EU-China: Interdependence and Strategic Rivalry

22 FEBRUARY 2026

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50 Years of EU-China Ties: Crossroads of Diplomacy, Economic Security, and Strategic Rivalry

Research Question: How have fifty years of diplomatic relations shaped the EU-China economic security and policy dynamics, and what are the defining challenges in their relationship currently and in the future.

Introduction

In 2025, the European Union (EU) and People's Republic of China (PRC, also hereinafter referred to as China) mark the 50th anniversary of diplomatic relations as well as the 25th anniversary of the founding of the European Union Chamber of Commerce in China. (South China Morning Post, 2025) The complex interaction of two powerful players in the global arena is highlighted by five decades of evolving ties. What began in 1975 has undergone significant trajectory changes, increasingly shaped by intensifying competition in foreign policy, economic security, and trade affairs.

The EU-China ties have transformed into an interdependent multidimensional nature. The bilateral relations became unbalanced, and the competition less fair. China's economic power and political influence have grown with unprecedented scale and speed, reflecting its ambitions to become a leading global power, which resulted in the EU's stance on reducing its dependence on China. The EU's approach of de-risking and diversifying where necessary does not exclude pursuing cooperation with China on global issues. Albeit, according to the EU's "A strategic outlook" (2019), China is perceived through a triple lens: as a partner for cooperation, an economic competitor, and a systemic rival. The shift reflects the broader geopolitical realities, which make the once mutually perceived economic opportunity turn into a relationship fraught with imbalances.

Half a Century of Partnership and Tension

50 years ago, on May 6, 1975, the PRC and the European Economic Community (EEC) established diplomatic relations. The commencement of the EU-China relations has foreshadowed an overall upward trajectory, however the anniversary celebration takes place in a complex climate, marked by occasional turbulence, growing trade frictions and differing strategic interests that at times fuel mutual distrust.

A turning point has now been reached as the balance has fractured. Yet, at the outset of the partnership, the outlook appeared largely promising, as China became a lucrative new market. Moreover, China's "reform and opening-up policy" fostered deeper relations and broader development. Internally, the reforms upgraded the country from a low-income to an upper-middle-income bracket by raising labor productivity, accumulating capital, and maintaining consistency over time. (AMRO, 2019) The external impact of this policy was largely perceived in a positive light throughout the 1990s and 2000s, as EU institutions sought to consolidate ties with their economic partner, even if the relationship was tempered by intermittent strains. (Brinza, Bērziņa-Čerenkova, Le Corre, Seaman, Turcsányi, & Vladisavljev, 2024)

The growing dissatisfaction over economic results has been expressed from both sides. China became increasingly dissatisfied with the EU's refusal to lift its 1989 military embargo (SIPRI, 2012) and to grant the

country Market Economy Status (MES) when China joined the World Trade Organization (WTO) in 2001. (IIEA, 2016) From the EU's perspective, there were expectations that China would open its market to European firms, as access to the European market for Chinese firms had become significantly easier. However, after Xi Jinping became China's leader in 2012, the economic and political policies shifted to a Sino-centric system. His initiative, the New Silk Road (later renamed the Belt and Road Initiative, BRI), was initially seen as an economic opportunity for European firms. However, in 2018, all but one EU ambassador to China (Hungary being the exception) signed a letter expressing criticism of the BRI for granting Chinese companies a competitive advantage while marginalising European interests. EU's optimism had eroded which resulted in intensified realisation that China's global initiatives were not merely economic projects but also instruments of geopolitical influence. These dynamics reinforced the EU's gradual shift from viewing China primarily as a partner to recognising it simultaneously as a competitor and systemic rival.

Europe's economic strategy vis-à-vis China has shifted toward coordinated and unified policy implementation, amid concerns over a diplomatic initiative between China and 16 Central and Eastern European (CEE) countries (11 of which are EU members), the '16+1' platform, which threatened to undermine EU unity. (CSIS, 2019) The fuelled previous dissatisfactions lead to "EU-China-A strategic outlook," which introduced the "partner, competitor, systematic rival." (European Commission & High Representative of the Union for Foreign Affairs and Security Policy, 2019) The framework underlines the approach of the EU towards its economic competitor, China. The predominant view of a potential economic opportunity is no longer a driving point to deepen relations. The EU is reconsidering its strategic direction in response to emerging rivalry and competitive pressures.

Growing Ties, Persistent Imbalances

European businesses initially gained access to China's large consumer market and low-cost production capacity, meanwhile, China benefited from European technology, capital, and expertise. Over time, the interdependence has deepened and the bilateral interests of doing business, market access, and trade growth have been plagued with long-standing difficulties. And apparently symmetrical exchanges began to show the asymmetries. The EU is concerned about systematic distortions, overcapacity in the production of goods, and barriers to market access in key sectors. The challenges of doing business in China and regulatory barriers remain unchanged for the European business community for many years. Behind this issue lies China's unpredictable legislative environment as their primary regulatory challenge. (European Chamber, 2023) The ongoing lack of resolution fuels further unbalance. Brussels stands ready to engage in constructive dialogue and, in case of a progress stall, is prepared to take

proportionate, legally compliant action to protect its interests. (European Council, 2025)

In the last decade, bilateral trade and investment have doubled, reflecting the deepening of economic interdependence. Between 2014 and 2024 (Figure 1), EU imports from China increased by over 102%, while its exports to China grew by almost 47%. China is the EU's third-largest trading partner for goods and services combined, while the EU is China's top trading partner. (European Council, 2025) According to the European Commission, in 2023, the total imports and exports reached €739 billion. In 2024, bilateral trade in goods was €732 billion, facing a slight decrease of 1.6%. The data suggest that, despite strong overall expansion, the EU–China trade relationship continues to experience imbalances, where European reliance on Chinese imports outpaces the Chinese demand for EU goods. At the same time, the slight decline in trade signals a shift in economic engagement with China.

Figure 1: EU trade with China, 2014-2024. Source: https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20250304-1

The EU and China together account for almost 30% of global trade in goods and services. (European Council, 2025) However, in 2022, the trade deficit reached €397.4 billion (Figure 2). According to the EU's official statistics office, Eurostat (2024), reports that the trade deficit slid to €297 billion in 2023. Last year, the statistics show that the trade deficit with China reached €305.8 billion. (European Commission, 2024) The highlighted deficit shows the persistent imbalance in trade flows and explains the EU's concern about ongoing systematic distortions. The growing manufacturing overcapacity and longstanding market access issues affect the EU's interests, especially in key sectors such as meat, cosmetics, and pharmaceuticals.

Figure 2: Trade in goods between the EU and China (EUR billion), 2022–2024. Source: European Commission, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en#:~:text=China%20is%20the%20EU's%20third%2Dlargest%20partner%20for%20exports%20and,0.3%25%20and%204.6%25%20respectively.

De-Risking Europe's Ties with China

The European Union's relationship with China has shifted dramatically in recent years and is framed by a strategic attempt to adopt a coherent vision and a comprehensive long-term China strategy that will guide the EU's future actions. The EU's strategic response to China aims to reduce critical dependencies while preserving resilience without breaking ties. The strategy of *"de-risking"* represents a proposal as an alternative to full-scale decoupling. The balancing act seeks openness to cooperation, but with economic security and risk mitigation.

Concerns about deepening European dependencies are exacerbated by supply chain sustainability risks and economic and technological compet-

itiveness issues. In response, European Commission President Ursula von der Leyen proposed a new strategic approach de-risking in 2023. (European Commission, 2023) Risk reduction is a part of a broader economic security strategy designed to find a balance between seizing opportunities and managing the risks. The economic security framework identifies four types of risks, including the resilience of supply chains, physical security and cybersecurity of critical infrastructure, technology security, and economic coercion and dependencies. (European Commission, 2023) The strategy includes a three-pronged approach to mitigate these risks. In order to promote the competitiveness of the EU, the Union has begun to take proactive measures to boost industrial development, diversify supply chains, and achieve strategic sovereignty in the technology areas. The second approach involves developing new and existing tools to protect economic security. Lastly, deepening relationships with "reliable partners" is a part of collaborative risk management, ensuring that negative externalities are minimised. The true test for the EU is striking a balance between boosting competitiveness, managing risks and inequalities, and avoiding a broader shift toward economic nationalism.

China's Weaponisation of Trade and Investment

China's increasing technological prowess and supply chain advantages are aiming to ensure continued growth and prosperity for its people and geopolitical ambitions. China's industrial policy has evolved from low-wage manufacturing and heavy industry to high-tech industries and higher value-added segments of production. The ten-year comprehensive strategy, Made in China (MIC) 2025, focusing on intelligent manufacturing in 10 strategic sectors, aimed to position China as a global powerhouse in high-tech robotics, aviation, and new energy vehicles such as electric and biogas. (ISDP, 2018) Nevertheless, China's agenda towards "self-reliance" in strategic sectors includes the Fourteenth Five-Year Plan's broad goals for economic and social development. (CFR, 2021) The aim is to lessen dependence on foreign technology, bolster resilience, and position China at the center of the global economy. Closely associated with the ambition of the "rejuvenation of the Chinese nation" by 2049, the concept, which embodies Xi's notion of the 'securitization of everything,' has become a defining element of Xi Jinping's qualitative restructuring of China's national security framework. (MERICS, 2022)

The EU has expressed concern over the MIC 2025 initiative, emphasising that the strategy will enable China to become a direct added-value competitor, thereby diminishing international competition within the Chinese market. Exacerbating concerns about supply chain dependency are compounded by perceived insecurity stemming from Chinese investments in critical infrastructure across Europe. (Jüris, 2023)

From Competitor to Defender

China's presence in Europe's critical assets has expanded, while the EU still lacks a unified mechanism to ensure economic security. These footprints underline the influence of China and the needs of the EU's competing strategies to maintain economic security. The protection mechanisms must be extended to mitigate the risks of China's leverage in the EU's strategic sovereignty.

These demonstrated threats underscore the need for robust EU Foreign Direct Investment (FDI) screening procedures with due diligence standards, scrutiny of ownership stakes held by China's state-owned companies, and stringent regulatory oversight. (Jüris, 2023) This risk can be mitigated only by reducing China's involvement and having a regulatory framework that effectively excludes certain Chinese investors from critical infrastructure projects.

Beijing's focus may shift as China becomes more economically and technologically independent, decreasing reliance on the West and intensifying competition in the tech sector. Accordingly, the EU needs unified protection regulations with a shared responsibility with Member States, to enact mechanisms at the EU level. Failure to address this issue will undermine economic security and heighten market dependence on China, effectively shifting the EU's role from competitor to defender.

Conclusion:

The past half-century has shifted the nature of economic relations between Europe and China, reflecting a journey from cautious engagement to a complex and strategically nuanced partnership. The two economies, once largely complementary, have now adjusted to an era of more direct competition. While economic interdependence remains a defining feature, China is prepared to leverage its economic power to advance broader foreign policy objectives. Meanwhile, the European Union is targeting a rebalance of the EU's China policy. The risks associated with certain economic linkages are evolving quickly in the current geopolitical and technological environment and are increasingly merging with security concerns. Accordingly, the EU must develop a comprehensive framework for a joint strategy, common tools to assess and manage risks to its economic security, in order to maintain its position as a competitive actor rather than retreating into a defensive posture.

Looking ahead, the future of EU-China relations will depend on managing this multidimensional relationship, maintaining open channels for collaboration while mitigating risks arising from economic and geopolitical asymmetries. The question still arises – can the EU de-risk? Beyond the discussion of economic security, de-risking has yet to find a broad consensus among Member States, due to differing views and diverging economic interests. While the EU seeks to preserve European unity and strives for

strategic autonomy, China's expanding global economic footprint heralds the reshaping of global power dynamics, economic influence, and the advent of a new era in the international order.

References

DOI 10.69790/epis09.18921

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