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From Partners to Rivals – The Impact of European Strategic Autonomy on EU-China Economic Relations

Matilde Carocha de São José

Master in International Studies

Supervisor:

PhD. Cátia Miriam Costa, Integrated Researcher,
CEI-Iscte - Centre for International Studies

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SOCIOLOGIA
E POLÍTICAS PÚBLICAS

Department of History

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Resumo

As relações entre a União Europeia (UE) e a China têm uma longa história diplomática, enraizada na cooperação económica. Na última década, as tensões comerciais e de investimento entre os dois parceiros tornaram-se mais visíveis, conduzindo a uma transição de uma parceria baseada numa cooperação ilimitada para uma que reconhece a existência de competição e até de rivalidade. Esta transição tem origem numa mudança na abordagem da UE face à China e na crescente apreensão quanto aos benefícios trazidos pela cooperação com Pequim. Em simultâneo, o conceito de Autonomia Estratégica Europeia emerge como elemento central da agenda externa da UE, promovendo a competitividade da União e a sua capacidade de mitigar dependências excessivas de parceiros externos. Sendo a China um dos maiores parceiros comerciais da UE, com quem partilha um elevado nível de interdependência, torna-se um elemento importante na autonomia estratégica europeia. Tal tem sido evidente na recente política europeia em relação à China, caracterizada pela ideia *de-risking*.

Face a isto, o presente trabalho tem como objetivo analisar de que forma a política de Autonomia Estratégica Europeia impacta as relações económicas UE-China, especificamente no domínio do comércio e do investimento. Combinando a análise de estatísticas de comércio e de investimento com a análise de documentos estratégicos e comunicações oficiais da UE e da China publicados entre 2000 e 2023, pretende-se estabelecer uma correlação entre o discurso político e a realidade económica, explorando como um influencia o outro. Esta abordagem evidencia os desafios enfrentados pela UE em equilibrar a definição da China enquanto “parceiro, concorrente e rival sistémico”, destacando a crescente fusão entre poder económico e geopolítica.

Palavras-chave: UE; China; autonomia estratégica; comércio; investimento; interdependência

Abstract

EU-China relations have a long diplomatic history that has been rooted in economic cooperation. In the past decade, trade and investment tensions between the two partners have become more visible, leading to a transition from a partnership based on unlimited cooperation to one that acknowledges the existence of competition and even rivalry. This transition originates from a switch in the EU's approach to China and the growing apprehension towards the benefits brought by cooperation with Beijing. Simultaneously, the emergence of European Strategic Autonomy as a central concept to the EU's foreign agenda has occurred, promoting the EU's competitiveness and the capacity to mitigate overdependencies on non-EU partners. As one of the EU's biggest trading partners with whom it shares a strong level of interdependence, China becomes an important element in the EU's strategic autonomy. This has been evident in the recent European policy towards China, characterised by the idea of *de-risking*.

Given this, this work aims to analyse how the policy of European Strategic Autonomy has impacted EU-China economic relations, specifically trade and investment. By combining the analysis of trade and investment statistics with the analysis of the EU and China's policy documents and official communications published between 2000 and 2023, we intend to establish a correlation between political discourse and economic reality and explore how one impacts the other. This approach evidences the challenges faced by the EU in balancing the “partner, competitor, systemic rival” definition towards China, while highlighting the growing fusion between economic power and geopolitics.

Keywords: EU; China; strategic autonomy; trade; investment; interdependence

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Glossary of Acronyms

B&RI – Belt and Road Initiative

ESA – European Strategic Autonomy

EU – European Union

FDI – Foreign Direct Investment

IPR – Intellectual Property Rights

IR – International Relations

M&A – Mergers and Acquisitions

SOE – State-Owned Enterprises

WTO – World Trade Organisation

Introduction

With fifty years of diplomatic relations, the European Union (EU) and China have a long history of cooperation that began in 1975. The motivations behind the development of bilateral ties relied on both internal factors, such as China's reform and opening up strategy and the EU's consecutive enlargements, and external factors, such as the phenomenon of globalisation and shared strategic interests (Li, 2016; Zhou, 2017). As EU-China relations developed steadily under three pillars – economic, political, and cultural – it became evident that the economic pillar had the most significant weight and was used to leverage cooperation related to the second and third ones. China's transition from a mainly agrarian economy to a fast-growing and export-led one has largely contributed to the predominance of the economic dimension in EU-China relations. China's giant market and orientation towards exports of manufactures at a competitive price were much compatible with the more developed European market and industries, which, in turn, benefited China by transferring technology and becoming an important destination for its exports (Farnell & Crookes, 2016). This spirit of mutually beneficial economic cooperation was a key driver for the prosperous development of political relations, with the creation of sectoral dialogues that covered a variety of topics. In 2003, the strategic importance of EU-China relations was officially acknowledged through the establishment of the EU-China Comprehensive Strategic Partnership, opening the door for an «all-dimensional, wide-ranging and multi-tiered relationship» (Zhou, 2017, p. 5). However, EU-China relations have never been solely economic. As engagement increased, political issues became more present, sometimes causing tensions due to differences in political systems, particularly regarding human rights.

With economic relations growing systematically, the level of complexity also rose. The reliance on Chinese exports led to a permanent trade deficit in goods felt by the EU, which began to associate it with a lack of reciprocity as new tensions in trade and investment started to emerge. Moreover, China's climb in global value chains and its increasing role as an international economic power have introduced a new dimension to EU-China economic relations: competition. China progressively lost its position as an economy needing assistance. After Xi Jinping's government took power, the focus on technology and innovation moved the country to the forefront of technological competition (contested by traditional powers like the US and the EU). Despite the predominance of economic issues, the relationship between the EU and China remains strongly based upon values (Politi, 2023), as seen by the tensions regarding human rights. Given this, China's growing international assertiveness, rooted in alternative values, led to more apprehension from the European side, which began to see China's rise as a potential threat to its international model.

All of the previous issues culminated in a major shift in EU-China relations, felt in 2019, with the EU's definition of China as a «partner (...), competitor (...), and a systemic rival» (European Commission, 2019, p.1). This moment marked the end of the era where cooperation with China was

seen as fully beneficial, and the beginning of a period where the EU's priorities lay in balancing the benefits and risks associated with EU-China relations. Given this, the EU adopted a more ambiguous stance towards China and has since then tried to navigate the relationship with the latter while taking into account the three previous dimensions. The shift in the EU's approach to China occurred around the same time as the concept of European Strategic Autonomy (ESA) started to gain traction, especially in the EU's geopolitical strategy. Besides being applied to the fields of security and defence, the idea of having «the capacity to act autonomously when and where necessary and with partners wherever possible» (Borrell, 2020, n.p.) was strongly connected to the economic sphere. Policies such as de-risking and the implementation of defence mechanisms were aimed at promoting the resilience of the EU's economy, in a context where the risks of interdependence started to gain more relevance.

Given that China is the EU's third-largest partner for goods and services (European Commission, n.d.-a) and that the two economies operate under strong interdependence, China becomes an inevitable factor when discussing ESA. Considering this, the present research intends to explore this connection by asking the following question: How might the ESA policy impact economic relations between the EU and China? Our main goal is to analyse the impact of ESA on EU-China trade and investment relations by identifying trends and intersections between the two. To fulfil this, our work will follow a qualitative methodology based on content analysis of statistical data on EU-China trade and investment, policy documents, and official communications. By analysing how the main subject is reflected in the political discourse (policy documents and communication) and in trade and investment indicators, we believe that it is possible to produce results on how much and in what way the ESA approach is being articulated with the EU's economic relations with China. Furthermore, we aim to contribute to a wider discussion about the effectiveness of the recent EU strategy toward China and how it reflects the EU's challenge in asserting its global influence in a context where economic power is becoming increasingly significant in geopolitical disputes.

Although the literature on EU-China relations is extensive, it remains important to continue studying this area, as it has proven to be quite dynamic over the past decade. Additionally, the study of ESA within the context of EU-China relations remains a field where further research can be conducted, especially since strategic autonomy has become more integrated into the EU's agenda, and this trend is likely to continue. Finally, the current international landscape—shaped by President Trump's second term, the unresolved conflict in Ukraine, and the revolution in Artificial Intelligence—has brought EU-China relations to a critical point in their history, where the co-existence of cooperation, competition, and ideological differences begins to seem difficult to balance. This work aims to contribute to these issues, primarily focusing on EU-China economic relations as its main object of study, and paying special attention to the EU's recent China policy. However, this research has some limitations that future studies should address. The first is the limited number of Chinese sources included, due to language barriers. Second, the time frame for this study extends only to 2023, based on the available statistical data at the time of research. Lastly, restricted access to investment statistics because of confidentiality

issues has limited the sample of data concerning this area, with most of it being collected from statistical reports produced by Eurostat, MERICS, and Rhodium Group.

The structure of this work aims to establish a clear context for its main topic so that its analysis and results are easier to understand. With this, a literature review encompassing the main contributions to the study of EU-China economic relations and the ESA debate is presented in the first chapter, followed by an explanation of the theoretical framework and methodology employed in this research. The analysis of the statistical data and the official documents is done in chapters 4, 5, and 6, following a thematic approach. Chapter 4 focuses on EU-China trade relations, assessing their evolution in the past twenty years and identifying the recent transformations in the EU's trade policy towards China. Chapter 5 conducts a similar analysis, but with EU-China investment relations, highlighting the emerging trend towards the securitisation of Foreign Direct Investment (FDI). In its turn, Chapter 6 focuses on the policy of de-risking and how the EU has applied it to China. Finally, the results of this analysis are discussed in Chapter 7, followed by concluding remarks.

1. Literature Review

The year 2025 marks the 50th anniversary of the establishment of official diplomatic relations between the EU and China. Neither China nor the EU remains the same as they were fifty years ago, which has consequently transformed the relationship between the two. Nevertheless, EU-China relations continue operating under three main pillars: political, economic, and cultural. Considering the object of study of the present research – EU-China trade and investment relations – the second pillar will be the focus of this literature review. Moreover, through this literature review, we will see that the economic pillar is central to the relationship.

Given the longevity of EU-China relations, the amount of academic work dedicated to studying their nature is extensive. For this reason, and considering that we will be analysing EU-China relations in the context of ESA, which, in turn, is a relatively recent concept, this section will only review the literature produced from 2013 onwards. Despite their permanent value to a broader understanding of EU-China cooperation, the works produced before 2013 do not consider the new elements that emerged from internal and external transformations and thus can be deemed as less relevant to this research. The review is structured in two main sections, the first analyses the main contributions to the study of EU-China economic relations, focusing on trade and investment, the evolution of the EU and China in the international order, and the current European strategy towards China. The second section analyses the debate around ESA, namely the perspectives regarding the concept and how it is being put into practice.

With this, the present review aims to compile the main elements of the dynamic between the EU and China in the past two decades, analysing how strategic autonomy and economic interdependence coexist. Furthermore, we seek to highlight possible gaps in the literature.

1.1. EU-China Economic Relations

1.1.1. EU-China Trade Relations

Trade has been the cornerstone of EU-China relations since 1985, with the adoption of the “Agreement on Trade and Economic Cooperation between the European Economic Community and the People’s Republic of China”. With the concretisation of the European integration project and the Euro, trade exchanges between the EU and China expanded and paved the way to deeper political and cultural cooperation (Zhou, 2017). In 2001, trade relations culminated with China’s entry into the World Trade Organisation (WTO), integrating the two economies under the same international framework. As a consequence, bilateral trade grew significantly and, most importantly, it grew in a continuous way (Xin, 2017). Today, China is the EU’s second-largest trading partner for goods, the third-largest partner for exports, and the biggest for imports (European Commission, n.d.-a).

The works focusing on EU-China economic relations have adopted several analytical approaches according to their object of study. When focusing on trade and investment, statistical data has played a significant role. Certain works have opted for a more descriptive approach, such as those from Inotai (2014), Xin (2017) and García Herrero et al (2020), analysing in detail the data and identifying trends that somehow reflect the nature of economic cooperation between the EU and China. With these contributions, the growing interdependence between the two economies has been put into evidence.

When discussing trade between the EU and China, trade in goods is the most relevant, given that trade in services has grown at a slower pace¹ (European Commission, n.d.-a). In the analysis of EU-China trade in goods, two dimensions have been the main focus: trade by product and trade by Member State. Analysing trade by product has been useful in identifying specific dependencies and accounting for the economic transformations from each side. According to a MERICS Report from October 2024, the EU has become more dependent on Chinese imports, especially in the sectors of machinery and electronic equipment (Chimits, 2024). García Herrero (2023) highlights the EU's dependence on China in the field of green technology, namely in electric vehicles and solar panels, where China has achieved «market dominance» (Brinza et al., 2024, p.56). The green technology issue goes beyond a mere product dependency, as it impacts the costs and effectiveness of the European process of decarbonisation. Additionally, by analysing trade between the EU and China through product types, it is possible to observe China's crescent role in global supply chains, transitioning from low-cost and labour-intensive goods to higher value-added fields (García Herrero et al., 2020).

In its turn, an analysis of trade by Member State allows us to see the heterogeneity regarding the level of cooperation each State has with China. Moreover, the fact that each Member State has its own China policy has been pointed out by several authors as one of the main obstacles to the development of a coherent European position towards China (Brinza et al., 2024; Maher, 2016; Wong, 2013). In this context, economic cooperation plays a major role, and we often see a connection between European States with strong economic links to China, such as Germany and France, and a more “friendly” position towards the latter (Zhou, 2017).

Some statistics-based analyses have gone beyond the descriptive approach, such as the works of Chen et al. (2022) and Costa and Li (2023). Chen et al. employ a quantitative analysis of trade data from EU countries to assess the impact of EU-China trade on intra-EU trade. In their conclusions, the authors confirm that there is, in fact, a “disintegration” effect resulting from trade with China, meaning that «the trade links with China weakened trade links among EU countries» (Chen et al., 2022, p.15). Furthermore, the study has found that the effect varied across countries and types of products and that it had a stronger impact on exports from China than on imports. Costa and Li's (2023) work follows the same logic of analysis, in the sense that it seeks to extract broader conclusions from trade indicators. In

¹ Despite being less developed, the services sector still plays an important role in EU-China overall trade because the EU is China's largest trading partner for services (García Herrero et al., 2020).

this case, the authors create a correlation between EU Member States' trade volume with China and the type of partnership established with the latter. By categorising EU countries according to the type of partnership² and the signing of the Belt and Road Initiative memoranda of understanding (MoU), the authors assess whether these frameworks facilitate technical cooperation. In bilateral trade in goods, there was a clear correlation showing that «the closer the partnership (...) the greater the trade volume» (Costa & Li, 2023, p.21). However, in trade in services and investment cooperation, the role of partnerships was not visible. Costa and Li's conclusions can be linked to the findings of a 2020 CEPS Research Report developed by Hu and Pelkmans. By analysing the architecture of EU-China economic and sectoral dialogues, the authors argue that these dialogues improve market access and stimulate sustainable development. However, they cannot play the same role as a free trade agreement, nor can they address systemic differences (Hu & Pelkmans, 2020).

The previous contributions are highly relevant to understanding China's role in the European economic context. Additionally, they highlight how intertwined the political and economic spheres are and how important dialogue mechanisms are to advance cooperation. However, these mechanisms have not been able to solve a number of problems that have emerged from EU-China trade relations. The first problem, and probably the most voiced by EU politicians, is the chronic trade deficit the EU has had with China. Farnell and Crookes (2016) propose a possible explanation for this continuous imbalance that is based on comparative advantage, meaning that China is a more competitive producer in the European market than the EU is in the Chinese market. However, this does not entirely explain the trade deficit because China has areas where it is more dependent on external suppliers, such as the services sector (García Herrero et al., 2020). The problem is that the trade in these areas is restricted to protect domestic production (Farnell & Crookes, 2016), which contributes more to the trade imbalance. García Herrero et al. (2020) explore this in depth and explain that bilateral trade deficits can vary according to the data source. Unlike national statistics, «Eurostat treats any good that arrives within the EU Single Market as an import into the country of entry, even when those goods are destined for another country» (García Herrero et al., p.13). In this sense, European countries that do not import goods directly from China may appear less dependent on China than they actually are.

Nevertheless, the permanent trade deficit is a reality, and Farnell and Crookes (2016) explain that this is not the only obstacle faced by the EU regarding trade with China. In addition to the previously mentioned market restrictions affecting certain sectors, EU businesses encounter other trade barriers, including technical barriers, closed procurement markets, and uncertain protection of Intellectual Property Rights (IPR). They have also expressed growing concerns regarding unfair competition stemming from Chinese practices such as dumping and state subsidies. On the Chinese side, the leadership has downplayed these concerns, thus creating an environment of mutual distrust in EU-China trade relations (Pepermans, 2024).

² See Table 1 in Costa and Li (2023, p.15).

In spite of the previous issues, trade still remains one of the most important elements of EU-China relations and is considered an area with potential for future cooperation under the framework of international economic relations and trade rules (Feás & Steinberg, 2023; Yang, 2024).

1.1.2. EU-China Investment Relations

The progress in EU-China investment relations has followed a slower pace when compared to trade exchanges. There is a striking difference between capital stock and the annual volume of bilateral trade (Inotai, 2014; Xin, 2017) and in the evolution of FDI flows between Europe and China. At the beginning of the 2000s, EU investment in China was significantly stronger than China's investments in Europe, which only began to grow substantially in the last decade (Xin, 2017). This could be explained by the fact that China's economic development was at a different stage compared to Europe in the same years. Regarding recent European FDI trends in China, Agatha et al. (2022) provide important insights, namely about how «European investment in China has grown much more concentrated, both in terms of companies, the countries where it comes, and the sector in which it operates» (Agatha et al., 2022, p.1).

As previously mentioned, Chinese FDI in Europe only started to be relevant in the past decade, accompanied by a shift in the targeted sectors, namely from raw materials to the manufacturing industry and services (Xin, 2017). Another important aspect, according to Xin (2017), was the increasing number of private Chinese enterprises investing in Europe, which contradicted the trend of Chinese FDI predominantly originating from State Owned Enterprises (SOE) that characterised the previous decade. Inotai (2014) has argued that the rise of Chinese FDI in Europe was motivated both by 'push factors' (China-related) and 'pull factors' (Europe-related). China's high capital concentration, growing experience in foreign markets, and, most importantly, increasing development based on export orientation worked as a 'push' to invest in Europe (Inotai, 2014). As for Europe's 'pull factors', Inotai mentions the following: the common currency; the vulnerable position of European companies after the Eurozone debt crisis; high technological assets; the potential to stimulate bilateral trade flows; and the growing interest of the Chinese middle-class in travelling to Europe. Finally, Chinese FDI in Europe was characterised by a significant wave of acquisitions of foreign companies, which consequently raised concerns for EU countries due to the increasing competitiveness of Chinese companies (García Herrero et al., 2020).

Despite being a priority area for both sides, FDI is a politically sensitive issue (Farnell & Crookes, 2016). This sensitivity was most pronounced during the EU-China Comprehensive Agreement on Investment (CAI) negotiation process. The development of the CAI was seen with great potential as it addressed several problems reported by the EU regarding investment relations with China, namely the «lack of balance» (European Commission, n.d.-c), restrictions to market access, transparency of state subsidies, and forced technology transfer. These issues are seen as a priority to allow EU companies to «compete on a more level playing field in China» (European Commission, n.d.-c). Additionally, the CAI

included commitments regarding sustainable development. The significance of this agreement also pertains to the establishment of a common EU investment policy regarding China, considering that investments with the latter have been managed at the national level (García Herrero et al., 2020).

Both sides demonstrated great interest in pursuing the agreement, and the negotiations were concluded in 2020. However, the process was frozen in 2021 as a consequence of tensions between the EU and China regarding human rights³ issues. In their work, Kuang et al. (2024) take the case of the rise and fall of CAI to explain how open strategic autonomy (OSA) works as a policy practice. The authors explore how OSA discourse could have been the basis for two types of arguments concerning CAI – economics-oriented and foreign-policy oriented – revolving around three core notions (openness, sustainability, and assertiveness). On the one hand, the economics-oriented argument favours the ratification of the CAI, and it interprets openness as the goal of balancing investment relations with China, sustainability as a value present in the sustainable development chapters of the CAI, and assertiveness as the means to monitor its implementation, namely through the EU's toolbox. On the other hand, the foreign policy-oriented argument can work both in favour and against the CAI by considering the Trade instead of Foreign Policy (TiFP) or the Trade is steered by Foreign Policy (TsFP) paradigm, respectively (Kuang et al., 2024). In TiFP, the CAI is supported as a way to achieve the EU's foreign policy goal of independence from the US and strategic autonomy. In TsFP, the agreement is confronted because sustainability is connected to the protection and respect for human rights and assumes a greater role in considering the disadvantages of signing the CAI. All three arguments have been identified by Kuang et al. in EU official documents through critical discourse analysis and show a certain confusion in EU-China investment cooperation. Looking at the freezing of the ratification process, it is possible to conclude that the TsFP was used to justify the EU's position and the sanctions against Chinese officials.

In recent years, we have witnessed a new phenomenon in European policy and in international politics, which involves the growing securitisation of inward FDI. In 2019, the EU adopted a new FDI screening framework to help «scrutinize, and in some cases, reject incoming foreign direct investments deemed dangerous to national security and critical European interests» (Meunier & Nicolaidis, 2019, p.108). Naturally, this policy has impacted Chinese investments in the EU and provoked a negative reaction from the Chinese side (China Chamber of Commerce to the EU, 2023). Politi (2023) argues that the disagreements regarding this matter reveal a conceptual gap between the two sides, in which the EU believes that the securitisation of investment is compatible with economic engagement, while China does not.

³ In March 2021, the EU launched sanctions towards four Chinese officials due to suspected human rights violations in the Xinjiang Province, and China responded with sanctions as well (Kuang et al., 2024).

Despite being surrounded by political sensitivity and increasing securitisation, some authors believe that investment is much less affected by political tensions and that progress in this area mainly depends on the interests of Chinese and European actors (Costa & Li, 2023). Although the case of the CAI showed that ideological clashes can affect investment cooperation, it is difficult to extend this argument to EU-China investment relations in general.

1.1.3. EU-China Economic Relations in the International Order

The EU and China are not isolated actors whose actions are solely influenced by their motivations and strategies. On the contrary, the two belong in an international system composed of state and non-state actors whose interactions are regulated by a set of norms. This adds another layer to EU-China relations that goes beyond national interests.

An important first aspect of EU and China's engagement in international affairs is the evolution of their role as international actors and how this has produced effects in the bilateral relationship. When the relationship with China began to evolve beyond the economic sphere and incorporate strategic elements (in the mid-nineties), the EU viewed this transformation as an opportunity for social and political change in China, potentially bringing the country closer to Western liberal democracies (Maher, 2016). Additionally, Li (2016) explains that another aspect that supported the partnership was the alignment in strategic considerations, namely «preference for a global order, approaches to major international issues, and their own roles in international politics» (Li, 2016, p. 14-15). Lastly, the EU and China had no conflicts in security interests, both at the regional and global level (Li, 2016).

In the following decade, this context of optimism changed as one's views about the other evolved. The EU, through its official documents, started to adopt a more cautious and sceptical view towards China, questioning its capacity to balance security concerns with economic engagement (Politi, 2023). Brown (2021) emphasises how discourse reflects these shifts and, by analysing the EU-China discourse since 2001, the author identifies four factors that contributed to its change. The first factor relates to the 2008 global economic crisis, which had a significant impact on European economies, while China's economy remained resilient and continued to grow. Given this, China was able to project its international claims with increasing assertiveness. Secondly, the internal changes that occurred within the EU, namely enlargements, BREXIT, and the rise of populism, contributed to a less confident Europe. Lastly, the 2017 Trump presidency, characterised by the launch of a trade war with China, differed from the EU's position and exposed the scenario of standing «either by the US for security, or China for greater economic gains» (Brown, 2021, p.3).

Adding to these factors, the frustration felt among the EU elite regarding the failure of the integration of China in the Western bloc and the lack of reciprocity in economic relations provoked a strategic realignment in EU-China relations (Li, 2016). In his work, Maher (2016) argues that the

distancing from both partners is rooted in three clashes: political values and ideology, geopolitical interests and priorities, and conceptions of international order. Furthermore, the international context has changed since the establishment of the strategic partnership, with China becoming more powerful and a direct rival of the US in the dispute for international leadership. In its turn, the EU faced internal crises and structural impediments, such as the lack of consensus among Member States, that hindered a deeper engagement with China (Maher, 2016).

This scepticism towards the strategic nature of EU-China relations culminated in the 2019 joint communication from the European Commission, entitled *EU-China – A strategic outlook*, in which China received the tripartite designation of «cooperation partner (...), an economic competitor (...), and a systemic rival» (European Commission, 2019, p. 1). Referring to Politi's work (2023), this moment signified a paradigm shift as China began to be viewed as a security concern due to its simultaneous emergence as a powerful international actor and its adherence to a different economic model and set of values. Additionally, China has partnered with other emerging economies to reform the current international institutions and establish new ones (Yang, 2024), such as the Asian Infrastructure Investment Bank, the BRICS⁴ bloc and the Regional Comprehensive Economic Partnership. These new institutions exclude traditional Western powers and, thus, may threaten their dominant position in the international scene.

In this context, the Chinese project of the Belt and Road Initiative (B&RI) emerged as a symbol of a changing international order with emerging powers challenging its features. Launched in 2013 by President Xi Jinping, the One Belt One Road, also known as the Belt and Road Initiative, comprises a series of investments to «connect Asia with Africa and Europe via land and maritime networks along six corridors» (Xinhua Silk Road, 2023, n.p.). The project is inspired by the Silk Road during the Han Dynasty, comprising the Silk Road Economic Belt (a transcontinental route that links China to Europe) and the 21st-century Maritime Silk Road (a sea route that connects China to Eastern Africa via South Asia and the Middle East). The B&RI can be seen as a reflection of China's progress as a global actor that is deeply connected to economic development and internationalisation (Costa, 2023b). Looking at EU-China relations, Minghao (2016) argues that the B&RI presents both challenges and opportunities. Above all, as a project that strengthens connectivity between China and the EU, it can bring significant benefits to the crucial trade and investment cooperation. However, the past two decades have been marked by a growing trust deficit between the EU and China, which has led to European suspicion towards a project of such magnitude. The EU fears that its global position may be threatened by China's ability to project its power via the B&RI and challenge international norms (Minghao, 2016). This sentiment, as Mendes and Wang (2023) explain, is rooted in a view of the B&RI based in traditional

⁴ Currently, the BRICS+ bloc includes the following emerging economies: Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran, and the United Arab Emirates.

geopolitics that frames it into an «existing liberal order of rising powers and their alleged tendency towards threatening behaviour» (Mendes & Wang, 2023, p.112).

In addition to the transformations in the domestic and foreign contexts of the EU and China, external factors have influenced the evolution of their relationship. The most significant external influence, extensively examined by academics, is the role of the US in EU-China relations. The discussion is not limited to addressing the US's influence in shaping cooperation between the EU and China; it also seeks to understand the EU's position amid the US-China trade war. When comparing EU-China relations with EU-US relations, there is a military and security dimension included in the latter that is absent in the former (García Herrero, 2023). Another difference between the two partnerships is that the EU and the US are part of a «transatlantic security system based on common values» (Zhou, 2017), with NATO at its core. To comprehend the level of the US's influence on the EU's China policy, we can reference Wang and Song's assertion that «to some extent, China's relationship with Europe is based on the stability and development of its relationship with America» (Wang & Song, 2016, p. 5). EU-US cooperation surpasses EU-China engagement (Zhou, 2017), and for the EU, any decision regarding China will always take into account the Atlantic Alliance and the security umbrella it provides.

Given the intense economic interdependence existing between the US, China, and the EU, the idea of an economic triad at the global level has been discussed (Wong, 2013). However, considering the US's protectionist policy that considers China as its main target, the two actors seem increasingly distant while the EU struggles to find a common ground. Yang (2024) characterises the current EU policy towards China and the US with two features: when cooperating with the US, the goal is to promote independence and balance, while with China, the intention is to find room for pragmatic cooperation amidst concerns. González & Véron (2019) explain that the EU is directly and indirectly impacted by the US-China trade war, suffering from uncertainty, value chain disruptions, and systemic consequences. Given this, the authors argue that Europe should adopt a multidimensional approach that combines domestic tools and promotes multilateral solutions centred on the WTO.

Looking at the EU-China engagement at the international level, it seems that it is located between alignment and confrontation. While the two actors are able to have strong economic ties and share a common support for a multipolar international system based on multilateralism and diplomacy as the primary solution for peace (Li, 2016), ideological clashes, Europe's fear of losing its global agency, and differing relations towards other superpowers – namely, the US – have created a distance that limits cooperation and undermines the true strategic nature of their partnership.

1.1.4. The EU's Current Strategy Towards China

The European strategy towards China has changed throughout the decades, going from unconditional engagement to emerging competition and confrontation. The 2019 “partner, competitor and systemic rival” definition marked a «Copernican turn» (García Herrero, 2023, p.20) in bilateral relations, and

clearly distinguished the areas where the EU cooperates, competes, and rivals with China (Jin & Xu, 2023). As seen in the previous sections, the transformation in the attitude towards China was motivated by economic and political factors. Since 2019, two events have contributed to the aggravation of this position: the COVID-19 pandemic, which put in evidence Europe's great dependence on China; and the ambiguity in China's position towards the Russia-Ukraine conflict, namely through friendly ties with Russia. As García Herrero and Vasselier (2024) explain, the need to preserve the level playing field in the relationship with China became intertwined with national security, making it a domestic affair for the EU.

The geopolitical arena at the beginning of EU-China relations was much different from the one observed today. China's growing influence in international affairs has challenged the "traditional" international powers' *status quo* and generated competition. Although the predominant areas of competition have been economic and technological, traditional geopolitical clashes between the EU and China are also present. The EU Strategy for Cooperation in the Indo-Pacific and the strengthening of cooperation in defence and security with Japan are two cases that created friction with China (Yang, 2024) since both regions are under the Chinese sphere of influence. However, the most impactful case is China's close ties with Russia and its reluctance to act as a mediator in the Russia-Ukraine war. China's prioritisation of its economic and strategic interests over peace promotion in Ukraine clashes directly with the EU's values (Politi, 2023), creating a conflict that is both geopolitical and ideological.

One of the central concepts that characterises the European policy towards China has been the idea of *de-risking* from China. It is not possible to pinpoint the origin of the concept of de-risking, but it is possible to say when it was introduced in European policy, namely in Ursula von der Leyen's first public speech in March 2023 (García Herrero, 2023). As an approach included in a broader economic security strategy, de-risking intends to respond to the «increasingly wide range of risks associated with China's commercial and technological power» (Brinza et al., 2024, p.59). Additionally, this approach aims to create a more moderate version of the concept of decoupling, which has been at the forefront of the US's policy towards China. Thus, it is crucial to distinguish between de-risking and decoupling, as this marks a clear divergence between the EU and the US in their approach to China. While decoupling promotes an idea of reducing dependence through substitution, de-risking does so by exploring "win-win" opportunities (Yang, 2024). Moreover, the national security element is much less present in the European concept of de-risking than in the US concept of decoupling (García Herrero, 2023).

To better understand what de-risking means in practice, we can use Brinza et al.'s (2024) three-dimensional approach to the concept, which identifies three types of de-risking: offensive, defensive, and collaborative. Offensive de-risking encapsulates the group of measures adopted by the EU to diversify and improve resilience in areas like technology and green transition. The defensive dimension of de-risking, as the name indicates, encompasses the defensive tools that promote economic security and risk management. Lastly, collaborative de-risking focuses on «the deepening of relationships with 'reliable partners' (...) to bolster resilience through a diversification of supply chains» (Brinza et al.,

2024, 63). The main chapters of this dissertation will explore the specific tools and elements of each dimension further.

Since the launch of the de-risking strategy and the overall securitisation of the EU's China policy, a debate has emerged to question if this is the right approach and how effectively the EU can implement it. It is important to mention that few visions completely reject the de-risking approach or fully support it as it is being implemented now. Rather, the perspectives vary in terms of what should be the best way of implementing it.

One of the first consequences of the new European strategy towards China pointed out by scholars is making EU-China cooperation more issue-centred. This is a direct result of the European view of China as a competitor or rival in certain areas, weakening the idea of a comprehensive partnership (Bērziņa-Čerenkova, 2023). Yang (2024) argues in favour of the idea of engagement through issue areas and points to climate change, the green economy, and people-to-people exchanges as the areas with the most potential. Reducing cooperation to specific domains is seen both as a positive and a negative consequence. Pepermans (2024) argues that being transparent and identifying areas of cooperation while also recognising that competition is part of the current international landscape can be the solution to avoid a trade war. On the other hand, Politi (2023) sees the tripartite approach as a strategy that «seriously limits any long-term, pragmatic framework of engagement with China, resulting in mutual misunderstanding between the two parties» (Politi, 2023, p.672). A middle ground view can be found in the works of Cardoso et al. (2023) and Yang (2024) which argue that cooperation and confrontation are inevitable and that the EU's best option is to find a balance between the two.

Other reactions to de-risking have warned about the dangers of the 'protectionist trap'. Considering the protectionist agenda that characterised the 2018 Trump administration and the context of rising populism in Europe, Brinza et al (2024) warn about the challenge of avoiding excessive securitisation and protectionism. In this sense, de-risking should be used as a tool for risk mitigation and management (Brinza et al., 2024) and not as a principle that promotes barriers to international trade. Wei (2024) uses the Critical Raw Material (CRM) Act⁵ as a practical case that demonstrates the risks brought by the de-risking approach, namely its negative impact on EU-China trade and the deterioration of the business environment. In the concrete case of critical raw materials, Wei warns about an inevitable 'decoupling' from China, given its dominant role in the sector.

Although the EU has clearly identified which strategic areas are more vulnerable to the risks of excessive dependence, effectively diversifying and protecting these areas has proven more difficult than expected. García-Herrero (2023) explains that this is due to an incompatibility between

⁵ The CRM Act was launched in 2024 to respond to the increasing European demand for critical raw materials and the import dependencies it has created. Thus, the Act aims to «strengthen all stages of the European critical raw materials value chain, diversify the EU's imports to reduce strategic dependencies, improve EU capacity to monitor and mitigate risks of disruptions to the supply of critical raw materials, and improve circularity and sustainability» (European Commission, n.d.-b).

private/individual interests and social interests. In other words, companies remain interested in importing from China and benefiting from the size of the Chinese market, while European policymakers view this as a potential security risk. In the same work, García-Herrero argues that de-risking should extend defensive measures to include offensive ones, namely, reshoring production and building partnerships with other countries to «create complementary ecosystems to the now China-centric supply chain» (García-Herrero, 2023, p.23). A year later, García-Herrero, along with Vasselier, reinforces this idea by arguing that the EU leadership should focus on three priorities towards China: «coherence and coordination (...), a further focus on economic security, more reliance on partnerships» (García-Herrero & Vasselier, 2024, p.8). The idea of coherence and coordination is particularly relevant given that one of the remaining obstacles to a more efficient European strategy on China is the lack of unity among EU Member States, making it impossible for the EU to present itself as a unified actor (Brinza et al., 2024; Pepermans, 2024).

Considering that the EU's new policy towards China is limiting EU-China cooperation to certain issue-areas, it is important to identify which areas have the most potential for cooperation and which ones are more conditioned. Given that the biggest divergences between the EU and China are political and ideological, it is expected that cooperation will be conducted in the so-called «areas of 'low politics'» (Yang, 2024, p.503). Farnell & Crookes (2016) identify governance of global economic institutions, sustainability, and monetary cooperation as the most promising areas. In recent years, the areas deemed with the most potential have become even more non-political. Feás & Steinberg (2023) see room for cooperation in the areas of financing for development and multilateralism. According to Yang (2024), cooperation is easier in areas where the common interests outweigh competitive interests, namely: global climate change governance, tripartite cooperation, digital transformation, green economy, energy and food security.

Regarding the areas where the EU and China compete and thus are unable to cooperate, the fields of industry and high-tech have been highlighted as the most complex (Brinza et al., 2024; Yang, 2024). As previously shown, most of the strategic dependencies the EU has towards China are from these sectors, and they are at the centre of the de-risking strategy. Moreover, the field of technology and innovation has become a serious battlefield for international powers (Yang, 2024). China's active engagement in becoming a technological powerhouse, manifested through initiatives such as *Made in China 2025*, intends to shield strategic high-tech sectors from external participation, including European companies. Thus, besides having to rely on Chinese technologies, the EU is unable to cooperate in this field and eventually acquire important know-how.

As the previous analyses have demonstrated, EU-China relations have been characterised by greater complexity in the past decade. The relationship between the two actors has suffered major shifts since its foundation as a consequence of the internal transformations that each one faced, but also as a consequence of a new geopolitical landscape. Regarding the EU and its strategy towards China, the most

important conclusion to be drawn from the current academic debate is that Europe is at a crucial point where it needs to clearly define how it will balance pragmatic cooperation and strategic competition.

1.2. European Strategic Autonomy: From Concept to Practice

As the second object of study of this research, the concept of European Strategic Autonomy deserves a separate analysis to discuss its origins, transformations, and practical meaning and explore the multiple perspectives that emerged after its incorporation into European policy. Moreover, it is important to identify the links between ESA and the recent EU strategy towards China to understand how one influences the other.

The first appearance of ‘strategic autonomy’ in an official EU document was in 2013 in the European Council conclusions on EU common security and defence policy (Damen, 2022). However, the concept was already part of the military lexicon to refer to «a long-term vision of the structural conditions allowing the establishment of military autonomy in relation to other actors» (Beaucillon, 2023, p.418). As Beaucillon (2013) explains, the idea behind strategic autonomy is to find a balance between defensive and projectional objectives. Since its introduction in the EU’s vocabulary, the approaches to strategic autonomy have gone through several transformations, namely in the areas of application. In his work, Damen (2022) distinguishes four periods where the approach to ESA changed or acquired new elements by reviewing official documents and communications where the term is employed. In the initial phase, from 2013 until 2016, strategic autonomy was confined to the sector of security and defence. In this context, strategic autonomy can be reached through the strengthening of the European technological and industrial defence base (Beaucillon, 2023). The 2016 EU Global Strategy materialises this as strategic autonomy is again applied mainly to the security and defence policy (EEAS, 2016). In the second period (2017-2019), we see that, although still mostly focused on defence, strategic autonomy is now framed in a changing geopolitical environment marked by Brexit, Donald Trump’s ascension to the White House and China’s growing assertiveness. In this sense, strategic autonomy started to be connected with the EU’s capacity to remain a strong and independent actor amidst geopolitical tensions.

The third period corresponds to the year of 2020 and is particularly marked by the COVID-19 pandemic. The pandemic showed that Europe was exposed to critical dependencies and supply chain vulnerabilities (Brinza et al., 2024), particularly regarding China. This context shifted the focus of strategic autonomy to the economic sphere, particularly trade, and the term *open strategic autonomy*⁶

⁶ The term open strategic autonomy has no consensual definition, and can even be interpreted as a malleable concept that is able, in practice, to support different actions (Kuang et al. 2024). Nevertheless, the central idea behind it is to «balance the exercise of the EU’s political powers while respecting the conditions of an open market economy» (Beaucillon, 2023, p.420).

started to gain traction. Finally, from 2021 to the present, the concept of ESA has largely widened its scope to practically all EU policy areas and has become deeply associated with European values (Damen, 2022). The start of the Russia-Ukraine conflict in 2022 has brought attention back to the areas of defence and security, but also to the energy sector. Looking at the evolution of the concept of ESA since its first appearance in 2013, it is possible to conclude that its meaning is far from static and has mutated along with the transformations in the European context.

In spite of its transformations, Beaucillon (2023) distinguishes two major elements of ESA: the *shaping* element, which reflects the EU's ambition to act autonomously in the international context and shape it; the *self-standing* element, which is the ability to fulfil foreign policy goals without depending on international partnerships. As for its definition, the most consensual emerged from the conclusions of the Council of the EU in November 2016, and it refers to «the capacity to act autonomously when and where necessary and with partners wherever possible» (Borrell, 2020, n.p.). However, other interpretations that have emerged from the ESA debate should also be mentioned. Returning to Damen's work, the proposed definition follows the same idea as the one proposed by the Council of the EU, arguing that ESA is «the capacity of the EU to autonomously (...) in strategically important policy areas» (Damen, 2022, p.1). Some perspectives have focused more on the EU's *self*-notion when defining strategic autonomy, referring to it as «the ability to set one's own priorities and make one's own decisions in matters of foreign policy and security» (Lippert et al., 2019, p.5) or «the capacity of Europeans to live by their own laws without interference, risk of attack, or destabilization from the outside (Feás & Steinberg, 2023, p.339).

The work of Yang (2024) provides a very useful review of the main contributions to the ESA debate, including Chinese perspectives. Yang highlights how the academic community has focused on ESA and EU-US relations, with some arguing that ESA promotes a stronger transatlantic alliance because it aims for the EU's greater role in NATO (European Union Institute for Security Studies & Fiott, 2018). On the opposite side, some views suggest that the EU is becoming more independent from the US, weakening their partnership due to the increasing divergences in international perspectives and values (Riddervold & Newsome, 2018, as cited in Yang, 2024). As for the Chinese scholars, Yang identifies three viewpoints: optimistic, pessimistic, and cautious. In the optimistic attitudes towards ESA, the EU's normative strength is seen as the main driver for its autonomy in the fields of security and defence (Ji & Jiongsheng, 2021, as cited in Yang, 2024), which contributes to containing the US's hegemony (Guochun, 2022, as cited in Yang, 2024). As for the more pessimistic views, these frame ESA in a context of growing competition between major powers and do not believe that ESA is effective enough to mitigate the EU's struggle in becoming an autonomous global actor (Jian, 2021, as cited in Yang, 2024). Lastly, the cautious viewpoint focuses more on the process of achieving ESA and the factors that might influence it, namely the EU's particularities as a supranational actor, the struggle to find cohesion among Member States, changes in relations with major powers, the obstacles of the European security framework, and the constraints in the EU's financial and military capabilities (Yang, 2024).

After discussing the conceptual origins and interpretations of ESA, it is important to look at how the concept becomes a practice and how it is incorporated in the EU's policies, specifically the European policy towards China. ESA, as a strategy, was developed as a response to internal and external pressures. The pressures within the EU relate to the struggle to preserve unity in a context of growing nationalism and populism, while the external pressures come from competing actors with different interests who might disturb the EU's internal stability (Lippert et al., 2019). In this context, the EU risks becoming a 'passive' actor in international relations, unable to pursue its interests independently. Thus, an essential aspect of ESA is that it should be seen as a «means to achieve resilience, security, and prosperity, and not a goal in itself» (Feás & Steinberg, 2023, p.340). In other words, it is a tool to preserve the EU's global agency.

Given that ESA has been expanded to a broad range of areas, the policies to promote it vary depending on the field in question. In the case of trade, some argue that the EU is already autonomous (Borrell, 2020; Feás & Steinberg, 2023), considering the strength of the single market. However, the risks of intense economic interdependency and global competition have not been ignored. Diversifying sources of supply has been seen as a key element to reduce the negative impacts of disruption in global value chains (Feás & Steinberg, 2023), while defence mechanisms have been implemented to protect the European market from new competitors (Lippert et al., 2019). Here, we see a direct connection between ESA and the de-risking strategy, which, in turn, has China at the centre. The energy sector has been particularly highlighted when discussing foreign dependencies, given its crucial role in the EU's security. Moreover, achieving strategic autonomy in energy is deeply connected with the green transition and the EU's aim of becoming a «leader in global green transformation» (Yang, 2024, p.489).

The field of digital technology has become a new key area of ESA. As the fourth industrial revolution progresses, technology and innovation have become the new arena of international competition, and the EU has found itself lagging behind the US and China (Feás & Steinberg, 2023; Lippert et al., 2019). Besides being unable to compete, the EU is often dependent on external powers to acquire certain strategic technologies. The case of Chinese green technology is a clear example of this dependency, given how essential it is for Europe's decarbonisation (García Herrero, 2023). Another digital area that has gained much attention is data and its protection from «states whose protection of liberties is not an absolute priority» (Borrell, 2020, n.p). In this context, the term digital sovereignty has gained dimension, and European data started to be seen as a strategic 'good' connected to European values (Yang, 2024).

As a strategy that covers a wide scope of areas, ESA possesses a great level of complexity, and its implementation has faced a number of obstacles. The differences in the strategic perceptions of EU Member States have been pointed out as the biggest internal obstacle (Borrell, 2020). Whether it is the fear of excessive EU competences or national action that produces 'collateral damage' (Damen, 2022), EU Member States have a strong capacity to influence the course of ESA. At the external level, Damen

(2022) sees the Russia-Ukraine war as a possible constraint to ESA, as the conflict may deepen the EU's strategic reliance on the US.

When looking at the areas where ESA is being strongly promoted, one cannot help but notice how China is involved in some way, whether as a partner, competitor, or rival. Brinza et al. (2024) argue that China can be seen as posing serious risks to Europe's supply chain resilience, national security, the defence of values and sustainability, and technological competitiveness. However, as previously seen, the EU is perfectly aware of the impossibility of decoupling from China. It is at this point that we start observing contradictions in the implementation of ESA and the EU strategy towards China (Rodrigues, 2023). Few works have focused exclusively on the intersections in ESA and EU-China relations, as even fewer have gone deeper into the different areas of EU-China cooperation and how they are impacted by strategic autonomy. The case of EU-China economic relations could pose a dilemma between strong interdependence and self-reliance, which should be further studied in order to understand the dynamics of the past decade between the EU and China.

2. Theoretical Framework and Methodology

2.1. Theoretical Framework

This research draws on the contributions of two International Relations (IR) theories: complex interdependence theory and geoeconomics. By combining the elements of both theories, it is possible to position our object of study, ESA, within the scope of EU-China economic relations, in an international context characterised by a mutual dependence between States and an intense fusion of economic means with geopolitical goals.

Interdependence theory was developed by Robert Keohane and Joseph Nye, who laid out its principles and assumptions in the book “Power and Interdependence” (Keohane & Nye, 2012)⁷. The theory was developed during the post-Cold War period, in a context where the traditionalist (which discredited the growing role of non-state actors and non-traditional policy areas) and modernist (which refused the idea that states as strong actors and traditional geopolitics remained important) views seemed inadequate to explain the period that was unravelling. In fact, Keohane and Nye explain that their theory combines the contributions of both traditionalists and modernists to create an analytical framework that can understand contemporary world politics, given that these are «a tapestry of diverse relationships» (Keohane & Nye, 2012, p. 4). By assuming that the world is in a state of interdependence, the authors observe that the latter affects international politics, but is also impacted by governments, which, consequently, agree upon governing arrangements (procedures, rules, institutions) called *international regimes*.

Interdependence can be simultaneously an analytical concept and a rhetorical device. In this research, interdependence is employed as an analytical concept, so this chapter will explore it under this function. Firstly, it is important to define interdependence, which, according to Keohane and Nye, refers to «situations characterized by reciprocal effects among countries or among actors in different countries» (Keohane & Nye, 2012, p. 7). The effects result from international transactions (flows of money, goods, people, and messages) that produce reciprocal costly effects. In turn, costly effects can be imposed directly or indirectly, which leads us to an important aspect of interdependence: it is not limited to situations of mutual benefit (Keohane & Nye, 2012). If we look at the interdependence in EU-China economic relations, we see that, in recent years, the EU has perceived it as unbalanced and as a vulnerability. Thus, it is important to clearly understand that interdependence theory does not argue for interdependence as a solution to a better world, but as a phenomenon that is increasingly present in modern IR and that can produce benefits and costs.

Another focus of this theory is to explore the relationship between power and interdependence. The adopted definition of power is «the ability of an actor to get others to do something they otherwise would not do» (Keohane & Nye, 2012, p. 10), and the authors argue that a situation of asymmetrical

⁷ The first edition of this book was published in 1997.

interdependence can be a source of power in the context of control over resources or the potential to affect outcomes. Furthermore, the role of power in interdependence can be assessed under two dimensions: sensitivity (measures how quickly and how intensely a change in an actor produces costly changes in another) and vulnerability (measures the capacity of an actor to deal with the costs of an external event). For example, this analytical framework can be applied to evaluate the impacts of a hypothetical ban on Chinese rare earths exports to the EU, with sensitivity being how costly this ban would be for the EU, and vulnerability being the EU's preparedness and capacity to adapt to the new scenario.

The theory of interdependence develops a new vision towards world politics, one that opposes the realist and argues that world politics are operating under *complex interdependence*. Complex interdependence is characterised by three main elements. The first one is that societies are connected by multiple channels, developing interstate, transgovernmental, and transnational relations. Secondly, in a scenario of complex interdependence, there is an absence of hierarchy among issues in the agenda of interstate relations. In other words, «the distinction between domestic and foreign issues becomes blurred» (Keohane & Nye, 2012, p. 20). Finally, the third characteristic relates to the non-use of military force by governments towards other governments within the region or on specific issues. It is important to note that complex interdependence does not exclude the use of military force in total.

Besides these three characteristics, the authors identify multiple political processes that emerge from complex interdependence. Given that the use of military force is less frequent, strong military states have more difficulty in using their military strength to control outcomes. Moreover, if military force is not the only source of power, the distribution of power may vary according to the area in question. As the hierarchy of issues becomes less evident, the role of political agendas becomes more central. Additionally, the existence of multiple channels of contact blurs the line between domestic and international politics, which, according to this theory, leads to a scenario where «the nearer a situation is to complex interdependence, the more we expect the outcomes of political bargaining to be affected by transnational relations» (Keohane & Nye, 2012, p. 28). Finally, complex interdependence amplifies the role of international organisations, namely in setting the international agenda, acting as a catalyst for «coalition-formation and as arenas for political initiatives and linkage by weak states» (Keohane & Nye, 2012, p. 29).

Moving on to the second theory that supports this work, it is possible to pinpoint the origin of geoeconomics to 1990 and Edward Luttwak. In a work entitled “From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce”, Luttwak argued that the post-Cold War era reduced the importance of military power in international politics and that this power had been replaced by the “methods of commerce”. According to this, we see the application of the logic of conflict to the economic activity of a State, hence the designation of geo-economics. With this, two questions arise: How do we define geoeconomics, and how do we distinguish it from geopolitics?

As previously mentioned, the term *geo-economics* was coined by Luttwak and defined as «the logic of war in the grammar of commerce» (Luttwak, 1990, p. 19). After this, the term was developed by other theorists, although a universal definition was not reached. In this work, we pair Luttwak's broader definition with another one developed by Blackwill and Harris (2016). In their book, "War by Other Means: Geo-economics and Statecraft", *geo-economics* is defined as follows: «The use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals» (Blackwill & Harris, 2016, p. 20). In the same book, the authors emphasise the importance of distinguishing geopolitics and *geo-economics*. While geopolitics and *geo-economics* share the goal to understand, explain, and predict the power of states, the former does so through geographical variables and the latter through economic factors (Blackwill & Harris, 2016).

With this, it is possible to conclude that *geo-economics* does not argue for a change in states' foreign policy goals, as these continue to compete for power, but a change in the means used to achieve them, namely, economic instruments (Scholvin & Wigell, 2018). In the past decade, *geo-economics* has resurged and gained new importance in the international debate, which, according to Blackwill and Harris (2016), is due to three factors: rising powers are increasingly relying on economic means to achieve geopolitical goals; there has been a growth of economic resources at the disposal of states; global markets have also changed and have gained more influence over foreign policy options. Thus, *geo-economics* becomes an international practice of states, reconfiguring the international system by enabling new policy choices, creating new foreign policy tools, and blurring the line between business and diplomacy (Blackwill & Harris, 2016). Besides this, *geo-economics* can also have less positive impacts on the international system, with Blackwill and Harris arguing that it can be used to sustain autocratic regimes (through business deals between two autocratic regimes that contribute to their sustainability) and to the mutual reinforcement of economic and security risks.

Given the definition of *geo-economics* and how it has played its part in global politics, it is now important to explain how it is practiced. States that intend to achieve geopolitical goals through economic means rely on *geo-economic* instruments to do so. Blackwill and Harris are responsible for deepening the study of *geo-economic* instruments, and they divide these into seven instruments: trade policy, investment policy, economic and financial sanctions, cyber-attacks⁸, international aid, financial and monetary policy, and energy and commodities. These instruments have different natures, as some are positive inducements (international aid), some are coercive tools (economic and financial sanctions, cyber-attacks), and others can have both natures (trade and investment policy, financial and monetary policy, and energy and commodities). Additionally, these instruments and their effectiveness are conditioned by what the authors call *geo-economic endowments*, namely, the ability to control outbound

⁸ Not every cyber-attack falls in the category of a *geo-economic* instrument. According to the authors, they need to be state-sponsored and aim for economic influence.

investment, domestic market features, influence over commodity and energy flows, and centrality to the global financial system (Blackwill & Harris, 2016). However, these endowments are not the exclusive variables that impact the geoeconomic instruments, and it is important to always contextualise the goals that these instruments are serving, the characteristics of each tool, and the structural features of each state.

Recent contributions to the field of geoeconomics have continued to develop the previous ideas, namely by framing them into the phenomena of globalisation and international interdependence (Costa, 2023a). In their work, Farrell & Newman (2019) argue that a globalised economy has led to a situation of power asymmetries, which, consequently, generates the weaponisation of interdependence. Additionally, the authors include the EU and China in the group of states that benefit from weaponised interdependence. China has been a central example whose geoeconomic influence proved to be a success, being described as «the world's leading practitioner of geoeconomics» (Blackwill & Harris, 2016, p. 93).

Having summarised the main contributions of interdependence theory and geoeconomics, it is now possible to justify their use as a framework to analyse ESA and its impact on EU-China economic relations. Since the beginning of diplomatic ties, the EU and China have had trade and economic relations as the central pillar of their relationship, and their economic interdependence has been used to leverage other areas of cooperation. But more importantly, the EU and China have held their economic position towards each other as crucial elements of their foreign policies. Since the EU and China have been shifting from a mutually beneficial relationship to one with asymmetric interdependence in some areas, with the case of trade in goods being the most obvious, it is not surprising that the EU has been very vocal about this imbalance because, according to the theory of interdependence, it results in a relative loss of power. With the emergence of a European agenda focused on economic security and strategic autonomy, the argument of geoeconomics proves to be very useful in explaining it. Given that geoeconomics connects economic instruments with geopolitical goals, it makes sense that the economic relationship with China has become increasingly relevant for the EU. Furthermore, trade and investment policy can, in fact, be used as geoeconomic instruments, and the work developed in the following chapters will demonstrate that both the EU and China are very aware of that.

2.2. Methodology

The starting point of the present research focused on the assembly and review of the existing scientific literature related to EU-China economic relations and ESA, taking into account the different perspectives that have been developed and the gaps they may have left to be discussed. The relevant contributions to the topic were compiled and used to develop the state of the art presented at the beginning of this work, providing a contextualisation of the object of study and research question. Once a good understanding of the literature was achieved, we moved on to the collection of other data.

Considering that the main goal of this research is to assess the impact of ESA on EU-China economic relations, our focus was to collect data where this impact is visible, whether through the European and Chinese discourse or through more “realistic” indicators. Given this, the collection of data used in this research is composed of statistical data, specifically trade and investment indicators, policy documents, and official communications from both the EU and China.

The inclusion of trade and investment statistics in the primary data of this work was deemed essential to provide a clear picture of the evolution of EU-China economic relations and the trends that have characterised it. More importantly, statistical data is what connects the European and Chinese discourses to reality, allowing us to assess their effective impact. With this, in addition to being able to evaluate the impact of newly implemented policies, we can also see if the tense environment surrounding EU-China relations in recent years has produced any tangible effects. The statistical data used for this purpose were collected from the databases of the official statistical bureau of the EU (Eurostat), the United Nations Conference on Trade and Development (UNCTAD), and the World Bank. Besides the collection of “raw” data from the previous sources, we complemented these with statistical reports from Eurostat and institutes such as MERICS and Rhodium Group. The selection of the data focused mainly on international trade and FDI indicators of the EU (EU-27 and individual Member States) and China, since these are the areas of focus of this work. The time frame considered for the data collection was between the years 2000 and 2023 because, before this, economic exchanges between the EU and China were not significant. Additionally, this work is mainly focused on recent developments in EU-China economic relations. The data was collected between January and February of 2025, and during this process, some limitations were encountered: difficulties in accessing official Chinese statistics due to the language barrier; restrictions in the access of FDI statistics in the form of databases due to confidentiality and political sensitivity reasons. The inclusion of the statistical reports referred to above sought to minimise the impacts of these limitations, as the publishing entities enjoy privileged access to the data in question.

Although trade and investment statistics are very valuable to this research, they do not showcase important transformations in the EU and China’s policy towards each other and how they have grown more complex over the past years; hence, the importance of including policy documents and official communications in the primary data. The criteria followed to select the documents were to focus on those that directly addressed EU-China economic relations and the strategic autonomy approach, whether separately or together. The selected sample includes documents that were published between 2003 and 2023 (except for one document from 1985), and they were retrieved from the online archive of the Mission of the People’s Republic of China (PRC) to the EU and the EUR-LEX platform. With this, we were able to obtain a sample that is simultaneously thematic and chronological.

Regarding the analysis of the sources mentioned above, a qualitative methodology was considered the most suitable. Through content analysis, which involves connecting texts (and other materials) to their contexts of use (Krippendorff, 2019), we aimed to examine how the EU articulates the concept of

strategic autonomy in its economic relations with China and how this is reflected in practice, particularly in trade and investment indicators. Furthermore, by employing qualitative content analysis, it is possible to go beyond the formal aspects of the analysed material and include text interpretation (Mayring, 2000), which, in turn, proves to be very useful given that the evolution of EU-China relations has been largely influenced not only by the context of each side but also by the broader international order.

Through content analysis, it is possible to see how foreign policy orientations are constructed through language (Costa, 2023b). Focusing both on textual and contextual elements, the analytical strategy of this research includes the following steps:

- Thematic analysis: Identifying recurring topics and policy themes related to the object of study of this research – European strategic autonomy within the scope of trade and investment relations between the EU and China.
- Lexical and rhetorical patterns: Analysing word choice and modality (e.g., "must," "should," "will") to assess the strength and direction of policy language.
- Representations of actors: Exploring how the EU and China are represented in relation to each other (for example, as partners, competitors, or systemic rivals).

Finally, the analysis is supported by the formulation of inductive categories that account for thematic and discursive elements and aim to extract important insights while preserving the connection with the content and structure of the texts (see Annex 1).

3. EU-China Trade and ESA

3.1. The Evolution of EU-China Trade Relations

Over the last two decades, the EU and China have become key trade partners, and the interdependence between the two economies has grown significantly. Trade relations began to flourish after the establishment of the “Agreement on Trade and Economic Cooperation between the European Economic Community and the People’s Republic of China” in 1985. The agreement was established to promote and intensify trade and economic cooperation between the EU (EEC at the time) and China under the principles of «equality and mutual advantage» (Council of the European Communities & Government of the People’s Republic of China, 1985, Article 1). When analysing the text of the agreement, we can identify a very optimistic spirit towards economic cooperation between the EU and China in multiple areas, motivated by the idea of economic diversification and exchange of information. It is important to note that the agreement was elaborated at a time when China was slowly “opening up” and was still under development. In this context, the EU became China’s senior partner, helping with its development and economic liberalisation. Until today, the EU-China Agreement on Trade and Economic Cooperation continues to be the main legal document that regulates trade between the two powers.

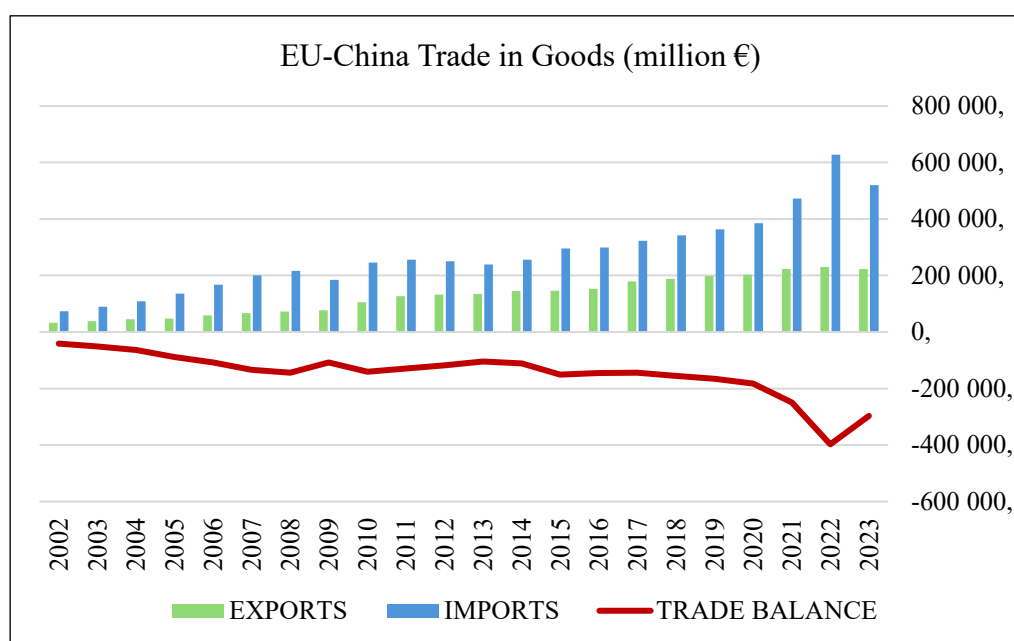
China’s entrance into the WTO in 2001 marks an important moment for EU-China economic relations, but also for the way the international community began to have a perception of China, namely as an international actor with a growing voice. As the bilateral trade between the EU and China grew significantly, political relations also became stronger, entering a phase described as the “Honeymoon Period” (Zhou, 2017). In 2003, China became the EU’s third-largest trading partner in goods, with EU exports to China accounting for 38 billion euros and imports from China accounting for 89 billion euros (Eurostat, 2025a). Looking at these values, it is possible to see that a trade deficit was already present even in the earlier stages of EU-China trade.

In the next decades, the trade volume between the EU and China grew systematically, without significant declines. As Figures 3.1 and 3.2 show, trade in goods and trade in services registered growth, even if at different paces. In terms of volume, trade in goods has composed the majority of EU-China trade, with exports of goods from the EU to China increasing more than three times from 2003 to 2013 and reaching its peak in 2022, with approximately 230 billion euros in exports (Eurostat, 2025a). When looking at imports from China, these have not grown with the same intensity as exports, but their volume is much higher. The year 2022 also registered the highest volume of imports with 628 billion euros, when in 2003 the volume was only 89 billion euros (Eurostat, 2025a). By analysing the previous numbers, it is possible to observe that the EU’s trade with China has been operating under a deficit in the past twenty years. The trade balance between the EU and China has been permanently negative since 2003, and a tendency towards a growing deficit has been observed (Figure 3.1). In fact, the year 2022

was simultaneously the year with the highest volume of trade in goods and the year in which the trade balance reached its lowest, around -397 billion euros (Eurostat, 2025a). This shows us that EU-China trade has been characterised by a growing interdependence between the two partners, but also an increasing dependence of the EU on Chinese imports. In recent years, China has become the largest partner for EU imports of goods (Eurostat, 2024a).

Figure 3.1

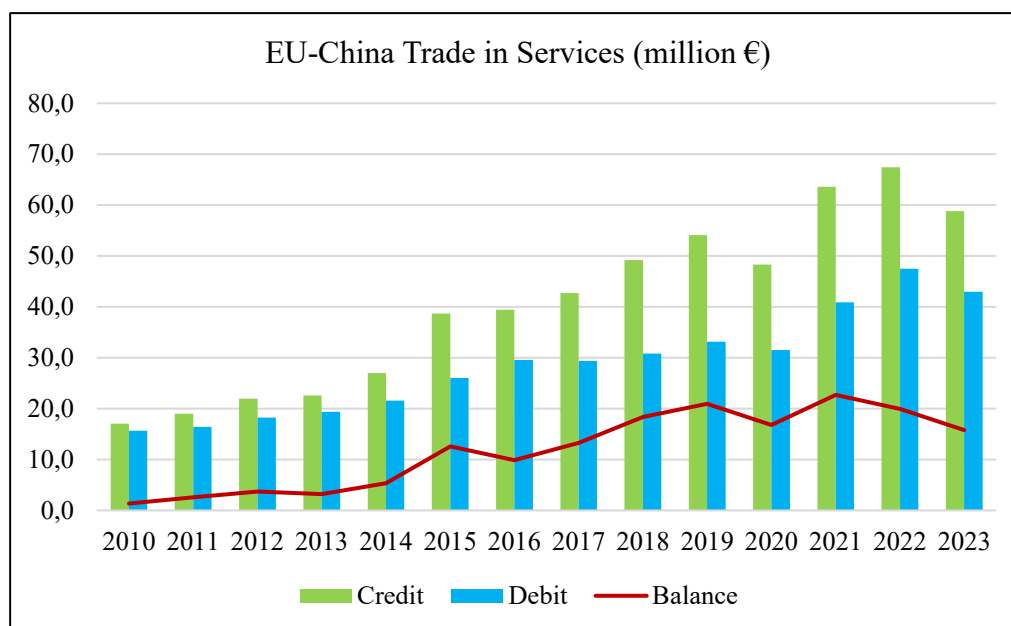
EU-China Trade in Goods from 2002 to 2023 in million euros



Note. Graphic created by the author with data from Eurostat (2025a)

Figure 3.2

EU-China Trade in Services from 2010 to 2023 in million euros



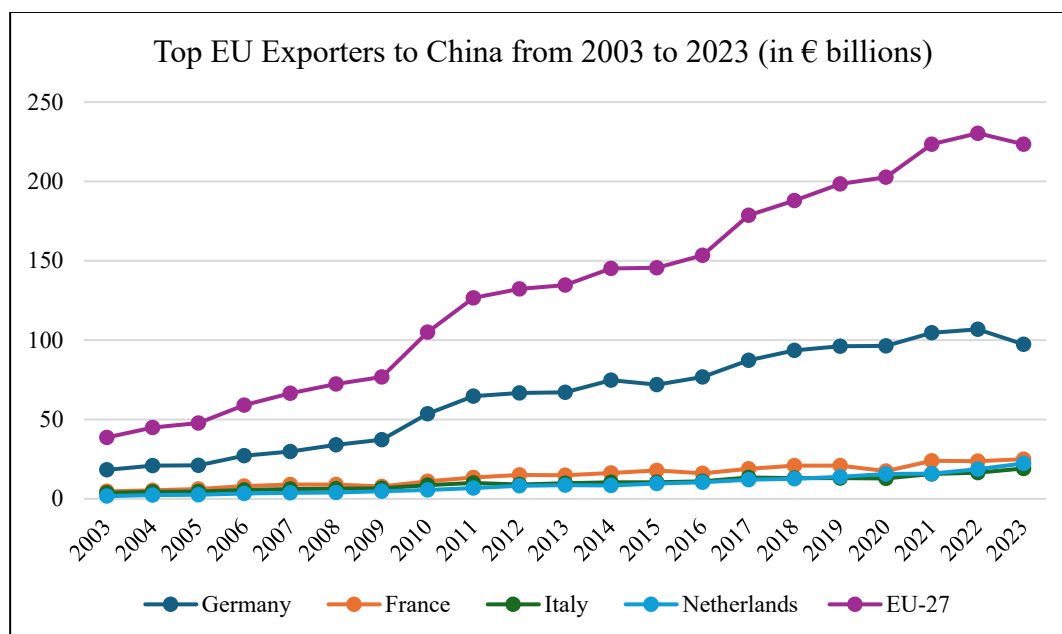
Note. Graphic created by the author with data from Eurostat (2025c)

Although looking at the volume of EU-China trade in goods provides an important picture of the evolution over the past decades, two other dimensions should be considered: trade by Member States and trade by product type. The Member State dimension puts in evidence the heterogeneity of the EU and the different relationships between each Member State and China, reminding us about the EU's ongoing challenge of acting with a single voice. Germany has had a leading position in exports to China since 2003, with Chinese exports being 13.6% of Germany's extra EU exports in 2023 (Eurostat, 2024a). As Figure 3.3 shows, the second Member State with the highest exports is France, and the third place has been occupied by Italy or the Netherlands in the past two decades. Regarding imports from China, the picture has changed slightly more. Germany was the leading importer until 2016, when the Netherlands surpassed it and became the Member State with the highest volume of imports from China until 2023 (Figure 3.4). The third place has been disputed between France and Italy since 2003. By identifying the top Member States that trade goods with China, it is possible to say that there have been no significant transformations in the past two decades. The top three – the Netherlands, Germany, and Italy – remain the ones responsible for half of all the imports from China (Eurostat, 2025b), and this concentration is even more evident in exports, where the combined exports from Germany and France correspond to more than 50% of all EU exports to China (Eurostat, 2025b). Lastly, it should be noted that although the EU as a whole has a negative trade balance with China, some Member States present a surplus, namely Germany, Finland, Ireland, and Luxembourg (Eurostat, 2025b). This surplus is mainly

rooted in European high-tech machinery and specialised instruments, materials, and components, such as Dutch semiconductor equipment (Zenglein, 2020).

Figure 3.3

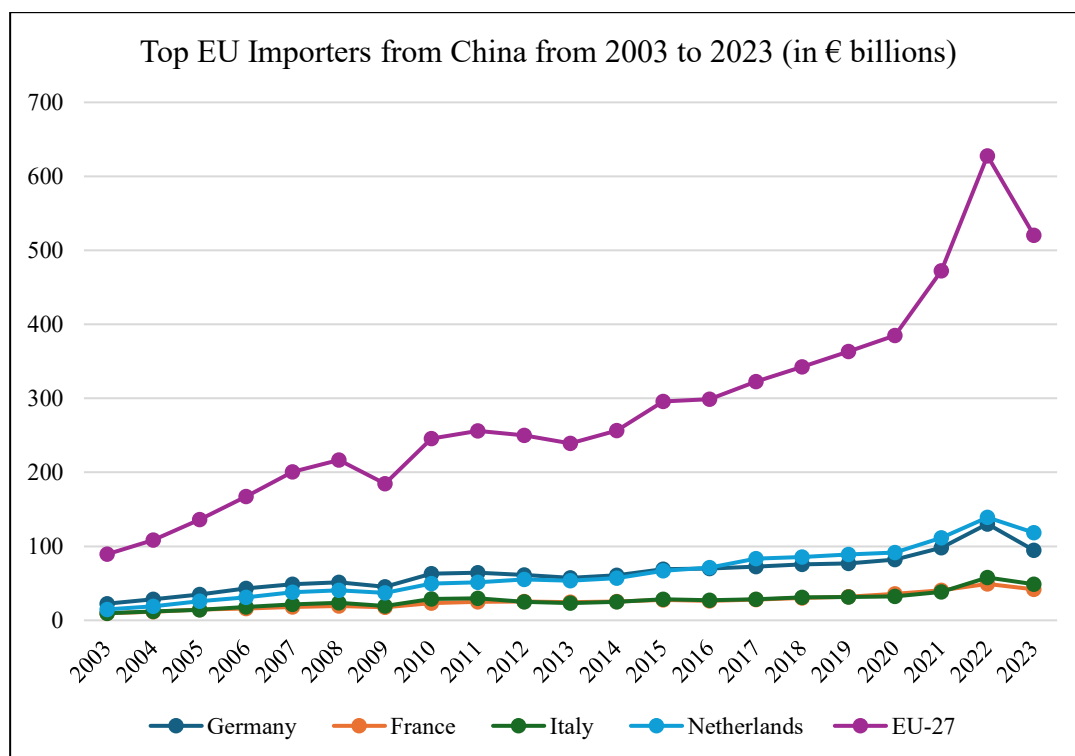
Evolution of Main EU Exporters to China in billion euros



Note. Figure created by the author with data from Eurostat (2025b)

Figure 3.4

Evolution of Main EU Importers to China in billion euros



Note. Figure created by the author with data from Eurostat (2025b)

In terms of trade by product, goods belonging to the machinery and transport equipment group remain the most traded between the EU and China over the last two decades (Eurostat, 2025b), with telecommunications equipment being the top imported goods and motor cars and motor vehicles the top exported goods in 2023 (Eurostat, 2024a). Although remaining the second most imported category of goods, between 2003 and 2023, we have observed a decline in EU imports of manufactured goods and a slight increase in imports of chemicals and related products from China (Eurostat, 2025b). This could be indicative of China's growing position in global value chains. As for exports to China, these have become more diverse over the past decade. Analysing the types of goods traded between the EU and China allows us to identify possible dependencies and, according to a MERICS report of October 2024, the EU's dependencies on China have grown in the past twenty years, especially centred on machinery and electronic equipment, while China has been able to diversify and contain its trade dependencies (Chimits, 2024).

When comparing trade in services with trade in goods, we see that the former operates on a much smaller scale. Nevertheless, China is the EU's fourth-largest services trading partner (European Commission, n.d.-a), and it is worth analysing EU-China trade in services because it displays a particular

scenario. In this sector, the EU has had a positive trade balance with China since 2010,⁹ and its exports have followed a growth trend in the past decade (Figure 3.2). This is an important aspect, as this trade surplus in services can help the EU to balance its growing deficit in trade of goods. Regarding the analysis by Member States, we observe that, similar to trade in goods, trade in services remains heavily concentrated in a small number of Member States: Germany, Ireland, and France (Eurostat, 2025c). According to Eurostat (2024b), the services with the highest value traded with non-EU partners were, in 2023, other business services¹⁰, transport services, and telecoms, computer and information services.

Trade statistics and reports are not the only indicators of the EU-China trade picture. Since the beginning of diplomatic relations, political discourse has been widely used by both actors to express their positive views towards each other, but also to voice tensions. The trade field has been no exception to this, and in the last two decades, the EU and China have published several documents that address agreements and disagreements regarding trade.

At the beginning of the 2000s, both the EU and China demonstrated a very optimistic vision regarding trade relations. In 2003, in a policy paper entitled “A maturing partnership – shared interest and challenges in EU-China relations”, the EU was open to receiving Chinese exports, transferring European capital, technology and know-how, referring to China as «one of the EU’s major strategic partners» (Commission of the European Communities, 2003, p. 3). Moreover, the challenges in trade and economic relations were overshadowed by its overall positive development, and the reinforcement of dialogue mechanisms and joint projects was seen as the main priority. One month after this policy paper, the EU and China announced the establishment of the EU-China Comprehensive Strategic Partnership and, in the same year, China published its first EU Policy Paper. In this paper, China expressed a similar optimistic view to the EU and emphasised the existing complementarity with the EU’s economy, stating that the principles of «mutual benefit, reciprocity and consultation on an equal basis» (Government of the People’s Republic of China, 2003, p. 2) were central to the success of EU-China trade relations. Overall, when comparing the European Commission’s 2003 paper and China’s 2003 paper on the EU, it can be argued that the two actors were on the same page regarding their goals towards each other. Cooperation was welcomed in all areas, putting in evidence the comprehensive aspect of the partnership.

In this period, some challenges were already present, namely European concerns regarding the trade deficit, China’s lack of transparency, excessive restrictions in some sectors, new non-tariff barriers, and the persistence of a favourable position towards national industries (through subsidies and regulation). For the Chinese side, restrictions and technical barriers, particularly on high-tech exports, the full market economy status issue¹¹, anti-dumping and other measures seen as discriminatory were referred to as

⁹ In terms of trade in services, the Eurostat database only contains data from 2010 onwards.

¹⁰ This is a broad category that includes professional, scientific and technical services.

¹¹ This issue concerns the EU’s ongoing rejection of conceiving the “market economy status” (MES) for China. This status is particularly relevant for dumping cases under the WTO investigation, in which parties that do not enjoy the MES are not allowed to use price data to calculate the extent of dumping (Farnell & Crookes, 2016).

trade obstacles in need of resolution. Nevertheless, both the EU and China appeared to be positive about finding solutions for these challenges, mainly through dialogue and mutual understanding.

With the growing intensity of trade, new complexities were added to EU-China economic cooperation. In 2006, the EU was China's largest trading partner, and the European calls to China's «growing responsibilities» (Commission of the European Communities, 2006, p. 1) began to emerge. The EU started to become more aware of China's growing international weight and started to convey the idea that a stronger and closer partnership between the EU and China implied a growing sense of responsibility from both sides. This can be connected to a growing frustration towards the lack of reciprocity faced by the EU in some areas of cooperation, namely trade. In a 2006 communication from the European Commission, there is a clear message that the challenges in EU-China economic and trade relations are increasingly present and potentially reducing the EU's benefits. These challenges gained much centrality in the EU's China policy to the point that the European Commission included a working document dedicated solely to EU-China trade and investment in the 2006 communication, entitled "Competition and Partnership". Besides pressing China on the lack of progress in market access and reciprocity and the growing trade deficit, new competitive challenges are identified: weak protection of IPR and forced technology transfers, competition derived from Chinese products in the European market, low compliance with environmental, social and safety standards, and market distortions deriving from China's race to natural resources. Additionally, the perception that China could become a potential technological competitor was already present in 2006¹². Once again, dialogue was seen as the main mechanism to tackle these challenges and manifest the need for reciprocity in EU-China trade and economic relations. With this, the 2006 communication introduced a new dimension to EU-China relations – competition – and exposed a new set of challenges that emerged from the growing links between the two actors. Moreover, the EU focused on transmitting the message that China needed to fulfil its responsibilities in the bilateral relationship, but also as an international actor with growing influence.

In the second EU Policy Paper, published in 2014, already under the new leadership of Xi Jinping, China recognised the existence of new competitive challenges, arguing that they «should be properly handled through dialogue in the spirit of equality and mutual respect» (Government of the People's Republic of China, 2014, p. 3). However, these issues remained a constant in the European discourse towards China, and signs of frustration continued to grow, while being accompanied by a steady increase in trade volume. In recent years, trade tensions have become so central to the point that the EU's perception regarding the balance of opportunities and challenges with China started to shift. This contradicts an idea that had been asserted both in the EU and China's documents throughout the years,

According to the EU and other WTO members, China does not meet the conditions to be considered a market economy, given the strong role of the State in the Chinese market.

¹² This idea is clearly expressed in the following statement: «China's research efforts are developing rapidly and China has the potential to move up the value chain into traditional areas of EU expertise» (European Commission, 2006, p. 8).

which was that the benefits brought by EU-China cooperation outweighed the risks. Nevertheless, the field of trade is not seen by the EU as a closed door, as one of the designations attributed to China is that of «a negotiating partner with whom the EU needs to find a balance of interest» (European Commission, 2019, p. 1).

3.2. From partners to competitors: the new European trade policy towards China

The perception that the EU's interests were becoming secondary in EU-China relations, aligned with a climate of growing geopolitical competition, has provoked a shift in the European policy towards China. With the area of trade being one of the main pillars of EU-China engagement, the shift in European trade policy is evident. We can regard the European Commission's joint communication of March 2019, titled "EU-China – A strategic outlook", as the pivotal moment in the EU's discourse on China, with the emergence of the well-known designation of China as a partner, competitor, and systemic rival. Given China's growing capacity to project its power into the international sphere, the EU no longer considers it a developing country, but as a «key global actor and leading technological power» (European Commission, 2019, p. 1). Moreover, this shift in the EU's policy towards China was felt in the employment of new terms, such as "realistic", "assertive", "flexible", and "pragmatic", that the EU used to affirm an approach in which its actions varied according to the issues and set of policies.

Regarding the position towards EU-China trade, despite recognising opportunities, the EU shows clear signs of frustration in balancing economic relations, particularly in increasing market access and maintaining a level playing field. China's weight in the world economy starts to be seen as a risk, with potential «negative spill-overs» (European Commission, 2019, p. 5), and the continued shielding of its domestic markets from foreign participation (especially in the sector of financial services). Although mentioned in previous communications, trade defence instruments became more integrated into the EU's strategy to balance economic relations with China, alongside the appeal to resolve disputes through international institutions. The 2019 communication included a section solely dedicated to the EU's competitiveness and ensuring a level playing field, indicating that the competitive dimension in EU-China economic relations was becoming more present. Strengthening the Single Market and protecting it from foreign state intervention are deemed to be the main strategies to ensure the EU's competitiveness and level playing field. Additionally, it is in this section that we find the first mention of ESA in the context of EU-China economic relations, namely to emphasise the importance of fostering European industrial competitiveness «with strong European players, around strategic value chains» (European Commission, 2019, p. 8).

This new European approach to trade with China has also been characterised by an increasing securitisation of economic relations, especially since 2020. With the COVID-19 pandemic and, later, the Russia-Ukraine conflict, the EU started to become more aware of the impact of geopolitical tensions

on the European economy. This scenario has originated, along with other policies that will be explored further, a need to protect the EU's economy from security risks. In June 2023, the European Commission published a communication entitled "European Economic Security Strategy" that solidified this idea by stating the following: «With geopolitical tensions rising and global economic integration deeper than ever before, certain economic flows and activities can present a risk to our security» (European Commission, 2023b, p. 1). Although this statement is not specifically directed to China, it influences the EU's approach to economic cooperation with Beijing. Regarding trade with China, some measures of the EU's new economic security strategy present possible tensions, namely, the reinforcement of trade defence instruments, IPR protection, and export controls of dual-use items¹³.

Given the evolution of the EU's discourse, we can argue that, in recent years, EU-China trade has become more complex and more politically sensitive. With the combination of failed expectations towards China and an international environment with growing geoeconomic risks, the EU seems to have reached a paradox: developing a more defensive approach to trade with China, while dealing with a scenario of stronger interdependence and growing trade links with the latter.

¹³ Dual-use items are goods, software and technology that can be used for both civilian and military applications.

4. EU-China Investment and ESA

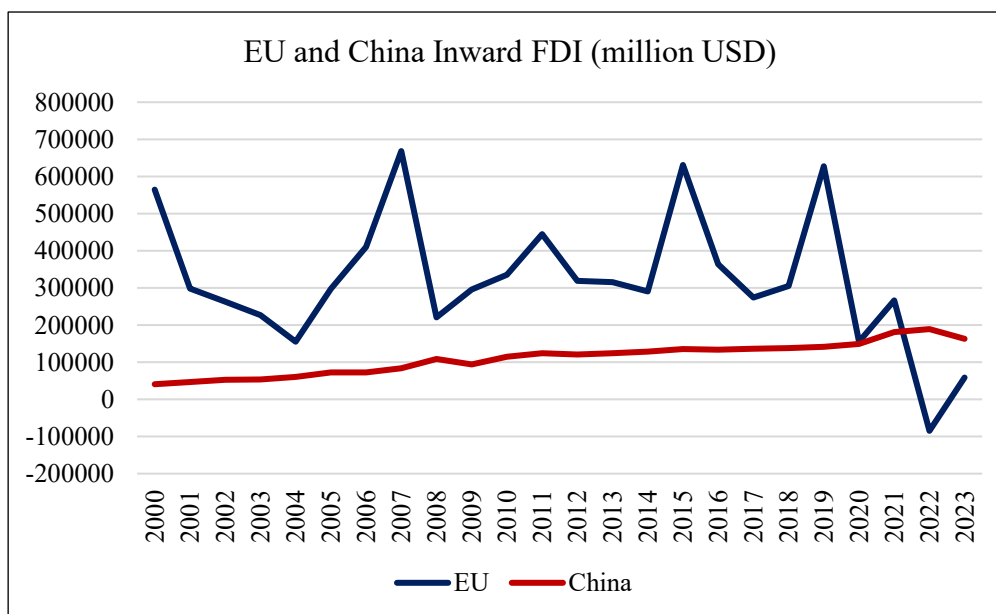
4.1. The Evolution of EU-China Investment Relations

The area of investment has been present in EU-China discussions since the beginning of diplomatic relations, with both parties being interested in «greater and mutually beneficial investment» (Agreement on Trade and Economic Cooperation between the European Economic Community and the People's Republic of China, 1985, Article 12). However, EU-China investment relations have not developed with the same intensity as trade relations, and the last two decades have seen little progress towards a comprehensive European approach to investment.

By comparing the evolution of European and Chinese FDI, we can identify a paradigm change in recent years. Starting with inward FDI, China has experienced growth in its stocks since the beginning of the twenty-first century, although it registered a decline in 2023 (UNCTAD, 2024). On the contrary, the evolution of the EU's inward FDI has been characterised by strong fluctuations in its stocks, entering a tendency of decline from 2019, with a slight rebound in 2023 (UNCTAD, 2024). The two previous trends can be indicative of a growing attractiveness of foreign investors in China and a possible loss of competitiveness of the EU. However, it is important to compare these two evolutions. As shown in Figure 4.1, the EU remained the one with the highest stocks of inward FDI until 2021, despite China's growth trend.

Figure 4.1

Evolution of European and Chinese Inward FDI from 2000 to 2023 in million USD

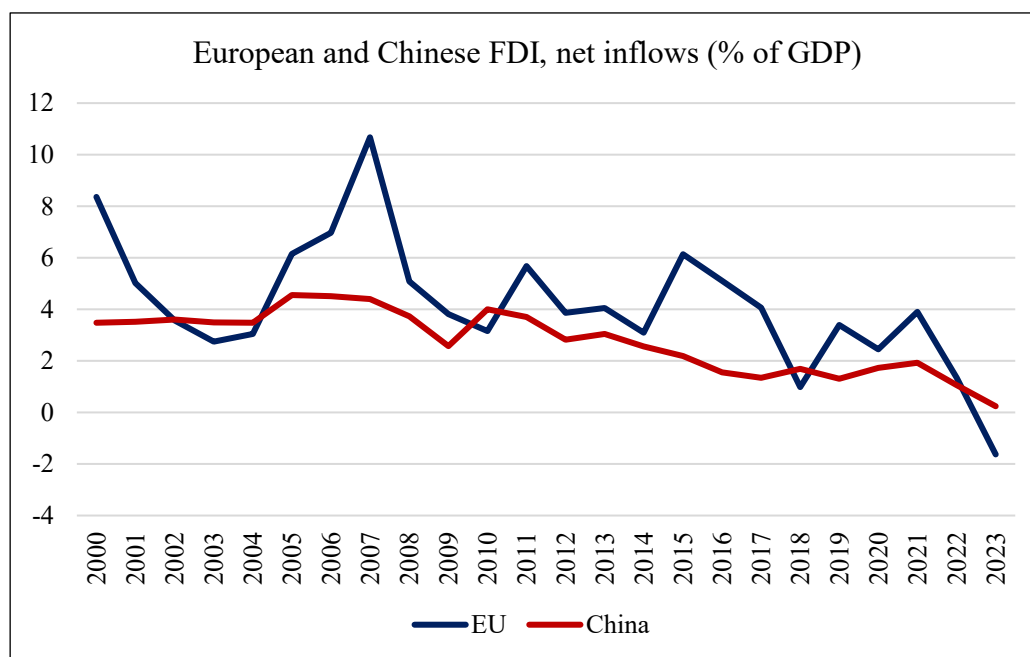


Note. Figure created by the author with data from UNCTAD (2024)

Regarding outward FDI (OFDI), China has demonstrated an impressive evolution, going from a mere receiving country to an important international investor. The past twenty years have been marked by a growing trend, with Chinese OFDI going from virtually zero in 2003 to around 148 billion USD in 2023 (UNCTAD, 2024). As one of the most important global investment powerhouses, the EU has maintained an important share of the world's OFDI flows. However, since 2019, this scenario has started to change, with the EU's share of global OFDI reaching its all-time low (UNCTAD, 2024). Although with fluctuations, the EU's OFDI has faced a declining trend, with its OFDI accounting for 37% of the world's OFDI in 2003, 26% in 2013, and 12% in 2023, approximately (UNCTAD, 2024). Nevertheless, when comparing the EU's and China's stocks of FDI, the EU remains a stronger international investor than China; however, China's evolution is more stable, as Figure 4.2 shows.

Figure 4.2

Evolution of European and Chinese FDI Inflows according to the percentage of GDP



Note. Figure created by the author with data from World Bank Group (n.d.)

After providing a picture of the EU and China's investment positions in the world, we can now analyse the evolution of investment relations between the two. Unlike trade in goods, data concerning investments between the EU and China is more sensitive and, thus, less available to the general public. This analysis is based on statistical reports published by official institutions and research entities, which provide data about EU-China investment in the form of statistics. With this variety of data, we analyse the evolution of European investment in China and Chinese investment in the EU.

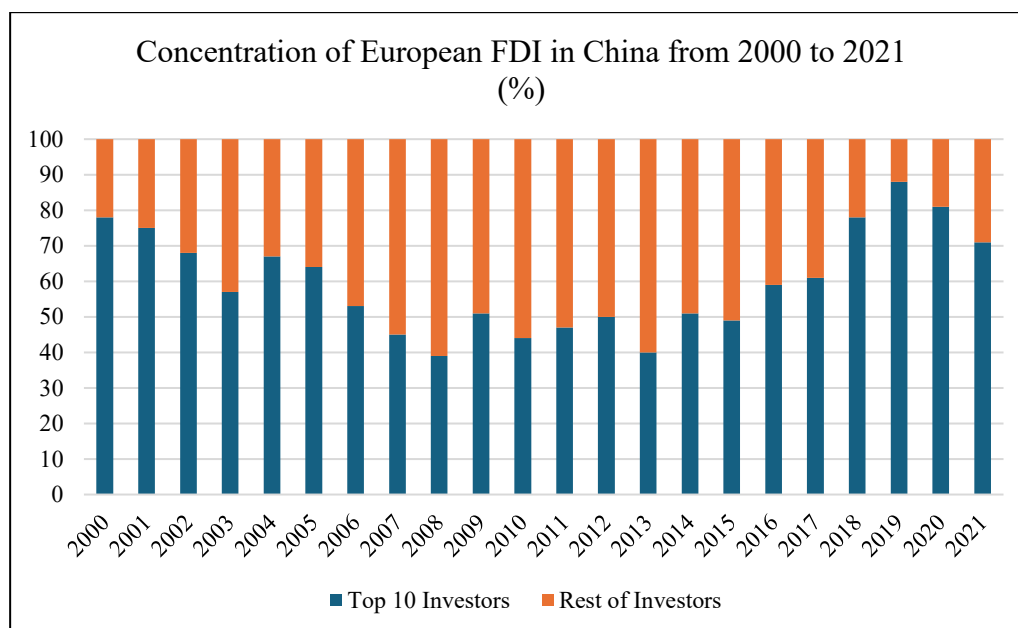
European investment in China has had a stable trajectory in the past two decades, registering a total of outward stocks of about 230 billion euros in 2023 (Durá et al., 2024). However, despite the steadiness

in terms of volume/value, the characteristics of European investments in China have changed throughout the years, namely in terms of investors, types of investments, and sectors. According to a 2022 study from Rhodium Group, the biggest transformation in European FDI in China¹⁴ is regarding the growing concentration of these investments into a reduced number of companies (Agatha et al., 2022). As shown in Figure 4.3, in 2010, the investment coming from the Top 10 European investors only represented 44% of the total European FDI in China, while in 2020, this percentage reached 81%. This concentration is also visible in terms of countries of origin, with Germany being the top European investor in China, followed by the Netherlands, the United Kingdom (UK), and France (Agatha et al., 2022). In recent years, the dominance of Germany has been consolidated, with German FDI making up 62% of total EU investment in China in 2022, according to another study by Rhodium Group (Kratz et al., 2024). As for the type of investments, Mergers and Acquisitions (M&A) have decreased significantly, with the share of greenfield investments growing since 2019 (Agatha et al., 2022), which, in turn, has allowed the EU FDI in China to continue to grow. Finally, the sectors in which European firms have invested have also changed in the past two decades. Besides becoming more concentrated in a small number of sectors, EU investments in China have switched their focus from the sector of basic materials, metals and minerals to the automotive sector, which has gone from representing less than 10% of all EU FDI in 2003 to more than half in 2022 (Kratz et al., 2024). The other dominant sectors of EU FDI in China have been: consumer products and services, agriculture and food, and health, pharmaceuticals and biotechnology (Kratz et al., 2024). It is important to note that, in recent years, the majority of auto-related FDI in China has come from Germany, and it has been mainly focused on electric vehicles (Kratz et al., 2024).

¹⁴ This study considers EU+UK FDI as European investment. Although the focus of this research is solely on the EU-27, the findings of this study remain valuable.

Figure 4.3

Concentration of European FDI in China from 2000 to 2021 in percentage



Note. Adapted from Agatha et al. (2022)

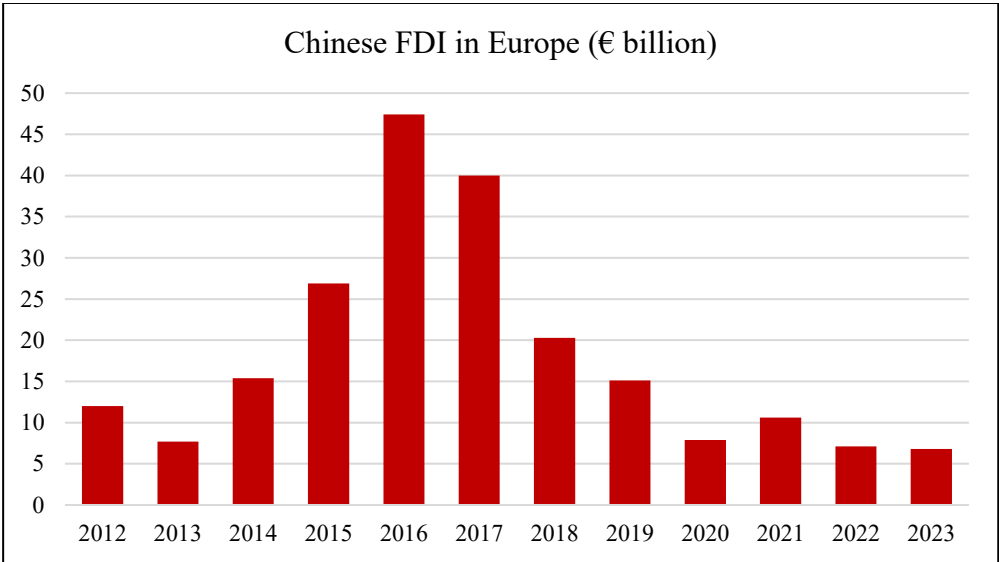
Looking at it the other way around, we see that the picture of Chinese FDI in Europe¹⁵ differs from the one mentioned above. Firstly, Chinese FDI in Europe took much longer to take off, with Chinese investments in Europe only starting to be noticeable in the last decade (Kratz et al., 2021). Figure 4.4 shows that investments originating from China into Europe have had a rising trend until 2016, reaching a peak of 47.4 billion euros, and then entered a trend of decline until 2023. Similar to European investments in China, Chinese FDI in Europe has been characterised by a decline in M&A, accompanied by a growing share of greenfield investments, with the latter representing 78% of the total Chinese FDI in Europe in 2023 (Kratz et al., 2024). In terms of destination, Germany, France, and the UK, known as the “Big 3”, have been the top receivers of Chinese FDI in the past twenty years (Kratz et al., 2022). However, an important trend has been noted since 2022: Chinese FDI in Europe has become more diverse in terms of destination, with countries from Central and Eastern Europe, especially Hungary, catching the attention of Chinese investors (Kratz et al., 2024). Figure 4.5 clearly illustrates this evolution and emphasises the drastic case of Hungary, which went from representing only 0.7% of Chinese FDI in 2014 to 44.1% in 2023 (Kratz et al., 2024). In terms of sectors, Chinese investments in Europe have been significantly more diverse compared to European investments in China. In the past decade, some of the dominant sectors have been consumer products and services, automotive, transport, construction and infrastructure, and entertainment, media and education (Kratz et al., 2022). Since 2022,

¹⁵ Similar to the reports that provide data on European FDI in China, the ones focusing on Chinese FDI in Europe also consider the EU-27+UK.

investments in the automotive sector have been largely concentrated in the electric vehicles value chain, with these investments accounting for 70% of total Chinese FDI in Europe in 2023 (Kratz et al., 2024).

Figure 4.4

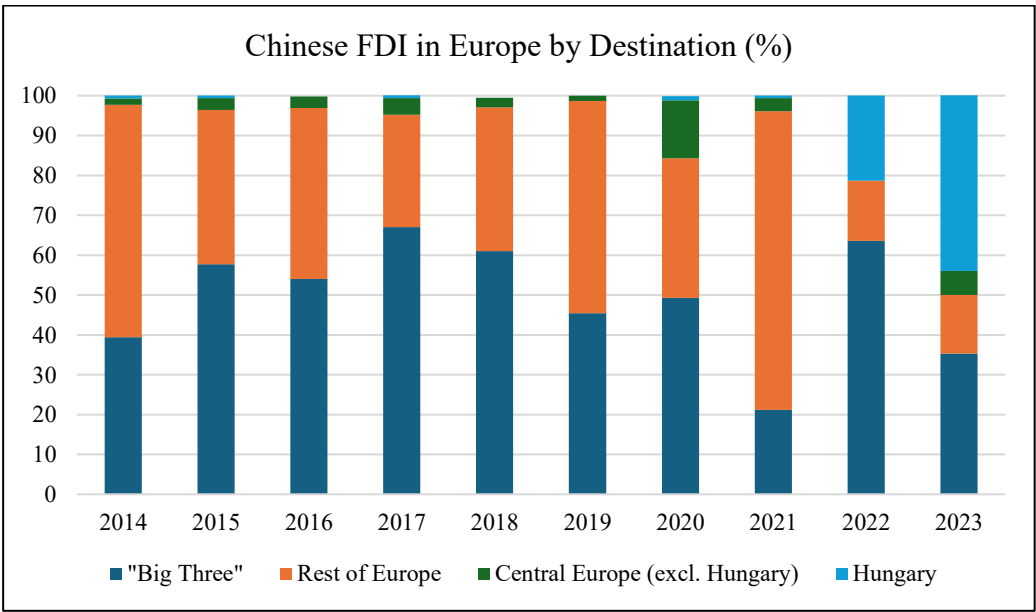
Chinese FDI in Europe from 2012 to 2023 in billion euros



Note. Adapted from Kratz et al. (2022)

Figure 4.5

Chinese FDI in Europe by Destination in percentage



Note. Adapted from Kratz et al. (2024)

When compared side by side, we can conclude that, between 2003 and 2023, the levels of European FDI in China have been higher than the levels of Chinese FDI in Europe. This scenario can be a reflection of China's transition from an investment receiver to an emitter, and the EU's new rules on FDI, which will be discussed in the next section.

4.2. From openness to securitisation

Similar to trade, the topic of investment has been present in the EU and China's discourse since the beginning of the relationship. The 1985 EU-China Agreement on Trade and Economic Cooperation already contained some dispositions regarding EU-China investments, namely that these should be promoted «based on the principles of equity and reciprocity» (Agreement on Trade and Economic Cooperation between the European Economic Community and the People's Republic of China, 1985, Article 12). As previously mentioned, investments between the EU and China developed more slowly than trade relations, which made the topic not so much present in the earlier communications. In 2006, the EU regarded its investments in China as beneficial since they «allowed EU firms to remain competitive by gaining access to lower-cost inputs» (European Commission, 2006, p. 6). However, in the same communication, obstacles to foreign investment implemented by China were voiced, namely through legislation discriminating against foreign operators and the restrictions on investment in the sectors of manufacturing, services, telecommunications and financial services. To mitigate these obstacles, the EU proposed an agreement focused on trade and investment issues with the main goal of «building on China's WTO commitments to remove restrictions on investment and foreign ownership in China» (European Commission, 2006, p. 14). This proposal was well accepted by the Chinese side, and in 2013, the two parties jointly published the “EU-China 2020 Strategic Agenda for Cooperation”, in which they committed to negotiate and conclude a comprehensive EU-China Investment Agreement. In the same year, the negotiations for this agreement were officially launched at the 16th EU-China Summit (Baruzzi, 2021).

Despite the commitment from both sides to negotiate an investment agreement, complaints regarding the difficulty of European companies in entering the Chinese market and the consequent lack of balance continued to be present in the EU's discourse towards China. Besides pushing for the conclusion of the CAI, the EU tied China's restrictions on foreign investment to its economic model, calling for «progress in China's reforms towards liberalising its economy» (European Commission & High Representative of the Union for Foreign Affairs and Security Policy, 2016, p. 6). Additionally, as China's investments in the EU grew, the EU welcomed them but emphasised the importance of following free market principles and combating market distortions deriving from state subsidies and other incentives. These situations show us that incompatibilities in economic models between the EU and China have been more salient in investment relations.

In the 2018 “China’s Policy Paper on the EU”, China reaffirmed its interest in signing a «win-win bilateral investment treaty» (Government of the People’s Republic of China, 2018, p. 3) and manifested its commitment to easing market access, addressing preferential national treatment and protecting the rights and interests of foreign companies, appearing to be prepared to deliver the fair treatment requested by the EU. Moreover, this paper included the first direct mentions of China’s growing interest in Central and Eastern Europe, which aligns with the growing share of Chinese investments in this region, felt a couple of years later. Nevertheless, these commitments were not enough to solve the EU’s complaints, as these were voiced again one year later in the “EU-China: A strategic outlook” communication. The EU claimed that China continued to shield domestic markets from foreign participation through multiple actions, namely: selective market opening, regulation, subsidies from state-owned and private companies, procurement market closure, among others. Another obstacle to European investment in China highlighted in this communication was the frequent pressure exerted on companies to form joint ventures with Chinese firms or to transfer key technology to them. With the negotiation process of CAI still ongoing, the hopes towards it remained high, as it could become a key instrument in «rebalancing investment relations and in securing fair and equal treatment for EU companies operating in China» (European Commission, 2019, p. 6).

Since 2019, a new trend in the EU’s discourse regarding investment has emerged, which is the growing securitisation of investments. A stronger attention to the potential security risks of certain investments in sectors that are considered strategic is visible, and EU-China investment relations are no exception. The EU began to associate activities such as «foreign investment in strategic sectors, acquisitions of critical assets, technologies and infrastructure in the EU, involvement in EU standard-setting and supply of critical equipment» (European Commission, 2019, p. 9) with risks to its security, emphasising the case of 5G networks¹⁶. This new position towards FDI led to the adoption of a new FDI screening mechanism designed to «detect and raise awareness of foreign investment in critical assets, technology and infrastructure» (European Commission, 2019, p. 10). According to a 2024 MERCIS report, the share of FDI screening cases related to China has been declining in recent years, with these accounting for only 5% of all cases submitted to the European Commission in 2022 (Kratz et al., 2024). Naturally, this is no surprise given the decline in Chinese FDI in the EU; however, it could also be indicative of a growing apprehension from Chinese companies in investing in sensitive sectors (Kratz et al., 2024).

The year 2020 marked the conclusion of the CAI negotiating process, with the EU and China agreeing on a final text for the agreement. The agreed dispositions included several commitments to be fulfilled by both parties regarding market access, investment liberalisation, transparency, technology transfers, and standard setting (European Commission, 2022). Moreover, the commitments included in

¹⁶ This is no coincidence, since the tensions between the EU and China concerning Chinese 5G networks that then led to the restriction of these networks in certain EU Member States, happened around the same time (Poggetti, 2021).

the CAI went beyond the economic sphere by including a chapter dedicated to sustainable development. In this chapter, which adopts «the EU approach to sustainable development» (European Commission, 2022, p. 4), both parties agree on commitments related to labour and environmental protection, Multilateral Environmental Agreements, ILO Conventions, Corporate Social Responsibility, and involvement of civil society. Given the evident connection between economic interests and values, we can say that the negotiations of the CAI followed the “EU way” of doing business. Despite the ability of the EU and China to find a consensus, this was not enough to go forward with the conclusion of the CAI, as the ratification process was stalled in 2021 due to sanctions imposed by both sides on each other in the context of human rights violations in Xinjiang (Blenkinsop, 2021).

With the CAI process at a stalemate, the tensions in EU-China investments remain unresolved, and the EU’s discourse has progressively focused on the security risks associated with FDI. In the European Economic Security Strategy of 2023, we identify a clear correlation between FDI and national security, as the FDI screening regulation is increasingly central to «ensuring the protection of security and public order» (European Commission, 2023b, p. 8).

5. De-risking from China: towards pragmatic cooperation?

The previous chapters have discussed the evolution of EU-China economic relations towards an environment of apprehension and limited cooperation to avoid exposure to risks. This logic is not separated from the other EU policy areas; it follows an approach that has been developing since 2016, focusing on promoting the EU's strategic autonomy and protecting its position from the new geopolitical risks that emerged in the past decade.

In 2016, the European External Action Service (EEAS) published the new EU Global Strategy, intending to update it to face new internal and external challenges. As described by the EEAS, this strategy is developed to guide the EU's actions in «times of existential crisis, within and beyond the European Union» (EEAS, 2016, p. 7). Externally, a shifting geopolitical landscape and the emergence of new threats created a more unstable international environment, while within the EU, BREXIT, the refugee crisis, and the economic consequences of globalisation introduced uncertainty to the EU's unity and its role as a global player. Given this environment, this strategy established the principles and priorities of the EU's external action, with new elements that should be carefully analysed in the context of the new European approach to China.

Firstly, the EU emphasised the importance of managing interdependence, given «all the opportunities, challenges and fears it brings about» (EEAS, 2016, p. 8). Managing interdependence is not the same as promoting isolation but involves a growing awareness of the existing links between internal and external dynamics, leading to an approach based on “principled pragmatism”. Consequently, five priorities of the EU's external action were established: the security of the EU; resilience of states and societies in the East and South; an integrated approach to conflicts; cooperative regional orders; and global governance for the 21st century. The concept of ESA is aligned with these priorities, emphasising the promotion of peace and the strengthening of the EU's security and defence industry, considering the growing perception of a fragile security order. Additionally, the strategy identified several areas with a growing strategic relevance, including cybersecurity and digital governance, space, energy, health, biotechnology, artificial intelligence, and robotics. The identification of these new strategic areas signals an expansion of a security-based approach into sectors that were not related to security in the past. Regarding the role of China in the new EU Global Strategy, it can be summarised as follows: «The EU will deepen trade and investment with China, seeking a level playing field, intellectual property rights, greater cooperation on high-end technology, dialogue on economic reform, human rights, and climate action» (EEAS, 2016, p. 38).

A few years after the 2016 EU Global Strategy, the European Commission began the publication of an annual series entitled "Strategic Foresight Report". The first report in this series was published in 2020 during the new European Commission leadership of Ursula von der Leyen and the outbreak of the COVID-19 pandemic. Its main aim was to «integrate strategic foresight in EU policy-making». (European Commission, 2020, p. 2). By incorporating foresight into its policy fields, the EU aimed to

enhance its capacity to anticipate and better prepare for the future, namely through the identification of emerging trends and scenario planning. The growing attention to foresight was a consequence of the EU's challenges in coordinating the response to the COVID-19 pandemic, but also of the need to reinforce the EU's role in a changing global order. As such, the central theme of the 2020 Strategic Foresight Report was resilience, defined as «the ability not only to withstand and cope with challenges but also to undergo transitions in a sustainable, fair, and democratic manner» (European Commission, 2020, p. 2). The report focused on promoting the EU's resilience in four dimensions: social and economic, geopolitical, green, and digital. The geopolitical dimension was the one that best reflected how the EU positioned itself in a «highly interdependent world of competing powers» (European Commission, 2020, p. 14), identifying its strengths and vulnerabilities in the promotion of geopolitical resilience. The EU's reputation as a trusted partner, its global trade ability, space power, leadership in humanitarian aid, and, most importantly, its normative power, were all regarded as important sources of geopolitical strength.

Nevertheless, vulnerabilities do exist, and this report emphasised a specific one: the EU's overreliance on non-EU powers, especially for critical raw materials. The EU recognised its growing dependence on a limited number of external suppliers for some critical goods, components, and raw materials, which leads to an increasing vulnerability of European supply chains. The case of critical raw materials became a priority due to their strategic relevance, namely for the EU to stay «at the forefront of global competition – be it in economic or defence terms» (European Commission, 2020, p. 17). The dependence on extra-EU suppliers of critical raw materials is evident, with China occupying a leading position in the supply of Europe's raw materials¹⁷. It is within the context of the debate around critical raw materials and the other vulnerabilities to the EU's geopolitical resilience that we can find another concept gaining strength in the EU's discourse: open strategic autonomy. Open strategic autonomy can be seen as a direct application of the more abstract concept of strategic autonomy to the area of foreign trade and international economy, focusing on the reduction of dependencies and strengthening of strategic supply chains. In practice, this can be translated into «diversify and solidify global supply chains in critical sectors, intensifying ties with partners, (...) re-shoring production where necessary, developing substitutes through innovation, and increasing [our] strategic reserves» (European Commission, 2020, p. 20). Thus, we see that the EU's strategic goals rely on a dual approach to mitigate risks: diversifying suppliers and strengthening domestic capacities.

This logic continued to be developed and remained largely present in the European Economic Security Strategy of 2023. Here, economic security risks were the main target of the EU's strategy. We see the concept of de-risking gaining more traction, accompanied by the notion that «risks are both evolving rapidly and merging with national security concerns» (European Commission, 2023b, p. 2). A new conception of security emerged, based on the idea that, to address new threats, traditional

¹⁷ See Figure 3.1 in European Commission (2020, p. 18)

approaches to national security should be complemented with policies that promote economic security. In this communication, the European Commission identified four areas where economic security risks could exist, namely, supply chain resilience, physical and cybersecurity of critical infrastructure, technology security and technology leakage, and weaponisation of economic dependencies or economic coercion. The EU's strategy to tackle these risks, while continuing to operate under an open economy, was designed around three main priorities: *promoting*, *protecting*, and *partnering* (European Commission, 2023b). For each priority, a set of actions and tools was established.

The first priority focuses on *promoting* the EU's economic strength and competitiveness, which, consequently, relates to reducing excessive dependencies and supply chain vulnerabilities. To achieve this, the EU has promoted strategies, such as the Global Gateway¹⁸, that strengthen the Single Market, and has adopted several proposals that «increase resilience and strengthen supply chains» (European Commission, 2023b, p. 6). The EU Industrial Strategy, the Critical Raw Materials Act, the European Chips Act, and the Net-Zero Industry Act are all examples of concrete actions that aspire for greater European competitiveness. The *protecting* dimension is centred on shielding the EU from the previously mentioned risks deriving from activities such as trade, investment, and science and technology cooperation. In turn, this protection is translated into trade defence instruments, regulation on foreign subsidies, the EU Anti-Coercion Instrument, FDI screening, export controls on dual-use items, and greater awareness of the risks of cooperation in research and technology. Finally, *partnering* encompasses all kinds of bilateral and multilateral cooperation initiatives that the EU has been building under the principles of «shared interests and common dependencies» (European Commission, 2023b, p. 12).

China was not directly mentioned in the 2023 Economic Security Strategy, but we can find common denominators between the risks identified in it and the points of tension in EU-China economic relations. This can be evidenced in the following statement taken from the European Commission's communication on the economic security strategy: «Strategic dependencies, which may give rise to economic security risks, can be exacerbated by non-market policies and practices used by third countries that tilt the playing field» (European Commission, 2023b, p. 7). The 2023 Strategic Foresight Report is in line with the European Economic Security Strategy, focusing on the intersections between the climate transition and the EU's open strategic autonomy. In this report, China was framed within the trend of rising geopolitics and the reconfiguration of globalisation, described as «moving into a new era, focused on economic influence and diplomatic assertiveness, aiming at a systemic change of the international order» (European Commission, 2023a, p. 2). Moreover, China's economic influence among developing countries and the B&RI were linked to a reflection of how international relations have become more

¹⁸ The Global Gateway is a strategy developed by the European Commission to «boost smart, clean and secure links in digital, energy and transport sectors and to strengthen health, education and research systems across the world» (European Commission, n.d.-d). The main regions of focus of this strategy are Africa, Asia and the Pacific, and Latin America and the Caribbean.

transnational, giving rise to a «battle of offers» (European Commission, 2023a, p. 3). This discourse reflects a growing relevance of the “systemic rival” dimension.

Although the previous official documents do not explicitly link EU-China relations with the EU’s economic security, a speech by the European Commission’s President von der Leyen delivered on 30 March 2023 to MERICS and the European Policy Centre clearly demonstrated how interconnected the two are. In her speech, von der Leyen manifested that the management of the relationship with China «will be a determining factor for our future economic prosperity and national security» (von der Leyen, 2023, para. 2). This management is done through the de-risking approach, both in diplomacy and economically. With this, we see a direct application of the policy of de-risking to EU-China economic relations that includes the following actions: being independent and diversifying from China (the *promoting* dimension); addressing the security risks related to EU-China trade and investment and defending critical sectors (the *protecting* dimension); promoting the EU’s alignment with other partners, namely the G7 and G20 (the *partnering* dimension).

In recent years, we have witnessed an EU that has become more apprehensive towards the current international environment, perceiving international relations through a geopolitical and geoeconomic lens, questioning the benefits of interdependence. This new position originates from the combination of new international dynamics, characterised by new conflicts and the emergence of new powers, and the EU’s internal challenges that restrict its global agency. China, in its turn, has become a priority in this new European approach to international affairs, and this can be explained by the global relevance it has achieved in the past two decades. China has occupied first place among the EU’s biggest import partners and holds a strong position in the world economy, being a central player in strategic sectors and global value chains. This transition has turned China into a new and relevant competitor of the EU and, consequently, an important element of de-risking. Although not being exclusively directed to China, the concept of de-risking has been employed several times in the EU’s discourse towards China, creating a clear connection between the two. Nevertheless, the idea of de-risking seems to be much more visible in the EU’s political discourse compared to the economic reality between the EU and China, as the latter remains characterised by a strong level of interdependence.

6. Results and Discussion

The present investigation aimed at understanding the connections between the EU's policy of strategic autonomy and its economic relations with China. By relying on a qualitative methodology that employed content analysis on policy documents, official communications, and trade and investment statistics of the past two decades, this research produced results that help us answer the research question established in the beginning, which was: *How might the ESA policy impact the economic relations between the EU and China?*

The trade between the EU and China has had a continued growth in the last 20 years without any significant declines. A growth in both trade in goods and services was noted, with trade in goods being the main driver of the continuous overall growth of EU imports from China, reaching the value of 628 billion euros in 2022 (Eurostat, 2025a). However, trade in goods and trade in services operate under different circumstances. In trade in goods, the EU has had a permanent deficit with China, with a negative trade balance reaching its peak in 2022 and showing no signs of slowing down (Eurostat, 2025a). As for trade in services, we see the opposite, with the EU possessing a significant and growing trade surplus towards China (Eurostat, 2025c). As for the EU-China trade according to Member States, the statistical data showed that it has been significantly concentrated on four Member States: Germany, France, Italy, and the Netherlands (Eurostat, 2025b). Additionally, by analysing the trade levels of each Member State, we found that some Member States hold a trade surplus in their bilateral trade with China (Eurostat, 2025b), emphasising the heterogeneity of the EU's trade policy. Regarding the types of goods traded between the two partners, the collected data showed that exports to China are more diversified than the imports, with machinery and electronic equipment being the top categories imported by the EU from China (Eurostat, 2025b).

The EU's position on trade with China has evolved from cooperation without limits to economic de-risking. This evolution resulted from several factors, namely, growing frustration with unresolved trade frictions, China's international assertiveness and its weight in the world economy, and the perception of a changing global order marked by new geopolitical tensions. In 2019, a shift was felt in the EU's China policy, and China received the designation of economic competitor on which the EU should depend less to achieve strategic autonomy. Moreover, our content analysis identified the continuous presence of references to over-dependences and the importance of mitigating them, from the 2019 "EU-China: strategic outlook" communication onwards. This demonstrates that the EU has also shifted its view on interdependence, changing from a positive force that defined the 21st-century international system to a factor that needs to be managed due to its risks. Similarly, the principle of mutual benefits has been a constant in the EU and China's discourse regarding each other and is seen as the central piece to ensure the success of EU-China relations. Our analysis has revealed that references to mutual benefits have become less frequent in the EU's discourse towards China, especially after the 2019 communication "EU-China: a strategic outlook". This decrease has been visible in the context of

economic relations as well as other areas of cooperation, and it reveals an important finding: the EU has become more reluctant towards the win-win character of its relationship with China.

When compared with trade, we can see that investment has had a slower development, and the investment positions of the two powers have changed significantly since the beginning of the twenty-first century (Figures 4.1 and 4.2). China went from a mere receiver to a strong international investor, strengthening its presence both in the developed and developing world. As for the EU, it remains a very attractive destination for FDI, but its capacity as an FDI emitter has been in decline (UNCTAD, 2024), which possibly indicates it is being replaced by other powers. Nevertheless, when compared side by side, the EU's FDI stocks remain higher than China's (UNCTAD, 2024). In terms of EU-China FDI, our analysis showed that European investment flows in China have remained stable in the past two decades (Durá et al., 2024). However, some important changes have been noted, namely how European FDI in China has grown more concentrated, both in terms of investing companies and in terms of countries of origin (Agatha et al., 2022). In this context, Germany has stood out in recent years as the biggest EU investor, accounting for 62% of the European FDI in China in 2022 (Kratz et al., 2024). Additionally, the analysed reports have shown that there has been a shift from M&A to greenfield investments (Agatha et al., 2022) and that the sectors targeted by European companies have become more concentrated, with the automotive sector becoming the new focus (Kratz et al., 2024).

In its turn, Chinese FDI in Europe has had a different evolution, registering a declining trend in the past decade, going from 47.4 billion euros in 2016 to 6.8 billion euros in 2023 (Kratz et al., 2022). Similar to the EU FDI in China, the previous scenario has been accompanied by a decline in M&A and a growth in greenfield investments (Kratz et al., 2024). In terms of destination, a very recent trend has emerged, which reveals a growing diversification of the Member States targeted by Chinese investors, with a particular interest in the Central and Eastern European regions (Kratz et al., 2024). This new attraction, with Hungary becoming a top destination in 2023 (Figure 4.5), may be explained by the growing discontentment voiced by traditional investment partners (Germany, France, and the UK) and the closeness between the Chinese and the Central and Eastern European political actors. Finally, the automotive sector has become increasingly relevant in China's investments in Europe, especially investments concerning the electric vehicles value chain, which accounted for 70% of the total Chinese FDI in Europe in 2023 (Kratz et al., 2024).

Our analysis reveals that the tensions between the EU and China concerning bilateral investments, namely related to market access and fair treatment of foreign companies, remain an obstacle to further development of EU-China investment relations. The past decade has been characterised by a constant exchange of complaints, mainly coming from the European side, which have not been resolved and contributed to the stagnation and decline of EU-China investments. Alongside this, the EU's increasing securitisation of FDI, reflected in its discourse and actions, has contributed to this negative environment. This phenomenon is based on a fusion between economic and security issues that has been gaining traction since 2019 and was exacerbated by the COVID-19 pandemic and the Russian invasion of

Ukraine, but also by the growing role of technology in power competition. This new European approach reveals the pertinence of interdependence theory and geoeconomics, as it is rooted in a situation of asymmetrical interdependence, which, consequently, can be instrumentalised to pursue geopolitical goals. Given this, the EU has been developing its regulation on FDI screening and alerting its Member States to the potential risks of foreign investment, especially in strategic sectors.

All of the previous dynamics can be connected to ESA, a concept that went from being restricted to defence and security issues to being extended to multiple policy fields, such as trade, investment, industry, science, and technology. According to our analysis, the document where the term ESA was most mentioned was the “2020 Strategic Foresight Report”, where it was incorporated across multiple areas of the EU’s foreign policy. In the documents and communications directly related to China, only one reference to strategic autonomy was identified. The latter is present in the “EU-China: a strategic outlook” communication and appears in the context of the EU’s industrial competitiveness (European Commission, 2019). Moreover, the 2023 European Economic Security Strategy was the document with the strongest focus on the EU’s more recent international trade and investment approach. Given China’s role as the EU’s economic competitor, it would be expected that references to the latter would be found in this document. However, this did not occur, and China was never directly mentioned in the EU’s economic security strategy. This means that, although the EU’s trade and investment policy towards China has shifted and increasingly reflected the goal of strategic autonomy, namely through the de-risking approach, the direct linkages between these and China are still rare in the EU’s discourse. This phenomenon could be a reflection of the lack of cohesion of the EU’s China policy, rooted in the different Member States’ positions towards China and the multiple definitions attributed to the latter, which prevent the EU from adopting a more assertive position. Furthermore, when we consider the argument of geoeconomics – specifically, that economic tools have become more significant than military ones in the power struggle between states – we can suggest that the EU’s hesitance to directly link China with strategic autonomy and economic security might stem from a desire to avoid a more confrontational stance that could escalate tensions with China.

Another important finding relating to how the EU employs its discourse reveals that values remain an integral part of the EU’s policy towards China. The document with the highest number of references to political values and Human Rights was the EU’s Global Strategy of 2016 (EEAS, 2016), which, interestingly, has a strong focus on European defence. This, in turn, encapsulates a core notion of the EU, which is the one that sees the fragmentation of European values as a potential threat to the EU’s security. Although there is no obvious pattern of frequency, references to Human Rights and values like democracy and the rule of law are constantly present in European communications about China, often integrated into other areas of cooperation, such as economic ties. The differences in values and political systems have been a constant point of tension between the EU and China, which have negatively affected not only political cooperation but also economic relations, as the case of the CAI demonstrates. This happens because norms and values remain a crucial pillar of the EU’s foreign policy and a source of

normative power. Throughout the set of documents selected for this analysis, we saw a constant mention of the importance of preserving European values and the EU's capacity to project them internationally. This reveals that the EU feels that its normative capacity is being challenged, not only by the rise of far-right populism within the Member States, but also by the emergence of new international powers with alternative sets of values. China is central to this question, hence its designation as a strategic rival.

The analysis of the collected data reveals that the economies of the EU and China remain strongly linked. Despite operating under a permanent deficit, trade remains high, and the strong pressure to reduce dependencies has not had a significant impact, as both trade in goods and services continue to grow (Figures 3.1 and 3.2). In terms of investment, the EU FDI in China and the Chinese FDI in the EU appear to have reached a stagnation point, and given the wide range of external factors that can influence foreign investments, it becomes difficult to establish a direct link to the ESA policy. However, the impact of the growing securitisation of investments and protection of strategic sectors and technologies should not be ignored when looking at the decrease in Chinese investments in Europe. As the EU projects the idea of de-risking, whether in its discourse towards China or as part of its international strategy, Chinese investors may become more apprehensive given the possibility that their investments could become targets of investigations or even be blocked. Simultaneously, we see the emergence of new investment projects mainly focused on the automotive sector, coming from China, which indicates that the European Market remains attractive to some extent.

Given this, our findings reveal that there is some discrepancy between the EU's discourse towards China and the practical nature of EU-China economic relations. The level of emphasis put by the EU on reducing dependencies on China and strengthening its strategic autonomy does not match the degree of interdependence that still exists between the two. Moreover, the EU claims it has adopted a more pragmatic approach towards cooperating with China by developing the "partner, competitor, and systemic rival" designation, when, in practice, this appears difficult to manage. Previous works have focused on this challenge, and the present research contributes to the argument that the tripartite definition has weakened the comprehensive nature of EU-China relations (Bērziņa-Čerenkova, 2023), leading them to a situation where cooperation and confrontation coexist (Cardoso et al., 2023; Yang, 2024). This is mainly because there is still a lack of cohesion regarding the European policy towards China, another aspect emphasised by the previous literature, and reflected in the different levels of trade and investment links across Member States. More importantly, this happens because many of the areas where China is seen as a partner are connected to others where it is seen as a competitor or rival. The case of economic relations is very illustrative of that, as the EU relies on China as one of its most important trade partners and suppliers of strategic goods and green technology, but also frames its investment activity and the overdependence on Chinese trade as a risk to the EU's security. In the end, this leads to a paradox: the current EU strategy on China frames one of its main economic partners as a rival. In other words, China ends up being part of the problem and the solution simultaneously.

7. Conclusion

This work aimed to analyse the impact of ESA on EU-China economic relations, more concretely, on understanding how the emergence of a European discourse that focuses on strengthening the capacity to act autonomously and reducing dependencies on non-EU suppliers has been reflected in EU-China trade and investment relations. Given this, the departing question for this research was: How might the ESA policy impact economic relations between the EU and China? The combination of the analysis of trade and investment statistical indicators with the analysis and interpretation of policy documents and official communications from the EU and China was deemed to be the best approach to answer the previous question. By including these two analyses in our work, it was possible to assess how proportional the EU's discourse is to the economic reality between the EU and China, showing whether the first impacted the second and, if so, in what way. Moreover, by incorporating qualitative content analysis as a method, it was possible to account for certain aspects concerning the changing nature of EU-China economic relations that might not be visible in the numbers.

The results of our analysis revealed that EU-China trade relations have had continuous growth over the past two decades, operating under a scenario of strong interdependence characterised by the EU's permanent and growing trade deficit and a strong concentration of trade in a small number of Member States. Regarding the EU's discourse on trade with China, a decline in the position that promoted cooperation without limits and framed EU-China trade as mutually beneficial has been noted. In the past decade, the EU has increasingly perceived trade relations with China as unbalanced and representing a potential risk to its strategic autonomy. This position has been clearly reflected in the adoption of the de-risking strategy and the designation of China as an economic competitor. However, our analysis reveals that this drastic shift in the EU's view of EU-China trade has not yet produced equally drastic effects in the trade levels between the two, as these continue to grow. On the other hand, the EU-China investment picture has had a different evolution, especially in the case of Chinese FDI in the EU, which has been in a constant decline since 2016. Although affected by other factors, we argue that the increasing securitisation of FDI, present in the EU's discourse and policies in recent years, may have worked as a discouraging factor to Chinese investment. The predominance of a view based on economic security can be a reflection of the ongoing tensions in investments between the EU and China, but also of the growing weight of economic instruments in geopolitical disputes.

Although being the baseline for the strategies mentioned above, our analysis has found that direct references to ESA in relation to China remain rare. This means that, despite increasingly incorporating ESA in its economic strategy, the EU has sought to avoid linking it directly to China. This reflects a visible concern in avoiding overt confrontation with China, given that economic links remain crucial to both partners. It is here that we begin to see a key paradox in our analysis, one that puts in evidence how the EU is pursuing a policy that frames an essential partner with whom it shares a strong economic interdependence as a strategic rival, from which the EU should be more strategically autonomous. The

main conclusion of this work is that the EU's policy of strategic autonomy has influenced its discourse and regulatory framework toward China, but in practice, the latter remains an essential economic partner to a variety of Europe's strategic sectors. The ambiguous stance that frames China as both partner and rival reveals that the EU is conscious of this paradox, but for reasons such as the lack of a single approach to China among Member States and the strong role China has had in the European market, difficulties in adopting a stronger position persist. Future work should continue to study how the EU will manage this, especially in light of recent international developments.

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Annex A

Content Analysis of Documents: Inductive Categories and Frequencies

CODE		DOC 2	DOC 3	DOC 4	DOC 5	DOC 6	DOC 7	DOC 8	DOC 9	DOC 10	DOC 11	DOC 13	DOC 14	DOC 15
STRATEGIC AUTONOMY	DEFENCE						2							
	ECONOMY										3	1	1	
	INDUSTRY									1		1		
	SCIENCE & TECHNOLOGY										3			
	GENERAL						1				11		5	
DE-RISKING												14		9
DEPENDENCIES										1	9	5	4	3
TRADE AND INVESTMENT CONTROLS	TRADE DEFENCE			1				2		3		2	1	2
	INVESTMENT SCREENING									2	1	3		2
EU UNITY/INSTITUTIONAL VOICE		2		1			6	4		1	2	3		3
VALUES	GENERAL	1		5		1	25	3	2	5	5	2	4	2
	HUMAN RIGHTS	31	2	5	1	8	31	17		8	1	1	1	5
	DEMOCRACY/RULE OF LAW	12	2	2		2	29	11	6	2	17		18	2
	WIN-WIN COOPERATION					5			2					
	NON-INTERFERENCE					3								
	PEACEFUL DEVELOPMENT		3			4								
PERCEPTIONS ABOUT CHINA/EU	GENERAL	3						1	1	1	1		1	2
	PARTNER	5	2	4		2		3	1	3			1	1
	COMPETITOR			8		3		3		2			1	1
	RIVAL									1			1	2
SECURITY-ECONOMY FUSION							2			2	2	6	1	4
INTERNATIONAL ORDER	MULTIPOLARITY	2	1		3	4		1	2		2		1	
	MULTILATERALISM	4		5	2		6	3	2	2	2	1	2	
	FOREIGN POLICY		2	1		2		2	2		1	1		
EQUALITY	ECONOMIC RELATIONS		1	1		1			1	1				
	OTHER		1		4	5			4		2		5	
MUTUAL BENEFITS	ECONOMIC RELATIONS		1	2	2	1		2		1	1	1		1
	OTHER	3	5	4	1	5		3	3	1	1			

	TITLE
DOC 2	A maturing partnership – shared interests and challenges in EU-China relations (2003)
DOC 3	China's Policy Paper on the EU (2003)
DOC 4	EU-China: Closer partners, growing responsibilities + A policy paper on EU-China trade and investment: Competition and Partnership (2006)
DOC 5	EU-China 2020 Strategic Agenda for Cooperation (2013)
DOC 6	China's Policy Paper on the EU: Deepen the China-EU Comprehensive Strategic Partnership for Mutual Benefit and Win-win Cooperation (2014)
DOC 7	Shared Vision Common Action: A Stronger Europe (2016)
DOC 8	Elements for a new EU strategy on China (2016)
DOC 9	China's Policy Paper on the EU (2018)
DOC 10	EU-China: A strategic outlook (2019)
DOC 11	2020 Strategic Foresight Report
DOC 13	2020 Strategic Foresight Report
DOC 14	2023 Strategic Foresight Report
DOC 15	Speech by President von der Leyen (2023)