (Sweden) and Rexroth (Germany). When it comes to the torque censors for the robot's positioning, force and touch, market leaders include HBM (Germany) and Flintec (Sweden). And for the coreless motors that drive the robot's movements, the market is dominated by Maxon (Switzerland).[94]

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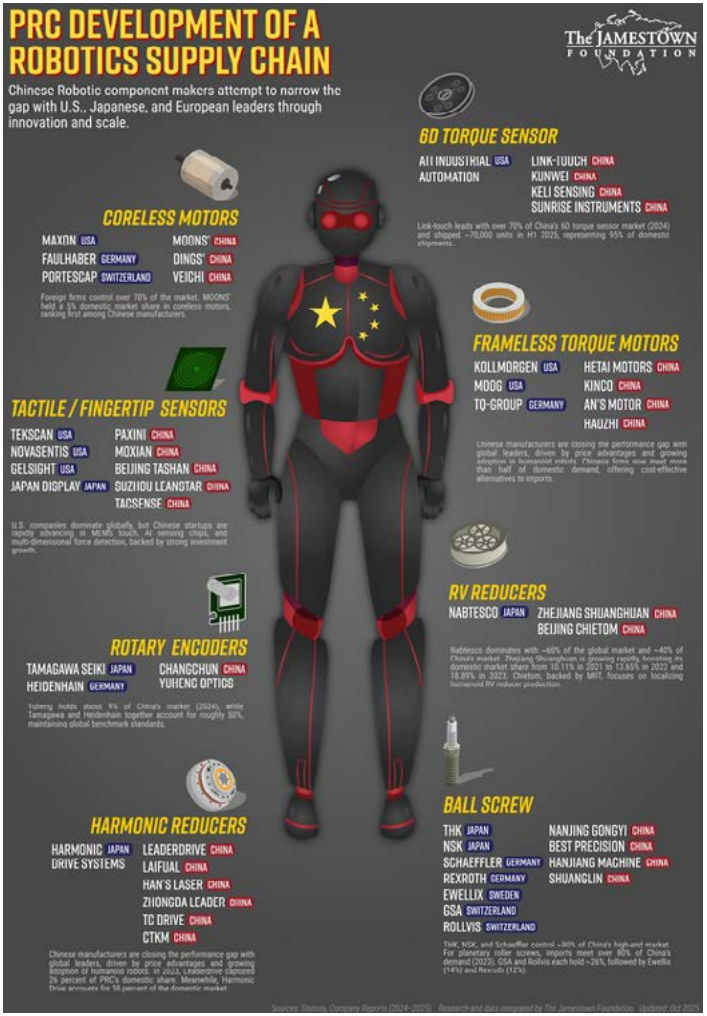
88 The Observatory of Economic Complexity, 'China's Industrial Robots' (n.d.).
89 J. Wong, 'China Needs More Factory Robots. Can It Build Its Own?', *The Wall Street Journal*, 3 September 2024.
90 A. Gerosa, 'The Comau Case, From China to Southeast Asia', *Global Times*, 10 April 2025.
91 R. D. Atkinson, 'How Innovative Is China in the Robotics Industry?', *Information Technology & Innovation Foundation*, 11 March 2024.
92 Murphy, *Chokepoints*.
93 Xi J., 'Full Text: Chinese President Xi Jinping's 2026 New Year Message', *China Daily*, 31 December 2025.
94 The Jamestown Foundation, 'Testimony Before the U.S.–China Economic and Security Review Commission's Hearing "Made in China 2025—Who Is Winning?"' (6 February 2025).

Figure 3 The PRC's robotics supply chain



Source: The Jamestown Foundation, 'Testimony Before the U.S.–China Economic and Security Review Commission's Hearing "Made in China 2025—Who Is Winning?"', 6 February 2025.

The leading PRC humanoid robot companies Unitree and UBTECH Robotics either use local suppliers for their supply chain or do not make available data on the extent of their supply chain dependency on legacy foreign companies. In any case, the narrative of a self-sufficient Chinese humanoid robot sector ready to take the world by storm deserves proper scrutiny.

Automotive chips

Last year PRC EV producer BYD supplanted Tesla as the largest seller of EVs globally,[95] which builds upon the PRC supplanting Japan as the largest global exporter of vehicles in 2023.[96] This dominant position in the development and export of EVs is one of the leading examples of the PRC's success in its industrial policies. As discussed earlier, this has led to concerns in the EU over unfair subsidies and excess manufacturing capacity in the PRC, and has resulted in the EU increasing tariffs on PRC-made EVs.

The PRC's dominance in the automotive sector has come as a result of its stranglehold on critical minerals, cheap production costs, generous state subsidies, historic joint ventures with leading EU automotive producers and a fixed focus on EVs as the next generation of vehicles. However, this dominance is not without dependency: EU automotive chip producers still provide the power chips, sensors and microcontrollers needed by the PRC's EV producers. The leading EV brands in the PRC—BYD, Chery, Great Wall Motor and Geely—all currently use automotive chips from EU producers, including Infineon, NXP and ST-Microelectronics.[97]

As discussed above, the PRC's industrial strategies are geared towards creating a self-sufficient semiconductor sector, which includes automotive chips. The plan has seen PRC automotive producers slowly reduce their reliance on EU providers. However, domestic demand for EVs and the chips within them has meant that automotive companies in the PRC face an import substitution challenge, as the overall

[95] O. Chia and D. Kaye, 'China's BYD Overtakes Tesla as World's Top EV Seller', *BBC, 2 January 2026*.
[96] A. Chang and K. Bradsher, 'How China Became the World's Largest Car Exporter', *The New York Times*, 29 November 2024.
[97] China Strategic Risks Institute, open-source analysis of BYD, Chery, Great Wall Motor, and Geely suppliers.

growth of the market has led to increased demand for automotive chips among domestic and foreign producers alike.[98]

Unlike Dutch legacy chip firm Nexperia, whose Chinese owners remain in an ongoing dispute with its European headquarters, most of these legacy automotive chip companies have back-end capacity for testing and packaging outside of the PRC. This makes them less vulnerable. But PRC-based customers, including EU car-makers, currently make up a significant proportion of their demand, so it is unlikely that this leverage could be utilised.

However, given this situation, these EU automotive chip producers are investing in joint ventures. Furthermore, all have production plants and research and development centres inside the PRC to meet the growing demand in the country for EVs and the chips within them.

6G, quantum and emerging technologies

Developments in 6G telecommunications and quantum computing are unlike those in the AI sector, where the emerging technology has already been proven and commercialised by companies largely in the US and the PRC. The PRC has thus shown a willingness to continue to work with EU governments and companies to meet its industrial policy aim of leading the commercialisation of these future technologies.

For example, there is an ongoing global debate amongst the heads of technology companies as to when quantum computing is likely to have the kind of breakthrough the world has witnessed with AI, including ChatGPT. Some US technology companies are hedging that it could be as close as 5 years away, while Nvidia's Chief Executive Officer Jensen Huang suggested that 15 years would be on the early side for the commercialisation of the technology.[99]

[98] Rühlig, *Reverse Dependency*.
[99] K. Leswing, 'Quantum Computing Is Having a Moment. But the Technology Remains Futuristic', *CNBC*, 27 June 2025.

EU member states remain largely divided on the benefits and risks of partnering with the PRC on quantum technology. Research by the Mercator Institute for China Studies found a notable decline in the number of co-published research papers on quantum technology in 2017–23 between leading European countries and the PRC, including France, Germany and the UK. And several EU countries have adopted export controls on materials that could be used for quantum computing by China.[100]

Other EU member states, such as Italy and Spain, have taken a different approach. In April 2025 Chinese quantum company Origin Quantum announced a strategic cooperation agreement with Spanish company ChinaLink ESGt to jointly develop the EU's largest integrated computing power centre in Spain.[101] This agreement came about as Spain announced its first National Quantum Technologies Strategy, which commits over €800 million up until 2030 to develop quantum computing.[102] Italian company Giglio Group has signed a partnership with Chinese quantum company SpinQ Technology to create and distribute portable quantum computers, following sales to the University of Perugia and the University of Salerno.[103]

The EU's recent experience of the PRC's dominance in 5G telecommunications, which has led to an ongoing debate regarding the banning of Chinese company Huawei from EU member states' respective networks, should be instructive when it comes to the next generation of 6G telecommunications. The use Huawei's 5G network in the EU risks undermining national security as well as user security and privacy. Furthermore, removing and replacing this infrastructure is expensive. Nevertheless, EU telecommunications companies Ericsson and Nokia continue to maintain joint ventures in China—Ericsson with China Mobile,[104] which is blacklisted by the US for its links to the People's Liberation Army.

In 2025 the PRC government stated that it had conducted at least 80 trials of 6G as part of its plans to test and then launch 6G telecommunications by 2030. The IMT-2030 (6G) Promotion Group, which is

[100] A. Hmaidi and J. Groenewegen-Lau, *China's Long View on Quantum Tech Has the US and EU Playing Catch-Up*, Mercator Institute for China Studies (12 December 2024).
[101] *China Diplomacy*, 'Hefei Quantum Company, Spanish Partner to Build Europe's Largest Integrated Computing Center', 14 April 2025.
[102] M. Swayne, 'Spain Launches $860 Million Quantum Strategy to Boost National Industry and Secure Digital Sovereignty', *Quantum Insider, 25 April 2025*.
[103] Giglio, 'Giglio Group and Spinq Revolutionize the Future: From Their Cooperation Is Born Omniaquantum, the Quantum Computer Accessible to All on Sale Today Thanks to Giglio Group Distribution', Press release (14 January 2025).
[104] Ericsson, '5G-Enabled Smart Tourism: Ericsson and China Mobile Empower Business Transformation in Qinhuangdao's Yutian Town', Press release (4 March 2025); Ericsson, 'Ericsson, China Mobile and Zhangjiagang Port 5G-Powered Smart Port Success' (24 October 2024).

responsible for coordinating the PRC government's 6G telecommunications tests, includes EU companies Ericsson and Nokia as part of its membership.[105] There is a general view that whichever country is able to deploy 6G telecommunications first in a commercial setting will have a significant influence over the global standards that govern it.

It is unclear to what extent EU companies have let the PRC government run tests of 6G or have shared research. *China Daily* notes that both Nokia and Ericsson participated in trials. And one article published in November 2024 states that Ericsson completed a series of tests for 6G synaesthesia integration and network infrastructure as part of the IMT-2030 (6G) Promotion Group and under the guidance of the Ministry of Industry and Information Technology of China.[106]

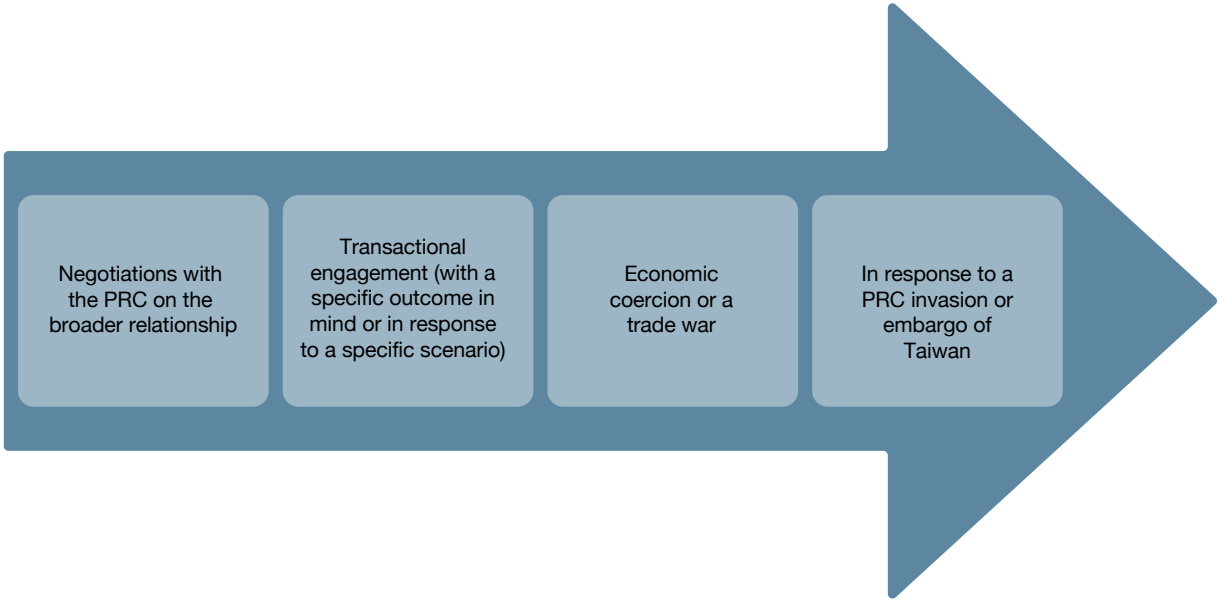
In October 2025 it was reported that PRC authorities are requiring all PRC state-backed contracts with Ericsson and Nokia to be submitted for national security reviews by the Cyberspace Administration in China.[107] This is considered a response to efforts by the European Commission to force EU member states to ban Huawei from their telecommunications network.[108] But the measure may also reflect the fact that the PRC no longer requires either European company's expertise for its 6G telecommunications tests.

[105] Ma S., 'Telecom, Smartphone Companies Take Part in 6G Trials', *China Daily*, 5 December 2023.
[106] *Yahoo! Finance*, 'Ericsson Leads 6G Network Testing With AI Integration: Stock to Gain?', 26 November 2024.
[107] *Financial Times*, 'China Curbs Use of Nokia and Ericsson in Telecoms Networks', 2 October 2025.
[108] G. Volpicelli and J. Deutsch, 'EU Eyes Huawei Ban in Mobile Networks of Member Countries', *Bloomberg*, 10 November 2025.

Conclusion

Forging a European approach to strategic leverage

Figure 4 When and how the EU should use its strategic leverage against the PRC



Some argue that the EU is very unlikely to exert strategic leverage because of the inability of EU member states to come together on a shared PRC strategy and the low pain threshold of EU businesses to PRC economic coercion. However, such an argument discounts the fact that other, equally unlikely events have occurred. In the last few years the EU has adopted tariffs on EVs from the PRC—in the face of opposition led by Germany and the automotive sector—and withdrew 'most favoured nation' status for Russia.

The case of Brexit offers a further counterpoint to sceptics of the EU's ability to exert strategic leverage. When it came to the Union's negotiations with the UK, member states managed to maintain a disciplined level of unity, coordinated by the European Commission and which remains in place today. In this arrangement, EU member states continue to coordinate their bilateral relationships with the Commission through the Working Party on the UK to avoid undermining the Brexit agreement. A similar model could be created and effective in coordinating with the PRC.

Similarly, the EU adopted a strategic negotiating position regarding Brexit, which was reflected in the UK–EU Trade and Cooperation Framework Agreement. This created economic pain for some EU member states and businesses but led to a better deal overall for the EU. One result was the EU's introduction of a Brexit Adjustment Reserve of €5.4 billion to support the impacted member states that were required to create border and custom checks with the UK (namely Ireland, France, the Netherlands and Belgium).[109] The ongoing EU budget negotiations for 2028–34 will decide which EU member states will be required to increase their contributions to cover the UK's exit.

Some suggest that Brexit was unique as it challenged the future viability of the EU and would have unleashed a wave of populism across Europe had it been viewed as a success for the UK. But another important consideration is the role de-industrialisation played in the 'Leave' vote winning the Brexit referendum and in the election of Donald Trump to the US presidency. One study, by Bocconi University, found a correlation between those areas that voted strongly to leave the EU in the UK's 2016 referendum and those that had lost manufacturing jobs to Chinese competition.[110] Several economic studies in the US have also found a correlation between the exposure of local labour markets to increased import competition from the PRC and votes for Donald Trump in the 2016 election.[111]

In his remarks in Beijing to mark the fiftieth anniversary of EU–PRC relations, former European commissioner Michel Barnier warned that the PRC's distortive policies, which have led to industrial overcapacity, threaten

[109] *EU Funds*, 'What Is the Brexit Adjustment Reserve?' (n.d.).

[110] I. Colantone and P. Stanig, 'The Real Reason the U.K. Voted for Brexit? Jobs Lost to Chinese Competition', *The Washington Post*, 7 July 2016.

[111] D. Autor et al., 'Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure', *American Economic Review* 110/10 (2020), 3139–83; D. Autor et al., *A Note on the Effect of Rising Trade Exposure on the 2016 Presidential Election*, MPRA Paper no. 112889 (Munich, 16 November 2026); J. B. Jensen, D. P. Quinn and S. Weymouth, *Winners and Losers in International Trade: The Effects on U.S. Presidential Voting*, National Bureau of Economic Research, Working paper 21899 (January 2016).

EU industries. Further, these policies are fuelling populism in EU countries. This will inevitably lead to populist governments taking power and turning against trade with the PRC.[112]

The EU's greatest area of strategic leverage continues to be access to the single market. The EU remains the supplier of consumer goods for a large portion of global demand. Combined, the UK, Japan, Canada, Australia, the US and the EU account for well over 50% of global demand.[113] Within this group, for instance, the EU remains the second-largest market in the world for EVs.[114] And even with PRC car-makers slashing prices by up to 34%, there are still only so many global consumers who can afford to buy their vehicles.[115]

Even if its leadership will not admit it, the PRC, for now, still needs the EU to absorb its excess manufacturing capacity and support its export-to-growth strategy. This is why Chinese business leaders continue to demand that the EU allows PRC imports unfettered access to the EU single market. Although EU member states welcome PRC companies setting up factories within their bounds, at the same time these leaders openly admit there is little the PRC wants to import from Europe.[116]

Given this context, it is all the more remarkable that the PRC has sought to escalate trade tensions with Brussels by imposing REE export controls and by dumping subsidised goods. These actions pose an existential risk to the EU's future manufacturing base.

The EU has strategic leverage in those areas in which the PRC has dependency. These comprise a number of specific sectors which the PRC believes to be integral to its future industry, including semiconductor chips, civil aviation, pharmaceuticals and biotechnology, and robotics. However, these dependencies weaken every month and will likely be non-existent within the next decade. The EU, therefore, has the choice of using or losing its strategic leverage over Beijing.

[112] M. Barnier, 'Keynote Speech by Former French PM Michel Barnier at Conference on 50 Years of EU–China Relations in Beijing', *Public*, 15 May 2025.
[113] E. Freymann and H. Bromley, 'The Case for "Avalanche Decoupling" From China', *Foreign Affairs*, 29 January 2025.
[114] International Energy Agency, *Global EV Outlook 2025* (Paris, 14 May 2025).
[115] F. Jacobs, 'As Flood of Chinese EVs Pushes Down Prices in Europe: Who Wins? And How to Avoid Losing?', *Fleet Europe*, 29 July 2025.
[116] R. Harding, 'China Is Making Trade Impossible', *Financial Times*, 26 November 2025.

Policy recommendations

Figure 4 Mapping and analysis of the EU's areas of strategic leverage

Technology & Trade	Cooperation	Single Market Access	Punitive
Civil aerospace	Climate and other formal dialogues	Procurement	Sanctions
Pharmaceuticals	Emerging technology	Tariffs	Visa restrictions
Robotics	Financial crime	Technology ban/restrictions	Export controls
Semiconductor chips	Cultural exchange	Regulatory approval/standards	Professional services restrictions
Automotive chips	Support in multilateral institutions	Students/universities	Pension fund/outbound investment restrictions

Source: China Strategic Risks Institute

The EU's approach to economic security was first announced in 2023 as a strategy, then in 2024 as a package and in 2025 as a joint communication. It is a three-pillar approach split between the following priorities: '(i) *promote* EU competitiveness and its scientific, technological and industrial bases; (ii) *protect* the EU from economic security risks including through new instruments; (iii) *partner* with like-minded countries who share the same concerns and interests.'[117] The EU's economic security joint communication (2025) outlined six high-risk areas of priority: reducing strategic dependencies for goods and services; attracting safe investment into the EU; supporting a vibrant European defence and space industry, and other critical industrial sectors; securing EU leadership across critical technologies; protecting sensitive information and data; and shielding Europe's critical infrastructure.[118]

The following policy recommendations should be considered as part of the EU's cross-cutting and expanding approach to economic security:

Promote

- *Ensure that Horizon Europe benefits Europe*. The EU should reform the rules regarding the receipt of Horizon Europe funding. This will ensure that European companies that receive EU funding adhere to the requirement to uphold European economic security. It will also ensure that these companies commit to prioritising research and development and localised supply chains in Europe. A failure to do so should trigger a requirement for the company or research institute to repay the funds.

  There are currently 2,820 Chinese companies registered on the EU Funding and Tenders Portal. Of these, 583 have the status 'validated', which means they have or have had an active project that has received EU funding. Among these Chinese institutions is the Seven Sons of National Defence, which produces dual-use research for the People's Liberation Army and has undertaken 26 EU-funded projects. The EU should bar Chinese research institutions with known links to the People's Liberation Army from accessing Horizon Europe funding. Further, it should follow Canada's example and publish an annual list of research institutions that pose a risk to European security.[119]

[117] M. Szczepański, *New EU Economic Security Doctrine*, European Parliamentary Research Service Briefing, PE 772.915 (17 June 2025).
[118] European Commission, 'Commission Announces Strategic Approach to Strengthen Europe's Economic Security', Press release (3 December 2025).
[119] Government of Canada, *Named Research Organizations* (updated 18 April 2024).

- *Push ahead with Made in Europe/Buy European criteria as part of the Industrial Accelerator Act.* The European Commission and EU member states should ensure that the upcoming Industrial Accelerator Act includes provisions to ensure that critical goods in strategic industries are made in Europe for Europe and that there is a preference for buying from EU sources or from trusted third partners, such as the UK, Japan, South Korea and Canada.

  EU companies that are multinationals in strategic sectors of Europe's economy and that have the majority of their manufacturing base outside of Europe should be encouraged to prioritise the European part of their business and silo off their business in China as a separately managed entity, as a requirement for accessing funding.

- *The Critical Medicines Act should include provisions requiring the reshoring and friend-shoring of medical supply chains and the promotion of research and development in Europe*. As part of the pending Critical Medicines Act,[120] the European Commission should include mandatory targets for minimum reshoring and friend-shoring of key medical supply chains back to Europe, similar to those found in the Critical Raw Materials Act.[121] Provisions should also be considered to encourage European pharmaceutical companies to prioritise Europe for drug research and development. These could be supplemented by the EU encouraging member states to offer capped skilled migration visas to Indian chemists and scientists to work in Europe's pharmaceutical sector.

- *Ensure the EU understands the supply chain dependencies of European businesses*. The European Commission should introduce mandatory reporting requirements for European businesses that have the majority of their supply chain based in the PRC. They should be required to report annually to the Directorate-General for Trade on the extent of their supply chain dependency. As it stands, the PRC has a better understanding of the EU's supply chain dependencies and European companies' reliance on critical minerals than most EU member states do.

[120] European Council, 'New Rules for Critical Medicines in the EU' (1 December 2025).
[121] European Parliament, Critical Raw Materials Act (11 June 2024).

Protect

- The European Commission, EU member states and the European Parliament should begin discussions on agreeing a consensus under qualified majority voting for the EU Anti-Coercion Instrument to be used against the PRC if it goes ahead with further export restrictions on REEs.
- *The EU should protect Europe's leadership in civil aerospace*. The European Commission, in partnership with EU member states, should expand export controls to cover civil aerospace parts and European aerospace companies providing parts to the COMAC C919 commercial jet.
- The European Commission should direct the European Aviation Safety Agency to confirm that it will not begin the process of considering regulatory approval for the COMAC C919 commercial jet for the next decade at the very least.
- The European Commission should expand the EU Foreign Direct Investment Screening Regulation to cover quantum computing investments and ensure that existing export controls on quantum computers are applied uniformly across EU member states.
- The EU should adopt a Biosecurity Act that tightens access to EU member states' genomic databases for researchers in third countries that are considered systemic rivals and imposes strict rules ensuring that European genomic data cannot be accessed or transferred outside of the EU.
- The European Commission should direct the Directorate-General for Trade to investigate the dependency of the PRC on European companies for its humanoid robotics supply chain.
- The European Commission should consider expanding the European consumer protections outlined in the Representative Actions Directive (2020), including consolidating and expanding existing representative action rules to allow consumers to hold Chinese companies to account where there is evidence that they have flouted EU regulatory standards and individual EU member states are unwilling to do so.

- The European Commission and EU member states should introduce a ban on European professional services companies offering their services to Chinese companies in specific cases where there is evidence of direct threats to European industrial capabilities and economic security. The recent case of the Dutch government's partial takeover of chip manufacturer Nexperia (which has been upheld by two Dutch court rulings) following evidence that its Chinese parent company, Wingtech, was threatening the European supply chain's security offers a strong case for such a ban.[122]

- The European Commission and EU member states should consider introducing regulations that require engineers working in the semiconductor industry to have a non-compete period of several years before they can work for a non-European competitor. This would be in line with regulations that have been in place since 2010 in Taiwan, where engineers are required to have a non-compete period before working for a PRC company to ensure they do not take trade secrets with them or undermine export controls.[123] In the past, South Korea has prosecuted engineers under its Protection of Industrial Technology Act[124] for violating export controls and leaking semiconductor secrets to Chinese companies.[125] And an ex-ASML engineer was jailed for three years by a Dutch court in 2025 for sharing sensitive technology with Russia in violation of EU sanctions.[126]

- The European Commission and EU member states should amend the Foreign Subsidies Regulation to ensure that companies that are the subject of an anti-subsidy investigation are unable to advertise or sign sponsorship agreements across the single market.[127]

[122] *Financial Times*, 'Nexperia's Chinese Owner Loses Court Battle Over Control of Dutch Chipmaker', 11 February 2026.
[123] *RW News*, '獨家 / 國安漏洞！中企侵台挖角高科技人才　不法鉅款12億元竟無法沒收', 14 August 2025.
[124] Korea Legislation Research Institute, Act on Prevention of Divulgence and Protection of Industrial Technology, Act no. 16476 (20 August 2019).
[125] J. Sohn, 'Leaking Chip Secrets to China Results in Jail Terms for Ex-Samsung Employees', *The Wall Street Journal*, 21 February 2023.
[126] N. Vifflin, 'Former ASML Employee Gets Jail Sentence for Leaking Tech Files to Russian Contact', *Reuters*, 10 July 2025.
[127] Chinese EV producer BYD has spent around $451 million on advertising and marketing since 2020. This includes a sponsorship agreement for the UEFA Euro 2024 football championships at a time when the company was being investigated by the European Commission for anti-subsidies violations. See *Marketing Week*, 'How Chinese EV Brand BYD Used Targeted Media to Make Its Mark in Europe', n.d.; *Finbox*, 'Advertising Expense for BYD Company Limited', n.d..

Partner

- The European Commission should encourage trade partners with preferential access to the single market to align on shared tariffs. This should be considered part of ongoing EU negotiations with the UK and Canada regarding deepening trade opportunities and could start with EV tariffs.[128]
- The EU should negotiate and sign bespoke critical minerals trade pacts with Australia and Canada with a particular focus on investments for critical mineral processing and the supply of REEs.

[128] These provisions could mirror art. 5.1 of the US–Malaysia Trade Agreement. See C. Yang and K. Wong, 'Why Is China Alarmed by the New US–Malaysia Trade Deal? Poison-Pill Provisions Explained', *South China Morning Post*, 28 November 2025.

Appendix

Table A1 Examples of China's use of strategic leverage

The PRC's use of strategic leverage	Examples
Formal dialogues on issues of shared interest are conditional on countries not undermining the PRC's foreign policy.	Following the visit of the then US speaker of the House of Representatives to Taiwan, the PRC suspended return climate and migration talks with the US in August 2022. The PRC later suspended nuclear weapons talks with the US in July 2024 following US arms exports to Taiwan. In July 2025 the EU–PRC summit in Beijing was scaled back by the PRC government from the original two days to just a single day. This was largely seen as a response to the leaking of information from a meeting between the EU high representative for foreign affairs and the Chinese foreign minister in which the latter stated that the PRC could not afford for Russia to lose the war in Ukraine.[129] The German foreign minister had to reschedule his visit to Beijing because Chinese officials refused to meet with him. This was reported as largely a response to criticism the German foreign minister had made of the PRC's 'aggressive behaviour' in the Taiwan Strait and South China Sea.[130]
Foreign investment is often considered an area of strategic leverage for the PRC.	In 2024 the PRC government was alleged to have linked green investment to European member states' votes on either supporting or opposing EV tariffs.

[129] N. Paton Walsh, 'China Tells EU It Can't Accept Russia Losing Its War Against Ukraine, Official Says', *CNN*, 4 July 2025.
[130] Knapp, von der Burchard and Verhelst, 'Diplomatic Bombshell as German Foreign Minister Postpones China Trip'.

The PRC uses import bans as a surgical tool to exert pressure on trading partners.	The PRC banned the import of Japanese seafood following the historic summit between the US, Japan and South Korea and the signing of a treaty viewed as a challenge to the PRC. This ban was reimposed in November 2025 following remarks by the Japanese prime minister on Taiwan. In July 2025 the PRC announced import restrictions on local governments buying EU medical devices and medical devices from third countries that contain EU components worth more than 50% of the contract value. This was announced following the EU–China Summit in Beijing. The long-standing ban on K-pop is considered retaliation for South Korea allowing the US to deploy the Terminal High Altitude Area Defense missile defence system on its soil in 2017. In 2012–16 China banned imports of bananas from the Philippines, which was largely seen as a response to tensions between the two countries in the South China Sea. Following a visit by the then vice-president and now president of Taiwan to the US, China banned the import of mangoes from Taiwan in 2023.

The PRC considers targeting foreign businesses fair game and a useful pressure point.	In the past the PRC has used anti-competition investigations against US companies including Google, Tesla and Nvidia; raids on US due-diligence companies; and exit bans on corporate executives as leverage in its relationship with the US. European drug manufacturer AstraZeneca faced several investigations from Chinese authorities in 2024–5 regarding the importation of drugs, and the head of AstraZeneca's China division and several executives were arrested.
Consumer boycotts and the weaponisation of one of the largest markets in the world are used by the PRC to exert strategic leverage.	Notable consumer boycotts include Swedish fashion retailer H&M in July 2021, which faced a boycott for stating publicly that it would not use cotton from Xinjiang due to allegations that it is produced with forced labour. The Houston Rockets faced consumer boycotts after its general manager voiced support for pro-democracy protests in Hong Kong in 2019. As a result of tensions between the PRC and Japan, over 500,000 tourist airfare tickets to Japan were cancelled in November 2025.[131]

[131] H. Davidson and J. McCurry, 'Chinese Travellers Cancel Hundreds of Thousands of Trips to Japan Amid Rising Tensions', *The Guardian*, 18 November 2025.

Economic deterrence is regularly used by the PRC as a way of taking advantage of the low pain threshold of democracies.	In the case of the EU's recent EV tariffs, approved in October 2024, the PRC responded with an investigation into and the imposition of temporary tariffs on brandy imports. Brandy produced in France's Cognac region is a luxury product, so this pressure allowed China to mitigate the economic pain for ordinary Chinese consumers while utilising the brandy industry to lobby and pressure the French government and the EU over the EV tariffs. As another part of its response to the EU's EV tariffs, China launched an anti-subsidies investigation into European dairy imports and announced tariffs of up to 20% on European pork products.
The PRC uses tariffs and the downgrading of diplomatic relations to economically isolate countries.	China punished Norway for its Nobel Committee's decision to award the Peace Prize to Chinese dissident Liu Xiaobo (October 2010), Lithuania for its decision to allow Taiwan to open a representative office in its country (November 2021) and Australia for calling for an official inquiry into the origins of Covid-19 (December 2020) by downgrading diplomatic relations between these countries and the PRC.

The introduction of REE export licences by the PRC is an escalation of its approach to strategic leverage and has weaponised the world's economic dependency on China for critical minerals.	The restrictions have already seen the global automotive sector warn of shortages and potential plant closures, while China has demanded that foreign businesses submit sensitive business secrets in exchange for licences. China has been perfecting REE export controls since 2010, when it imposed them on Japan following a boat collision between the two countries near the Senkaku Islands. President Trump negotiated a one-year reprieve from further Chinese REE export controls that would have required foreign firms to gain Chinese approval for the export of magnets that included trace elements of rare earths mined or processed in China.

Table A2 Summary of areas of the PRC's economy that still have a dependency on European companies

Sector	Extent of China's dependency
Semiconductor chips	China continues to rely on Dutch company ASML's extreme ultraviolet lithography machines. It remains a part of a complex semiconductor supply chain dominated by three foreign companies: ASML, Nvidia and TSMC. There are reports that Huawei has successfully reverse-engineered an ultraviolent lithography machine using second-hand ASML parts and ex-ASML engineers with the aim of producing chips from the machine by 2028.
Civil aviation	China's COMAC C919, which seeks to rival Airbus and Boeing, relies on European companies for a quarter of its suppliers. Despite efforts by the Chinese government to localise production of the C919 in 2020–4, there has been slow progress in moving away from foreign suppliers to either PRC suppliers or suppliers from local joint ventures. In the case of the materials and components in the C919, there has been no change in the ratio of foreign to domestic suppliers. In the power system and the airframe, the PRC has managed to increase the percentage of domestic suppliers by 7% each, and in avionics the PRC has made the most progress and increased domestic suppliers by 14%.

Pharmaceuticals and biotechnology	The PRC has increased its research and development spending on pharmaceuticals 5 times faster than Europe, cut the approval time for human drug trials from 501 days to just 87 days and produces between 150,000 and 250,000 chemistry graduates annually compared to the EU's 30,000–50,000 (based on 2020 figures). Despite these efforts, EU companies continue to dominate their PRC counterparts in pharmaceutical patents and vaccine production. As a result of drug manufacturing remaining multinational and production taking place in multiple countries, there are dual dependencies for the EU and the PRC. This is reflected in the number of joint ventures EU pharmaceutical companies have in China.
Robotics	Industrial foreign-owned robots continue to have market share in the PRC, despite rapid improvements in the domestic robotics industry. European market leaders such as ABB and Comau continue to be viewed as more expensive but less prone to fail and bring production lines to a halt. The PRC's rapid advancement in humanoid robotics appears to have some reliance on existing legacy companies in the EU such as HBM, Flintec and Rexroth that produce high-end ball screws, torque censors and coreless motors.

Automotive chips	Leading Chinese EV brands BYD, Chery, Great Wall Motor and Geely all currently use automotive chips from European producers, including Infineon, NXP and ST-Microelectronics. At the same time, EU automotive chip producers are investing in joint ventures, and all have production plants and research and development centres in China.
6G and quantum	In April 2025 Chinese quantum company Origin Quantum announced a strategic cooperation agreement with Spanish company ChinaLink ESGt to jointly develop Europe's largest integrated computing power centre in Spain. In January 2025 Italian company Giglio Group signed a partnership with Chinese quantum company SpinQ Technology to create and distribute portable quantum computers, following sales to the University of Perugia and the University of Salerno. The IMT-2030 (6G) Promotion Group, which is responsible for coordinating the PRC government's 6G telecommunications, has held tests that have included European companies Ericsson and Nokia as part of its membership.

This research paper offers an overview of ongoing trade tensions between the EU and the People's Republic of China (PRC) regarding the latter's unfair competition practices and large trade surplus. It analyses the way the PRC utilises strategic leverage against the EU and other trading partners, and assesses the sectors of China's economy in which there is still a level of strategic dependence on European businesses. Finally, the paper provides policy recommendations on how the EU can utilise this strategic leverage and strengthen its approach to economic security.

An increasingly emboldened PRC, which sees itself as a peer in economic power to the US, has become a master at utilising strategic leverage to achieve its policy aims and ideological goals. It does so using tools ranging from making formal dialogues conditional, using import bans to exert pressure and utilising foreign investment as strategic leverage, to the recent weaponisation of rare earth element export-control licences.

Despite narratives from the PRC to the contrary, the EU has strategic leverage in areas in which the PRC has dependencies: that is, in a number of narrow sectors which China believes to be integral to its future industry, including semiconductor chips, civil aviation, pharmaceuticals and biotechnology, and robotics. However, these dependencies weaken every month and will likely be non-existent within the next decade. The EU, therefore, has the choice of using or losing its strategic leverage over Beijing.

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