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Foreword

Dear Reader,

As EuroHub4Sino's three-year programme draws to a close, Almanac 2026 brings together research on the changes within China and their implications for Europe. The contributions examine a shared question: how can Europe preserve its capacity to act as China reshapes its economy, advances its technological ambitions and extends its international influence?

Understanding China's domestic complexity remains essential. Studies of the Fifteenth Five-Year Plan, local economic governance and generational change examine the distance between national ambitions and their implementation. They show how fiscal pressures, competing institutional interests and changing social expectations shape policy outcomes. Research on nationalist discourse explores how the Communist Party links its authority to national rejuvenation.

These domestic dynamics carry consequences well beyond China. Contributions on the Global South, human rights and Peru examine how development partnerships and competing political narratives influence international alignments. Work on de-risking, supply-chain dependencies, Russia–China cooperation and US–China relations considers the pressures on Europe's economic security and strategic choices. Across these debates, credible European engagement requires greater attention to the priorities and autonomy of partner countries.

Technology connects many of these questions. Analyses of innovation policymaking, semiconductors and biotechnology explore how commercial activity interacts with state priorities and national security. Research on relational artificial intelligence and the military significance of aggregated civilian data raises further questions about regulation, openness and responsibility. These studies encourage Europe to assess specific institutions and pathways of risk while sustaining the capabilities needed for innovation.

The climate contributions likewise examine the tensions within China's transformation. Its rapid expansion of green industries coexists with persistent coal dependence and unequal social and regional outcomes. Analysis of China's role at COP30 adds an international dimension, asking how technological prominence relates to diplomatic commitments. Together, these studies identify opportunities for cooperation grounded in verifiable environmental outcomes and a fairer distribution of transition costs.

The collection also looks ahead. The exploratory scenario of Europe–China relations in 2036 invites readers to consider how present dependencies could narrow future choices. It reinforces the value of research that questions assumptions and helps policymakers prepare for different outcomes.

We thank the authors and partner institutions whose work has sustained EuroHub4Sino. Our purpose remains to make independent research on contemporary China accessible and useful to European audiences. We hope this Almanac supports informed debate and the development of European policies grounded in a detailed understanding of China.

Yours sincerely,

EuroHub4Sino Editorial Board

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Parsing the Plan: Why it Matters, But Maybe Not as Much as You Think

by Shaun Breslin

KEY TAKEAWAYS

- The announcement of the 15th Five Year Plan (FYP) is an important event, and will contain important information. But it should not be thought of as providing a clear blueprint to a desired economic future on its own.
- The FYP forms part of a much bigger project of enunciating and explaining directions of change and goals, and establishing ways in which goals might be attained.
- The general direction of travel has typically been fairly well established before the publication of the plan itself.
- While FYPs do contain some important detail, much of the job of turning aspiration into action subsequently follows through the development of other plans, experiments and pilots.
- The way in which the FYP is announced and publicised is as much an exercise in political theatre as it is clearly defined path to a new economic future.

Keywords

Five Year Plan

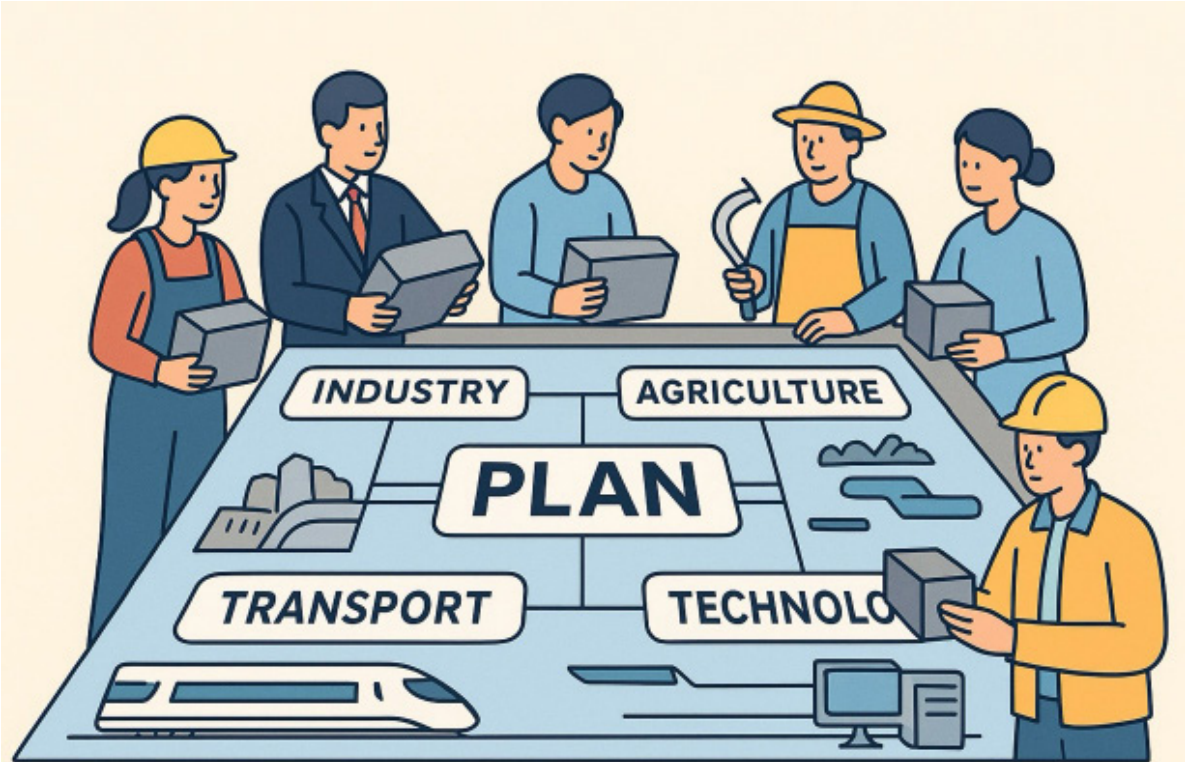
Industrial Policy

Political Theatre

Performance Legitimacy

Sectoral Plans

Regional Plans



Introduction

The announcement of a Five Year Plan (FYP) in China is a big thing. It might not have the same visual impact as a military parade across the top of Tiananmen Square or even of keynote speeches to packed audiences at the National Party and People's Congresses. Nevertheless, it forms one part of the grand political theatre used by the party to tell its preferred story of itself to the Chinese people, to show that it has a long term vision for what is best for China in the long run, and to persuade the people that it has the knowledge, tools and skills to be successful. In recent years, there has also been an emphasis on how this Chinese system of what is called "whole process democracy" is better than western style liberal democracies on delivering what the Chinese people need and want *[1]*; though telling them what they need and want is also very much part of this process too.

So the unveiling of the new 15th FYP to run from 2026 to 2030 really is important and worth studying in some detail. That said, it would be a mistake to place too much of an emphasis on the announcement of the FYP itself, or even on the specifics of its contents. To be sure, it is important to look at what is said, and in particular to focus in on specifically enunciated goals and objectives. But the plan on its own does not tell us as much about the future as we might expect. That's why this paper does not provide an analysis of what is in the plan itself. Rather it is a paper that explains how to understand the significance of the plan (and its announcement) relative to other major policy changes, and where it fits within a broader structure of announcing and promoting goals and aspirations (and how to attain them).

Heilmann and Melton argued that rather than think of the FYP as the single definitive document that clearly sets out the way forward for the next five years, it is best to think about a hierarchy of documents plans and announcements that collectively shape the direction of travel. Their main focus is on what happens after the Plan has been announced; the creation of what they call a "web of plans" consisting of "a network of thousands of sub-plans that evolve into detailed execution instructions for all levels of government". [2]

But if we are thinking of layers of specificity in the way that the Chinese leadership sets its objectives and goals, we can perhaps think of a more complex hierarchy of different levels of articulation and action, with the announcement of the FYP occupying a mid-level position in this order. Each of these establishes goals and objectives, with some, but not all, also establishing ways in which these can be met. Collectively they establish the benchmarks that the party wants to be judged against as it strives to prove the effectiveness of the party and the political system in delivering what it says the Chinese people need.

As such, while studying a new FYP in detail really is a good idea, it is not enough on its own to provide a thorough understanding of the desired direction of travel. Instead, if you want to understand where the Chinese economy might be going, and what this means for the rest of the world as well as China, it is important to view it as part of a rolling and evolving set of announcements, plans and projects. Rather than taking a snapshot (as the plan is announced), the focus needs to be maintained and sustained across a much longer time period.

When is a Plan not a Plan?

It is not uncommon for the word "blueprint" to be used in discussions of the FYP. Indeed, the preamble at the start of the 14th FYP refers to itself as "a grand blueprint (*hongwei lantu*)". [3] But thinking of the FYP as a very clear set of instructions that need to be followed to build something – exactly what a blueprint should be – is not really very helpful. Nor is it helpful to think back to the old FYPs (either in China or the Soviet Union) where central government officials tried to establish in some detail how goods, resources, finances and people should be allocated, priced, funded and located to attain its goals.

That's because the FYP is actually not really a plan as such all. If it was ever possible to control everything that happens in the Chinese economy through a planning agency in Beijing, it certainly is not possible today. To be sure, under Xi Jinping the private sector has been placed under closer scrutiny and control. The central leadership also possesses a number of tools to not just shape what others do, but also to be an economic actor and directly involved in economic interactions itself. Even so, the Chinese economy is simply too big with too many (diverse) actors pursuing different goals for it to be run by administrative fiat. That is why just before describing itself as a blueprint, the 14th FYP established that "It mainly clarifies the country's strategic intentions, clarifies the government's work priorities, and guides and regulates the behaviour of market entities." So not really a blueprint at all. Much of the detail on how to turn aspiration into action comes later; and sometimes quite a while later.

Box. 1

It is no easy task to understand how the Chinese economy actually works. And in many respects it is foolish to try to provide a concise overview and explanation. But this is exactly what I try to do in a short online lecture for EH4S's sister project, ReConnect China. Here I place specific emphasis on the state's control over the Chinese financial system, but also look at the relative importance of pricing and price controls; what State Owned Enterprises do in both shaping market action and being market actors themselves (including those owned by local governments); the disguised nature of state ownership in many companies; and the role of local governments more generally in shaping local economic activity (not least through their ownership of land). This culminates in the diagrammatic depiction at the end of this paper to what I call a state-guided market economy. The whole lecture is available open access at *https://www.youtube.com/watch?v=P9WClZm-HCuI* with an explanation of the diagram starting at 18 minutes and 53 seconds.

Nor is the FYP intended to represent a clear break with the past and mark the start of an entirely new era. Once again, studying the specifics is important. For example, identifying what is a binding target that officials simply must attain, and what is an anticipated target tells us a lot about different degrees of priority and significance amongst the many different elements of the plan. *[4]* At the headlines level, though, the plan is not intended to suddenly introduce new priorities out of the blue. The big picture ambition will have already been established and presented by the leadership. More than that, establishing the grand ambition provides the very framework that those who develop the details of the plan have to work within (and work towards attaining). In addition, in the period before the announcement of the plan itself – for about a year to 18 months before its formal adoption – leaders and the media will discuss and highlight key elements of what it will contain.

The plan, then, is not the first word. Rather, it puts flesh on a pre-existing skeleton. It is not the final word either. To stretch the skeleton metaphor, it needs to then be filled with all the organs, muscles, fluids and so on to make it a fully functioning body. Rather that extend this metaphor any further to its breaking point, it is probably best to more simply establish where the plan fits in the leaderships' hierarchy of methods and mechanisms of establishing its goals.

Hierarchies of Authority

Establishing the big picture

At the very top of the hierarchy is the primary or principal contradiction; or more correctly, a change in the principal contradiction. This represents a very rare and highest level of change

when it comes to establishing the party's main task and framing and explaining its new objectives and goals. As outlined in the very first EH4S publication, [5] this entails identifying the single most important challenge to the party and the political system and explaining why it has changed. Once this has been done, it then justifies doing whatever it takes to deal with the contradiction and prevent it from becoming an existential challenge to party rule as "left unsolved, it can lead to chaos and eventually, as Marx predicted, to revolution". [6] It also justifies why it is now right to leave previous priorities and policies behind; and maybe even to overturn them.

Shifting the principal contradiction from the need to fight and win a class war for much of the Mao period to the urgency of dealing with China's lack of development under Deng opened the door for doing whatever it took to generate that growth and development. This remained the starting point of policy making for three and a half decades until Xi Jinping's designation of a new principal contradiction in 2017; "that between the ever-growing needs of the people for a better life and unbalanced and inadequate development". In shifted the focus from simply the quantity of growth to the quality and utility of growth, Xi was signalling the start of a "new era" that stood in contrast to the modifications and changes within the existing framework that other post-Deng leaders had made.

The second layer of the hierarchy entails establishing big picture concepts to give a bit more flesh and depth to what the party is now trying to do, whilst maintaining a relatively high level of generalisation and a rather low level of specificity. In the current era, examples include Xi's promotion of "High Quality Development" and the drive to develop "new Quality Productive Forces". We covered the meaning of these concepts in detail in a 2024 EH4S paper, so won't repeat them here. [7] In general, they both individually and collectively focus on moving on from an era where growth was largely based on an increase in either labour or capital (or both) to one where growth is created by technological progress and innovation. Its about moving up the value chain in all forms of economic activity, and worrying less about the size of the economic (growth for growth's sake) and concentrating on quality instead.

Getting detailed

The third layer entails setting the scene in advance of the Plan's announcement. This includes the reporting of the various preparatory meetings as the Plan is being developed, and what key leaders (most notably Xi himself) say about what the Plan should include. In the run up to the 15th Five Year Plan, these collectively emphasised the importance of innovation, inclusive growth and economic resilience. [8] The importance of boosting domestic consumption was also frequently in the news, and can be seen both as an end in itself, and also a means of attaining the other three goals (to different degrees).

The same is probably true when it comes to the increased use of the concept of combatting "involution" in 2025 (often referred to as an anti-involution policy), where over capacity and supply leads to "excessive and self-defeating competition among Chinese companies for

limited resources and opportunities" resulting in "diminishing returns, overproduction and fierce price wars". It is a problem that needs to be dealt with in its own right to solve immediate and present problems, but also to establish the basis for necessary structural change in the future. [9]

The repeated emphasis on the importance of "creating a unified national market" might also sit in this category of objective. This includes both general aspirational statements, and also more specific plans, like the announcement of pilot projects to promote "market-based allocation of production factors" in September 2025. [10] That said, given how long Xi has been talking about the need to "break local protectionism and administrative monopolies", it perhaps occupies a special position on its own in a ranking of objectives. [11]

The fourth layer is the Plan itself. Here, it perhaps helps to think of the importance of the Plan as not just lying in not just what it contains, but also in the way that it is presented and reported. As noted in the introduction, this provides the basis for one of the grand acts of political theatre than the Chinese political system specialises in.

From aspiration to action (sort of)

The fifth and final layer is the wide range of geographic and/or sectoral plans that are then subsequently developed to turn aspiration into outcome; Heilman and Melton's "web of plans" which evolve throughout the term of the FYP. For example, as Stanford University's *Digichina* explain, following the 14th FYP, the Central Commission for Cybersecurity and Informatization produced their own plan outlining what they would be doing to explain how they are going to deliver their part of the big vision. This has much more detail than the FYP itself, outlining five main target areas; General Development Levels, Digital Infrastructure, Innovative Capabilities, Industrial Transformation and Government Services. With the exception of the first category, the other four are then broken down into more specific goals, each with their own measurable performance indicators. In Digital Infrastructure, for example, there are specific targets for increases in the number of netizens, the percentage of 5g users, the number of high speed optical users, and the number of users of the newest internet protocol (IPv6). [12]

Even in documents like this, though, there remains a considerable degree of aspirational lack of specificity. Varieties of the word "promote" appear 362 times in what is admittedly a fairly lengthy document, "strengthen" 332 times "accelerate" or "accelerating" 216 times, and "deepen" 74 times. And although sources of funding are referred to in the plan, it is very much not specific on how much money will be spent (or where it will come from) to meet its objectives. Even this document, then, should be thought of as a work in progress that needs subsequent further refinement and detailing.

Conclusions

The digital plan was just one of the many different plans and projects that were developed to try and turn the ambitions of the 14th FYP into something more concrete; though have we have seen, something that was not always in itself that concrete and detailed. And one quick

conclusion of this short discussion is that given the amount of sectoral and regional plans and numerous different types of experimental pilot projects, it is all but impossible for a single individual to have a firm grasp on what is going on in every part of the economy. And certainly simply focusing on what is said in a FYP is not going to provide a fine grained understanding of the specific direction of travel across the country and economy as a whole. The plan does, though, do a good job in providing an overview of what the leadership wants to do and where it wants to go. And as already noted, it provides a very good guide to the relative importance of different goals through the differentiation of types of targets.

It is not surprising that the announcement of a new FYP gets so much attention. After all, this is exactly what the CCP wants to happen. Xi Jinping is attempting to engineer a rather fundamental shift in the nature of the Chinese economy. In addition to being an enormous economic task, this is also a massive political job as well as the party shifts part of the way in which it tries to legitimate one-party rule.

The plan, then, forms an important part of what Rigby called the search for "goal rational legitimacy" in Communist Party states *[13]* ; but which is latterly more often referred to as "performance legitimacy". This revolves around the idea that doing things well might not be enough on its own to gain approval, support and legitimacy. The key is to make sure that the people know that you have done something well. The best way of doing this is to use the propaganda apparatus to explain what your goals are, and why you are seeking to attain these on behalf of the people. And then have another campaign to later explain how well you have done in attaining these goals (and once more, for the good of and on behalf of the people). Or even better, as Rigby argued, to show that you have exceeded the original goals or attained them ahead of schedule; or both.

What all this means is that the FYP does indeed need to be studied for what it tells us about likely future trajectories. But rather than thinking of it as just an economics document, its political significance as an act of signalling its performative function should also be taken into account. And rather than thinking of it as the single key document – the blueprint – for future change, it should instead be thought of as constituting one part of a much longer chain, with much of the job of working out exactly what to do in specific regions and sectors still waiting to be done.

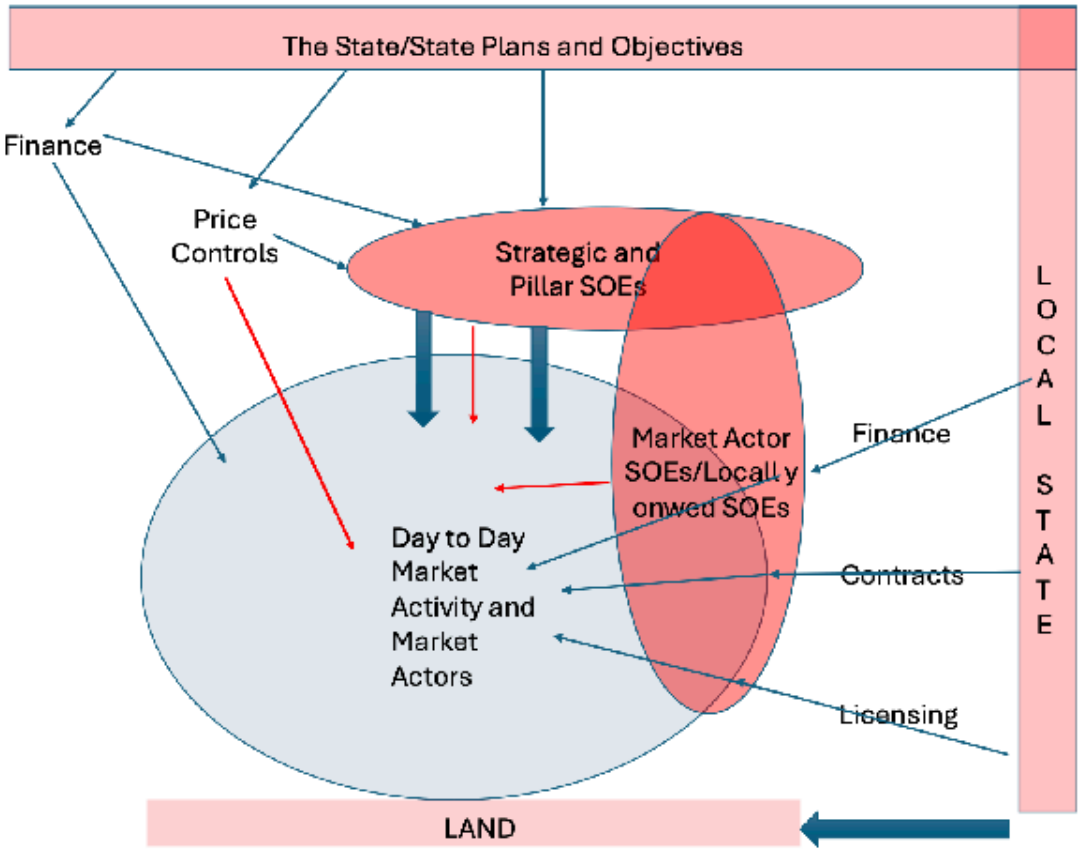


Figure 1: The State Guided Market Economy

[1] Jean-Pierre Cabestan, "Xi Jinping and China's whole-process democracy: A new form of consultative Leninism", China Information, 2025, available online first at 10.1177/0920203X251361713 last accessed 12 th September 2025.

[2] Although this was published over a decade ago, it remains very useful for those trying to understand how guidance and planning cascades through the Chinese political system from top to bottom. Sebastian Heilmann and Oliver Melton, "The Reinvention of Development Planning in China, 1993–2012", Modern China, 39 (6) 2013, pp. 580-629. This quote is on p.585.

[3] "Zhonghua renmin gongheguo guomin jingji he shehui fazhan di shisi ge wu nian guihua he 2035 nian yuanjing mubiao gangyao (Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Term Objectives for 2035)", available at https://www.gov.cn/xinwen/2021-03/13/content_5592681.htm last accessed 1st September 2025.

[4] Binding targets are those that have to be met, as opposed to anticipated ones which provide a more vague expectation of where the country will be in five years time. These binding targets form part of the evaluation system that all Chinese officials are subject to. if those responsible for attaining these binding targets - for example, local officials in their jurisdiction or officials in specific ministries and agencies – then they will have deemed to have failed even if they have met all of their other targets and responsibilities.

[5] Shaun Breslin, "The 'Two Integrations' And The (Increasing) Chineseness of Chinese Marxism", 25th March 2024, available at https://eh4s.eu/publication/The-Two-Integrations-And-The-Increasing-Chineseness-of-Chinese-Marxism last accessed 4th August 2025.

[6] "China embraces new 'principal contradiction' when embarking on new journey", Xinhua, 20th October 2017, available at http://www.xinhuanet.com/english/2017-10/20/c_136694592.htm last accessed 13th February 2024.

[7] Shaun Breslin and Ren Xinyuan, "What's New About China's New Quality Productive Forces?", 18th June 2024, available at https://eh4s.eu/publication/whats-new-about-chinas-new-quality-productive-forces last accessed 4th August 2025.

[8] For a representative example, see "Five Year Plans Chart Steady Progress", China Daily, 27 th June 2025, available at https://www.chinadaily.com.cn/a/202506/27/WS685dce2da310a04af22c8bdb.html last accessed 1st July 2025.

[9] Chi Lo, "China – Involution, deflation and structural reform", BNP ViewPoint, 11 th August 2025, available at https://viewpoint.bnpparibas-am.com/china-involution-deflation-and-structural-reform last accessed 19th August 2025.

[10] Xinhua, "China announces 10 pilot projects on reforms of market-based allocation of production factors", 11th September 2025, available at https://english.news.cn/20250911/d83d736500734f219ca313a1b82871a5/c.html last accessed 12th September 2025.

[11] This specific quote is taken from Xi's speech at the Party Congress in 2022, available at https://www.idcpc.org.cn/english2023/tjzl/cpcjj/20thPartyCongrssReport/ last accessed 14th March 2024. For more details of the longer term objective, see Stanley Wu, "China's Unification from Within: Dismantling Local Protectionism", CSIS, 23 rd January 2024, available at https://www.csis.org/blogs/new-perspectives-asia/chinas-unification-within-dismantling-local-protectionism last accessed 23rd July 2024.

[12] Digichina, "Translation: 14th Five-Year Plan for National Informatization – Dec. 2021", 24th January 2024, available at https://digichina.stanford.edu/work/translation-14th-five-year-plan-for-national-informatization-dec-2021/ last accessed 4th August 2025.

[13] Rigby, T.H. (1982). "Political Legitimacy. Weber and Communist Mono-organizational Systems: in T.H. Rigby and F. Fehér (eds)., Political legitimation in Communist States (London: Macmillan, 1982): pp. 1-26.

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When Things No Longer Inevitably Get Better: The Political Economy of Generational Change in China

by Shaun Breslin

KEY TAKEAWAYS

- China faces a major, demographic shift. While precise forecasting is fraught with difficulty, there is a broad consensus that as the population falls, burdens on the working population will increase.
- While the biggest impacts might still be some way off, the first effects will be felt within the next decade.
- The government has already introduced legislation to try to offset some of the shorter-term consequences. This will have the biggest impact on those who are currently at the start of their working lives.
- The same generation of younger Chinese also faces more immediate challenges; not least finding the sort of jobs they want in the places they want to live.
- While previous generations have, for many years, more or less assumed that their lives would be better than their parents, this is no longer the case, creating an important legitimacy dilemma for the Chinese leadership.

Keywords

Generational Change

Youth Unemployment

Demographic Change

Lying Flat

Legitimacy

Socio-Cultural Changes



Introduction

There has been much talk over recent years about generational challenges to the Chinese economy, and whether China might get old before it gets rich. The main focus has been on the consequences of China's demographic transformation with the 2020s already witnessing (albeit moderate) population decline. The UN calculates that by as soon as 2050, the overall population is likely to drop from a just over 1.4 billion (in 2022) to just over 1.3 billion. *[1]* Over the longer term, the decline is expected to be even more dramatic:

> *China is also likely to record the largest population decline of any country through the end of the century (786 million people). By 2100, China is projected to have lost more than half of its current population and to have returned to a population size comparable to that recorded in the late 1950s. [2]*

This is not necessarily a bad thing. There is no simple and clear calculation of the relationship between population size and the environment, and losing x per cent of the population does not automatically result in an x per cent decrease in environmental problems; where people live, how they live, who they live with and the demographic distribution make predicting ecological consequences of population loss rather complicated. Nevertheless, as Xi Jinping himself has argued, population decline does bring a "developmental dividend" by "alleviating pressure on the environment and resources". And a smaller economy might be a better economy too if it is characterised by quality rather than quantity. *[3]*

But as Xi also noted in the same speech, population decline also raises many complications too. This is in part simply consequence of size, as a smaller population will result in "a shrinking labour force and weakened consumer and investment momentum". However, age distribution is at least equally as important, and this smaller population will be an aging population too. Thirty per cent of the population (around 400 million people) is expected to be over 60 by as soon as 2035 - an increase from 20 per cent in just a decade - creating "great challenges to public services accessibility and the sustainability of social security system" *[4]* The proportion of the population that is not of working age (ie: too young or too old) is just under 50 per cent today. If China's population decline hits the UN's medium projection, it will be over 100 per cent by 2079. If it reaches the UN's most extreme projection, then it will be over 150 per cent. *[5]* And that's assuming a retirement age of 65, and the current plans are only to increase the retirement age for men from 60 to 63 and for women from 55 to 58 (by 2040). *[6]* Whatever the final number might be, it is very clear that there is going to be a lot of pressure on both the government and the working population to provide for the rest of the people.

2100 is still a long way off, even though it is closer in time to today than the founding of the People's Republic of China in 1949. 2079 (when the working age population is expected to be in a minority) is still more than half a century distant, but means that some of those who are currently in primary school will have to carry some of the burden. Changes to the retirement age though – and related changes relating to paying pension contributions for longer – will affect some of those who are already in work, and all of those who are just about to join the job market. If, that is, they can do.

Which brings us to arguably one of the biggest headaches that the CCP faces in trying to maintain its control over politics and society. Whilst obviously there are millions of individual exceptions, at the generalisable level, as new generations of Chinese became young adults, there was more or less an expectation that their livers would be better than their parents. And this was the case for many years; perhaps since the economic future began to look more promising in the early 1990s after a section of China's expectations (or maybe hope) of more freedom and choice were dashed in 1989. It is impossible to quantify how far this expectation of generational improvement resulted in support for the party and the one party state. It seems reasonable to assume, though, that it gave at least some Chinese an incentive not to rock the boat and accept the status quo that seemed destined to provide ever greater personal improvements and a brighter future.

This is no longer the case. Once again there will be millions of individual exceptions and talking at a generalisable level is always problematic. But for a significant number of young Chinese today, there is no longer that simple assumption that things are getting better and a good life lies ahead. And this means that at least part of the party's previous means of building popular support and legitimacy may well be losing its efficacy.

Sources of Concern

Having to work longer than their parents and contribute more to their pensions might be one cause of concern. And who knows, as has been the case in a number of countries facing funding crises for social services, that retirement is very likely to move further into the future at some point. But there are other more real and present causes of concern for many young Chinese adults today.

Indeed, in some ways it would be strange if there was an unquestioning expectation of good times ahead given the messages that have come from the top of the political system in recent years. There has long been a careful balance in official speeches and documents between acknowledging problems that need to be addressed on the one hand, and on the other hand reaffirming how effective the party is in successfully dealing with whatever obstacle that it has to overcome. But the warnings of rougher times ahead seem to have become louder in recent years as "the adverse impact of changes in the international environment increased, and some deep-seated structural problems that had been building up in the country for years came to a head." *[7]* Presumably the intention is to emphasise the need for unity and support for
the party as it faces and deals with these challenges on behalf of the people. And also to dampen expectations of what can be delivered in the long term after years of high growth; growth that was often achieved at the expense of exacerbating the "deep-seated structural problems". But lowering expectations can be risky when it comes to maintaining popular support and legitimacy. It can have real world economic consequences too if a drop in confidence about the future results in a dip in the very same domestic demand that the leadership

And this is exactly what has already happened in China. Here, though, real economic changes must have had more of an impact than rhetoric, with declining property and real estate prices a key cause of this drop in consumer confidence and consumption. Avoiding or delaying purchasing property because of concerns about future employment – an issue we will return to in more detail shortly - is just one of a rather large number of causes of the above mentioned "real estate crisis". *[9]* Yet despite the overall drop in prices, buying (or renting) property in those cities that most young Chinese want to work in – Beijing, Shanghai, Shenzhen, Guangdong,
provincial capitals for example - remains very expensive, and look particularly expensive when compared to graduate starting salaries. *[10]* Whilst falling prices creates problems for one part of the population (and the economy as a whole), it is the residual high cost in desired locations that creates a different problem for those who are not already living where

For those graduates and other young Chinese who can afford property – typically with considerable family support – smaller than desired apartments and long commutes to work are not necessarily what they thought the future would bring (though long commutes from cheaper accommodation is not just a problem for the young). *[11]* And just to add one more potential concern into the equation, China has been calculated as the second most expensive

place in the world to raise a child (after South Korea); on average 6.3 times the per capita GDP figure, and even more expensive in the cities compared to the countryside. [12] This is not the better life that was once imagined.

A reality-expectations gap?

The accommodation issue points to a key issue; the mismatch between expectations and opportunities. And this disparity is perhaps most clear when it comes to graduate and youth unemployment. As is the case in other countries, youth unemployment rates (in China's case, 16-24 year olds not in education) fluctuate from month to month as young people tend to enter the job market in lumps (as they graduate from school or university) but leave it in strands as they gradually find employment over subsequent months. There have also been periods when the state paused issuing statistics and change the baseline of comparison making it tricky to identify longer term trends. That said, youth unemployment figures of 14.9 per cent in December 2023 and 15.7 per cent a year later give a rough idea of the scale of the problem, even though it is widely thought that the real figure including all recent graduates is even higher. [13] It is likely that the figure for this age group is close to four times the overall national unemployment rate (roughly five per cent); though without statistical evidence, some informally suggest that the graduate unemployment rate a year after graduation could be as high as a third. What we do know for sure is that thanks to the demographic changes noted above and educational developments in China, a record number of over 12 million students graduated from University in 2025 joining an already crowded job market.

The high unemployment rate is not simply because there are no jobs. There are. But the jobs that are most widely available are often in sectors that graduates don't want to work in and/or think are not degree level jobs (for example, in sales or manufacturing). They are also often not in the places that they want to live and work, or offering the pay and conditions that are deemed appropriate for graduate entry positions. [14] The changing demographic balance combined with a shift in the nature of economic activity (and the rate of growth) have changed what is available and where. But the key is that expectations have been raised that are now often very hard to meet.

Shared Challenges, Distinct Chinese Contexts

China is not the only country in the world where the opportunities for (and expectations of) social advances have stagnated (or worse). Or where significant proportions of young people are disaffected and look to the future with concern rather than hope and anticipation. However, while there might be some similarities with events and experiences elsewhere, it would be a mistake to simply assume equivalence across cases. This is in part because it is important to identify different causes, as this will influence both the potential manifestation of disaffection and also potential responses to it too. Is immigration the issue in China that it is in some other cases for example? And also to identify different degrees of causality

are common bases for concern; is the cost of accommodation relative to incomes in the cities that people want to live in more of an issue in China than it is elsewhere?

More important, though, is the nature of the Chinese political system. It should go without saying that what you can and cannot do in a one-party state is very different from what is permissible in a democracy. And yet seems that it does needs to be said and re-stated every now and again. In democracies, parties often win elections by emphasising the failures of their predecessors. And the losing predecessors can regroup, lick their wounds, come up with new strategies and ideas, and try to win power again in the future. The latter is certainly not an option in the one-party state.

Continuity and Change in a One-Party State

Neither technically is the former. That said, new leaders have in the past tried to cement their position by pointing to their search for the solution to previous failings, even if those failings were brought about by the very same CCP that is now offering solutions. Whatever you think about the nature of CCP rule, it really is remarkable that the same party that unleashed the chaos of the Cultural Revolution is not just still in power today, but to a considerable extent cemented its power in the 1980s and 1990s by rejecting and overturning much of what it had done and stood for in the 1960s and 1970s.

The way that Xi Jinping argued the need for a "New Era" of Chinese politics did not represent as much of a U-turn as the one that Deng and other leaders made after Mao. Yet it did entail an implicit criticism of the policies of his predecessors who had acted too slowly and too late to change the economic model and the nature of economic growth. These failings had created problems that this new and latest incarnation of the CCP under Xi would now put right. So both the post-Mao and post- Hu Jintao leadership – to different degrees and in different ways – in part tried to model themselves as something new whilst at the same time emphasising continuity and the party's long-term efforts and successes since its formation in 1921.

Acknowledging problems in a one-party state entails a tricky balance between trying to convince everybody that the party has the tools to solve them on the one hand, whilst not shining too much light on the fact that it is the very same party that has caused them (or not already dealt with them) on the other hand. Moreover, while a new leader might be able to point to themselves as the solution to previous failings, that becomes much harder to do (and perhaps even impossible) the longer that leader has been in power.

Political participation (or the lack of it)

Moving from the rulers to the ruled, the corollary of this one-party state effect is that the disaffected in democracies have a number of options open to them. They can legally take to the streets to demonstrate (even if some democracies have tried to restrict this freedom of expression). They can air their grievances online, or through more traditional print and

broadcast medias. They can vote for or join or even establish political organizations and/or parties that actively confront the ruling powers and/or try to replace them.

Political groups and parties that want to challenge the CCP (let alone compete with it for power) are certainly not acceptable in the PRC, removing one of the key options of action available in other systems. *[15]* And notwithstanding the invention of China's online activists in finding ways of bypassing censorship, *[16]* publicly airing grievances is both difficult and dangerous; particularly if those grievances are broad based and/or systemic in nature rather than focussing on individual specific issues.

The same is true when it comes to protests and demonstrations. While we might not know the exact number of what tend to be called "mass incidents" in China, just following what is reported in the Chinese press tells us that there are lots of them. These tend to be responses to specific local issues with labour disputes the main driver followed by problems relating to real estate and housing (including forced evictions, demolitions and land usage). There is evidence that the number of protests and demonstrations has increased as economic growth has slowed, with " a particularly sharp rise in homeowners protesting against the unscrupulous practices of property management companies". *[17]* They are often – perhaps even typically -
linked to concerns that local authorities are either not dealing with them properly, and/or

Given the most common causes of mass action, they might be thought of as reflecting a degree of dissatisfaction with a political system that is failing to protect the people it is meant to serve. In general, though, this is not the case. Instead, Chinese protests and protestors overwhelmingly focus on bad people at the local level doing things badly rather than on the systemic failings of the political system (that keeps allowing bad things to happen).

There are exceptions. While the anti-lockdown protests during the Covid pandemic might not have been wholly national in nature, they certainly took place in a number of places across the country at the same time (more or less). In some places, they were spurred by specific issues/failings; the Urumqi fire for example. *[19]* But they all had broader common concerns at their heart and individually and collectively demonstrated "declining trust in the central government" rather than ineffective or corrupt local officials. *[20]*

So there are activist options, but they are risky options for those who get involved. And the risk increases the more widespread, sustained and system-facing such activism becomes. It seems reasonable (to say the least) to suggest that the leadership would not be keen on allowing this type of activism to flourish.

Lying Flat?

If activist responses are not palatable, then what are the options? There is evidence that after a period of trying to get what they want, many young unemployed eventually accept the reality, shift their expectations, and take lower quality jobs and/or move to second or third

choice places to work. [21] Others are more or less giving up and moving back with their families and living on their parents income (and often on their pensions). When construction projects are abandoned and the structures left unfinished because of financial problems, they are called "rotten-tail buildings" in China. That is why those who give up and effectively don't finish their transition into adulthood are now often referred to as *"lanwei wa"* or "rotten-tail kids" (*lan wei* in Chinese literally means rotten tail but means unfinished). [22]

The term *"tang ping"* or "lying flat" has a longer provenance than *lanwei wa*, dating back to 2021. It originally referred to rejecting the "unrelenting" competition to do well with a specific focus on "the so-called '996' work system, which defines a work culture of 9 AM to 9 PM shifts six days a week". [23] It has evolved into a more general idea of just doing the minimum that you need to do to survive instead of striving to succeed. If you can't find a job – or the job that you want – then lying flat can be a more attractive option than continuing to struggle to attain the unattainable.

Once more we see similarities with disenchanted groups in other countries. But once more we need to think about the specific context of how China's one-party system functions; or perhaps more correctly, how China's leaders want it to function. If people withdraw, step back and lie flat rather than take activist action, is this really a problem for the leadership? Surely it is better to have politically inactive apathetic disenchantment rather than political action directed at the ruling party and the political system.

While this might be the case, particularly in the short run, the current Chinese leadership does not like apathy. Xi seems to think that it does not provide a sustainable basis for building a new economic model based on greater domestic consumption in the medium term or, more important, for legitimate and strong party rule in the long run. When Xi became Party leader in 2012, one of the problems that he identified for the future of CCP rule was the strained (at best) relationship between the party and the people. Another was what we might call societal malaise. There was no sense of a common cause or a common goal that bound people together into a single social unit. Hence the importance of trying to instil the idea of everybody working together to attain a single overarching and common "Chinese Dream".

Xi's vision for China is a one where "everyone participates and everyone does their duty". [24] In his ideal world, even participating to attain personal goals in a "rat race" is not enough, let alone the other extreme of "a society of layabouts". [25] People should participate to attain collective national goals (though in doing so they will also benefit personally too), and in order to do this the party needs to "rally public support [and] foster a new generation with sound values and ethics". [26] Is it realistic, though, to expect that the frustration of at least some of those whose expectations and hopes of a future that reflects their educational attainment (typically gained at a considerable financial cost) are not being met will really become the proactive and positive duty-driven participants that Xi is hoping for?

Conclusions: What does the Future Hold?

So what does all of this mean for the future? The honest answer is we don't know; and potentially nothing at all. While it is relatively easy to identify potential sources of discontent in China, this is not the same thing as identifying how, why and when discontent becomes something else; some sort of political action. Who knows, perhaps the frustrations of this generation will eventually dissipate as people accept plans B, C or D rather than continuing to strive for plan A. Presumably at some point, reality will kick in and expectations of new generations will settle down around a new normal. Indeed, this transition seems to already be well underway. As argued above, the removal of the expectation (more than hope) of generational improvement and a good life will remove a key pillar of support for the system. But maybe the party too will learn to learn to live with this new normal, and accept that while apathy might not be as good as active support and participation, it is better than active opposition. Or maybe the legitimacy gap will be filled by something else; a renewed push to emphasise patriotism and nationalism in a hostile international environment for example.

Moreover, it's not as if the CCP leadership is unaware of the problems. On the contrary, they have been identified as requiring urgent and effective responses. This quote from Xi Jinping's remarks at a politburo study session in 2024 is quite long, but it is worth repeating in full here as it shows his understanding of what the future might hold (even if it is more about employment in general rather than the specifics of youth unemployment and expectations), and not least the challenge of meeting expectations:

> *we must acknowledge the many prominent issues and problems confronting us in employment work. China has entered a phase of development where strategic opportunities coexist with risks and challenges, while uncertainties and unpredictable factors continue to rise. Maintaining stable growth and employment remains a pressing task. Trends such as declining birthrates, an aging population, regional disparities in population development, and digital transformation of the economy are exerting a stronger impact on employment, further highlighting structural employment issues. Moreover, as people's needs for a higher quality of life grow, there is an urgent desire among workers for higher-quality job opportunities.* [27]

Recognising the problem does not automatically result in workable solutions, and Xi also acknowledges that it will take time for any solutions to bear fruit. But at least we know that there is awareness and commitment at the highest level.

This is not an issue that has clear and direct implications for Europe and Europeans. There may be consequences for the number of Chinese students studying in Europe, but even that impact isn't very clear. Anecdotally, some overseas graduates believe that those with degrees from Chinese universities are being favoured by some employees. But at the same time, there

is other anecdotal evidence that points to students taking further or second degrees, including overseas, to postpone having to try to join the job market.

Ultimately, though, it is not the intention of these EuroHub4Sino papers to always focus on issues that have clear and direct relevance for Europe. To be sure, some of them do. But our overall mission is to enhance European knowledge of China to enhance the foundations of knowledge-informed policy making. Understanding the challenges that the party faces – including those that the leadership is well aware of – is crucial to this endeavour. And that's before we even start to consider other generational changes that will simply add to the challenge of leadership and legitimacy in a one- party state in the longer run. The problems of the young might be the most pressing today, but the problem of the aging and old is going to be a potentially even bigger issue in the future.

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[14] Melody Chan, "'Do I expect too much?': China's class of 2025 faces harsh job reality after graduation", CNA, 11th July 2025, available at https://www.channelnewsasia.com/east-asia/china-graduates-2025-unemployment-crisis-5222776 last accessed 1st August 2025.

[15] The non Communist party political organisations that exist in China only do so on the condition that they accept the CCPs leadership and do not challenge or compete with it.

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What's Rational For The National And What's Focal For The Local? Towards A "Unified National Economy"?

by Shaun Breslin

KEY TAKEAWAYS

- China has a vast system of local governance, with no single national model of how provincial authorities interact with subordinate sub-provincial governments.
- There is a long history of central government attempts to control local governments, with solutions to tackling one perceived driver of local autonomy often generating new ones.
- Despite the centralisation of authority under Xi Jinping, local governments retain the ability to prioritise local economic interests and objectives over national ones. This creates problems both for Beijing (for example, excess capacity and provincial competition leading to a waste of resources) and also for Europe (overcapacity leading to price wars in external markets).
- Xi Jinping has targeted eliminating local protectionism and building a unified national market as a key task for the next Five Year Plan.
- Raising revenue to meet local spending commitments and the way in which officials are evaluated combine to provide incentives for local governments to prioritise local economic objectives over national ones. Dealing with local debt is also a key driver in many cases. What might seem irrational from a national viewpoint can look very rational and effective from the local level.
- As there is no single driver of local protectionism, there is no easy solution. Reforming the fiscal system, though, and the financial relationship between central and local governments must form part of any solution.

Keywords

Involution

Local Protectionism

Unified National Market

Fiscal Reform

Debt

Five-Year Plan



Introduction

At the Central Economic Work Conference in December 2024, Xi Jinping laid out his renewed commitment to establishing what he called a "unified national market" (quanguo tongyi da shichang). [1] In its recent incarnation, the need for this unification is connected to the goal of solving what is translated into English as "involution" – *neijuan* in Chinese. As briefly discussed in a previous EuroHub4Sino paper, [2] this refers to what Xi called "cut-throat low-price competition among enterprises" in sectors where there is over-supply, with poor quality and inefficiently produced goods often finding a market at the expense of superior products. The same goal of building the unified national market was also a key component of the proposals for the 15 th Five Year Plan published in October 2025. [3]

In a later speech to the Central Financial and Economic Affairs Commission in July 2025, Xi explained that this is a result of "distorted views of political performance" where local government officials think it is in their best interests to prioritise price over quality because of the pressures on local coffers, and (probably more important) to support and protect local producers rather than buying or sourcing better quality goods from other parts of the country. [4] Doing

so ensured that otherwise uncompetitive local producers gained a market share that they would not get in open market competition, not just keeping them alive but also through the fiscal system (more on which later) recycling money back to the local government.

Although Xi's interventions signal a renewed focus on the consequences of local protectionism, it is not a new concern; far from it. The specific involution discourse is indeed new. It seems to be related to Xi's concern that his New Quality Productive Forces agenda doesn't just repeat past patterns, with local governments competing with each other to take advantage of new initiatives resulting in an oversupply of these new (quality) produce. *[5]* And much of it seems to be about tolerating losses in the short term to drive out competition and wait for others to leave the market. Even here, though, this is often done under the umbrella of local government support and subsidies, *[6]* and a broader more general concern with the consequences of overproduction and local protectionism certainly isn't new.

Not surprisingly, the current discourse in China credits Xi for bringing not just involution, but the problem of local protectionism more generally to national attention by mentioning it in his speech at the 18 th Party Congress in 2012. *[7]* This was followed by a "a work plan to remove regional blockades and establish an open market system" the following year. *[8]* The fact that nearly a decade later in April 2022 there was a new push for progress and a "detailed set of policy measures … to develop a unified national market, aimed at ending local protectionism and unifying the fragmented market" *[9]* certainly suggests that the 2013 solution didn't fully work, and points to how complex, deep seated, and difficult the problem really is to resolve.

And in truth, this is not an issue that only came to light after Xi came to power. Local protectionism has been identified as a cause of concern by Chinese leaders for many years. It was a key cause of concern, for example, for Jiang Zemin in 2000, *[10]* and (as we shall see later) Hu Yaobang even further back in 1985, with Chinese scholars warning against the emergence of local fiefdom's or "dukedom economies" (zhuhou jingji) in the late 1980s. *[11]* Indeed, Carol Hamrin concluded in 1990 that after the first decade or so of reform after the death of Mao "China needed to open up on the inside as well as to the outside". *[12]*

The incentive structures that Xi has highlighted are closely linked to the nature of local government financing; or more correctly, the inadequacy of it. While the nature of this financing has changed over the years, one constant is that to different degrees and in different ways, many local governments simply have had to find innovative ways of raising money. This is not just a matter of meeting targets and fulfilling expectations that can improve individual officials' career prospects (and let's be honest, at times to probably enhance their personal fortunes as well), but quite simply of meeting their financial obligations and delivering local services that need to be delivered.

Before delving into the causes and consequences of such action in more depth, this paper begins with a quick overview of the nature of local governance in China. Despite Xi taking more

power into his and the party centre's hands during his period in power, China is simply too big and too diverse to be ruled effectively by a small group of politicians in Beijing (let alone by one man). What happens on the ground on a daily basis of course is influenced by what Xi says, does and wants. But it is also influenced by how different layers of local governments act; and when the average Chinese citizen comes into contact with the state, it is typically the local manifestation of the state that they encounter.

Layers of the Local

Provincial Variations

The most obvious starting point when thinking about sub national governance in China is to focus on the Provincial Level, and to ask questions about centre-province relations and/or inter-provincial differences (and at times tensions). And just about any statistic you can find reveals massive provincial difference to the extent that talking about a national average can seem really rather pointless. For example, per capita GDP per provincial level unit in 2024 ranged from RMB228,167 in Beijing (around US$32,000) to RMB52,827 in Gansu (just under US$7,500). In total 20 provinces had per capita GDP lower than the national average of RMB95,749. *[13]* Six provincial level units - Guangdong, Zhejiang, Jiangsu, Shanghai, Shandong, and Fujian – have long been the main source of Chinese exports, and most years will account for nearly 80 per cent of the national total. *[14]* According to China's Ministry of Commerce, in 2022 China's Eastern provinces accounted for 86.6 per cent of all new inward investment. Central provinces (which confusingly includes some in the northeast) took 7.3 per cent, and Western ones got a mere 5.8 per cent. *[15]* Qinghai's share of the total was 0.01 per cent compared to 16.1 per cent for Fujian, the biggest single recipient. *[16]*

But in many respects, provincial level governments aren't really local at all. Guangdong, Shandong and Henan all have populations of over 100 million people, and Jiangsu's 85 million puts it just ahead of Germany, the EU's most populous state. The population of Beijing Municipality alone is only surpassed by five EU states. The biggest municipal provincial level city, Chongqing, is roughly the same size as Austria (and has more than three times Austria's population).

Along with Tianjin and Shanghai, Chongqing is one of the three municipalities at the same level in the hierarchy of power as the 22 provinces (23 if you include Taiwan as a province of China as the PRC insists that it is). The Provincial Level also includes the four Autonomous Regions (Tibet, Xinjiang, Inner Mongolia, Guangxi and Ningxia) and although they are often not included in analyses of centre-local relations, it also technically includes the Special Administrative Regions of Hong Kong and Macao.

Sub-Provincial Governments

The name of the level, then, doesn't necessarily directly correspond to the name of all of the territorial units at that level; not all of the provincial level units are actually called Provinces. The same is true at the second level, the Prefectural Level. In fact, of the 333 prefectural level governments, only 7 are actually called prefectures (though the 3 Leagues in Inner Mongolia are effectively prefectures by another name, and there are also 30 autonomous prefectures). By far the overwhelming majority are cities that are designated as prefectural level cities. *[17]*

The third level is the just over 2,850 County Level units, consisting of counties (including autonomous ones, banners and so on), county level cities, and districts of bigger urban areas. And the fourth tier is the Township Level, with nearly 40,000 different governments, primarily towns and townships but also including over 8,000 subdistricts of bigger urban units. There is also a fifth level of over 650,000 basic level units such as residential committees and village committees which regulate what goes on at the micro level. However, they are not typically included in the study of local governments in China; not least (but not only) those that are concerned with financial affairs. *[18]*

So there is a massive set of local government actors (and interests) below the Provincial Level. And it is this tier of local government that most ordinary Chinese come into contact with, as governments at the Prefecture Level and below have the main responsibility for delivering those services that affect day-to-day life; health care, education, environmental protection, social welfare and unemployment support and so on. Most of the debt of Chinese local governments is also located below the provincial level, and here again we see significant regional variations with most of this debt in the central and western regions. *[19]*

There is also massive complexity, as there is no single set way that provincial level governments organise their relations with lower levels. For example, some counties have to report and share revenues with the prefecture government above them, while others miss out the prefecture stage and deal directly with the provincial government. The amount of revenue that sub-provincial level governments can retain rather than pass on to (or share with) higher authorities also differs across the country. *[20]* Even within a single province, some sub-provincial units can be favoured and get special treatment denied to other governments at the same level. Provincial governments thus play a key role in establishing the "developmental space" (or different developmental spaces) that their subordinate governments can operate within, providing not just provincial specific incentives and strategies, but different sub-provincial ones as well. *[21]*

Local Governments and Local Political Economics

So looking at the provincial level remains very important when it comes to trying to understand the political economy of China, or when looking to enter the Chinese economy. However, a provincial level focus needs to be accompanied by an understanding that there is much that happens at lower levels that determines what actually happens on the ground. Not least because it is primarily below the Provincial Level that local governments have the sort of intimate day-to-day relationship with other actors – most notably, businesses and local financial institutions – that collectively go a long way to shaping the type of local economic activity that Xi argues is obstructing the emergence of a single unified national market.

For one influential Chinese economist, Bai Chong'en, this has resulted in the creation of a "preferential" economic model rather than a "universal, rules based" one. *[22]* At the most basic of levels, this can entail the local government giving preferential treatment to those that are part of (or very close to) the system itself – for example, if businessmen are party members and/or sit on the local People's Congress. Simply not cause problems by complaining about corruption or other government action can also result in preferential treatment.

But it also entails more proactive action to attract and support the type of economic activity that the local government thinks will support its goals. Setting up a new business in China entails overcoming significant bureaucratic hurdles. So making it easier (or indeed harder) to As land is owned by the state, this creates a very strong starting point for local governments to shape who can do what, where and when. We can then add on the various permissions and licenses that are needed to get any business started – certainly one of any size and significance - and support in gaining access to finance at the most affordable rates. And although Bai was proposing the idea of a preferential model over a decade ago now, much of his analysis still holds true today.

What one individual local government does might not have national significance. But if a number of local governments are doing the same (or maybe even all of them), then the national significance starts to become clear. With over-supply in many economic sectors, local governments tend to support their own local producers and keep them in business (and in profit) irrespective of quality and price, often at the expense of better or cheaper (or both) supplies from elsewhere. This can entail making it harder for "outsiders" to get the certificates and permits they need to operate than it is for preferred local actors. *[23]* Xi has also placed a particular emphasis on local governments procurement and bidding processes including "problems such as awarding contracts solely on the lowest bid, substituting inferior goods for quality ones, and collusion of interests". *[24]*

Incentives to Act

Xi's reference to the "collusion of interests" points to very personal incentives for some local officials to act this way; they can make money out of it. This is why anti-corruption activities including inspections of local government activity has increased under Xi (though not always as effectively as Xi would presumably like them to be). [25] But it's not just about corrupt and illegal activity. The importance of maintaining employment (and concerns about the socio-political consequences of large-scale unemployment) plays a role too. Arguably most important, though, is a combination of structural incentives and financial necessities.

At the most basic level, generating local GDP growth has been beneficial for local government officials when it comes to evaluations and promotions. Perhaps not surprisingly, the success (counted in specific ways) of the local economy is more important to them than creating a more rational and efficient national economy as a whole. Hence Xi's comments on the consequences of specific understandings of what constitutes a good "political performance" noted in the introduction to this paper.

Filling Fiscal Gaps

There is not space here to explain the nature of the fiscal system in any detail and the changes that have occurred since the major fiscal reforms of 1994. But the big picture story is that ever since then, many local governments have struggled to find the money that they need to not just show that their leaders have performed well, but to meet their financial obligations and responsibilities. Indeed, in 2024, the IMF referred to local governments as a whole facing a potential "fiscal cliff". [26] This is in part because of the way that fiscal revenues are unequally divided between the central government and local authorities, and in part because of a similar unequal distribution of spending responsibilities.

In response, local governments have responded in three main ways. First, they have sought to maximise extra-budgetary sources of revenue. For a while, this primarily took the form of local governments levying fees for just about any and every service that they could think of outside the formal fiscal system. Such extra-budgetary finances probably raised more money in the country as a whole than taxes before most of the loopholes were closed and brought into the formal fiscal system at the start of the millennium. [27] More recently, selling land use rights – not selling the land itself but the right to do things with and/or on it – proved a lucrative source of income, becoming the single biggest source of funds that local governments directly controlled themselves in the 2010s. Rising land prices were also used as collateral against loans taken out by local government owned financial companies (*difang rongzi pingtai gongsi*) to fund projects that their local governments wanted them to fund. [28]

This had many benefits:

> *tasked with responsibility for local growth and left with a shortfall in budgets, local governments began to pursue urban development and*

> *soon discovered a fruitful, self-reinforcing positive feedback loop: prosperous regions, with a higher quality of life would have higher land prices, which enhanced a local government's capacity to raise funds through land sales. This cycle was instrumental in China's rapid economic development.* [29]

But as we have witnessed in recent years, these benefits quickly disappear when real estate prices begin to fall, as they have been doing in many parts of China since 2021. [30]

Second, they have prioritised those activities that maximise local incomes. VAT and Corporate Income Tax collectively make up over half of local government income. [31] As the latter is collected in the province where the corporate headquarters is located (so not necessarily where the income is being generated), it makes sense for provincial governments to foster their own local producers rather than see locally incurred fiscal revenue being paid to another province. It also makes sense to develop local capacity in those sectors that are producing goods in high demand, and/or those that have been prioritised by the national government, and thus able to benefit from preferential treatment and policies. Competitive investment by local governments can then result in national over-capacity. The expansion of the production of New Electronic Vehicles is a very good example here, and one that has been highlighted by the central government as a site of what it calls "irrational competition"; though what might seem irrational from a national viewpoint can look very rational and effective from the local level. [32]

Third, they protect and support those local economic activities that help them meet their objectives, especially (but not only) those that they have themselves fostered and nurtured. Which takes us right back to the start of the paper, and the goal of breaking local protectionism and building a unified national market.

What is to be done ?

To sum up then:

> *Faced with a need to meet central targets for revenue collection, local authorities moved to create and defend local producers of high profit yielding produce. This local intervention took two forms. Firstly, in some provinces locally produced (or controlled) raw materials were earmarked for local enterprises to ensure production. Secondly, internal trade barriers were also built to protect local industries, such as imposing "import" tariffs on goods from other provinces. In combination, this allowed local produce to find a market irrespective of the comparative efficiency of production or the quality of produce of competitors. Local profits were maintained and income for the local authority while high quality and more efficient producers were forced to cut back on*

> *production either because of shortages of raw materials, artificially shrinking markets, or both… Although this type of action is irrational given the goals and priorities of the state …. it was rational from a local viewpoint given the environment they had to operate in.*

Except that this over long quote is not actually a contemporary assessment at all. Rather, it was written as part of an analysis of the first decade of post-Mao reforms in the 1980s. *[33]* That it seems to have at least some salience to the current situation over 30 years later perhaps says something about the author's laziness, and his reluctance to move on from previous positions. But perhaps it also says something about the extent and longevity of the problem that Xi seems now so keen to deal with. And also how numerous attempts to rein in localism have met with only partial results, and often simply resulted in creating new drivers and methods of prioritising the local over the national.

The overarching goal of that study of the 1980s was to examine what happened when individual reforms that made sense in their specific individual areas all came together and had to be interpreted and implemented by local governments. It tried to show that the sense and logic of one reform could be altered or even totally undermined by the collective consequences of different reforms in different areas. What was being done in the 1980s in terms of industrial policy, rural reforms, partial marketisation, financial reforms, administrative decentralisation, spatial/regional policy might have all made sense as discrete individual strategies. But they filtered down and interacted with each other in ways that created incentives (and indeed necessities) for local officials to act in certain ways; including in some ways that the central government was far from happy with even though it was generating growth.

The setting that local officials operate within today is very different from the 1980s. Indeed, one of the assumed solutions to localism in the 1980s – fiscal reform – has become one of the sources of it today. But the same basic argument holds true. If the leadership is serious about dealing with local protectionism, then they need to consider all the different factors (and how they interact with each other) that provide the incentives and necessities for local officials to act in the way that they often do. As much as Xi Jinping talks about the need for about coordinated macroeconomic governance, such a holistic approach is not always evident in his comments on local protectionism.

Xi has outlined a number of things that he wants to see happen to begin to break down the old system and create a new one. As is often the case with Xi's solutions, this includes exhortations for everybody to do the right thing and do their duty for the national good. But there are also more specific focuses on making sure that existing laws and regulations are actually and actively implemented, introducing new standards across the country to govern government procurement, and clarifying and standardising what is permissible and when in terms of local government subsidies for and investment promotion activities. And then we have the need to rectify the already noted problem of evaluating political performance.

> *The assessment system for high-quality development and the evaluation system for officials' political performance should be improved. Behaviour such as irregular investment promotion, local protectionism …. must be promptly criticized and corrected, with serious accountability pursued for egregious cases. [34]*

Fiscal reform is on the agenda as well, with a specific focus on transferring more spending responsibilities to the central government, and changing both the way that taxes are raised and shared. *[35]* This includes revising both the fiscal relationship between the centre and the provinces, and also between provinces and lower level governments with the promise of locating more fiscal revenue at the county level. There is also a commitment to "standardize tax revenue sharing" below the provincial level, but as yet with no clarity over what this standardised system might look like. *[36]*

Whether these changes will be enough to fundamentally shift incentives, necessities and actions in the way that Xi wants them to shift remains to be seen. This is in part because of the size of the financial problem facing many local governments – sorting out the future fiscal relationship will not on its own resolve past problems and make local governments debt free. Then we can add on the exacerbation of the situation for many by not just the real estate crisis, but the consequences of the pandemic on the Chinese economy, real and potential changes in China's international (economic) environment.

It is also because this paper has only scratched the surface of the complexity of the different interacting factors that together help create the context that local governments operate within. We can certainly add on the significance of welfare policy, banking and other financial reforms, consumer confidence and activity, and the way that the New Quality Productive Forces agenda will play out spatially across the country, and the demographic challenges that were covered in a previous Euro Hub 4 Sino paper. *[37]* No surprise, then, that Xi himself has concluded that "building a unified national market is both a tough battle and a protracted war".

Whilst not wishing to push the comparison too far, it is hard to avoid the temptation to return once again to the 1980s, and note at least some similarity between what Xi has been saying, and Zhao Ziyang's analysis back in 1985. Then, Zhao used his Government Work Report to complain that local interests were impinging on central policy and national concerns in far too many cases, and local governments were seeking "higher growth rates with no regard to society's needs, supply and demand, [and] available financial and material resources". They were in effect pursuing "their own interests at the expense of those of the state and the people, and their pursuit of immediate interests at the expense of the long term interests in the development of production." And some of his solutions sounded a bit like Xi's too, reminding local officials that they were "absolutely forbidden to overstep their authority and go their own way …. and damage the overall interests of the country in pursuit of the interests of their

own units or small circles", and calling for unity of purpose and action: "as long as our people share the same understanding and act in unison, we have the ability and resourcefulness to solve any problems that arise in the course of our progress." [38]

The Global Effects of Local Economic Change

As noted in some detail in an earlier Euro Hub 4 Sino paper, [39] more or less anything that happens in the Chinese economy has external consequences, whether intentionally so or not. Indeed, this one of the common themes of the papers in the Political Economy section of the EuroHub4Sino project. Another recurring theme is China's leaders' – and most obviously Xi Jinping's – desire to bring about an ambitious and fundamental change in the way that the Chinese economy works, with a specific focus on how growth should be achieved. And a third is that notwithstanding the confident way that Xi presents himself and the party to the Chinese people and the world, there is also recognition at the highest level of the need to act now to try and prevent the emergence of serious social and economic problems; many of them in the not too distant future. So when Xi himself makes the sort of speeches he made in 2024 and 2025, and it becomes clear that the unified national market agenda is also a key objective of the next Five Year Plan, then it really makes a lot of sense to try and understand what is going on.

There is clearly much more to come, not least in terms of very specific and targeted policy changes. As these emerge, though, one key question is whether Xi is focussing on the real fundamental cause of what he sees as a problem, or whether he is paying too much attention to a symptom that results from something else. Local protectionism and the tendency towards involution might be a problem for the central government, and the evaluation system for officials and assumed benchmarks of successful local government action are indeed part of the cause. But there are other causes too. Until and unless the government gets local financing right (and also finds a long term and effective way of dealing with local debt), then China will continue to face potentially serious economic problems in the not too decent future. And even this might not be enough if change in other policy areas isn't coordinated with the goals of fiscal and financial reforms.

In this case, though, we can also draw two conclusions that have direct relevance for Europe and Europeans. If local protectionism is broken down, then there is the chance that this will lead to greater opportunities for foreign companies and actors as well as non-local Chinese ones. But only a chance (and probably a slim one at that). The immediate intention is to make a level playing field for domestic Chinese actors and there has to be a strong possibility that others will still find it hard to compete. But it's certainly worth monitoring new policy announcements to see if they create a greater space for foreigners, and form part of the government's claims that it is becoming ever more open to foreigners. [40]

And indeed, excess production that is at least in part a result of local governments competing with each other has already impacted on Europe. That's because competition for market share is not just limited to the domestic Chinese market, and the impact on Europe of domestic change in China sometimes is sometimes very much intentional. Competing in overseas markets is also a feature of local government support for favoured local producers, particularly (but not only) when the domestic market is saturated. The expansion of the Chinese presence in European Electric Vehicle markets is a very good example here. *[41]*

Second, China is a big and diverse country with a complicated and extensive structure of local governments, and a variety of different local political economies. As noted in the introduction, there are good reasons for focussing on the apex of the political system, particularly in the Xi era. Yes, this is a centralised unitary political system, and that central control might be stronger under Xi than under previous leaders. But there is still considerable room for local governments to do things that they think works best for them and to do things that the central authorities don't like.

As China began to open to the world in the 1980s and then even more so in the 1990s, it became a sort of common sense that you couldn't simply treat it as a single economic entity. Perhaps some of that common sense has been a bit forgotten or obscured since 2012, as Xi's attempts to assert himself over the party and the party over the country have understandably resulted in a focus on the very top of the political hierarchy and the core of the centre of the political system. On a practical level, it is also very hard to keep on top of what is going on across the country as a whole. That is true if you just want to focus on the provincial level of local government, but even more so once you get down to the prefectural and county levels. Despite all that has happened, though, we simply cannot understand how the Chinese economy functions on a day-to-day basis on the ground by only studying central policy. Or even by looking at politics at the provincial level alone. If you want to trade with China, invest in China or accept Chinese investment, then understanding the specific local context that your Chinese partners are operating within would seem to make a lot of sense.

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[14] The Hong Kong Trade and Development Council has a full set of provincial data at https://research.hktdc.com/en/data-and-profiles/mcpc last accessed 17th October 2025.

[15] In official Chinese statistics, this tripartite regional division does not always match up to what you might expect if you just looked at a map. The east refers to Beijing, Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, and Hainan; the centre to Shanxi, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei, and Hunan; and the West to Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Xizang, Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang.

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China's increasing influence in the Global South: what does it mean for the EU?

by Jeremy Garlick & Anja Senz

KEY TAKEAWAYS

- **China is altering the international landscape by creating new norms and alliances**, especially in the Global South. China is building a new set of international institutions and initiatives in opposition to the Western-led liberal international order.
- **China's engagement with the developing world is relatively successful** because it is **better coordinated and more consistent** than what the West has been doing. It is also better adjusted to the needs of countries in the Global South. This has enormous economic and security implications internationally.
- The West – defined primarily as the US + Europe – needs to face the unpleasant truth that **China is winning the influence battle in many parts of the world.**
- The Chinese Communist Party has the advantage of a relatively monolithic political structure, which enables it to **coordinate financial institutions and corporations** quite effectively. China can move much faster than the EU, even if this means that funds are misallocated, or used in ways that the West dislikes.
- The West is **undermining its image through self-inflicted wounds** such as US withdrawal of aid and perceived US and EU support for Israel, unpopular in many Muslim countries.
- **China's trade with the Global South is steadily increasing**, building new markets which reduce dependence on Europe and North America.
- In reshaping its engagement with the Global South, the West must take the experiences and concerns of developing countries more seriously. This will also provide a better understanding of why China is currently often successful.
- **The EU needs to decide** whether to compete or cooperate with China – or, we suggest, to use a combination of strategic competition and cooperation in carefully selected areas.

Keywords

Global South

BRICS

Liberal International Order

Belt and Road Initiative

Norms and Values

China's Alternative World Order



Introduction: China's challenge to the West

In the last three decades, China has altered the landscape of trade, investment and development in the Global South (defined as including Africa, Latin America, the Middle East, Central Asia, South Asia, Southeast Asia, and the Pacific Islands). Since Xi Jinping became general secretary in 2012, China's approach to the Global South has generally been equated with the Belt and Road Initiative (BRI), a platform for improving connectivity, infrastructure, and people-to-people exchanges. The BRI builds upon China's earlier 'Going Global' initiative, which was introduced in the late 1990s, as well as attempts in the 1960s and 1970s to develop friendly relations with African countries. *[1]*

Broadly speaking, under both Xi Jinping and his predecessors, the Chinese government has taken a practical, flexible approach to building relations within a relatively consistent overall strategic framework. This is primarily intended to develop relations and interdependencies with countries in the Global South. In the process, China is introducing new norms for interaction, some of which run counter to the EU's values-based approach. For instance, China presents its approach as 'non-interference' in the politics of partner countries, meaning that authoritarian regimes are tolerated and even supported. It offers the Global South a vision of a 'community of shared future', to be built hand in hand with regimes that the West sees as unacceptable. This stands in direct opposition to the EU's expectation that countries will adopt Western-style democratic and human rights norms.

China's growing economic clout has changed global commerce. China is the world's second biggest economy, the world's biggest producer of manufactured products, and the biggest exporter. China imports raw materials from Global South countries and turns them into finished products, increasing amounts of which are now exported to the Global South. But this is not just exploitation or neo-colonialism, as sometimes depicted in the West. China is looking to Global South countries as emerging markets for its goods, creating an alternative to previous Chinese over-dependence on exporting to Europe and North America.

There is now no doubt that China's influence-building activity is changing the structure of international politics and governance as well as economics. China uses regional cooperation platforms such as the Forum on China-Africa Cooperation (FOCAC), BRICS, and the Shanghai Cooperation Organisation (SCO) – the last two of which include Russia and India – to build regional networks of influence. *[2]* At the same time, bilateral relations are built through trade and investment deals. China's growing influence and different norms and institutions are a challenge to the Western-led so-called liberal international order, represented by institutions such as the G7, the World Trade Organisation (WTO), and the International Monetary Fund (IMF). Thus, there is an urgent need for the EU to take a clear position on how it intends to react to China's attempts to reform the international system through influence in the Global South. On the other hand, amid increasing global uncertainties, developing a clear position is easier said than done.

China's patterns of cooperation with the Global South

China's regional cooperation patterns vary slightly depending on a region's specific concerns: while various forums relating to different stakeholder groups and policy areas have been institutionalized with Africa over the past two decades, there exist several dialogue and exchange formats with the Arab states, Latin America or the Pacific islands, too.

Particularly since the founding of the FOCAC in 2000, China has been working to strengthen its relations with African countries. Regular summit meetings and ministerial conferences demonstrate China's commitment to cooperation and respect for African countries. The forum has also become a key platform for China's Global South diplomacy over the years. In chronological terms, the China-Arab States Cooperation Forum (CASCF), which was established in 2004, is also significant. As a dialogue mechanism between China and the 22 Arab states, it promotes cooperation in areas ranging from energy security to infrastructure development. Since 2006, there have also been regular high-level exchanges between China and the Pacific Islands. The China–Pacific Islands Forum, established in Fiji in the same year, provides a framework for economic and trade cooperation between both sides. China has long-standing ties with Central Asia. However, in 2012, the China + Central Asia (C+C5) Cooperation Forum was established to facilitate diplomatic exchanges between China and the five Central Asian states: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Another regional exchange format emerged in January 2015 in the form of the China-CELAC

Forum. Through this, China connects with the Community of Latin American and Caribbean States (CELAC), and it meanwhile serves as a priority platform for promoting political relations.

All forums were initiated or strongly promoted by the Chinese government in order to systematically cooperate with entire groups of countries (Africa, Pacific states, Arab world etc.). As an important part of Chinese diplomacy towards the Global South, they establish institutionalised channels through which China can coordinate its foreign policy and economic agenda. The importance of 'South-South cooperation' is emphasised in regular summit meetings (every 2–3 years) and joint action plans or communiqués. Another common feature of all formats is that they not only address key political issues and economic interests, but also include educational opportunities and support measures, e.g. for poverty reduction, disaster prevention or environmental and climate protection depending on the situation of the respective country groups. In doing so, China deploys the full spectrum of its engagement with the Global South. In addition to cultivating bilateral ties through traditional diplomacy and regional cooperation forums, it has deepened economic relations through investment, trade, resource extraction, and financial arrangements.

China also forges targeted connections with younger generations by offering educational opportunities through training programs and scholarships. As a result, the number of students studying in China has risen steadily over the past decade – aside from a sharp drop during the pandemic – with the growth driven primarily by students from the Global South. According to official figures available, the majority of foreign students currently come from South Korea. However, the number of students from Western industrialised countries is stagnating or declining, while the number of students from Africa, Southeast Asia and Central Asia is increasing. This shift is changing the proportion of foreign students from different regions. Scholars at major Chinese universities confirm that a growing proportion of students is coming from the Global South and that the number is expected to rise. *[3]* This development is reinforced by the notion of a "community of shared future for mankind" (or common destiny), frequently invoked in key speeches by Chinese government officials. Beyond the practical links created through learning the Chinese language, this concept also serves to cultivate an ideological relationship to China. *[4]*

The increasing role of the education sector is also reflected in the accelerated expansion of area studies at Chinese universities in recent years, which is equipping Chinese actors for the growing global outreach. Overall, these measures fit into a larger strategic foreign policy framework, which is positively received in many countries of the Global South because of its official reference to upholding a peaceful development with mutual respect, the principle of creating win-win situations, diplomatic efforts to generate global partnerships and the preservation of equality and justice in the reform of global governance. *[5]* What is more, media and think tank partnerships with the Global South to promote the Chinese perspective on international relations and global governance as well as to broaden the scope of actors

referring to those views are becoming more and more important. [6]

China's attempts to reform the international system

BRICS is an obvious attempt to develop an alternative international institution as a counter to the G7, which includes only countries from the Global North. In contrast, BRICS, which has expanded its membership to ten in recent years, [7] includes only Global South countries. Similarly, the Shanghai Cooperation Organisation (SCO), which initially focused on Central Asia and Russia, is expanding its reach to include South Asia and the Middle East. [8] The SCO has ten full members, but there are also 16 observers and dialogue partners, all from the Global South. These institutions and others such as FOCAC and the China-Arab States Cooperation Forum (CASCF) constitute a clear attempt to create a network of institutions as a Global South focussed alternative to the Western-led liberal international order.

In the plenary session of the 17th BRICS Summit held in Rio de Janeiro in early July 2025 and titled 'Strengthening Global South Cooperation for More Inclusive and Sustainable Governance', Premier Li Qiang said:

> *… all parties have come to see the growing necessity and urgency to reform the global governance system, and all are participating in and promoting the reform of global governance through various means.* [9]

The Chinese Premier's statement makes it clear that China is actively trying to change the structure of the international order and global governance system via its influence in the Global South. Beijing sees the multilateral cooperation platforms it leads, such as BRICS, FOCAC, and the SCO – which includes Russia and India – as a new governance architecture for reforming the Western-led international order. China's practice-based approach – which can be termed *normative diplomacy* [10] – is a direct challenge to the EU's values-based approach based on respect for Western ideas of democracy and individual human rights.

China's challenge to the West was laid out in full at the SCO meeting in Beijing in early September 2025. Speaking to leaders from over twenty countries including Indian Prime Minister Narendra Modi and Russian President Vladimir Putin, President Xi Jinping introduced the concept of a 'Global Governance Initiative' (GGI). [11] This, alongside his earlier initiatives the Global Civilisation Initiative (GCI), the Global Security Initiative (GSI), and the Global Development Initiative (GDI), as well as the BRI, is a clear attempt to construct an alternative international order as a counter to the West. [12]

Thus, a coherent system consisting of five pillars has emerged in Chinese foreign policy through which influence can be exerted on the Global South in particular:

1. **The Belt and Road Initiative (BRI):** Based on expanding transcontinental transportation, energy, and digital networks, infrastructural and material dependencies can be established.

2. The Global Development Initiative (GDI): Presenting China as a model of developmental success creates legitimacy for its development policies, supporting South-South cooperation in areas such as poverty reduction, food security, green development and digitalisation, and promoting these policies via the United Nations.

3. The Global Security Initiative (GSI): By placing special emphasis on diplomatic relations and stability, existing security policy norms are reinterpreted with the attempt to improve global security governance. A holistic understanding of security enables the broad addressing of traditional and non-traditional security aspects.

4. The Global Civilisation Initiative (GCI): By invoking its own history and traditions, China seeks not only to highlight its uniqueness and distinctive path to modernization through this initiative, but also to promote ideological pluralism and cultural diversity. The initiative seeks to emphasise Chinese values as well as the diversity of values to delegitimising universal values. Through inter-civilisation exchange and mutual learning, peace, justice and prosperity are to be promoted worldwide by searching for common interests.

5. The Global Governance Initiative (GGI): Long-term institutional reform of the world order and propagation of a multipolar system should strengthen the influence of China and the Global South, reducing Western norm-setting power in favour of multilateral rules influenced by China.

It is noteworthy that China has newly introduced four of these global initiatives since 2021. Although no clear roadmap for the implementation and design of these approaches has yet been presented, it is evident that a parallel order is emerging, based on non-intervention, economic interdependence, and selective multilateralism. In addition to political and economic considerations, the cultural dimension is also being addressed internationally, with invocation to the radiance of Chinese civilisation and history. *[13]*

Increasing Chinese influence in the Global South

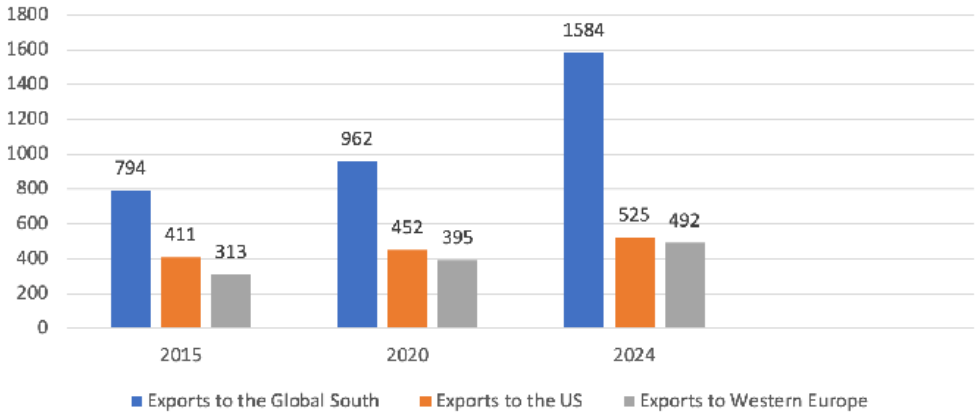
China's trade with Global South countries is rapidly increasing, while its reliance on European and North American markets is steadily decreasing. Meanwhile, aid and development finance are also increasing. China is exporting more of its industrial products to Global South countries, meaning that their economies are becoming more tied to China's. For instance, African countries export natural resources such as oil, iron, zinc and cobalt to China as a supply of raw materials for industrial production. Interdependence between China and the Global South is growing, while trade with Europe and the US constitutes an ever-smaller percentage of their economic activity. *[14]* Alongside the China-led multilateral institutions outlined in the previous section, this means that Chinese influence in Global South countries is rising, and is starting to exceed that of the US and the EU.

China is also at the forefront of science and technology innovation in electric vehicles, solar power, IT, facial recognition, robotics, drones, and AI. These are among the technologies which China is delivering to its partners in the Global South. For example, China's exports of solar panels to African countries increased to record levels in the twelve months to June 2025. *[15]* Chinese companies such as the little-known Transsion are also supplying mobile phones at affordable prices to Africans, dominating the market. *[16]* These Chinese technologies can be game-changing for many developing economies, whose leaders may see Western alternatives as too expensive or tied up with burdensome requirements about doing things in ways that the West prefers – or even prescribes. Accordingly, they tend to welcome imports from China as supplying technologies and goods that they cannot obtain elsewhere. This creates a mixture of development opportunities for the respective countries on the one hand and allows for geopolitical power projection by China on the other. While China "helps" countries for example with their green transition, it simultaneously binds them more closely to own technological standards and its economic and foreign policies, too. All this means that the view of China as an exploiter of Global South countries via neo-colonialism or debt trap diplomacy is a Western stereotype rather than a true representation of relations between Beijing and its growing network of partner countries. In fact, many countries now seem to see their economic and political relations with Beijing in a more positive light than those with Europe or the US. In large part, this is because of the economic opportunities generated through interacting with China.

As Figures 1 and 2 below illustrate, economic exchange between China and the Global South has deepened significantly over the last ten years. In 2024, China exported over 50% more to the Global South than to the USA and Europe combined. In relative terms, the share of Chinese exports to the Global South was 44% in 2024, compared to 35% in 2015, while the US's share fell from 18% to 15% in the same period; Western Europe remained stable at 14%. The Global South now accounts for more than half (54%) of China's trade surplus with the rest of the world. *[17]*

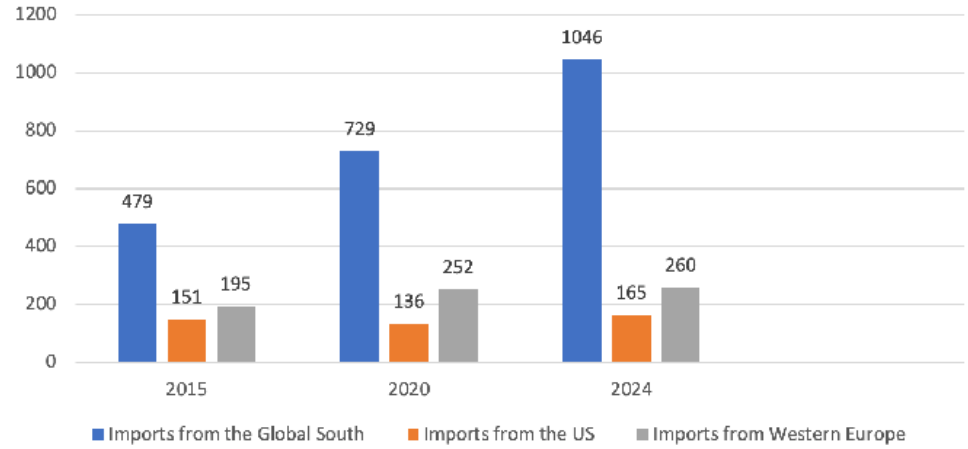
China's imports from the Global South have also more than doubled since 2015, six times as much as the value of its imports from the US and four times as much as those from Europe. What is more, China has announced plans to import goods worth US$8 trillion from developing countries by 2030, offering them duty-free access provided diplomatic relations are in place.

Figure 1: Development of Chinese Exports
(2015-2024, in US Dollars)



*Global South includes South and Southeast Asia, the Middle East and Africa, Eastern Europe, Central Asia, and Latin America. Source: Chang, Charles et al., 2025 *[18]*

Figure 2: Development of Chinese Imports
(2015-2024, in US-Dollar)



*Global South includes South and Southeast Asia, the Middle East and Africa, Eastern Europe, Central Asia, and Latin America.Source: Chang, Charles et al., 2025 *[19]*

Furthermore, there has been a notable increase in Chinese direct investment, and a growing interest among Chinese entrepreneurs in establishing a presence in the Global South. Both of these factors are likely to continue in order to open up new markets and resources access and can help China to diversify and reduce the uncertainties and vulnerabilities caused by US tariffs. The increased exchange of goods is indicative of new economic dynamics, as well as of a newly emerging world order that is determined not only by state policy, but also by new patterns of everyday cultural, socio-economic networking and increased integration of China into the Global South. *[20]*

China's specific forms of cooperation and own institutional networks have enabled it to

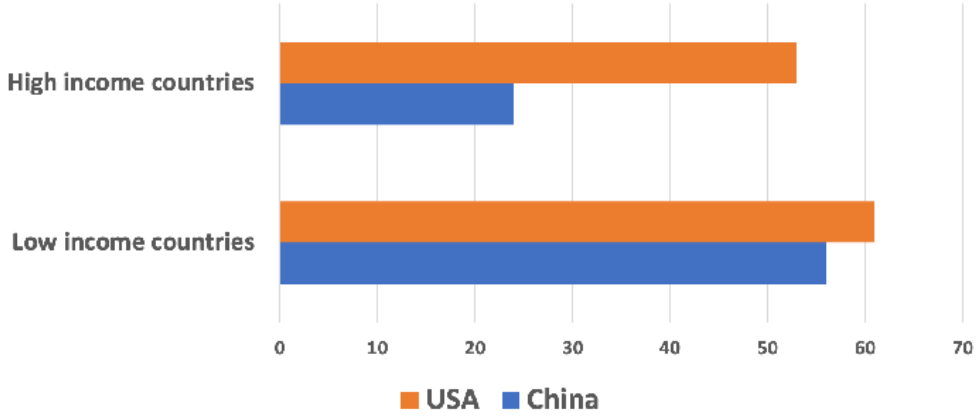
establish a significant sphere of influence, allowing it to act as a major player in its own right, particularly when engaging with smaller countries. This approach is partly consistent with existing international norms, such as trade, and partly follows different norms, including non-intervention, deviating from the prevailing logic of international relations. [21] On the one hand, this diversified international action demonstrates that China does not challenge the established international order in all areas. On the other hand, it offers an alternative to the established international rules of the game in numerous fields, especially for countries in the Global South.

China's growing popularity in the Global South

Evidence of increasing Chinese influence and acceptance in the Global South also comes in the form of opinion polls such as those conducted by Pew Global Research, which demonstrate that China's popularity – along with soft power and ability to shape norms of interaction – is increasing. At the same time, the popularity of the US and the EU is on a gradual decline due to a range of factors. These include the West's perceived support for Israel in Gaza, which is unpopular in many majority Muslim countries. The Trump administration's withdrawal of USAid programmes in Africa has also impacted perceptions of the US. [22] In addition, the Trump regime's inconsistent application of tariffs, often perceived to be unfair, has further undermined the image of America as a responsible international actor, making China look like a paragon of calm and predictability in comparison.

The idea, now losing traction, that China might be generally unpopular worldwide stems from the assumption that the lack of support for China in rich countries occurs also in poor countries. But data from polling by the Pew Research Center (see Figure 3) show China's favourability in low-income countries was approaching that of the US in 2024 and was much higher than in the Global North.

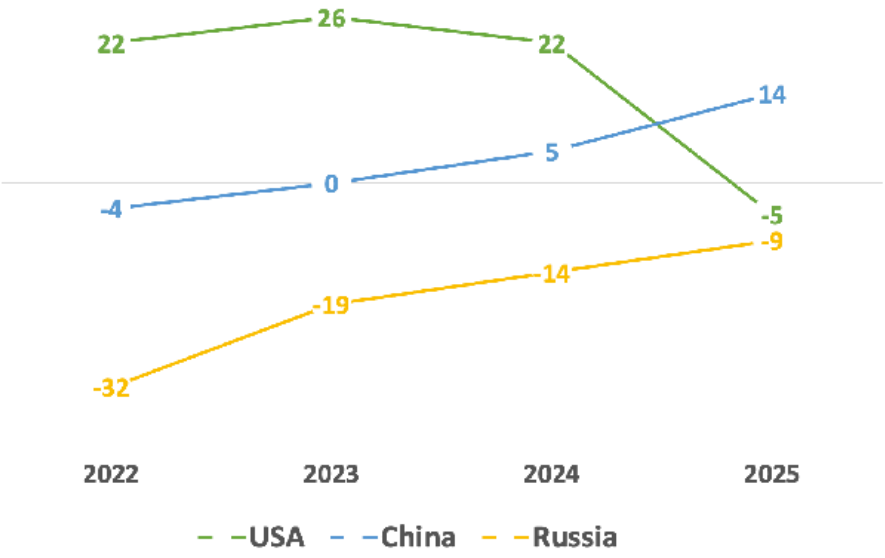
Figure 3: Percentage of people in high and low income countries with a favourable opinion of the USA and China



Source: Pew Research Center, June 2024 [23]

Furthermore, there was a remarkable shift in global public opinion from 2024 to 2025. A Nira Data poll of 96 countries conducted in April 2025 showed that there was a significant shift towards China compared to 2024. Remarkably, the data reveal that 76 out of 96 countries now hold a more favourable view of China than the US. In addition, perceptions of the US fell dramatically from 2024 to 2025 from a net positive (+22 per cent) to a net negative (-5 per cent). During the same period, perceptions of China rose from +5 to +14 per cent, meaning that for the first time, more people worldwide now have a positive perception of China than of the US, while Russia is still seen negatively, but not much more negatively than the US

FIGURE 4: PERCEPTIONS OF GLOBAL POWERS



Source: based on surveys conducted by Nira Data, published May 2025 *[24]*

In terms of soft power, China has developed numerous mechanisms for positive self-presentation over the past two decades. These include the professionalisation of foreign communications, the creation of the 'China' brand and the establishment of Confucius Institutes. Unlike in many Western countries, these institutes are often highly active in the Global South, representing an important socio-cultural connection to China. The country's opening up through the introduction of visa-free entry for citizens of 70 countries worldwide has also contributed to a more positive perception in many parts of the world. Consequently, in countries of the Global South, China is often viewed as a partner, problem solver and financier that imposes few conditions. To name just one example of the many similar rankings, Brand Finance's Soft Power Index measures the global perception of nations, showing how attractive a country is in terms of culture, education, diplomacy, economy and governance. According to this index, China has now overtaken the UK and is second only to the United States. Looking at developments over the past few years, an interesting shift in soft power influence has emerged: While perceptions of the United States are turning negatively, China is managing to improve continuously. This can be attributed to strategic efforts to enhance its global

image, such as major infrastructure investments (Belt and Road), a focus on sustainable development, well-known technological products, communication initiatives and opening up to visitors after the pandemic. China seems to have mitigated previous weaknesses in perception, with respondents viewing it positively in terms of its good relations with other countries and cultural appeal. In this respect, China is not only benefiting from possible (current) weaknesses of the USA in this regard. *[25]*

Conclusion: How should the EU react?

Clearly, it is no easy task for the EU to formulate a response to China's growing influence in the Global South. There is a tug-of-war between the logically opposed visions of threat and opportunity which tends to stymie decision-making. *[26]* China's huge size casts a giant shadow over the EU whether one thinks in terms of economic cooperation or strategic competition. There is no clear route out of this conundrum; nevertheless, one urgently needs to be found if the EU is to remain relevant in the face of the China-led attempts to remake the global order. This includes the urgent need of more coherence among the different positions and actors in the EU.

One solution which may satisfy both sides of the argument is to differentiate areas where the EU must logically oppose China and those in which cooperation is possible. For instance, the EU's foundational normative principles concerning democracy and human rights mean that it cannot find common ground with Chinese support for authoritarian regimes. Standing up for these principles in the arena of global public opinion means trying to counter Chinese political influence. On the other hand, in the face of global environmental catastrophe there is no logical reason not to be sympathetic to China's ongoing efforts to develop sustainable renewable energy solutions. Even if state support for Chinese companies is seen (from the EU's side) as subverting free market norms, the pace of change being achieved by the Chinese is remarkable. *[27]* Importantly, China's huge investments in renewables serve the common human goal of alleviating the climate crisis. Surely, this must matter to the EU, and so come to be seen as an area of potential cooperation. In other words, it may be possible to develop a coherent strategy of competition-cooperation variance dependent on distinguishing between different policy fields. However, it should be noted that many EU Member States currently view non-European countries primarily either as customers from whom profits can be made through trade, tourism and investment, or as adversaries who must be contained through foreign and security policy, intelligence measures, etc., rather than as potential cooperation partners. This is an unfavourable starting point for considering the concerns of various non-European countries in a differentiated manner, or for targeted cooperation in appropriate policy fields.

Europe should also focus on the strengths that distinguish it from China. In particular, the long-established contact between transnational civil societies in Europe and the Global South should be mentioned here. Those groups are in constant and productive exchange with

reference to certain policy areas and therefore represent an important bridge. Strengthening this exchange, which takes place on an equal footing and is often strongly committed to climate policy goals, fairer global trade, compliance with UN human rights standards and SDGs, would be an important sign of European engagement in the Global South – where civil society is often under pressure. Europe is also still an important target region for international students from the Global South – whose efforts often fail due to financial hurdles, visa problems and a lack of integration into the European labour market. Here too, more systematic support could create valuable long-term bridges between Europe and the Global South, and could counteract China's Global South narrative – the idea of China as an "understanding partner" of a whole Global South, opposed to the "hegemonic West".

Be this as it may, what needs to happen now is to initiate a vigorous debate on how to react to China's alternative international order building. Gone are the days of labelling Global South countries as basket cases in need of charitable aid. Now, allied with China, many of them are actively trying to remake global institutions, believing that the current Western-led international system does not serve their interests. The EU needs to wake up to this shift in world affairs and begin finding ways to improve relations with at least some Global South countries. For instance, as a practical measure, countries could be categorised according to the degree, along a spectrum, to which they may be more or less amenable to intensified diplomatic approaches.

At the same time, it is essential to engage with China on at least some levels rather than trying to keep the dragon at arm's length: it is simply not possible to try to snub or shut out China – as some elements in the EU would advise – given its economic size and growing political clout, not to mention the presence of sizeable and energetic Chinese diasporas in the EU. Yes, engagement will have costs; but the impracticality of trying to 'decouple' from China is now all too apparent. Meanwhile, 'derisking' has not yet, despite much discussion, been formulated into a clear strategic approach. Finding a coherent China strategy which engages with China as it is rather than how we would like it to be is now a necessity.

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Behind the Green Boom: China's Unequal Transition

by Anja Senz & Zhu Yi

KEY TAKEAWAYS

- Western commentary often celebrates China's green surge as proof of global climate leadership, but this narrative obscures deep structural problems and significant internal disparities.
- China's new-energy industries are extensions of its long-standing investment-driven development model, which prioritizes GDP growth at all costs, exacerbating regional and social inequalities.
- The electric-vehicle (EV) sector reveals severe power imbalances across resource allocation and industry chains, shifting risks onto small suppliers and consumers.
- Amid economic stagnation, massive consumption-subsidy programs create a new green paradox: they boost short-term consumption that primarily benefits wealthier groups while potentially jeopardizing long-term decarbonization.
- Europe can support a more just transition in China by encouraging responsible Chinese investment, promoting high-standard recycling cooperations, and placing social equity at the center of climate cooperation.

Keywords

Just Transition

Climate Inequality

Chinese Regional Disparities

Electric Vehicles (EV)

Overcapacity

Green Paradox



Introduction

A major outcome of COP30, held in Brazil in November 2025, was the adoption of a just transition mechanism. [1] For the first time in the COP history, the concept of "justice" took a central role in climate negotiations. [2] According to the European Commission, this mechanism "could – and should – support the protection of workers and communities as countries shift to clean energy and a climate-resilient future". [3] Civil society organizations also hailed the agreement as "one of the strongest rights-based outcomes in the history of the UN climate negotiations" [4].

However, the justice discourse advanced at COP30, like much of the broader climate-justice discourse, remains overwhelmingly oriented toward inequalities between countries: wealthy industrialized states in the Global North versus poorer states in the Global South. This framing is understandable against the historical backdrop: Developed countries have emitted far more greenhouse gases over time and possess far greater capacity to mobilize climate resources. Additionally, focusing on Indigenous rights serves as an essential counterbalance to technocratic perspectives, bringing affected communities to the forefront of global climate governance.

Yet this global framing can obscure an equally urgent dimension of injustice: inequalities within societies. Economic, social, and regional disparities fundamentally shape who benefits from the transition to low-carbon development and who bears the burdens, whether from climate impacts or from the policies designed to mitigate them.

This oversight becomes especially salient in the case of China. In much of the Western climate policy debate, China is viewed as a monolithic entity: either as a global polluter responsible

for excessive emissions or as a leader in green-technology driving worldwide decarbonization. Both views fail to recognize China's internal diversity and the significant inequalities embedded in its transition.

Many in the West perceives China's current path within a specific geopolitical framework: Since Donald Trump took office for a second term and withdrew the United States from international climate change efforts, allies like the European Union and various climate organizations feel deeply unsettled. Consequently, many have pinned their hopes on the Chinese state. [5] As one Foreign Policy analysis put it, "climate policy advocates have wasted no time in proclaiming China to be the world's last best hope for climate action". [6]

Throughout late 2024 and 2025, this expectation was reinforced by the narrative of China's impressive industrial dominance. Drawing on Chinese official terminology, several climate policy analyses have celebrated China's so-called "new three" industries (solar photovoltaics, electric vehicles, and batteries), with the framing that clean technologies contribute to a record 10 percent of China's GDP in 2024. [7] Others highlight that China's rapid expansion of renewable energy was the main driver of global growth in renewables, suggesting that China is experiencing a "growing-by-greening" dynamic in which economic growth and decarbonisation advance in tandem. [8] "Only China can now lead the world on climate" [9], concluded an opinion piece in the *Financial Times*, following a lengthy critique of the U.S. governmental inaction.

However, two problems underline this narrative. First, even if the United States retreats from its climate commitments, does this automatically position China as the global climate leader? Second, and more centrally for the analysis that follows, the enthusiastic celebration of China's "growing-by-greening" trajectory tends to focus only on the winners: a state capable of strategic industrial planning, companies achieving record sales and global market shares, and urban middle-class consumers adopting new technologies. What is much less discussed are the growing pains of this transition. Are its benefits justly distributed? Who absorbs the costs—financial, environmental, and health-related? Who pays for the winners' success, and who carries the economic and social risks? These questions are at the heart of climate justice within China, and they drive the analysis in the following text. The first section offers an overview of research on China's internal climate inequality, followed by a case study on social disparities within the EV sector. The third section introduces a new green paradox arising from the government's efforts to boost consumption, while the final section explores how the EU can adapt its cooperation with China through the lens of a just transition.

China's internal climate inequality – an overview

While Western climate-policy discussions have largely overlooked this topic, there has been a growing amount of research in recent years focusing on the internal stratification of China's green transition. Chinese researchers, in particular, often integrate carbon-emission data

with socio-economic indicators such as GDP and Gini coefficients, along with nationally representative household survey data, to examine inequality patterns and their structural causes at a macro level. This section outlines two analytical perspectives: regional inequality and the household carbon-footprint divide.

The regional divide

Studies employing various methodological approaches consistently reveal the same dynamic: economically advanced coastal provinces are the main beneficiaries of low-carbon restructuring, while resource-dependent inland provinces are disproportionately burdened by the transition. China's "new three" industries are predominantly located in coastal provinces with robust innovation ecosystems, deep integration into global value chains, and high-tech manufacturing capabilities *[10]*. Furthermore, these advanced regions exploit a "siphoning effect" that enables them to draw in more green investment while outsourcing carbon-intensive activities to less developed provinces, thereby deepening their structural advantages within China's development model. *[11]*

In contrast, coal-dependent and heavy-industry provinces are experiencing structural decline, facing larger challenges of unemployment and shrinking local-government budgets. Paradoxically, some of these less affluent regions have higher per-capita carbon footprints than the wealthier coastal areas. As Tian et al. demonstrate, provinces like Qinghai or Inner Mongolia have elevated carbon footprints not due to household consumption patterns, but because of emissions related to capital formation associated with infrastructure projects and coal-based energy production *[12]*. This creates a developmental trap where low-income regions bear the heaviest carbon burdens yet lack the fiscal and technological resources needed for transition. These regional patterns are also evident at the municipal level. A study of 283 cities shows that energy-transition affordability (ETA) is significantly lower in western, resource-based cities compared to the coastal east. *[13]* The study further identifies strong path dependence, indicating that cities are highly likely to remain in their original

Inequality metrics mirror these findings. Between 2000 and 2021, Gini-based measures of inter-provincial carbon-footprint inequality rose significantly, largely driven by disparities in raw-coal and crude-oil emissions. *[14]* Collectively, these findings present a coherent and concerning picture: China's green transition is reinforcing, rather than alleviating, existing regional inequalities.

Household carbon stratification: the class and rural-urban divide

China's swift economic expansion in recent decades has significantly enhanced living conditions and boosted household consumption. However, this growth has also exacerbated wealth disparity and increased household carbon emissions. Research indicates that as early as 2012, the top 5% wealthiest households had per capita carbon emissions reached the level of the average European. From 2007 to 2012, overall household emissions in China rose by 19%, with 75% of this increase attributed to the consumption of the urban middle and upper class. *[15]*

A growing body of work shows that climate inequality within societies is a serious problem, including in highincome countries, both in terms of who causes emissions and who bears impacts and policy costs. [16] For instance, the top 10% wealthiest households contribute about 3.1 times the average citizen's global warming impact in the United States, 2.8 times in the EU27, and roughly 4 times in China. [17] Recent studies confirm ongoing carbon inequality among Chinese social groups, with high-income households disproportionately contributing to national emissions. A 2025 analysis furthers this discussion by suggesting that capital disparity—rather than consumption alone—primarily drives carbon inequality in today's China [18]. As demonstrated in Figure 1, in most provinces, the middle and upper class dominate carbon emissions.

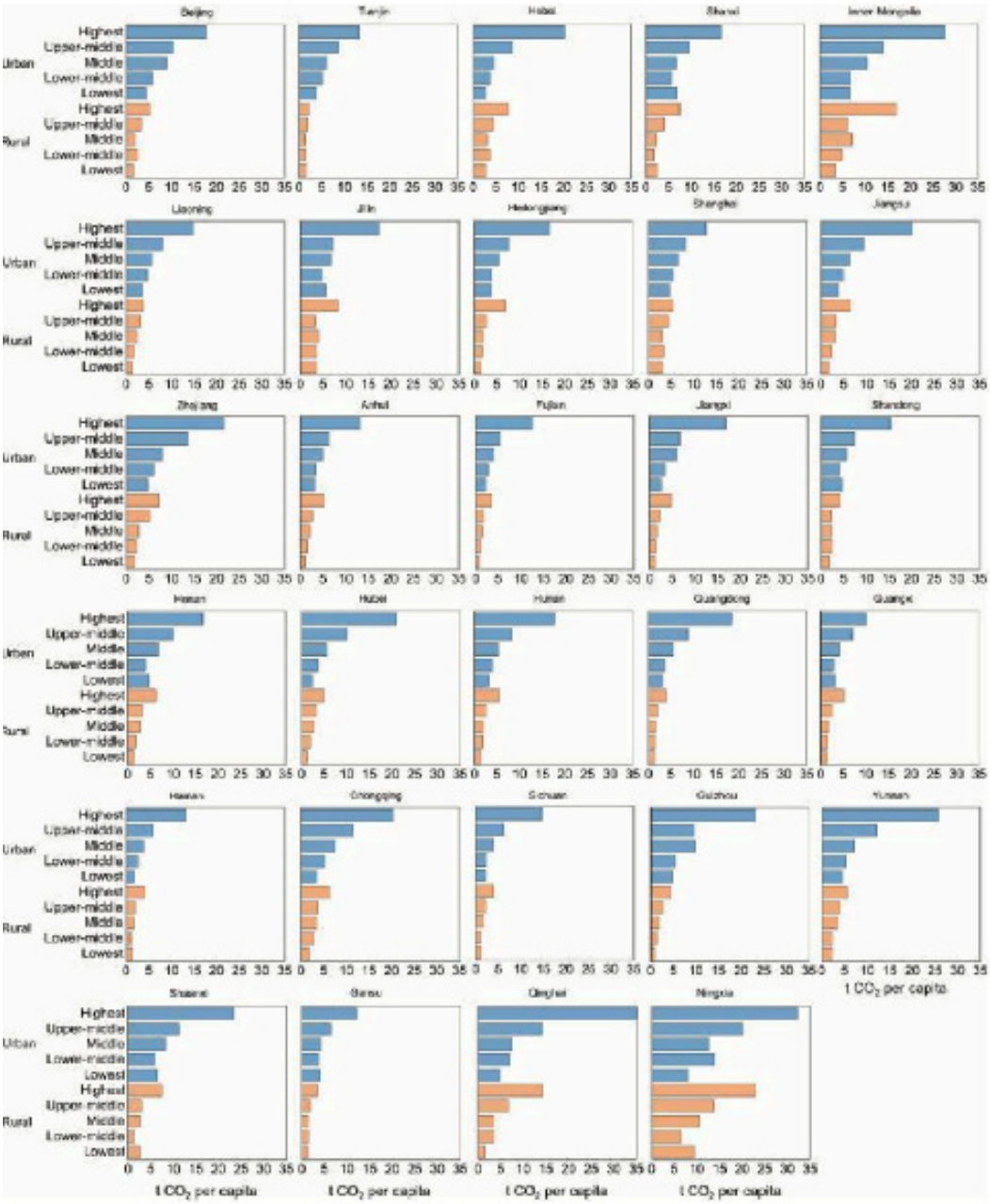


Figure 1: Per capita carbon footprints of 10 income groups in 29 provinces in China (2017).

Note: The figure is created from "China's current carbon inequality is 'predominantly determined by capital disparity", by Tian et al, 2025. Copyright 2024 by Elsevier B.V.

The study also attributes this gap to lifestyle differences: wealthier households increasingly purchase carbon-intensive luxury items (high-end fashion, large homes, and private vehicles), while emissions from poorer households remain linked to basic needs like essential household equipment and services. In the rural sector, housing accounts for 53.70% of rural household carbon inequality. Within the housing category, home purchases (45.51%), heating (33.70%), and household electricity use (15.37%) are the largest contributors. *[19]*

A particularly telling example of rural–urban inequality represents the issue of winter heating in northern rural China. Many rural households still depend on coal or firewood, which not only increases emissions but also poses health risks. As one study notes, lagging gas and clean-energy infrastructure in poorer and rural areas leaves many residents unable to fully benefit from transition policies. *[20]*

Ironically, the government's "coal-to-electricity" and "coal-to-gas" initiatives have, in many instances, worsened rural hardship. In their quest for rapid emissions reductions, local governments often prohibited coal heating before establishing adequate electric or gas infrastructure. Additionally, electricity and gas are significantly more expensive than coal. As Goron et al. observe, "the fuel switch has resulted in rural households paying a much higher incremental energy cost than their urban counterparts, in some cases possibly rising to over 15% of their disposable income" *[21]*. Consequently, adopting clean heating has become disproportionately burdensome and less advantageous for low-income rural residents.

Each winter, media outlets report instances of rural families left without sufficient heating due to strict enforcement of clean-energy mandates. At the start of 2026, reports emerged that local authorities in neighbouring Hebei province, seeking to safeguard Beijing's blue skies, deployed drones to patrol villages and prevent farmers from burning coal for warmth. Because many residents cannot afford gas heating (gas costs 20–30% more in Hebei than in Beijing), they are forced to endure the cold. *[22]* The stark contrast between high-tech surveillance and rural poverty has ignited a firestorm on social media.

Case study: the hidden cost of China's EV-expansion

Western climate advocates often praise China' s rapid EV expansion as evidence of Beijing's commitment to global decarbonization. In contrast, European policymakers worry that an influx of low-cost Chinese EVs could undermine domestic industries. Both reactions overlook a deeper structural explanation: China's EV boom is not a new phenomenon but a continuation of the investment-driven "local developmentalism" *[23]* since the 1990s, revealing profound power asymmetries within the country's economic structure.

Involution, overcapacity, and Zombie firms

European concerns are not unfounded. China's EV sector has been caught in a cut-throat price war: between 2022 and 2024, average discounts of electric cars reached nearly 9 percent, with many companies selling vehicles below cost just to keep production lines running. [24] This dynamic exemplifies a Chinese buzzword "involution" (内卷): a relentless competition characterized by destructive price wars, product homogeneity, and improper business

What is the rationale behind this seemingly irrational market behavior? The answer lies in a political economy where regional governments compete aggressively for revenue and growth. As Su and Tao suggest [26], China's one-party state has granted the central government tremendous power to shape the fiscal system to its benefit. This setup has led to acute revenue shortages for local governments, forcing them to behave as "revenue maximizers". Local officials have been actively involved in expropriating land from farmers, developing industrial parks and infrastructure projects, and promoting residential and commercial real estate.

Following the collapse of China's property bubble in recent years, local governments, desperate to maintain GDP growth, pivoted to the EV sector, incentivizing manufacturers with cheap land, subsidies, and government-backed loans. This rush has led to massive overcapacity; by 2025, factory utilization rates dropped to nearly 50%, leaving half of production lines idle. In a functioning market, such inefficiencies would prompt consolidation or firm exit. However, within China's political economy, bankruptcy is often politically unacceptable. Local officials sustain "zombie companies" through credit rollovers to avoid the visible failure of industrial parks and the political consequences that follow. [27]

Despite central government rhetoric against "involutional competition" since 2025, analysts remain doubtful that this systemic overcapacity can be resolved, as long as the underlying power imbalances and fiscal incentives remain unchanged. [28] The outcome is a cycle of inflated GDP figures, rising local debt, and the depletion of public resources and environmental protections. Furthermore, this path exacerbates social inequality, as uneven resource distribution and the increasing oligopolization of strategic sectors widen income disparities and hinder social mobility. [29]

Who pays the winners' bill? Asymmetrical power in the industry chain

The social stratification inherent in China's EV industry is especially evident in the power imbalance between large national champions and smaller suppliers. While firms such as BYD are celebrated globally, their success is partly built upon structural advantages, and structural vulnerabilities, within the domestic industrial system. As China's flagship EV producer, BYD is deeply intertwined with government support. In 2024, the company received more than 14 billion yuan (roughly USD 2 billion) in government subsidies, accounting for around 35% of its net profit and doubling the figure from 2023. [30]

What is less apparent is how BYD manages its relationships with its more than 8,000 suppliers, particularly through a financial tool known as a 'quasi-bill'. Functionally as a form of IOU, a quasi-bill allows BYD to delay cash payments by issuing a promise to pay at a future date. Suppliers who require liquidity must take these notes to banks and discount them, effectively paying 5–7% interest simply to access revenues they have already earned. In effect, BYD retains its cash longer, boosting its own financial statements, while the smaller, often marginally profitable suppliers (operating on thin profit margins typically ranging from 2 to 10 percent) carry the cost. *[31]*

According to Chinese media Caixin, the accounts payable of BYD have seen a rapid increase from 22.52 billion yuan in 2019 to more than 237 billion yuan in 2024, a tenfold increase, while its revenues only tripled over the same period *[32]*. This unequal power dynamic is further compounded by extreme demands; for instance, in 2025, BYD reportedly demanded an additional 10 percent price cut from its partners, pushing many smaller firms to the brink of survival.

Consumer as the risk-bearing class: asymmetrical power in the market

While China's electric vehicle (EV) expansion is frequently attributed to state industrial policy and manufacturing strength of domestic firms, the decisive agency of over ten million annual consumers is often understated. Crucially, the motivations driving this consumption differ significantly from Western environmentalist assumptions. Empirical research shows that climate awareness is not a primary determinant for Chinese buyers. *[33]* Instead, purchasing decisions are heavily influenced by a demand for "smart" features and digital connectivity. *[34]* A McKinsey survey underscores this difference: whereas German consumers associate EV connectivity with traditional comforts such as heated seats and parking assistance, Chinese users prioritize smartphone integration and "full autonomous driving" capabilities. *[35]*

In China, autonomous driving is widely perceived as the cutting edge of mobility, a view actively reinforced by state industrial policy. The 2015 "Made in China 2025" plan explicitly set the goal of establishing a "self-sufficient intelligent-vehicle industry chain", designating "fully autonomous vehicles" as key products. *[36]* The regulatory environment has been tailored to this ambition: When the German BMW launched its autonomous-driving tests in Shanghai in 2018, executives reportedly remarked to Chancellor Angela Merkel that the company was expanding its R&D in China due to the "more conducive conditions and less red tape" compared to Germany. *[37]* Yet while China's regulatory framework is strongly oriented toward supply-side innovation, consumer protection remains weak, producing a structural power imbalance between dominant brands and individual buyers.

This asymmetry was made visible in a fatal crash of a Xiaomi SU7 in Anhui in March 2025, which resulted in the deaths of three female university students. Despite public scrutiny regarding the aggressive marketing of Xiaomi's "self-driving" capabilities, official regulatory

responses were muted, and the company swiftly reclassified the system as a basic driver-assistance function. Corporate public-relations efforts and legal resources frequently shift accountability onto consumers. Following the Anhui incident, online discourse devolved into victim-blaming, with some commentators directing sexist insinuations at the victims. [38] As
the South China Morning Post reported, analysts argued that "millions of drivers need to be educated" [39] , framing the issue as user ignorance rather than technological failure or

This pattern persisted: In October 2025, when another fatal Xiaomi incident occurred, the driver was once again blamed online, while many media outlets avoided naming the manufacturer. [40]

Intriguingly, the state's approach to safety regulations further highlights social disparity. While high-tech EV manufacturers enjoy a relatively permissive regulatory framework, safety interventions in the grassroots mobility sector often manifest as punitive actions that overlook user needs.

On December 1, 2025, China introduced new safety standards for e-bikes, a transportation mode utilized by 380 million people. Although these regulations aim to reduce traffic accidents and battery fires, they have sparked overwhelming public backlash. The rules limit rear seating, decrease storage space, and push the cost of standard models from about 2,000 to 3,000 yuan (from roughly €240 to €363). [41] Critics argue that these changes undermine essential mobility functions such as transporting children, daily commuting, and threaten the livelihoods of 20 million food delivery workers. Many suspect that the policy indirectly benefits the EV industry by making e-bikes less practical. However, as one online commentary points out: "Not every family can afford to buy or maintain a car, and in densely populated cities, commuting by bus or subway is a physical battle. The advantage of the e-bike lies precisely in its flexibility". [42] Media outlets also call on policymakers to "balance safety, cost, practicality, and regulation" to create a truly fair mobility system. [43]

Essentially, Chinese consumers find themselves in a vulnerable position as a "risk-bearing class". In the high-end market, they support technological advancements at the expense of their own safety; in the low-end market, they either compromise their safety for affordable mobility or bear the financial burden of regulatory compliance. The human cost of China's mobility transition is disproportionately borne by individual consumers.

China's green paradox: consumption vs. decarbonization

The upgrading and replacement of e-bikes should be understood as part of a broader set of government initiatives aimed at stimulating domestic consumption. China is entering a prolonged phase of economic deceleration rooted in structural imbalances accumulated over several decades. Since 2021, falling housing prices have sharply eroded household wealth, as

over 70% of which is tied to property assets. [44] Coupled with geopolitical tensions, high youth unemployment, and weakening private-sector confidence, these factors have suppressed domestic consumption, creating a deflationary trap that Beijing can no longer ignore.

The regressive nature of demand-side stimulus

To counter this, the central government designated 2024 as the "Year of Consumption Promotion", launching a sequence of large-scale consumption-subsidy programs worth hundreds of billions of yuan. These measures, framed as "green upgrades" and "energy-efficiency trade-ins [45], encourage households to replace older appliances, vehicles, and interior furnishings with newer, cleaner, "smarter" models. Tellingly, the subsidies apply not only to EVs but also to internal-combustion cars. In 2025, the scope of subsidies expanded into services consumption and broader categories of high-end products. Five of China's most wealthy cities: Beijing, Shanghai, Guangzhou, Tianjin, and Chongqing—were designated as priority beneficiaries, each receiving 200 million yuan in central-government support for consumption promotion.

No	Release Date	Policy Title	Issuing Authority	Key Measures / Focus Areas	Subsidy Mechanisms & Amounts
1	March 7, 2024	*Action Plan for Promoting Large-Scale Equipment Renewal and Consumer Goods Trade-in*	State Council	Equipment renewal; trade-in programs for consumer goods: automobiles, home appliances, and home renovation	Joint subsidies from central and local governments
2	March 27, 2024	*Action Plan for Promoting Consumer Goods Trade-in*	Ministry of Commerce + 14 agencies	Launch of "2024 Year of Consumption Promotion"; upgrade of key consumer goods	No specific subsidy amount disclosed
3	July 25, 2024	*Measures to Strengthen Support for Large-Scale Equipment Renewal and Consumer Goods Trade-in*	NDRC & Ministry of Finance	Subsidies: RMB 20,000 for NEVs, RMB 15,000 for fuel vehicles; 15%–20% subsidy for home appliances	RMB 150 billion in ultra-long special treasury bonds; provincial governments provide matching funds
4	Aug 3, 2024	*Opinions on Promoting High-Quality Development of Service Consumption*	State Council	Service consumption in dining, lodging, elderly care, tourism, sports, etc.	Emphasizes fiscal and financial support
5	Dec. 2024	Summary of the Central Economic Work Conference	CPC Central Committee & State Council	"Boosting consumption" as the top economic priority for 2025	Increased issuance of ultra-long special treasury bonds
6	Jan. 2025	*Notice on Expanding and Strengthening the 2025 Trade-in and Equipment Renewal Policies*	NDRC, Ministry of Finance, etc.	Expanded list of subsidized products; newly includes smartphones and digital devices	Continued special treasury-bond; funds tilted toward regions with strong performance in 2024
7	March 5, 2025	Government Work Report	State Council	Reaffirms "stimulating consumption" as the most important task of the year	RMB 300 billion in ultra-long special treasury bonds for consumption subsidies

8	March 16, 2025	*Special Action Plan for Boosting Consumption*	General Office of CPC Central Committee & State Council	Measures to increase incomes, stabilize stock markets, promote inbound consumption; expand large-item and new-type consumption	Interest subsidies for loans; expansion of personal consumer credit
9	Sept. 15, 2025	*Policy Measures for Expanding Service Consumption*	Ministry of Commerce + 9 agencies	Culture–tourism–sports–health; attracting foreign visitors to spend in China	No specific subsidy amount disclosed
10	Nov. 26, 2025	*Implementation Plan on Enhancing the Supply–Demand Match of Consumer Goods and Further Promoting Consumption*	MIIT + 6 agencies	Supply-side reform: target formation of RMB 3-trillion and 10 × RMB 100-billion consumption sectors; focus on smart home appliances, robots, AI devices, domestic brands	No specific subsidy amount disclosed
11	Dec. 2025	Summary of the Central Economic Work Conference	CPC Central Committee & State Council	Special initiatives should be advanced to boost consumption, supply of high-quality consumer goods and services should be expanded.	More proactive fiscal policy and a moderately loose monetary policy

Table 1: China's 2024–2025 Consumption-Stimulus and Trade-in Policies

Source: Own compilation.

However, these demand-side interventions exhibit regressive distributional effects: because the programs require substantial upfront spending and often target high-value goods, the benefits disproportionately accrue to urban middle- and upper-income households, leaving lower-income groups behind. As Cui Dongshu, Secretary-General of the China Passenger Car Association, noted in 2025, vehicle subsidies "failed to reach those who need them most", instead favoring wealthier families trading in their second or third cars. [46]

Nevertheless, the government's November 2025 Implementation Plan for Further Promoting Consumption [47] explicitly prioritizes high-end, technology-intensive products: "smart home
appliances, wearable devices, humanoid robots, and drones", identifying these categories as future" trillion-yuan markets". The plan further emphasizes accelerating "AI + consumption" as the next frontier of domestic demand. Reflecting this policy orientation, the government highlights the rapid growth of these sectors: in 2025, output of smart drones increased by 59.9 % year-on-year, while vehicles equipped with L2-level autonomous-driving features

AI as an emerging driver of climate inequality

The rapid expansion of artificial intelligence (AI) introduces a new and insufficiently studied dimension of China's climate challenge. The United Nations Environment Programme has warned that AI surge causes substantial energy consumption, greenhouse gas emissions, water use for cooling, and growing volumes of electronic waste. [48] In 2024, data centers accounted for 1.5 percent of global electricity demand, with the United States responsible for the largest share (45 percent), followed by China (25 percent) and Europe (15 percent). [49] Recent modelling [50] indicates that the electricity consumption of AI data centers in China

alone could surpass 1000 TWh by 2030, placing immense pressure on the national power system and driving a significant increase in emissions.

This dynamic is actively reinforcing a new form of internal climate inequality. The primary economic gains of the AI boom: high-income employment, productivity boosts, and consumer upgrades, are concentrated in already prosperous eastern coastal provinces. In contrast, poorer inland and western regions bear a disproportionate burden: Since 2022, the Chinese government has launched the Eastern Data, Western Computing initiative, establishing national computing hubs in Inner Mongolia, Guizhou, Gansu, and Ningxia to process data generated by eastern provinces; *[51]* this has posed significant water-use challenges for Western regions, which still rely heavily on coal.

Ultimately, China is facing a green paradox: the very policies necessary to stimulate domestic demand is driving a consumption model that risks undermining long-term decarbonization goals and deepening internal inequality. Addressing this requires moving beyond subsidy-driven "growth at any cost" toward a model that integrates social equity with genuine sustainability.

Conclusion: toward a just and sustainable EU-China climate partnership

The emphasis on "Just Transition" principles at COP30 offers an important opportunity for the European Union to recalibrate its climate cooperation framework with China. To do so, the first step for the EU is to move beyond the dominant technocratic viewpoint, which frequently highlights sensational production figures and low costs, such as the portrayal of Chinese "cheap clean tech" *[52]* and "green overcapacity" as the "solution the world asked for" *[53]*, while obscuring the significant social and human costs behind these numbers. As previously discussed, China's current green overcapacity is not a global remedy but rather a symptom of an unsustainable development model marked by social inequality and inefficient allocation of financial and environmental resources—problems that even Beijing now seeks to resolve.

Rather than endorsing a paradigm of "growth at any cost", the EU should capitalize on its comparative advantages, particularly in energy efficiency, sustainable consumption, social inclusion, and broad stakeholder consultation. These experiences enable Europe to make a significant contribution to China's next phase of transition, aiding in shifting the focus from rapid industrial growth to long-term social and environmental resilience.

Another strategic approach is for the EU to encourage regulated Chinese outbound investment into Europe. Analyses indicate that relocating segments of China's overcapacity to overseas production is among the most feasible mechanisms for reducing domestic saturation while reducing geopolitical frictions. Overseas manufacture would allow Chinese firms to maintain demand for intermediate goods while avoiding trade disputes and contributing to

employment and technology transfer in host economies. [54] This trajectory mirrors developmental stages of Japan, South Korea, and Taiwan, whose firms internationalized during their industrial maturation. Many Chinese manufacturers, strained by intense "race to the bottom" competition at home, are seeking such opportunities. For Europe, welcoming these investments could enhance industrial capacity, create jobs, foster new supply chains, and acquire technology—provided that social and environmental standards are strictly maintained. Therefore, the EU must establish early and ongoing engagement frameworks: communication channels, compliance training, and monitoring systems to ensure that incoming firms adhere to European norms from the beginning.

Finally, the EU must address the environmental and social risks embedded in China's green-technology sectors, particularly photovoltaic and battery manufacturing. China's green industries emerged in the 2000s under the developmental logic of "pollute first, clean up later", leading to severe pollution and hazardous working conditions. The country now faces a massive wave of end-of-life clean-tech waste: the International Energy Agency projects that China will generate 1.7 million tons of retired PV modules by 2030, [55] and battery retirement is expected to surge beginning in 2026. Yet approximately 70% of used EV batteries currently flow into informal recycling channels, which expose workers to toxic substances and release harmful pollutants into soil and air. [56]

A similar issue exists with PV module recycling: although China's Pre-2030 Carbon Peaking Action Plan officially advocates for the development of recycling systems for batteries and PV modules, [57] the country still lacks a comprehensive regulatory framework akin to the EU's WEEE Directive. Informal operators, often based in rural areas with minimal oversight, use primitive methods to burn or dismantle components, causing significant ecological damage and achieving low material recovery rates.

In this scenario, the EU should focus on creating strategies to collaborate with China on green-waste recycling, including establishing industry standards and circular-economy models, to help prevent another wave of ecological injustice in China's "growing-by-greening" process. By promoting responsible waste management, the EU can aid in a truly sustainable and socially equitable global energy transition.

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The internationalisation of China's approach to human rights: implications for the EU

by Jeremy Garlick

KEY TAKEAWAYS

- China's human rights record, alongside its one-party authoritarian governance system, has generated negative views of the country and its government, especially in the EU.
- However, the human rights issue is less significant when assessing the views of people in the Global South, where there is an increasingly positive view of China, while views of the US are deteriorating.
- There is a clash between the universalist, individual-based view of human rights promoted by Europe and China's relativist/collectivist approach.
- Also significant is the distinction between the Western emphasis on civil-political rights and the economic-social rights promoted by China.
- The Chinese approach appeals to large sections of the impoverished Global South because it prioritises collective economic development, while the Western focus on democracy and individual rights is seen as unproductive and hypocritical.
- Generally, while the Chinese Communist Party's approach to human rights continues to affect public opinion in Europe, it is less significant than other issues for people in the Global South.
- From the EU's perspective, weighing up whether to prioritise European values or economic pragmatism is perhaps an insoluble dilemma, but one that demands more consistent policymaking than has hitherto been the case.

Keywords

Human rights

Universalism versus Relativism

Civil-political versus Economic-social rights

Global South

Chinese Communist Party (CCP)

Normative diplomacy



Introduction

The Chinese government's policies towards some of its citizens, most notably minorities such as Uyghurs and Tibetans, have long been controversial. In fact, they are the most important aspect of the People's Republic of China (PRC) as far as many Europeans are concerned. For a large number of people, the issue of "re-education camps" in Xinjiang and the suppression of individual freedoms in Hong Kong and Tibet are automatically a reason to censure and shun contact with China. Adding in other factors such as China's one-party Communist governance system and the Chinese assertion that the island of Taiwan is part of 'One China' leaves a sour taste in the mouths of many people in Western countries. Consequently, the Chinese Communist Party (CCP) is frequently viewed as having a blatant disregard for the rights of people in its own and other countries which cannot be ignored when considering China-related issues.

Yet the impact of the human rights issue on China's international image is far from clear-cut if one takes a global perspective rather than a Eurocentric or West-centric one. Across large parts of the Global South (i.e., economically less developed countries in Africa, Latin America and Asia), China's human rights record takes a back seat to other factors such as trade and investments. For instance, public opinion surveys show that many people in the Middle East – whom one might expect to be concerned about the fate of the Muslim Uighurs of Xinjiang – have been persuaded by their leaders to ignore such factors and prioritise instead the economic benefits of engagement with China. *[1]* In the context of underdevelopment and lack of economic resources, many nations are obviously going to be pragmatic and prioritise

economic growth over idealistic goals.. Under the umbrella of Xi Jinping's Belt and Road Initiative (BRI), they can attract loan-funded infrastructure projects and other investments from Chinese companies. [2] These are more attractive to national elites than listening to lectures from the EU about human rights and democracy. [3]

The point here is that the assumption – widely held in Europe – that everyone will automatically form an unfavourable view of the PRC's approach to human rights is misconceived when it comes to much of the Global South. Developing countries do not necessarily share the universalist European view of individual human rights and instead some of them (those that favour building better relations with China) are leaning towards the relativist/collectivist Chinese interpretation (of which more later in this paper). At the same time, as a previous EuroHub4Sino paper demonstrated, US support for Israel in Gaza is undermining its support base in Muslim countries, while Trump's cancellation of USAid programmes in Africa means that America is losing ground to China there. [4]

The point is that China is winning because of America's increasingly negative image during the second Trump administration, rather than because of anything new that China is doing. China's foreign policy consistency makes it look like a model of peace and stability in contrast with the wild fluctuations occurring during Trump 2.0. This is reflected in survey data. For instance, the Pew Research Center's Spring 2025 Global Attitudes Survey showed that the percentage of people worldwide with a favourable opinion of the U.S. fell from 51 to 35 per cent between 2024 and 2025, while China's favourability rose from 23 to 32 per cent in the same period. [5] In 2025, public opinion in Global South countries such as Indonesia, Mexico, Kenya, Turkey, South Africa and Nigeria turned towards China and away from the U.S. [6] Washington is busy handing the world to Beijing on a plate, meaning that China's human rights record is no longer so much of a drag on the Chinese government's global

Two sides of China's approach to human rights

The rest of this paper will examine the two main aspects of China's approach to human rights which have an impact on its international relations. The first is concerned with perceptions of human rights abuses within China, which tend to be the main focus of European observers. This means looking at the effects of Chinese government policy in Xinjiang, Tibet and Hong Kong, as well as the general suppression of dissent through internet controls, the social credit system, and other means of top-down control. The top-down Chinese approach to human rights impacts countries where the rule of law is weak and democratic institutions are not in place because it serves as a model for autocratic governments.

The second aspect concerns China's arguably different conception of human rights to the one generally taken for granted in the West. Alongside Marxist precepts, the approach promoted by the CCP also emanates from Chinese political philosophy and cultural traditions and so is unfamiliar to people in the West. When the collective is prioritised over the individual, and when economic-social goals (such as healthcare, education, housing, and food security)

are prioritised over civil-political ones (such as freedom of speech, gender equality, and the right to vote), the result is an ideational and material context for understanding human rights which does not correspond to that adopted by the EU. Affluent countries tend to take economic-social rights for granted while prioritising the promotion of individual, civil-political rights. However, the collectivist-orientated, economic-social Chinese model for human rights development, explicitly promoted by the Chinese Communist Party (CCP), [7] has greater appeal in the less economically developed Global South. This impacts views of China, making the PRC more popular in the Global South where people are likely to overlook problems in the area of civil-political rights.

China's human rights record

According to European standards, the Chinese state does not conform to human rights norms – as Western European leaders, including the UK's Keir Starmer in January 2026, feel compelled to remind President Xi Jinping when they visit Beijing. [8] The CCP controls the political system, suppressing all serious opposition (while nominally allowing a few other parties which do not challenge its regime to exist). It controls flows of information through means such as the so-called 'Great Firewall', which is essentially a Western nickname for China's system of internet censorship. [9] It expects all its citizens to conform to the rules it dictates, particularly in the spheres of politics and religion, but also sometimes in other areas such as economics. Those who break the rules may be arrested, detained and possibly even tortured (the evidence on this tends to need further corroboration, but various stories have leaked out from Xinjiang 're-education camps' and other internment facilities) without recourse to legal process. [10] For lesser infringements, they may be given a bad social credit score and banned from travelling. Religious groups are tolerated but closely monitored and tightly controlled. Only five religions (Buddhism, Catholicism, Islam, Protestantism, and Daoism) are officially recognised and their adherents are required to follow rules banning large gatherings. [11] Training in "socialist values" is a requirement for believers. [12] The Falun Gong religious movement is completely banned since around 10,000 practitioners gathered around Zhongnanhai, the central government's compound in Beijing, on 25 April 1999, resulting in a decision to completely eradicate it from China. [13] However, the most notorious problem for Europeans is China's repression of separatist movements in Xinjiang and Tibet, as well as the ongoing clampdown on proponents of democratic values in Hong Kong.

Xinjiang is an autonomous region in northwest China whose majority population consists of Muslim Uyghurs. The Uyghurs are a Turkic people with an ethnic, linguistic and religious identity which is distinct from that of the majority Han Chinese. A wave of Uyghur violence against Han Chinese induced the Chinese government to systematically repress separatism in Xinjiang province. Violence provoking that reaction included: 2009 riots in Urumqi, the capital of Xinjiang province; [14] a 2014 knife attack at Kunming station which killed 31 people and injured 143; [15] and a 2013 attempt to bomb Tiananmen Square in Beijing. [16] As a result, the CCP took a zero-tolerance approach to dissent in Xinjiang, which is a key BRI corridor

and a vital source of natural resources including oil. The East Turkistan Islamic Movement (ETIM), a Uyghur separatist group, was heavily targeted and its remaining members were forced to disperse into neighbouring countries. [17] Internment facilities labelled as "re-education camps" were built across Xinjiang in which many Uyghurs were detained. They were given training in patriotism and the dangers of "religious radicalism". [18] Residents' internet access was restricted and monitored: beginning in 2014, they were required to login with an identification number in order to publish information on the internet. [19] There are many reports of families being forcibly separated, with children whose parents have been interned being committed to care facilities. [20]

Although it has taken a backseat to Xinjiang in the Western media in recent years, Tibet has been on the Western radar for much longer than Xinjiang. When People's Liberation Army (PLA) troops occupied Tibet in 1959, the Dalai Lama fled across the Himalayas to India with 80,000 of his followers. [21] Since then, Tibet has been in the Western consciousness as a land of Buddhists oppressed by Chinese invaders. Many Western politicians have met the now-aging Dalai Lama, whom Beijing depicts as a separatist endangering China's unity. [22] The CCP defends itself by insisting that Tibet – which contains the sources of the Yangtze and Yellow Rivers – has been part of China "since ancient times." [23] This means that there is no possibility that Beijing will ever contemplate allowing Tibet to gain independence.

The human rights situation in Hong Kong has been steadily worsening (from a Western standpoint) since the former British colony was returned to the PRC in 1997. There has been a steady tightening of control by the central government. Pro-democracy protests have been suppressed by security forces. Despite promises of 'one country, two systems', Hong Kong's Legislative Council was overhauled in 2021 to ensure, in Xi Jinping's words, that there were "patriots governing Hong Kong". [24] The power of voters to elect candidates who would challenge central government policies has been reduced by limiting the number of members of the Legislative Council who can be directly elected; the rest of the members are now chosen by a pro-Beijing election committee. [25] The central government is clearly now determined to ensure control over the territory, far in advance of the formal expiry of the 'one country, two systems' principle in 2047. For the CCP, the principle of social harmony – meaning suppression of any elements that would challenge the government and upset the carefully maintained order – takes precedence over civil, democratic and individual human rights in Hong Kong.

The EU's dilemma: European values versus economic pragmatism

In this context, with CCP policies clearly contradicting core EU values, one would expect criticism from European states. Indeed, this has come at intervals. However, European officials dare not challenge China too vociferously or continuously because of the perception that there will be potential economic and even political repercussions. Any action which China sees as an attack on its interests tends to be met with retaliation against the offending nation – even

if this is often symbolic rather than impactful, as in the imposition of sanctions on Norway in response to the award of the Nobel Peace Prize to the imprisoned dissident Liu Xiaobo. [26] Since the economic fortunes of European countries such as Germany have become closely intertwined with China, officials often dare not disrupt relations through provocative statements which might offend the Chinese government and lead to repercussions.

There are numerous examples of the consequences of criticising China's human rights record. When the French president Nicolas Sarkozy said he was considering boycotting the Olympic Games in March 2008 because of its approach to Tibet, there followed an attempt by French protesters to snatch the Olympic torch away from a disabled Chinese athlete in Paris. Subsequently, Chinese shoppers boycotted French-owned Carrefour supermarkets in China, impacting the company's business. [27] A ban on government officials in Xinjiang province travelling to the EU induced a similar ban on various EU officials and scholars visiting China, producing a prolonged diplomatic row. [28] Lithuania's relations with China soured after it decided to allow Taiwan to open a representative office in Vilnius with the word 'Taiwanese' in its name instead of Taipei', which Beijing interpreted as an attempt to undermine its 'One China' policy. [29]

What all this means is that EU policymakers are forced to constantly weigh up the pros and cons of criticising China, balancing economic pragmatism against European values. There is a lack of consistency and clarity in this regard, with various officials and countries promoting different policy directions. In particular, while nations such as Lithuania and the Czech Republic have often decided to take a values-based position towards the PRC, others, chiefly Hungary, openly pursue economic cooperation without condemnation. The remainder seem to vacillate somewhere on the spectrum between, their positions often swinging from one side to the other depending on the current state of public opinion.

Clearly, there is a need for more consistent policy on the issue of what to do about China's human rights record. But at the time of writing this appears to be as far away as ever. From a pragmatic perspective, it is not even clear that anything can be done to affect the issue. Any statements on the topic risk being labelled as empty rhetoric ignored by Chinese officials. Meanwhile, any decisions to take action lead only in the direction of vituperative economic or political sanctions from the Chinese side, followed by rapid backtracking on the EU side, creating an enduring impression of European weakness and vacillation.

China's view of human rights: civil-political versus economic-social, relativism versus universalism

The Chinese government insists on non-interference in its domestic policy as an integral element of respect for Chinese national sovereignty. China insists not only on respect for its own sovereignty, but also (at least in principle) respect for the sovereignty of other nations. [30] This connects to both the Westphalian concept of sovereignty and the UN Charter concerning the rights of nations to self-determination within their territorial borders. [31] For this reason,

the CCP takes criticism of its approach to Tibet, Xinjiang and Hong Kong as an assault on its right to govern as it sees fit. The Chinese government reacts immediately and angrily to any attacks on its approach to these regions: it cannot tolerate the implied challenge to its rule, because if allowed to continue this has the potential to undermine its legitimacy within China, provoking dissent.

This explains the rationale behind the Chinese government's promotion of a relativist rather than universalist interpretation of human rights. Essentially, it is up to every sovereign nation to decide how to decide about the rights of its own citizens according to local culture and norms, rather than to follow the dictates of the Western-led understanding of universal human rights. Within China's relativism there is a focus on benefits for the collective rather than the individual, in conformity with the underlying principles of both Communism and Confucianism.

Tied into this is the Chinese insistence on the importance for its development of promoting economic-social (positive) rights, while limiting civil-political (negative) rights. The idea is that China as an economically developing country needs to prioritise lifting as many citizens as possible out of poverty by providing them with housing, education, food and healthcare. The good of the majority, in the utilitarian sense, comes first. According to this ranking of interests, individual rights, if they conflict with the collective interest, must be limited. So, for instance, if individuals broach uncomfortable topics that upset the social harmony and potentially impact the smooth course of economic development, censorship is imposed. If a minority group (such as Uyghurs) uses violence against the majority group (Han Chinese), then, according to the Chinese government's rationale, its right to freedom of expression, freedom of movement, and even freedom of belief must be suppressed.

Such is the rationale behind Chinese government policy on rights: the individual, if his/her actions conflict with the majority interest and the effort to prioritise the economy in the interest of promoting economic-social rights, is crushed by the weight of the collective. And in order that China's unity and social harmony are maintained and the Chinese Communist Party retains power there can be no compromise concerning this approach. The rights of one or a few individuals to protest and upset the social order simply do not count when compared to the rights of the majority to improve their basic living conditions. This is the calculation that the CCP, in its own interests as well as what it perceives as the interests of the Chinese nation, makes in regard to human rights.

This has important repercussions when considering China's relations with the Global South. The model of human rights promoted by the Chinese government appeals to economically less developed countries because it corresponds to the calculation that their governments have to make. If citizens are short of basic requirements such as food, energy, education, healthcare and transport infrastructure, then ruling elites must prioritise providing such goods in order to retain legitimacy. As long as leaders do this, they can probably retain the support of the majority of the population. This is exactly the approach which has been taken

by the Chinese government since the Deng era. In the meantime, if there are minorities who protest and seek to bring down the government, they must be suppressed and freedom of speech restricted in order to maintain sufficient social stability to foster economic development. If economic development and stability in less developed countries are facilitated by Chinese investments, and China thence comes to be viewed as an example to imitate, then there is all the more reason to follow the Chinese model on both the economy and human rights.

The result of all this is an authoritarian, collectivist and relativist approach to governance and human rights in many countries in the Global South which are supported by China. Economic-social rights are prioritised over civil-political ones, which are often even actively suppressed by governments. Yet at the same time, as we shall see in the next section, this is not leading to China becoming unpopular in most of its partner countries. China is seen as helping economic development through BRI investments, loans, and infrastructure, and thence as promoting the economic-social rights of the majority (even if the latter idea is not voiced as explicitly as this). At the same time, the EU and US insistence on the development of democracy and civil-political rights is viewed increasingly negatively by many. This is because it is seen as both unproductive in economic terms, but also as hypocritical in terms of Europe's colonial past, for which it is seen as having not yet made full amends, and the US's present foreign policy under Trump (increasingly perceived as being anti-Global South).

Views of China in the Global South

Global support for China has been growing steadily since the 1960s. In that decade, more countries endorsed the Republic of China (Taiwan) than the PRC. However, Taiwan's support eroded steadily over the decades as China's long-term 'charm offensive' – consisting chiefly of non-interference in a country's domestic politics and economic investments – gradually won nations to its side. *[32]* In 1971, a majority in the UN voted to switch China's permanent membership of the UN Security Council from the ROC to the PRC despite resistance from the United States. By 2022, only one African country – Eswatini – continued to maintain official ties with Taipei, down from 19 in 1962. *[33]* Still, for many countries lingering doubts about the value of supporting the PRC remained into the post-Cold War era. Even during the early years of the Xi Jinping presidency, many countries hesitated to switch their support to China, with the US remaining more popular.

The situation has changed markedly since 2023. In this year the Israeli occupation of Gaza began in response to the 7th October Hamas cross-border attack on Israeli citizens. Since Israel had the support of the US and there was an absence of outright condemnation in Europe, views of the US in some Muslim countries subsequently declined, while perceptions of China remained the same or improved in comparison. After Donald Trump became president for the second time in January 2025, and began cutting US aid programmes to the Global South, surveys during the year revealed a deepening of the swing away from the US and towards

China. [34] For instance, a poll by the Economist conducted between July and September 2025 revealed that China's popularity had overtaken the US in Indonesia, South Africa and Mexico, with favourability rising particularly markedly among younger people. [35]

As of early 2026, with the Trump regime being widely perceived as increasingly authoritarian, erratic, and inclined to use of military force against countries such as Venezuela and Iran (not to mention against its own citizens via ICE actions in American cities), China was coming to be seen by many in the Global South as a more stable, reliable and responsible partner. China's human rights record, which was beginning to look not so much worse than that of the US, was not an impediment to its growing popularity. Nira Data's May 2025 survey of 96 countries revealed that 76 of them had a more positive view of China than the United States. [36] Muslim countries in particular took a dim view of US support for Israel in Gaza, pushing them towards China regardless of possible abuses of the Muslim population of Xinjiang. [37] Broadly speaking, the Global South was moving away from the US and the EU and towards China, with China's approach to human rights apparently not affecting the growth in its popularity there – and perhaps even enhancing it.

Conclusion

As American global soft power has been on the decline, China's vision of a global order based on Confucian-style social harmony which prioritises the collective over the individual has gradually become more acceptable, at least in some Global South countries. Fukuyama's vision of an 'end of history', in which Western-style democratisation was supposed to roll out across the whole globe, ending authoritarianism, has not come to pass. [38] In fact, there has been a rollback towards right-wing populist regimes even in some democratic countries, not least among them the United States.

At the same time, what one might call the 'China model' of governance and human rights has gained a certain degree of traction, even if not yet overwhelmingly so. Meanwhile, the notion of 'normative power Europe' has begun to fade from view as Europe comes to be seen as a disunited and ineffective actor. The perceived success of the PRC in raising hundreds of millions of its citizens out of poverty while not changing to a Western-style system of governance and individual rights has given China's approach credibility as an alternative to Western ideas on the universality of individual human rights. A 2025 Afrobarometer poll shows that 60 per cent of African respondents in 29 countries viewed China positively, compared to figures of 53 per cent for the U.S. and only 49 per cent for the EU. [40]

For the EU, this leaves some tough decisions. Is it best to keep pursuing principled normative diplomacy in the Global South, refusing to work with authoritarian regimes with spotty human rights records and pressuring them to reform? Or is it better to engage with the leaders of such countries regardless of their political systems, seeking to challenge Chinese influence? Either way – and one would suggest more active engagement as a pragmatic measure – the EU needs to develop more consistent policy towards both China and the Global South if it is

to promote its values around the world and counter what is now the ever-more prevailing Chinese political and human rights model.

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China's PLA and Europe's Supply Chain Trap: Navigating U.S. Pressure and China's Influence

by Niklas Swanström

EXECUTIVE SUMMARY

The modernization and global posture of China's People's Liberation Army (PLA) present a growing strategic challenge for the European Union at a moment when transatlantic unity faces unprecedented strain. While the PLA does not maintain a direct military presence in Europe, its influence permeates through cyber capabilities, strategic investments, technology acquisition strategies, and supply chain dependencies. The emergence of a more aggressive and transactional U.S. approach toward China (and Europe), characterized by comprehensive decoupling efforts, technology restrictions, and demands for allied conformity—places the EU in an increasingly difficult position. Brussels must navigate between Washington's pressure for technological and economic separation from Beijing, threats of taking over European territory, support for Russia in Ukraine, and its own imperative to maintain pragmatic engagement with the world's second-largest economy. This brief outlines the PLA's evolving role, its impact on European security and industrial resilience, the complications arising from divergent transatlantic approaches, and policy recommendations for the EU to safeguard its strategic autonomy while managing relations with both great powers.

Keywords

PLA Tech

Supply Risk

EU autonomy

China leverage

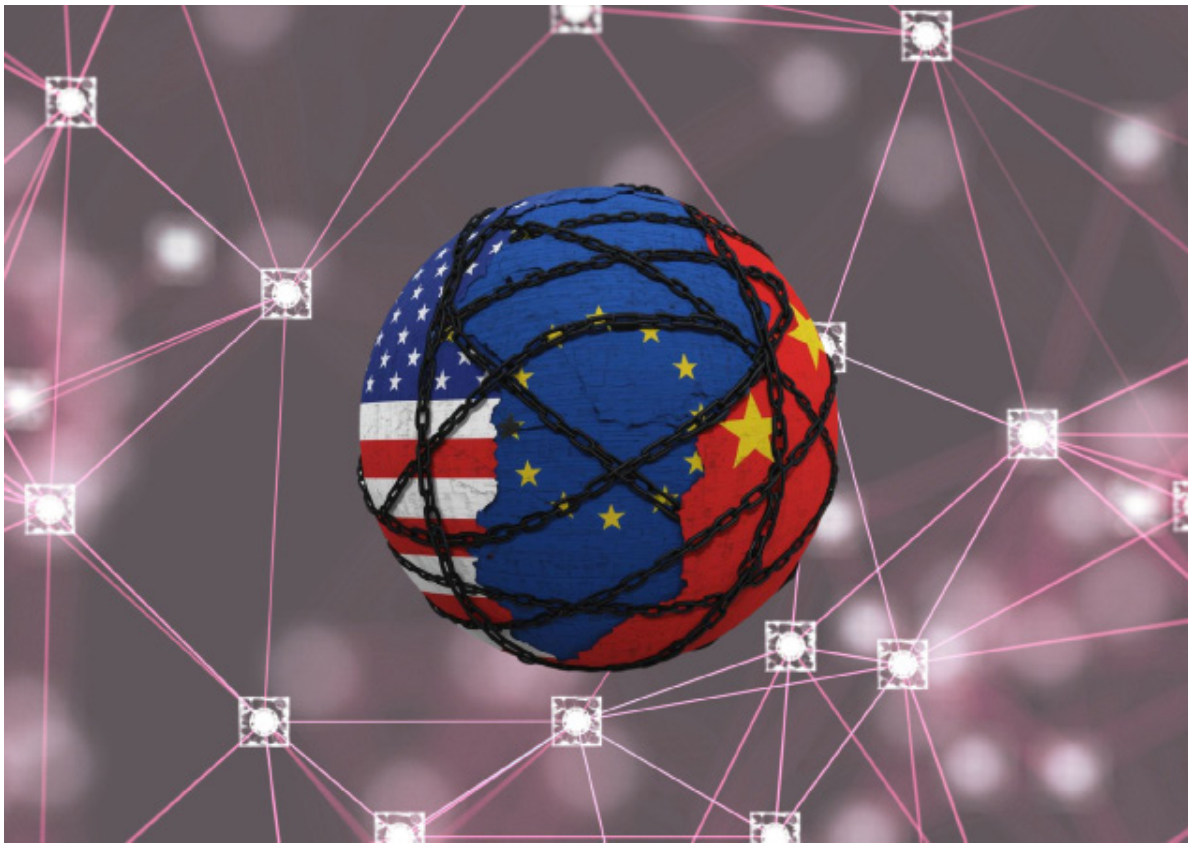
US-EU divide

Military-Civil Fusion

MCF

KEY TAKEAWAYS

- Supply chain risks: Europe's reliance on Chinese critical materials (rare earths, semiconductors) and infrastructure (ports, energy) creates vulnerabilities to coercion.
- PLA's indirect threat: China's military modernization (cyber, space, hypersonics) and Military-Civil Fusion exploit Europe's tech and supply chain dependencies.
- Transatlantic split: The U.S. demands decoupling, while the EU seeks de-risking, straining alliances and exposing Europe to retaliation risks.
- EU's balancing act: Policies like FDI screening and the Chips Act aim for autonomy, but progress is slow due to costs and political fragmentation.
- Need for action: The EU must diversify supply chains, boost defense cooperation, and assert strategic independence to avoid being caught between U.S. and Chinese pressures.



Introduction

China is rapidly transforming the PLA into a technologically advanced, multidomain force capable of operations spanning from the electromagnetic spectrum to outer space. With estimated defense spending exceeding $313 billion annually in 2024—though actual figures may be significantly higher—Beijing has prioritized investments in cyber warfare capabilities, counter-space systems, hypersonic weapons, and long-range precision strike missiles. *[1]* The PLA Navy has become the world's largest naval force by hull count with 841 vessels in January 2026, *[2]* with growing blue-water capabilities that enable sustained operations in distant waters, including occasional presence in European maritime approaches and the Mediterranean.

The integration of civilian and military sectors under the Chinese Military-Civil Fusion (MCF) strategy represents perhaps the most significant challenge for European policymakers. *[3]* This comprehensive national strategy is elevated to the highest levels of Chinese state policy under Xi Jinping and mandates the systematic transfer of commercial technologies, research capabilities, and industrial capacity to support PLA modernization objectives. *[4]* The strategy explicitly targets dual-use technologies in artificial intelligence, quantum computing, biotechnology, advanced materials, and semiconductor manufacturing—precisely the sectors where European companies maintain some competitive advantages. *[5]*

MCF fundamentally breaks the traditional Western assumption that civilian and military

technology sectors can be meaningfully separated. European dual-use export controls, investment screening mechanisms, and technology partnerships all relied on this distinction - which MCF explicitly dissolves. This fusion fundamentally blurs the line between commercial and strategic activities, raising acute concerns about Chinese investments in European critical infrastructure, technology partnerships with European universities, and the presence of Chinese companies in sensitive supply chains. Entities such as Huawei, ZTE, and CRRC—all subject to varying degrees of MCF obligations—have established substantial operations across Europe, creating dependencies that extend beyond simple commercial relationships. Europe is increasingly dependent on China for its Green transition, research and innovation, economic development as well as a partner to balance the U.S. influence. This creates as asymmetric vulnerabilities: European firms engage with what they believe are civilian Chinese partners, inadvertently contributing to PLA capabilities. The challenge for European policymakers lies in distinguishing legitimate commercial activity from strategic positioning that could support PLA objectives, whether through technology acquisition, intelligence gathering, or future leverage in crisis scenarios.

PLA leverages MCF to become a "world-class military" by 2049 through three phases: mechanization, informatization, and intelligentization. *[6]* MCF channels civilian innovation—especially AI, quantum computing, and autonomous systems—into military capabilities while acquiring foreign technology through investments, partnerships, and espionage to achieve information dominance in future warfare.

Supply Chain Vulnerabilities and Strategic Dependencies

European industries face profound vulnerabilities stemming from concentrated dependencies on Chinese-origin materials and components. The defense sector, aerospace manufacturing, renewable energy production, and digital technologies all rely heavily on Chinese supplies of rare earth elements, gallium, germanium, tungsten, and increasingly sophisticated electronic components. *[7]* China controls approximately 69% of global rare earth mining and over 90% of processing capacity *[8]*, creating a structural dependency that cannot be resolved in the short or medium term. This is not unique to Europe in any way, but the size of the European economy and its green transition demand much larger volumes and exacerbate the impact of the dependency.

These dependencies expose the EU to strategic coercion, as demonstrated by China's 2023 export restrictions on gallium and germanium—critical materials for semiconductor manufacturing and military applications *[9]* —implemented in direct response to Western technology controls. The implications extend beyond materials to encompass entire value chains. European defense contractors source components from suppliers with opaque ownership structures and supply chains that may ultimately trace back to PLA-linked entities. The BRI has facilitated Chinese investments in European ports, including Piraeus, Hamburg, and Valencia, telecommunications infrastructure across Central and Eastern Europe, and energy networks that create potential access points for intelligence collection or future disruption.

The COVID-19 pandemic exposed the fragility of just-in-time global supply chains and Europe's particular vulnerability to single-source dependencies. Yet progress toward diversification has been slower than rhetoric suggests. European companies face significant cost disadvantages when sourcing alternatives, and the scale of investment required to establish truly diversified supply chains—particularly for rare earth processing and advanced manufacturing—exceeds current political commitments, especially in the light of the tension with the U.S. The PLA benefits indirectly from these dependencies, as economic leverage translates into constraints on European policy autonomy, particularly regarding Taiwan, the South China Sea, and human rights concerns in Xinjiang.

The Transatlantic Dilemma: Navigating Between Washington and Beijing

The emergence of a more aggressive U.S. posture toward China under successive administrations has created acute challenges for European strategic planning. Washington has moved from engagement to comprehensive strategic competition, implementing expansive export controls, investment screening mechanisms, and diplomatic pressure for allied conformity to American approaches. The CHIPS Act, Inflation Reduction Act, and export control measures on advanced semiconductors represent unilateral American actions that affect European interests while demanding European compliance. *[10]* The compliance is not only in terms of economics but also threats of territorial aggression in Greenland and unfair peace treaties in Ukraine.

This aggressive U.S. stance places the EU in an extraordinarily difficult position. Unlike the United States, which can leverage continental scale, technological leadership, and relative economic self-sufficiency, Europe remains deeply integrated into global trade networks where China plays an indispensable role. Chinese markets absorbed €223 billion in European exports in 2023, making China the EU's third-largest export destination and largest source of imports with 20.5 percent of total imports. *[11]* German automotive manufacturers, French luxury brands, and specialized machinery producers across Europe depend on Chinese demand for their commercial viability. The integration runs deeper than trade statistics suggest—German companies have invested € 7.3 bn in the first half of 2024, compared with €6.5 bn for 2023 as a whole, in Chinese operations, creating a strong partnership and generating returns that fund European innovation and social systems. *[12]* The trend is that the German investments will increase by at least 50 percent in 2025 as well, according to Chinese figures, with a focus on automotive, new energy vehicles, chemicals, and advanced materials. *[13]*

The challenge intensifies when considering specific policy domains. On technology controls, Washington demands European participation in restricting exports of advanced semiconductors, manufacturing equipment, and dual-use technologies to China, while simultaneously pushing for U.S. control. These controls directly impact European companies like ASML, whose extreme ultraviolet lithography systems are essential for advanced chip production, or German precision equipment manufacturers whose technologies enable Chinese industrial

upgrading. [14] Compliance with American demands risks Chinese retaliation, loss of market access, and the emergence of Chinese competitors freed from dependency on Western technology suppliers. Yet non-compliance risks American secondary sanctions, technology transfer restrictions, and exclusion from American markets and defense partnerships.

The divergence extends to fundamental strategic assessments. While Washington increasingly views China as a comprehensive adversary requiring confrontation across all domains, Brussels has articulated a more nuanced "de-risking" approach that acknowledges China simultaneously as a partner, competitor, and systemic rival depending on the domain. [15] This formulation reflects European interests in maintaining economic engagement while building resilience against coercion—a stance that Washington increasingly views as naive or as free-riding on American security guarantees. The risk is that transatlantic divisions over China policy become as significant a challenge to European security as Chinese actions themselves, potentially providing Beijing with opportunities to exploit allied disunity.

The PLA factor complicates this further. As American rhetoric frames China in increasingly military terms—emphasizing PLA modernization, Taiwan contingencies, and the potential for great power conflict—European publics and policymakers struggle to perceive direct military threats from Beijing. The PLA does not patrol European borders (not even Greenland), threaten European territory, or engage in the kind of immediate military coercion that Russia demonstrates, and the U.S. has threatened regarding Greenland. [16] This perception gap creates space for European reluctance to align with American positions that seem disproportionate to threat perceptions while potentially sacrificing significant economic interests. Yet this perception may underestimate how PLA capabilities could affect European interests in a Taiwan crisis or broader Sino-American conflict through cyber operations, disruption of global supply chains, or leverage over European dependencies. Not that the dependency on the U.S. is necessarily much better at this political juncture.

EU Strategic Response: Balancing Autonomy and Alliance

The European Union has developed an increasingly sophisticated policy framework addressing Chinese strategic challenges, though implementation remains uneven across member states. The Strategic Compass for Security and Defence represents the EU's most comprehensive effort to enhance coordination on threat assessments, crisis response capabilities, and military mobility. [17] This framework explicitly identifies China as a security concern while maintaining that engagement must continue on issues like climate change and pandemic response.

Regulation (EU) 2019/452 on screening foreign direct investment has enabled member states to examine investments that may affect security or public order, with particular attention to critical infrastructure, sensitive technologies, and media plurality. [18] However, the regulation's effectiveness varies dramatically across the union. While France, Germany, and Italy maintain robust screening mechanisms, other member states lack the analytical capacity

or political will to identify and address problematic investments. The regulation also came too late to address many existing Chinese holdings in European ports, energy networks, and telecommunications infrastructure.

On cybersecurity and critical infrastructure protection, the NIS2 Directive and Critical Entities Resilience (CER) Directive strengthen defenses against hybrid threats, including those potentially linked to PLA cyber operations. [19] These measures mandate security standards, incident reporting, and risk management for entities providing essential services. Yet implementation faces challenges from limited cybersecurity expertise, insufficient investment in defensive capabilities, and the reality that many existing systems incorporate Chinese components that cannot be quickly replaced. The PLA's Strategic Support Force, responsible for cyber, space, and electronic warfare operations, has demonstrated sophisticated capabilities for penetrating Western networks, conducting intellectual property theft, and positioning for potential wartime disruption—threats that exceed current European defensive capabilities.

The EU's "de-risking" strategy represents an attempt to chart a middle course between American decoupling and continued vulnerability. This approach emphasizes diversifying supply chains, also away from an increasingly erratic U.S., coordinating export controls on the most sensitive technologies, and investing in domestic production of strategic materials through initiatives like the Critical Raw Materials Act and European Chips Act. [20] Yet the scale of investment required, potentially trillions of euros over decades, far exceeds current commitments. Moreover, de-risking requires sustained political consensus across member states with divergent interests and China exposures, a consensus that may fragment under Chinese pressure or American demands for more aggressive measures.

Strategic Recommendations: Charting an Independent Course

To effectively respond to the PLA's indirect influence while managing the complexities of divergent transatlantic approaches to China and U.S. threats to European security, the EU should pursue the following 6 priorities:

(1) Strengthen intelligence sharing and threat assessment. The EU should develop an independent analytical capacity to assess PLA-linked entities, technology transfer risks, and supply chain vulnerabilities. This is especially considering the geopolitical challenges with the U.S. This would require significant investment in human intelligence capabilities, technical analysis, and coordination mechanisms that today exist only fragmentarily across member states. The EU Intelligence and Situation Centre (EU INTCEN) should be given enhanced resources and mandates to produce comprehensive assessments of Chinese strategic activities in Europe.

(2) Accelerate industrial rearmament and critical capacity building. There is a need for more focus on initiatives like the Security Action for Europe (SAFE) and ReArm Europe. [21] Concrete investment, streamlined procurement, and elimination of regulatory barriers that impede European defense industrial cooperation should be prioritized.

Beyond military systems, the EU must invest in building indigenous capacity for rare earth processing, advanced semiconductor manufacturing, and other strategic sectors where Chinese dominance creates vulnerability.

(3) Shape a more autonomous transatlantic dialogue on China. Rather than simply responding to American demands or Chinese pressure, the EU should proactively engage Washington and other allies in a structured dialogue that allows for divergent interests while identifying areas for genuine cooperation rather than unilateral demands. European economic interests in Chinese markets are legitimate considerations that deserve American recognition, while European security dependencies on the United States create reciprocal obligations. The goal should be coordinated approaches that reflect both American and European interests rather than unilateral American decisions imposed on reluctant European allies.

(4) Deepen partnerships with like-minded democracies beyond the traditional West. The EU should deepen cooperation with Japan, South Korea, Australia, and emerging partners in Southeast Asia and Latin America to build resilient supply chains, coordinate on technology protection standards, and offer alternatives to exclusive reliance on either Chinese or American systems. These partnerships can provide both economic diversification and diplomatic weight in managing great power competition.

(5) Maintain direct diplomatic engagement with Beijing. Even as the EU builds resilience against coercion, it must maintain high-level dialogue with the Chinese leadership on shared interests, including climate change, pandemic response, and economic stability. This engagement should be clear-eyed about divergences while preventing the complete breakdown of communication that could lead to miscalculation. The EU should articulate red lines regarding Taiwan and other security concerns while emphasizing that European policy will be determined in Brussels, not Washington or Beijing.

(6) Expand military diplomacy and presence in the Indo-Pacific. As the PLA extends its global reach, the EU must expand its own presence and partnerships in regions where European interests are at stake. This includes enhanced naval presence, security assistance programs, and diplomatic engagement that demonstrates European commitment to international law and the peaceful resolution of disputes. The goal is not to match PLA capabilities but to demonstrate that Europe cannot be ignored in shaping regional security architecture.

Conclusion

The PLA's modernization and global strategy pose a complex, multifaceted challenge to the European Union's security and economic resilience at a moment when transatlantic unity faces unprecedented strain. While the threat is not overtly military in nature, its indirect effects—through technology acquisition, investment positioning, supply chain leverage, and

cyber operations—require coordinated and sustained European responses. The complication arising from increasingly aggressive U.S. approaches to China creates a strategic dilemma: the EU must build resilience against Chinese coercion while maintaining economic engagement essential to European prosperity, all while managing American demands for conformity that may not align with European interests.

The path forward requires the EU to assert genuine strategic autonomy—not as rhetoric but as concrete policy independence based on robust capabilities and clear-eyed assessments of European interests. This means building the analytical, industrial, and military capabilities to defend European interests independently while maintaining productive relationships with both Washington and Beijing, where interests align. The alternative—passive response to great power competition—risks leaving Europe as an object rather than a subject of twenty-first century geopolitics, vulnerable to coercion from multiple directions and unable to defend the open, rules-based international system upon which European security and prosperity ultimately depend.

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Reserved yet Influential: China's Role in COP30

by Anja Senz & Belinda Uebler

KEY TAKEAWAYS

- After submitting its updated National Determined Contribution (NDC) with only
  modest improvements, China's role at recent COP30 was ambivalent: restrained
- China's active engagement in promoting the just transition mechanism at the COP was tempered by its strong reluctance to accept any commitments or references to a transition away from fossil-fuels and climate funding. According to its own reporting, China has made significant contributions to climate finance,
- In the non-negotiation space, China focused on showcasing its implementation
  efforts including its achievements within South–South cooperation, and its major advances in green technology — developments that non-Chinese visitors often used as grounds to portray China as a global climate leader. China, however, remained distinctly cautious and reportedly pushed back against be-
- China's civil sector contribution to COP was limited, with NGOs aligning closely
  with government priorities and exerting far less pressure on China's climate commitments than civil sectors elsewhere. The Chinese business sector, on the
- While the EU continues to rely primarily on standards and regulatory approaches in its external climate policy and fails to engage more effectively with the priorities and perceptions of Global South partners, China's popularity appeared to increase with the Chinese pavilion being heavily visited throughout the conference. Furthermore, China's restrained pledges at COP such as in the topics of fossil fuel transition or contribution to financing did not seem to diminish its positive standing among Global South countries.

Keywords

Conference of the Parties (COP30)

Environmental Leadership

Green Technologies

Decarbonization

South-South Cooperation

Climate Funding

Unilateral Trade Measures (UTMs)



Introduction

The genesis of China's participation in global climate politics has undergone a drastic transformation over the past decades. While China rejected binding climate protection measures during the 2009 Copenhagen Climate Change Conference, it soon shifted its stance and is now increasingly regarded as a major contributor to global climate governance. *[1]* Throughout this evolution, China has consistently distinguished itself from the developed countries, which, due to historical circumstances, have produced far more greenhouse gas emissions.

China has long viewed and continues to view itself as a developing country, insisting on the principle of "common but differentiated responsibilities," introduced in the early 2000s. This principle argues that developing countries should be allowed to prioritize economic development over environmental protection. Since industrialized nations have been emitting greenhouse gases for a much longer period, they are expected to take the lead in climate protection efforts and support developing countries through technology transfer and environmental financing. *[2]*

As China came under growing international pressure due to its high emissions, it reinforced its stance by forming alliances with other countries: first within the Group of 77, later in the BASIC group (Brazil, South Africa, India, and China), and eventually in the coalition of Like-Minded Developing Countries. *[3]* Despite these strategic partnerships, China agreed at the 2013 climate negotiations in Warsaw (COP19) to the framework of Intended Nationally Determined Contributions (INDCs), thereby committing itself to nationally determined

measures for reducing emissions. In 2015, China set specific national targets through 2030, which were updated again in 2020. Recently, in early November 2025, China released its updated NDC outlining targets for 2035.

Notably, China has already surpassed two of its 2030 NDC goals. These include the expansion of wind and solar capacity, which reached 1,673 GW by June 2025 [4]—well above the 2030 target of 1,200 GW—and the increase in forest stock volume (an increase in plantation tree cover, which does not necessarily reflect sustainable forest growth [5]), originally set to grow by around 6 billion m^3 from 2005 levels (to approximately 12.5 billion m^3), but already exceeding 20 billion m^3 in 2024. [6] China is also close to meeting its goal of raising the share of non-fossil fuels in primary energy consumption to "around 25%." [7]

On the downside however, not only have studies in recent years questioned the actual emission footprint of green technology produced in the highly coal power dependent China [8], but they also raised concerns in Europe and other regions about China's strategic interest in dominating emerging markets for "green technologies" [9] such as renewable energy, lithium-ion batteries, and electric vehicles. [10]

Nonetheless, China's rapid development in technologies serving for climate adaption has led to increasingly optimistic perspectives and assumptions worldwide about whether China could become a global climate leader. Thus, this policy paper examines China's role and behavior at the recently held and highly significant COP30 in order to elucidate China's current position within broader global climate politics. For this purpose, we conducted a series of interviews between November 2025 and January 2026 with COP participants involved either in the negotiations or in the conference's side events. The interviewees included representatives from NGOs, government officials at the local, national, and supranational levels, as well as members of research institutions. Regarding the nationalities of the interviewees, they included both Chinese and non-Chinese participants, as well as visitors from countries in the Global North and the Global South, in order to capture the broadest possible range of perspectives from all attendees. All interviews and data were anonymized.

Before COP30 – Limited ambition in China's 2035 NDC

In the lead-up to COP30, countries released their new National Determined Contributions (NDC), outlining their climate ambitions for the coming decade. Soon after China published its NDC, initial analyses and reports described it as a "missed opportunity" to assume global climate leadership, noting that China is not filling the vacuum left by the United States. [11]

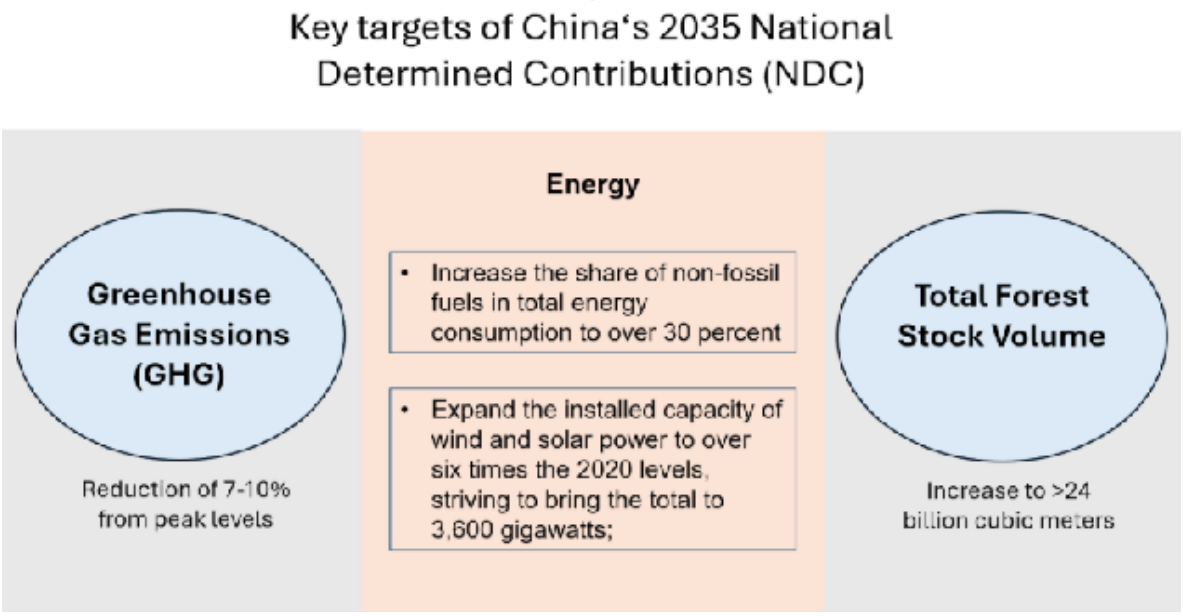


Fig.1: Own graph based on China's 2035 NDC [12]

China's 2035 NDC includes, for the first time, an absolute GHG emissions reduction target calling for a 7–10% decrease from peak levels by 2035. It also provides updated renewable energy goals, including a higher share of non-fossil fuels in total energy consumption and expanded installed capacity for wind and solar power, as well as a revised target for increasing forest stock volume. Although the targets in China's 2035 NDC represent a modest improvement, they fall far short of what would be required to meet the goals of the Paris Agreement, namely limiting global warming to at least 2°C, ideally to 1.5°C. Estimates suggest that China's new emissions reduction target of 7–10% by 2035 is not sufficient for the limitation of global warming to maximal 2°C, but instead would contribute to the world going on a trajectory of roughly 3°C warming by 2100, with catastrophic climate impacts. [13]

Furthermore, experts have raised doubts about the credibility and feasibility of the new NDC targets. For instance, the GHG emissions target contains a significant loophole, as it does not specify a peak-emissions year. Likewise, the impact of the renewable-energy targets is limited in the absence of a cap on fossil fuels – or even any reference to one. [14] Thus, as one energy expert noted, if China's emissions peak were to occur as late as 2040, the country could still technically meet the 7–10% reduction target for 2035, while still allowing emissions to rise up until 2040. [15]

Following the publication of the updated NDC, the two-day "high level segment" at which the leaders of all countries give speeches on their views and plans of climate change were marked by China emphasizing that it remains committed to climate actions including a green and low-carbon transition, yet lacking any reference to China's contribution to climate finance or its carbon intensity reduction progress. Instead, Vice Premier Ding Xuexiang stressed repeatedly that developed countries to which China still doesn't count itself should contribute most to emission reduction, finance commitments, as well as technology and capacity

building. Ultimately, he also criticized that the EU's and US' decoupling measures include restricting imports of "green products" such as solar panels and electric vehicles—actions that, from China's perspective, are inconsistent with the climate progress and leadership role the EU claims. [16] As in the case of India and the United States, China's head of government, Xi Jinping, was not present in the high-level meetings and negotiations drawing criticism in international media, given that these three countries are currently the world's largest environmental polluters. [17]

During COP30 – A Birthday without Presents

Despite COP30 marking both the 30th anniversary of the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) and the 10th anniversary of the adoption of the Paris Agreement, which aims to limit global warming to ideally 1.5°C and at most 2°C, the overall outcome was rather sobering and fell short of delivering more concrete commitments and actions.

The U.S. government's absence from COP30, combined with China's highly publicized leadership in green technologies such as renewable energy, had sparked speculation about whether China would assume a leadership role at the climate summit. [18] Contrary to these expectations, during COP30, several Chinese climate officials rejected this characterization [19], and the term "leader" was reportedly more used by non-Chinese representatives and visitors attending events at the Chinese pavilion. [20]

This aligns with the general trend of more international, often non-Chinese observers attributing certain achievements, optimistic projections, or claims of leadership to China, while China responds very cautiously or avoids confirming them. A recent example is the discussion about a potential early emissions peak of China. [21] While in late 2024 and early 2025 numerous international experts and think tanks speculated about China reaching its carbon-emissions peak and shared optimistic prognoses, China did not officially respond to those claims. [22] During COP30, China rather presented itself simply as a "committed actor and active contributor to green and low-carbon development". [23]

When looking at the two distinct spheres of activity at the COP – the Blue Zone for official delegations on the one hand, and the Green Zone, which is open to the public and focuses on dialogue among civil society, the private sector, and governments on sustainable solutions, on the other hand – China's presence, level of activity, and degree of ambition appeared

Reserved in Negotiations

In the negotiations at COP30, China offered little substantive input, let alone a leadership role. Observers noted that China, despite being the world's largest emitter, maintains a strong view that climate change is primarily a problem caused by developed countries, which should take the lead in addressing it. [24] Despite still being considered a developing country under the

UNFCCC, more and more countries have called for China to shoulder greater responsibility due to its growing economy and emissions. [25] At COP30, China primarily called for increased climate finance from developed countries as part of the Like-Minded Developing Countries (LMDC) group and advocated for its inclusion on the summit's agenda. In the second week, China put forward a proposal for a "practical roadmap" to guide developed countries in meeting the $300 billion New Collective Quantified Goal (NCQG) climate-finance target. The demand ultimately resulted in the adoption of a "two-year work programme on climate finance," in which, however, developing countries are also required to contribute. [26]

Most notably, China didn't make any pledge to invest into Brazil's new forest fund, the Tropical Forest Forever Facility (TFFF). After news media had reported in summer of 2025 that China could be interested to contribute, China did not make any further clarification to why it did not invest. [27] Chinese reports state that, since 2016, China has provided and mobilized over $24.5 billion to support climate projects in developing countries. However, these figures come without any explanation of how they were calculated or what the investments entailed, reflecting the broader lack of transparency surrounding Chinese-administered

Another major topic at COP30 was the issue of Unilateral Trade Measures (UTMs), which China openly opposed, describing them as a "new injustice". [29] UTMs include tariffs and similar instruments that impose costs on imports based on their embedded greenhouse-gas emissions. China was not alone in its stance; developing countries in particular have voiced their objections earlier in 2025. [30] While such measures are intended to create global incentives for low-emission production, many developing countries—including China—argue that they exacerbate inequality and hinder the export and global dissemination of green technologies, such as renewable-energy equipment and electric vehicles. [31]

Additionally, China strongly advocated at COP30 for the development of the Just Transition Mechanism, which is intended to provide technical assistance, foster international cooperation, and support partnerships to address implementation gaps. The newly established "Just Transition Work Programme" (JTWP) was hailed by many civil-society groups as a "victory," as it creates an institutional mechanism that can serve as a centralized hub for supporting just transitions worldwide. However, the drafting of the final text saw multiple disagreements of China with both developed countries and developing countries. [32]

Firstly, the G77/China called for discussing UTMs within the framework of the JTWP, a proposal supported by the Arab Group and Russia. [33] This was opposed by developed countries, particularly the EU, which argued that UTMs fall outside the scope of the JTWP discussions and proposed addressing export restrictions on raw materials essential for clean technology and energy. [34]

Secondly, regarding the issue of transitioning away from fossil fuels, there were disagreements over what should be included in the text. China opposed the inclusion of a paragraph that "recognized" the "risks arising from the extraction and processing of critical minerals".

Notably, this put China at odds with several countries in the LMDCs and the Africa Group, who indicated that references to critical minerals were important to them. Ultimately, China prevailed in its position, and the final text approved in the closing plenary did not include any reference to critical minerals, transitioning away from fossil fuels, or trade measures. [36]

In general, China's contribution to fossil-fuel transition negotiations at COP30 was minimal. Although China faced significant pressure regarding its emissions-mitigation approach, it did not join the calls for developing a roadmap away from fossil fuels, which were ultimately driven mainly by Colombia and the Netherlands. [37] China also opposed efforts to place emphasis on the 1.5°C temperature limit, "requesting the entire Paris Agreement temperature goal…be mentioned". [38] In an interview, Chinese climate envoy Liu Zhenmin explained that the country considered a fossil-fuel roadmap "unfeasible" because, from China's perspective, the proponents of such a roadmap are too focused on rapidly phasing out fossil fuels without giving sufficient consideration to alternative energy sources. He expressed concerns that this would threaten energy security, economic growth, and social stability. [39]

However, China was keen in strengthening the view that it is China's clean-tech economy – rather than its climate diplomacy – that will be the real force shaping global climate action in the years ahead. [40] China showcased this largely through its activities in the non-negotiation space, which played an important role in highlighting its "doer" profile and its existing clean-tech achievements.

Highly Active and Influential in the Non-Negotiation Space

In the Blue Zone of the COP, designed for informal networking and where each country can set up a national pavilion to host a series of side events showcasing work being done in that country, promoting it as a destination for climate-related investment, and often including third-country experts for knowledge sharing, China was noticeably more active and ambitious, exerting greater influence here than in the formal negotiations at COP30. Several think tanks and research institutes had reported that a heightened attention had been given to the China Pavilion. [41]

Many of the 19 thematic side events, 14 featured activities, and 4 exhibitions revolved around the core theme of green technological innovation, showcasing developments in renewable energy – such as solar and wind power – as well as e-mobility and battery technologies. [42] Further side events organized by China covered topics such as the national carbon market, subnational climate action, and South-South cooperation, among others. Hosted by various government departments and research institutions, the events also featured participation from a wide range of Chinese companies – many coming from the energy and clean-tech sector encomprising State Grid and major state-owned oil firms, private solar, wind, and battery manufacturers. [43] In addition, Chinese automakers provided electric vehicles for use during the negotiations, and companies including Tencent, Three Gorges, Longi, and

CATL presented contributions to climate- and environment-related technology. [44] Subsequently, some media outlets criticized China for leveraging the conference as a business platform that serves its commercial interests. [45] Nevertheless, the implementation-focused events, which included numerous presentations of "best practices," were highly appreciated by non-Chinese attendees and prompted many of them to attribute a leadership role to China. Reportedly, many delegates from Global South countries were interested in China's provision of clean-energy technologies [46] and the practical experiences shared with regard to a rapid transition. [47]

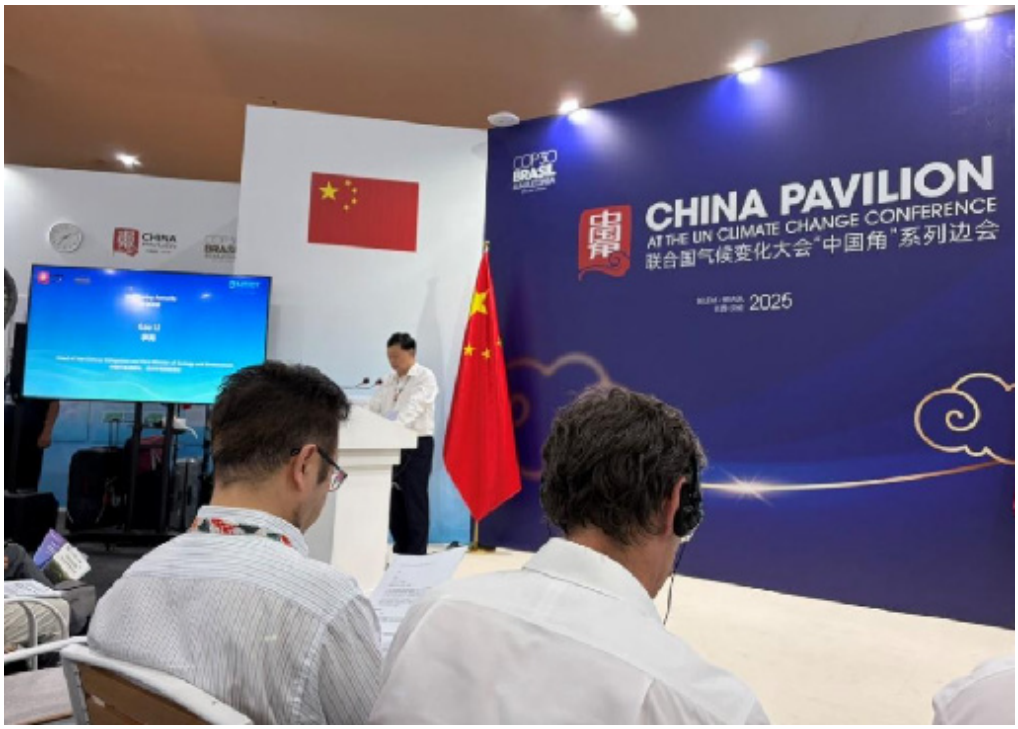


Fig.2: Side-event at the Chinese Pavilion (Photo taken by COP visitor)

South-South cooperation was given a prominent role at the Chinese pavilion. On the first day of COP30, the pavilion hosted a "high-level summit" on the topic, signaling China's emphasis on listening to the needs of developing countries – a strength often highlighted in comparison to the EU. China also signed multiple climate agreements with other Global South countries and launched initiatives such as a clean-stove program with Kenya and Malawi. Visitors from Global South countries frequently attended the pavilion, with the South-South cooperation session being particularly well-attended. [48] In this way, China leveraged the COP to expand its global network, including the promotion of its green and renewable energy technologies and companies. [49]

Another key factor behind China's high influence and popularity in the non-negotiation spaces of the COP was the design of its pavilion. Since its first launch in 2011, the Chinese pavilion has undergone a remarkable transformation from a simple, closed white space accessible only by appointment to a highly welcoming and attractive venue featuring net-

a buffet, a stage, and numerous posters and displays. This evolution reflects the Chinese government's growing focus on non-negotiating arenas of the COP and its desire to present itself as a popular, engaging, and ambitious actor. By showcasing traditional cultural elements and souvenirs, the pavilion drew large crowds throughout the conference, with visitors lining up for snacks, souvenirs, and participatory photo and video opportunities, standing out in popularity compared with neighboring pavilions. [50]

Domestic participation and media coverage of COP30 in China

While civil society, particularly indigenous communities in South America, played a more active role at this year's COP than in previous years and received substantial media coverage in many countries, increasing control over the non-profit sector in China have significantly constrained NGO and environmental activism over recent years. China's limitation on civic self-organization has shaped China's contributions to global climate negotiations and within China's pavilion, environmental NGOs and institutions largely aligned with government positions, exerting far less pressure or critique than their counterparts in liberal countries.

A main difference in media coverage of the COP lies in Western media largely criticizing COP for limited results and their own countries' shortcomings, while Chinese media focused on positive outcomes, highlighting China's role and contributions, occasionally noting that developed countries – meaning "the West" – could have done more. [51] Moreover, reports particularly highlighted the COP's success in engaging all nations, especially those most affected, while emphasizing China's contributions and its commitment to 'strive to do better,' often paired with its standard political slogans. [52]



"China Pavilion" series of COP30 side events kicks off in Brazil

Source: Xinhua Editor: huaxia

A session focusing on ecological civilization and the practice of building a "Beautiful China" is held during the 30th UN Climate Change Conference (COP30) in Belem, Brazil, Nov. 10, 2025. On Monday, the "China Pavilion" series of the COP30 side events kicked off in Belem, with the first session focusing on ecological civilization and the practice of building a "Beautiful China."

Participants get souvenirs at the China Pavilion during the 30th UN Climate Change Conference (COP30) in Belem, Brazil, Nov. 10, 2025. On Monday, the "China Pavilion" series of the COP30 side events kicked off in Belem, with the first session focusing on ecological civilization and the practice of building a "Beautiful China."

Fig.3: Screenshot of a Chinese news media article depicting visitors lining up for souvenirs at the Chinese Pavilion [53]

Domestically, COP and China's contributions to it were broadly covered by mainstream media, however most followed by energy researchers and professionals, who closely track China's environmental policy developments. However, the UN's strategy of appointing prominent figures as climate ambassadors – such as the young actor Ding Yuxi serving as a special UN media commissioner – also reached parts of the general public, who engaged with his speeches and COP-related content, often sharing it on Chinese social media. [54]

After COP30 – China Remains Popular

Despite China's limited engagement in areas such as mitigation, finance, and fossil fuel negotiations, its popularity within the global community – especially among developing countries – does not appear to have been shaken. This may be partly due to China's strong promotion and visibility, which reached a peak at COP30.

Furthermore, the trend of the EU's declining popularity and the Global South increasingly aligning with China continued, [55] despite China remaining largely silent on key issues such as fossil fuel caps and climate adaptation financing. Particularly, many Global South countries strongly requested climate adaptation funding, and China's continued reluctance to contribute to UN-administered funds or the Brazilian Tropical Forest Forever Facility Fund, could have potentially risked its popularity. [56] A possible factor for the unshaken popularity may be related to the US' retreat from the environmental arena, with China representing a strong and agile candidate who already showed increased performance in developing green technology products, thus serving as an exemplary contributor to climate action in the eyes of many developing countries. [57]

Thus, the popularity of China in the global climate action field seems to remain despite the overarching green paradox [58] of China leading the world in clean-tech manufacturing and electrification while still relying heavily on hard-to-abate industrial sectors and offering no firm commitments to near-term GHG emissions reductions or rapid decarbonization. [59]

Conclusion

Overall, this year's COP not only marked historic milestones such as the 30th anniversary of COP and the 10th anniversary of the Paris Agreement, but also represented a critical turning point, as the international community had been watching closely to see whether China would assume a new leadership role in global climate policy following the complete withdrawal of the United States. China's engagement at COP, however, was highly selective: it maintained a cautious stance in negotiations, offered no ambitious decarbonization pledges, and showed no change in climate finance contributions. Instead, its focus was firmly on green technology, bilateral agreements, advancing the concept of a just transition, and promoting green narratives already deeply embedded in China's domestic and global governance. Thus, despite growing international efforts to position China as a global climate leader, there is little evidence that China is actually assuming or actively pursuing this leadership role.

Most importantly, this year's COP has shown that the EU and China could complement each other well on adaptation and mitigation, especially if greater transparency were provided regarding Chinese climate funding and the actual emissions data associated with the production of Chinese green technologies.

COP30 once again highlighted China's continued pattern of engaging closely with developing and emerging countries, approaching them as partners on equal footing, particularly through bilateral meetings and agreements. China held more than 40 bilateral meetings during COP30, following months of high-level exchanges with Brazil and other emerging economies within the framework of South-South cooperation. *[60]* The conference therefore illustrated where China currently positions itself within global climate politics: not as a leader and with as few binding commitments as possible, but as an active and equal partner to Global South countries. It offers concrete projects related to green technologies, while remaining notably vague about its own green paradox *[61]*, including the timeline for fossil

POLICY RECOMMENDATIONS

- *In response to China's rising popularity in emerging economies in Latin America, Africa, and Asia, the EU should seek to engage partner countries and emerging economies on an equal footing. Although the EU is internationally recognized as a strong standard setter, particularly in areas such as emissions trading, supply chain regulation, and sustainable finance taxonomies, these standards are often perceived by partner countries as overly demanding or even paternalistic. To become a more attractive partner, the EU should place greater emphasis on offering incentives and concrete opportunities that support the voluntary adoption of environmental and climate standards. This also requires a deeper understanding of the diverse needs and challenges across regions, including climate-vulnerable countries, energy-importing economies, and rapidly industrializing states. It also entails identifying the specific technologies and infrastructure these countries require and facilitating access to appropriate European solutions.*

- *To understand the real-world impact of China's marketed "green" products, the EU should press China for greater transparency in areas such as climate adaptation fund management and supply chain emissions accounting. In this regard, the EU should also maintain a firm stance on climate-related UTMs such as the CBAM, as these instruments are essential for ensuring transparency and verifying actual emission reductions in imported products. However, given the investments in carbon trading systems (ETS) on both sides, more cooperation in this area could be looked for, too.*

- *Given China's dominance in green technologies, the EU should identify areas for strategic cooperation and investment in segments of the supply chain, such as recycling where the EU's comparatively cleaner energy mix can help achieve lower emissions, creating mutual benefits in reducing the carbon footprint of green-technology production.*

- *Since China's civil society is highly controlled, the EU should leverage its strategic advantage of a strong and diverse civil society working on climate and environment among others to promote joint civil-society initiatives between European actors and emerging countries of the Global South. Furthermore, the EU could make greater use of future COPs as platforms for more positive self-promotion, not least with regard to the global contributions made by its civil society.*

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[61] While China has massively expanded its domestic renewable energy capacity, it still shows no clear signs of a fossil fuel phase out, as major domestic hurdles such as an overly powerful coal sector among other factors continue to significantly hamper the country's energy transition.

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How China is de-risking better than Europe

by Jeremy Garlick

KEY TAKEAWAYS

- The concept of de-risking, which above all refers to the need to address over-reliance on China, was introduced in 2023 in a speech by EU President Ursula von der Leyen.
- However, like decoupling, which was introduced in the U.S. in 2018, the introduction of the term 'de-risking' has not led to consensus concerning a clear strategy for addressing potential risks emanating from economic and political relations with China.
- In contrast, although without using the term de-risking, since 2018 China has been steadily diversifying its markets and resource suppliers more intensively in order to decrease dependence on Europe and the U.S.
- Beijing has also been expanding its influence in the Global South through Belt and Road investments, as well as a range of other economic and diplomatic tools.
- China has therefore implemented de-risking more successfully than Europe, which is still reliant on key imports from single dominant suppliers.
- The EU would benefit from studying what China has done and implementing a similar programme of 'comprehensive security' to enhance European resilience to global shocks.

Keywords

De-risking

Decoupling

Energy Security

Diversification

Comprehensive National Security

Belt and Road Initiative



Introduction

The idea of 'de-risking' economic and diplomatic relations with China was introduced by European Union President Ursula von der Leyen in a speech in March 2023. *[1]* The term was apparently intended to be a European alternative to the US 'decoupling' debate which began around 2018 in Washington, D.C. during the first Trump administration. *[2]* The EU President's intention appears to have been to present 'de-risking' as a slightly softer alternative to the drastic-sounding term 'decoupling.' Instead of trying to completely cut economic and political ties with China (which is clearly not possible given contemporary patterns of globalisation and economic interdependence which rely heavily on Chinese manufacturing), the aim was, according to von der Leyen, to eliminate certain specific areas of risk. For instance, in her speech von der Leyen mentioned rare earths, 5G internet, quantum computing, artificial intelligence, and biotech as sensitive areas in which there was – or might be – too much dependence on China. *[3]* However, although she outlined some core strategies in a general sense, she did not offer precise examples of how exposure to China was to be limited.

Both debates, decoupling in the US and de-risking in the EU, stemmed from the perception that economic interdependence with the People's Republic of China (PRC) was detrimental to the economic and even political well-being of the political entity whose elites were discussing the concepts. Activities considered problematic included the use of Confucius Institutes to influence debates in Europe or the access of Chinese scholars to technological innovations in sensitive areas, as a 2024 EuroHub4Sino paper pointed out. *[4]* However, among Chinese experts there was confusion as to what the precise difference between the

and de-risking might be, amid discussion about how exactly China could be considered a risk to the US and the EU. [5]

Be that as it may, 'de-risking' became a buzzword in Brussels just as 'decoupling' had several years previously in Washington. Discussions about how exactly to limit the supposed damage from links with China ensued and continued into 2024. In the EU, numerous workshops and conferences were held prioritising discussions of the term, including one as part of the EuroHub4Sino project. However, looking at this question from the perspective of early 2026 reveals a lack of progress in some areas in moving beyond rather vague rhetoric into the realm of specific, clear strategy. Where action to reduce reliance on external suppliers has been taken, outcomes have tended to be sub-optimal, as in the cases of the chipmaker Nexperia and imports of Russian liquid natural gas (LNG) – of which more below. The reasons for the failure to de-risk are complex, but – as is common with the EU – broadly involve lack of clear consensus, an inability to coordinate policy effectively, and slowness in developing coherent strategy.

At the same time, while avoiding the word 'de-risking', the Chinese Communist Party (CCP) has, since the 1990s but intensifying since the first Trump presidency, taken incremental and coordinated steps to reduce exposure to external uncertainties. For instance, in a speech in April 2020 President Xi Jinping introduced the concept of 'dual circulation', which aims to decrease dependence on external markets by developing the Chinese domestic market. [6] At the same time, Beijing seeks to reduce China's reliance on – or at least exposure to risks arising from – high volumes of exports to the US and the EU, as a 2025 EuroHub4Sino paper demonstrated. [7] The 2021 decision of the Biden administration in 2021 to expand the number of blacklisted Chinese companies in which U.S. companies and individuals were not permitted to invest [8] caused Beijing to redouble its efforts on these fronts. Meanwhile, in a continuation of policies initiated under Xi's predecessors, China continues to diversify sources of key fossil fuels such as oil and natural gas. In essence, China has arguably been more successful than the EU at implementing a coordinated approach akin to de-risking, even if that is not the word that has been used by the Chinese government.

This paper outlines the consequences of the EU's inability to de-risk and, in contrast, the relatively more successful and ongoing application of diversification and risk reduction by the Chinese government which has arguably made China more resilient to global shocks. Importantly for China, examples of such 'black swans' – unexpected events which can nevertheless be anticipated to arrive sooner or later [9] – include the first Trump administration's trade war, the Biden administration's decision to impose restrictions on exports of high-tech products to China, [10] and the second Trump administration's use of tariffs as a tool of economic statecraft. The aim is to understand the European origins of de-risking, the EU's problems with implementation, and what can be learnt from China's more coordinated strategies for mitigating risks. The main point is to understand and learn from the Chinese experience rather than to discuss how de-risking can be applied to EU policy on China.

European versus Chinese strategy on de-risking

A clear case of a European failure to de-risk and its subsequent negative consequences emerged as a result of the action by the Dutch government to seize control of the chipmaker Nexperia in late 2025. Nexperia, a manufacturer of semiconductors located in the Netherlands, is a subsidiary of Wingtech Technology, which is part-owned by the Chinese state. The company supplies chips to many automakers in the EU. The Dutch action to take control of Nexperia prompted the Chinese government to block exports of finished chips to Europe, resulting in a supply crisis and causing car manufacturers to cut production forecasts. *[11]* The case represents a clear case of the need to ensure that single external suppliers such as China do not dominate key European industries by establishing alternative supply chains. Yet despite the fact that this key weakness must have been known to insiders, no action was taken to de-risk between 2023 and 2025, when the attempt to extract the company from Chinese hands failed. Even after the latest crisis, there is still no clear strategy. *[12]*

Natural gas is another area where the EU has long been at risk of being over-dependent on imports from one country which may not be an ally or reliable and which may unexpectedly cut off supplies or raise costs. Of course, the supplier in this case is not China. However, the EU's failure to de-risk can be unfavourably compared to long-term Chinese policy in this area. China obtains natural gas from Central Asia and Russia via pipelines, but also, in the form of liquid natural gas (LNG) from countries such as Qatar and Australia. *[13]* As with oil imports, the CCP has ensured, ever since China first became a net importer of oil in the mid-1990s, that it is not dependent on one supplier.

Europe's dependence on imports from Russia via pipelines through Ukraine has long been an issue. In 2006 and 2009, for instance, Moscow turned off the taps and European supplies were drastically affected. *[14]* In January 2026, it was reported that the EU had managed to reduce imports of Russian gas to a minimum, but that it had replaced them with dependency on imports of US gas. *[15]* In other words, the question of dependency on one supplier was not solved, but displaced to a different supplier. This meant that the EU had failed to de-risk its natural gas imports, which now gave the US increased leverage rather than Russia. At the same time, there was a turn away from nuclear energy in Germany, compounding the problem. The EU's continued vulnerability on energy stands in sharp contrast to Chinese policy both in diversifying fossil fuel suppliers to the maximum extent possible and in making massive strides in developing renewable and nuclear energy production domestically.

The EU has vulnerabilities to China in a number of areas. The trade balance with China is deeply negative, with imports far exceeding exports in almost every EU country. *[16]* China has been accused by the European Commission of dumping goods such as solar panels in the EU. *[17]* China has also been accused of stealing technologies and scientific innovations from Europe by various means. Espionage has been an issue, as has the role of Confucius Institutes, many of which have been located at universities. Europe is now being flooded with cheap, apparently unregulated imports from Temu, Shein and other Chinese platforms.

gained a significant share in the European social media market, raising possible information security concerns, but seemingly (in contrast with the response in the U.S. and Australia) without any significant challenge from Brussels. In short, the EU has been manifestly slow to de-risk economic links with the PRC despite the increased awareness since 2023 that it should do so. This is in marked contrast to China, which has already been diversifying its energy suppliers and markets for several decades, and has taken further steps during the Xi administration.

In partial mitigation, it needs to be stated that there is a diversity of interests within the EU. Perceptions of external risks can vary significantly depending on sectoral and economic interests. For instance, the European automobile and chemical industries tend to favour continued engagement with China, arguing that reduced exposure could limit their access to technological innovation, not to mention affecting their sales. By contrast, actors concerned primarily with competition or security often advocate for lower levels of economic interdependence. These diverging interests might explain, to an extent, the slow progress in strategy formulation and policy implementation. Such issues are not easy to solve, but still demand solutions. Some possibilities may be found by studying the Chinese approach

China's holistic national security strategy

The PRC's strategy of reducing risk to the Chinese economy by diversifying suppliers and markets as much as possible long precedes the advent of de-risking. China's approach can be traced back to the mid-1990s, when the government realised that China was no longer energy self-sufficient and had to rely on imports of oil and other commodities. A policy was adopted of reducing exposure to shocks by seeking to import oil from as wide a range of countries as possible. *[18]* China actively sought oil from countries such as Angola, Sudan, Venezuela and Nigeria as well as more conventional suppliers in the Middle East, where it is possible that a hostile actor might seek to block tankers traversing the Strait of Hormuz.

Subsequently, under Xi Jinping, this strategy of energy import diversification became part of a holistic approach to China's security which came to be known as 'comprehensive national security.' *[19]* The approach, based on close coordination of military, political and economic policy spheres across multiple ministries and organs, *[20]* includes the large-scale implementation of renewable energy production and promotion of electric vehicles in order to steadily reduce consumption of imported fossil fuels (as well as countering air pollution). As a result, 17.5 per cent of China's energy production in 2024 came from renewables, up from only 6.7 per cent in 2011. *[21]*

Obviously, the idea of enhancing comprehensive national security includes modernising the military, as well as investing heavily in science and technology innovation in areas such as artificial intelligence, mining, quantum computing, robotics, and space exploration. Xi has called this China's 'holistic national security concept' (HNSC) and created a new body, the

Central National Security Commission (of which he is the head) to coordinate China's national security strategy. [22] According to Tai Ming Cheung, a professor at the University of California San Diego, "The HNSC became China's first-ever official national security strategy in January 2015 when the Politburo approved the National Security Strategy Outline (NSSO)." [23] Under this strategy, the spheres of politics, economics, military affairs, and science and technology are seen as connected aspects upon which China's overall national security rests, with each aspect having its own organisational structure of committees and departments within a framework coordinated from the top down.

In recent years, particularly since the advent of the first Trump administration's trade war with China, the CCP has also sought to reduce economic dependence on the United States, and on advanced Western economies in general. For instance, the PRC's holdings of US treasury bonds, which stood at US$1.314 trillion in July 2011, had reduced to US$682.6 billion in November 2025. [24] In the same period, ties with markets in the Global South steadily increased while exposure to the US gradually shrank. In 2018, 19.5 per cent of Chinese exports went to the United States; by 2023, the proportion had markedly declined to 12.9 per cent. [25] The U.S. still remained China's single biggest national trade partner; but the Chinese government had set about cutting the PRC's exposure to the vagaries of American foreign policy in a coordinated manner. Learning a lesson from the first Trump administration, the Chinese government had placed the PRC in a far less vulnerable position vis-à-vis the U.S. This meant that Beijing could realistically attempt to ride out Donald Trump's volatile policy shifts (most notably on tariffs) without having to be concerned that these would trigger severe repercussions in the Chinese economy.

As a previous EuroHub4Sino policy paper showed, Beijing has also long been seeking to increase its influence across the Global South. [26] In many countries, for instance in Africa, Chinese diplomacy has deliberately cultivated influential elites so that they tend to favour engagement with China. [27] Expanding China's support base widely across the developing world is intended to reduce exposure to external shocks and pressures emanating from the West. For instance, since the 1960s the PRC has gradually attracted many countries away from supporting Taiwan: the number of African countries with official ties to Taiwan declined from 19 in the mid-1960s to just one (Eswatini) by 2022. [28] In 2025, according to two surveys, China overtook the U.S. in terms of global favourability ratings, largely because of increased support in the Global South. Nira Data's May 2025 poll revealed that China was more popular than the U.S. in 76 out of 96 countries surveyed. [29] The Economist's survey administered between July and September 2025 showed that the PRC's favourability rating had overtaken America's in Mexico, Indonesia and South Africa. [30]

Based on investments under the umbrella of the Belt and Road Initiative and cooperation encouraged by China-led regional organisations such as the Forum on China-Africa Cooperation (FOCAC) and the China-Arab States Cooperation Forum (CASCF), Beijing is increasingly seen as a responsible and reliable partner by many countries in Africa and Asia. These nations

are simultaneously losing faith in the U.S. due to erratic and sometimes hostile policymaking under Trump. By spreading its eggs into as many baskets as possible in the same way as a successful investor might, the Chinese government, under a succession of leaders since the 1990s, has managed to reduce the PRC's economic and political exposure to unexpected shocks such as Trump's trade war and tariffs.

Discussion and recommendations

To sum up: the EU's efforts to de-risk have been underwhelming while China has been far more successful at promoting its 'comprehensive national security' under Xi Jinping. For instance, the EU has reduced energy dependence on Russia, but replaced it with dependence on US supplies of natural gas. Meanwhile, China has diversified its energy suppliers as far as possible to minimise the effects of potential black swans such as a blockade of the Strait of Hormuz, while increasing the use of solar and wind power. China has also expanded its support base and influence among a wide range of countries in the Global South. Europe, still carrying colonial-era baggage in the eyes of many former dependencies, has not been systematically applying a similar form of charm offensive. Instead, the EU continues to rely on an outdated form of so-called 'normative power' *[31]* based on European democratic values which lacks both clout and, in recent years, credibility.

Of course, not everything that China includes in its comprehensive national security strategy or HNSC would be appropriate for the EU to implement. The Chinese national security apparatus includes surveillance of citizens and, effectively, suppression of minorities which could not be contemplated in Europe. Some advantages that China has gained, for instance in the electric vehicle market or renewable energy, could be seen as by-products of China's need to address its deteriorated environment rather than as part of a conscious attempt to de-risk. Still, adopting a holistic approach to Europe's security in which political, economic, technological and military security are more effectively integrated by means of a coordinated top-down strategic approach is something that could be implemented in the EU, given sufficient political will.

Of course, the problem of getting all necessary stakeholders on board and coordinating their efforts is a key difficulty. Yet given the urgent need for Europe to start acting as a unified power in the interests of its security (which French President Macron pointed out in February 2026), there is hope that it is possible to make it happen. As Macron said: "Are we ready to become a power? This is the question in the field of economy and finance, in defence and security, and in our democratic systems … We need big European programmes to finance the best projects … The Chinese do it, the Americans too … I am not saying we should be protectionist. It's more a question of being coherent." *[32]* The aim, as Macron suggests, should be to develop a holistic approach to security which draws on the systematic aspects of the Chinese strategy – for instance regarding top-down oversight, clear structures for implementing and coordinating policy, and state investment in key industries. At the same time, it is self-evidently

essential to adhere to European norms and values concerning democracy and human rights in developing such a strategy.

In order to implement de-risking more effectively, it would be advisable for the EU to take the following four measures. First, although of course many aspects of the Chinese approach to comprehensive national security are not possible to implement in Europe, EU leaders should take a holistic approach to security rather than one focused mainly on concerns about espionage, technology transfers, and military build-ups. Energy supplies and international partnerships should be given more priority when developing security strategy. Second, Global South countries should be viewed as potential economic and diplomatic partners rather than passive aid recipients. There should be an increase of carefully coordinated diplomatic interaction with countries in the Global South, especially resource-rich ones. Elites in the selected countries should be engaged and offered investments or expertise in areas identified as lacking in the target countries and which European actors can provide. Third, energy suppliers should be diversified, while systematically expanding resources in alternative sources of energy such as renewables and nuclear power. This should not be left primarily to private enterprise, but should be carefully coordinated at the level of member state governments and the EU Commission. And fourth, a programme of investment in key industries – including military technology – along the lines of Macron's suggestions should be implemented to beef up European self-sufficiency. By implementing these measures, the EU may finally be able to approach an effective strategy of de-risking which draws on the Chinese experience rather than continuing to ignore it.

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Speaking the Nation, Centering the Party: Nationalist Discourse under Xi Jinping

by Xinyuan Ren & Shaun Breslin

KEY TAKEAWAYS

- Whilst patriotism, national pride and broadly defined nationalism have always had a role to play in Chinese communist politics, they have taken on an ever-greater significance in recent years.
- The party's official discourse – how it describes itself and talks about itself - frames the CCP as the defenders of China's national interests and as the only agent capable of realizing national goals.
- This party wants to make idea of the CCP as the natural and only party capable of delivering national rejuvenation so embedded within society that it becomes difficult (to say the least) to criticize or question.
- Ongoing theoretical innovations are increasingly emphasizing the "exceptional uniqueness" of Chinese culture, focusing on continuity and the historical importance of unity, and the current party as the inheritors of his great culture and civilization.
- At the same time, the discourse is arguing both for an ever-greater centrality for the party across all sectors of society, and also for the centrality of Xi Jinping as a leader. His personal authority at times seems to be more important than the power of the party itself.
- The evolution of Chinese nationalist discourse in the Xi Jinping era is more than just rhetorical adjustment. It is a process of adaptive consolidation, through which the CCP has solidified its legitimacy by redefining the discourse of Chinese national rejuvenation to sustain its centralized authority and project China's distinct (and non Western) political trajectory.

Keywords

Nationalism

National rejuvenation

Chineseness

Party leadership

Discourse

Xi Jinping



Introduction

There are two recurring and underpinning themes in the political economy papers for the EuroHub4Sino project. The first is that Chinese leaders are committed to bringing about a massive and fundamental shift in the nature of economic activity, and the transition to a new model is already underway. The second is that this is more than just an economic transition. It is inherently a political transition as well, as it impacts on the way that the Chinese Communist Party (CCP) manages its relationship with the Chinese people and justifies (and maintains) its leadership (and the nature of the political system more generally). This political task entails first deploying the Party's extensive propaganda apparatus to explain the leaderships' new objectives. The next step is then to establish the attainment of these goals as new indicators of good and effective performance that the Party should be judged against.

This in part involves instituting new benchmarks for evaluating economic performance; for example, to no longer simply calculate the quantity and the ***amount*** of growth but to instead focus on the quality, sustainability, and the ***utility*** of growth. It also necessitates looking beyond economic performance to other issue areas to prove that the Party is succeeding in delivering what the Chinese people need and want (and are told that they need and want). Chief among these other areas is the Party's ability to deliver "the great rejuvenation of the Chinese nation"; to take China back to where it belongs as a major power, despite the best efforts of others to prevent it from re-establishing itself. Perhaps we can call it the goal of nurturing nationalism and national pride. And while this emphasis on nationalism is certainly not new, like many things it has been taken to a new level under Xi Jinping. Moreover,

not least because of what has happened to Western powers (including great ones), the time seems ripe to complete that rejuvenation and for China to play an ever-greater global role; and who knows, at some point maybe to become ***THE*** major power.

While it might be difficult to calculate the success of this strategy, this hasn't stopped people from trying. The 2025 twentieth annual survey on "How Chinese View the World" conducted by *Global Times* – an affiliate of *People's Daily*, the official mouthpiece of the CCP - found that the Chinese public exudes pronounced confidence in China's status as a major power with 76 per cent of respondents expressing pride in their Chinese identity. *[1]* In the *2025 Guangzhou Youth Development Report*, over 90 percent of surveyed university students reported a strong sense of national pride and cultural confidence and called for an even greater emphasis to be placed upon patriotism. *[2]*

Given that both surveys were conducted through official channels, then it might seem reasonable to suspect that they have been manipulated to prove a point. Yet research on public opinion in China suggests that survey results are more robust and representative than is typically thought to be the case. *[3]* For example, surveys conducted by the University of Chicago in 2025 arrived at strikingly similar conclusions to the Chinese ones, with the growing confidence and patriotic sentiments of the Chinese populace linked to both concrete improvements in living standards within China itself, and China's enhanced global stature. *[4]*

Our main interest here, however, is not to evaluate the results as to understand the process; to highlight how the Party has tried to establish the importance of national pride and rejuvenation as a key goal and indicator of success, and to establish itself as the only agent or actor that can deliver this success. To do so, we focus on the shifts in nationalist discourse in the Xi Jinping era, with a particular emphasis on how what at first sight can look like minor or subtle changes in language can actually signal rather profound and fundamental shifts in the way that the Party justifies its leadership and monopoly of power. The first task is to delineating key terminologies central to Chinese nationalism, and then to provide a concise elaboration of the concept of a "common sense" which we think is essential in understanding how ideas and concepts essentially become un-challengeable in Chinese politics, and simply accepted as being true.

Nationalism, Nation, and Chinese National Rejuvenation

Every Chinese leader since Sun Yat-sen has invoked what is now typically referred to as "the great rejuvenation of the Chinese nation" as a central political aspiration. *[5]* Even Mao's focus on the importance of winning a class war was framed by doing what was right for China and the Chinese people in the long run (rather than, for example, what was right for the global Marxist movement). After all, the China that the CCP was born into in 1921 was, in the CCP's own understanding, suffering from both (domestic) feudal and (foreign) imperial suppression and oppression, and the revolution that brought it to power was at least in part about restoring China's borders and Chinese sovereignty. As Mao himself put it as he prepared to establish

the new People's Republic of China in 1949, "ours will no longer be a nation subject to insult and humiliation. We have stood up." [6] That said, the emphasis on class politics and class warfare under Mao does stand in stark contrast to the focus on attaining national goals that has become the norm since Deng took de facto control of Chinese politics in 1978.

Despite its very frequent use by Xi Jinping and others, it is not always wholly clear what this rejuvenation entails (or when it will have been accomplished). It is often associated with one of Xi's earlier focus on attaining the "Chinese Dream", described as "the realization of national prosperity, rejuvenation of the nation, and the well-being of the people. [7] Kevin Rudd, former prime minister of Australia, interpreted rejuvenation as the pursuit of "the overarching nationalist imperative of restoring China's former historical greatness." [8] Wang Zhen points to the very careful and deliberate emphasis on both "chosen glories" and "chosen traumas." "Chosen glories" are those elements of China's past that the Party wants to establish as benchmarks of what a rejuvenated China should emulated, while the "traumas" refer to those past defeats and humiliations that have become a crucial element in the construction of Chinese identity. [9]

Importantly, China's modern achievements do not merely soothe past traumas; they reactivate collective memories of humiliation, thereby intensifying the emotive force of the rejuvenation that the Party has delivered for the Chinese people and the Chinese nation. [10] But it's not just about settling past scores; it's about establishing an enthralling vision of the future that engages the public too. [11] Xi Jinping's "Chinese Dream" continues the Party's tradition of idealized promise of improved livelihood anchored by a consistent prerequisite across administrations: only under the CCP leadership can this vision be realized, [12] and the fate of the people, the Party and the nation are inextricably bound together in a common

Discourse, Common Sense, and Legitimacy

The Party's aim is to establish this understanding of its role in delivering national goals as a "common sense". Based on the work of Antonio Gramsci, this refers to embedding the leaderships' ideas and worldview within the broader population so that the people accept and internalize the Party's beliefs and worldview as their own. [13] More than that, these ideas become so widely rooted and repeated across society that they become uncritically accepted as the natural order of things; they are so self-evidently "true" that they are beyond contestation and to question them would be non-sensical. [14]

Nationalism provides a particularly potent vehicle for this process. By mobilizing collective memories of humiliation and pride, nationalist discourse binds the destiny of the Chinese nation to the stewardship of the Party. It becomes so pervasive in the way that it is repeated, ritualized and woven into education, media, and public life, it ceases to appear as propaganda and instead becomes part of the cultural fabric. [15]

Establishing the Official Discourse

So how do you trace the way that the message is disseminated? And how it changes too? Given that this is a study of the "official" discourse, we start by identifying the authoritative voices of official China; the words that the Chinese leadership puts out to the world that it wants people to read and hear. These official sources include three revised versions of *Constitution of the Chinese Communist Party*, three reports delivered to the National Party Congress, documents released from plenums of the Central Committee of the CCP, group study sessions of the Central Committee, and leaderships' monographs and speeches. We also include an examination of *Qiushi* magazine, the bimonthly publication of the CCP Central Committee, which serves as a key channel for articulating and refining the Party's policy directives. With a more accessible discursive style than formal documents, *Qiushi* offers valuable insight into the Party's ideological messaging. We then employed qualitative text analysis (QTA) to trace how discourse is manipulated and evolves over time.

The CCP and the People: A Class based Party or a National One?

Regarding the relationship between the CCP and the Chinese nation, the most direct manifestation lies in how the CCP defines itself. Here we see a gradual shift from what we might think of as the Communist foundations of the Chinese Communist Party, to ever greater Chinese foundations. Reading party constitutions might not sound like an exciting endeavour. Nor a particularly important one either. But arguably the Party's greatest (discursive) achievement has been to convince the people that it is obvious that the CCP represents the entire Chinese nation, and not just one (class-based) portion of it. The CCP's claims to represent the Chinese people and the Chinese nation should be surprising given the Party's Marxist origins and supposed revolutionary objectives. That such claims are rarely regarded as remarkable – or even noteworthy – is itself evidence of just how successful it has been in re-inventing itself and its raison d'être.

Following the establishment of the People's Republic of China (PRC), the initial revision of the Party's constitution in 1956 explicitly adhered to Marxist principles, defining the Party as "the advanced contingent of the Chinese proletariat and the apex manifestation of the organization of the Chinese working class." *[16]* Subsequent amendments, notably in 1969 and 1973, underscored the CCP's identity as "the party of the proletariat" *[17]* and "the vanguard of the proletariat," *[18]* respectively. However, it wasn't until 1982 that the embryonic formulation of the CCP's present-day characterization, encompassing a broader spectrum of Chinese society, emerged: "The CCP serves as the vanguard of the Chinese working class and faithfully represents the interests of all ethnicities within China." *[19]* This narrative culminated in the 2002 official proclamation, solidifying the CCP's role as "the vanguard of the Chinese working class, while simultaneously representing the interests of the Chinese people and the Chinese nation." *[20]*

In addition to the definition of the Party, the discourse on the essence of the political system

led by the CCP similarly reveals a significant dilution and attenuation of the class nature that a Marxist party should inherently possess. From the first constitution of the CCP in 1921 until the founding of the PRC, the political system under the CCP's leadership was consistently described as the "dictatorship of the proletariat." [21] With the promulgation of the *Common Program of the Chinese People's Political Consultative Conference* in 1949, this description shifted to the "people's democratic dictatorship," [22] a characterization that lasted until the 1956 Party constitution. [23] Influenced perhaps by the Cultural Revolution, the term reverted to the "dictatorship of the proletariat" until 1982. [24] Since then, "people's democratic dictatorship" has remained the official description of China's political system under the leadership of the CCP. As previously discussed, the CCP has broadened the scope of a Marxist party, extending its representation beyond a specific class to encompass all Chinese people and not just the proletariat (however defined).

Hence, it can be asserted that up until 1982, the CCP adhered strictly to its identity as a Marxist class-based party. However, from that point onward, it began to diverge from the fundamental Marxist principles. The core tenet of a communist party is to represent a specific class –not everyone of the nation. This presents a significant ideological contradiction. Yet, within contemporary political discourse, the assumption that the CCP represents the entirety of the Chinese nation and people is often treated as unquestionable common sense. This manifests the CCP's remarkable success in shaping the common sense – presenting itself not only as the representative of the working class, but more importantly, as the embodiment of the Chinese nation and the Chinese people – which permeates deeply throughout

Interpretation of History

The Party has issued a series of Historical Resolutions (HR) that evaluate its own history, achievements and failings (in 1945, 1981 and 2021). There are two notable differences between the second and the third of these that give an indication of the direction of travel when it comes to its national(ist) credentials.

First, the term *"zhonghua minzu"* (Chinese nation) was absent in the second HR but mentioned 53 times in the most recent version. Indeed, the third HR begins as follows:

> *Since its founding in 1921, the CCP has remained true to its original aspiration and mission of seeking … rejuvenation for the Chinese nation. … The endeavors of the Party and the people over the past century represent the most magnificent chapter in the millennia-long history of the Chinese nation.* [25]

This statement downplays the fact that national rejuvenation was not always the priority in the Mao era (as already noted) when the urgency of winning a class war was identified as the Party's most urgent (and existential) challenge. Certainly, it does the Party no harm if people forget or gloss over what happened to the country during its stewardship and leadership during the Cultural Revolution. It also seems to wipe from history the Marxist revolutionary

aspirations and mission that were at least part of the reason for creating the CCP in the first place.

The phrase "the most magnificent chapter" indirectly highlights the efforts and sacrifices made to achieve today's accomplishments, reinforcing its historical indispensability and legitimacy of leading the Chinese nation. On the other hand, the CCP appears to be extremely assured, adopting a tone of triumph in narrating history, meticulously enumerating its splendid achievements over the past four decades. As asserted in the third HR, "Through tenacious struggle, the Party and the people have shown the world that the Chinese nation has achieved the tremendous transformation from standing up and growing prosperous to becoming strong." *[26]*

That the Party has been the main vehicle for the delivery of past achievements is given as evidence that it will be the single most important determinant of future successes too:

> *The strong leadership of the Party is the fundamental reason why the Chinese people and Chinese nation have been able to transform their fate in modern times and achieved the great success we see today. Both the facts of history and the reality of today prove that without the CCP, there would be no new China and no national rejuvenation. [27]*

And a key component of that future success of the CCP is Xi Jinping's leadership. Indeed, much of what is said seems to place greater emphasis on the crucial importance of Xi Jinping's personal central role to the entire Chinese nation rather than the Party as a whole (an issue we will return to shortly). Furthermore, there has been no acknowledgment of the contributions made by previous leaders such as Hu Jintao and Jiang Zemin to the construction of the linkage between the CCP and the Chinese nation. Instead, this connection seems to have been portrayed solely as a product of Xi Jinping's wisdom, neglecting the foundation laid by his predecessors.

In short, the CCP self-proclaims as the vanguard of the Chinese nation because it consistently upholds the great mission of rejuvenating the Chinese nation and has fulfilled its promises. To continue advancing towards the great rejuvenation, it is imperative to further strengthen the CCP's control over society, and more importantly, Xi Jinping's core position and control of the Party and the country. Here, we can read an implicit criticism of Xi's predecessors for loosening control and allowing too much authority to seep out of the Party's hands.

Centralization and Expanding Party Power

Given the importance of the Party in the Chinese political system, it is important (and perhaps surprising for some) to remember that it did not always endow itself with the significance for the country and people that it now does. Indeed, the assertion that "the Party exercises overall leadership over all areas of endeavor in every part of the country" was only

the Party's constitution in 2017. [28] When Hu Jintao listed his eight basic requirements for advancing socialism in 2012, "upholding the leadership of the Party" was the last of the eight. Five years later, it was the first of Xi's now 14 fundamental principles. [29] While Hu focused on the "principal status of the people" (*renmin zhuti diwei*) as the driving force behind the victories of socialism past and future, for Xi it was all about Party leadership. [30] Moreover, under Xi we have seen a transition from a rather vague "upholding the leadership of the Party" to a much more catch all "ensuring Party leadership over all work." [31]

While it might sound counter-intuitive, promoting insecurity can help reinforce the message. Or perhaps more precisely, it can help to promote a sense of ***potential*** insecurity and crisis if such Party leadership is not forthcoming and accepted and endorsed by the people. This has been a particularly important theme in writings in *Qiushi*, which have collectively tried to establish a sense of urgency in accepting Party leadership because

> *we do not know how many slopes we still need to climb, how many obstacles we must overcome, how many storms we will endure, or how many hardships we will face. At this moment, more than ever, we need to uphold the leadership of the Party.* [32]

In addition to the many domestic challenges that the Party has faced and will have to face in the future, there is the added complexity of an international environment dominated by others, with many of those others determined to prevent China's rise. [33] Or in Xi's own words just before he called for "upholding and strengthening the Party's overall leadership" at the 2022 Party Congress:

> *Our country has entered a period of development in which strategic opportunities, risks, and challenges are concurrent and uncertainties and unforeseen factors are rising. Various "black swan" and "gray rhino" events may occur at any time. We must therefore be more mindful of potential dangers, be prepared to deal with worst-case scenarios, and be ready to withstand high winds, choppy waters, and even dangerous storms.* [34]

Centralizing Xi's Power

So the Party's sphere of influence has significantly expanded. So too has the personal authority of Xi Jinping. It is true that during Hu Jintao's tenure, there were references to his personal leadership and the need to "closely unite around the Party Central Committee with Comrade Hu Jintao as General Secretary." [35] When Xi first took power, his leadership was largely spoken of in similar ways. Yet the dynamics shifted considerably with the convening of the Sixth Plenary Session of the 18th Central Committee in 2016 when a new and very significant political proposition was formally introduced – "the Party Central Committee with Comrade Xi Jinping at its core". [36] This was followed in 2018 by the introduction of **a pair of twos** as the basis of CCP rule.

The first is the "two upholds" or occasionally "safeguards" (*liangge weihu*) formula; upholding the "core status" of Xi, and upholding "the authority of the Party Central Committee and its centralized and unified leadership" as the second. [37] In October 2022, the "two upholds" was officially added to the Party Constitution. The second two is the "two establishes";

> *The Party has established Comrade Xi Jinping's core position on the Party Central Committee and in the Party as a whole and established the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era.* [38]

Although first aired in 2018, the "two establishes" – or sometimes rendered in English as the "two establishments" (*liangge queli* in Chinese) – was formally adopted by the November 2021 plenary session of the CCP.

The narrative of Xi as the "core" of the Party soon penetrated every aspect of Chinese political discourse, with numerous reflections of his achievements and accolades for his personal leadership. The following quote is rather long, but it is worth repeating in some detail here as an example of the laudatory tone that is typical of this sort of evaluation:

> *In the historical context of the new era, General Secretary Xi Jinping has demonstrated profound empathy for the people, outstanding political acumen, and a strong sense of mission. Under his leadership, the entire Party and people of all ethnic groups have upheld the great spirit of historical initiative, resolving many long-standing problems. ... Throughout this process, General Secretary Xi Jinping has emerged as the core of the Party, the leader of the people, and the commander of the military, earning widespread acclaim and respect. Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era has emerged as a natural and profound development in response to the needs of the times.* [39]

The CCP seeks to cultivate public conviction in the imperative of national rejuvenation by projecting a compelling future vision – one in which the Chinese people enjoy continuous improvements in livelihood. This foundational premise underpins the Party's substantiation, grounded in its historical interpretation, of its unique capacity to spearhead and attain the great national rejuvenation. Consequently, to realize the aspirations of the entire Chinese populace, it is exigent for all the people to adhere to and fortify the Party's leadership. Within this conceptual framework, the preservation of Xi Jinping's personal core position assumed increasingly paramount importance, especially in his second tenure. This endeavor facilitates the creation and consolidation of a particular common sense; the realization of this grand and arduous national rejuvenation as contingent upon not just upholding and strengthening Party leadership, but also the core leadership of General Secretary Xi Jinping within the Party Central Committee; and as Bandurski pithily puts it, "just remember this simple formula: 2 + 2 = Xi." [40]

Marxism, but Sinicized

As an earlier EuroHub4Sino paper explained in some detail how Chinese Marxism had become ever more Chinese under Xi Jinping, we will not repeat those arguments and findings here other than to note Xi's increased focus on China's traditional culture and philosophies as the basis of his (and thus the country's) current thinking and practice. [41] In his speech at "Meeting on Cultural Inheritance and Development" in June 2023, Xi outlined China's "*tuchu texing*" (exceptional uniqueness) in five outstanding characteristics: continuity, creativity, unity, inclusiveness, and peacefulness. [42] Of these, continuity – anchored in China's uninterrupted and venerable history spanning over 5,000 years - is paramount, as Xi contended that

> *this continuity inherently dictates that the Chinese nation will follow its own path. If not through the prism of its extensive history of continuity, one would not be able to understand ancient China, contemporary China, let alone China of the future.* [43]

In addition, the idea of a "national great unity" has been identified as "the core aspiration of the people and foundation of the national strength." [44] For Zhu Chengru, Professor of The Palace Museum, historical experience demonstrates that national strength, stability, and popular well-being are contingent upon the preservation of a unified state. [45] Zhu concluded that "great unity" has been a persistent theme in China's political and intellectual history, serving as a foundational element of national consciousness. In this regard, recent *Qiushi* articles (2020-2023) have aimed to both historicize and reinterpret the ideology of "great unity," positioning it as a foundational element of Chinese cultural history while offering a modernized understanding of its implications. This ideological continuity underscores the imperative to uphold central authority, now embodied by the CCP and its central leadership. While not stated explicitly, in light of the "two upholds" discourse, the emphasis on unity implicitly validates Xi Jinping's core and personal leadership too.

The integration of Chinese uniqueness with Marxism has been explained as an updating of the process of Sinicizing Marxism that the Party has been engaged with since it was created. From the very beginning, the Party understood the necessity of integrating Marxism – as a methodology – with practical realities to create a theory that worked for China at any specific time. At the same time, as "a faithful inheritor, promoter, and builder" [46] of Chinese culture, it also deeply recognized the profound value of Chinese history, philosophies and civilization. And it is the way that this focus on Chineseness has evolved that seems to mark something of a break with the past.

Although Marxism and Chinese culture are explained as being mutually complementary and indispensable, the official nationalist discourse now appears to suggest that the Party's ability to chart a unique path towards the great rejuvenation of the Chinese nation is primarily attributed to the excellence of traditional Chinese culture. According to the CCP's understanding, Marxism, as a methodological framework can be (and should be) integrated with any country's own national conditions to produce a specific national form to guide its

developmental trajectory. However, most endeavors by other Communist parties have either faltered or paled in comparison to the achievements of the CCP. Consequently, the essence of greatness lies not in Marxism per se but rather in the Chinese nation and the exceptional traditional culture it created.

Conclusion

In conclusion, analysis of official discourse in the Xi Jinping era reveals that the CCP has deliberately constructed its relationship with the Chinese nation through historical reinterpretation and the articulation of its indispensable leadership – particularly the central role of Xi Jinping – as essential to national rejuvenation. This effort is further reinforced by the Party's rearticulation and innovation of the Sinicization of Marxism by Xi Jinping. Together, they delineate a common sense in which the Party is inextricably bound to the destiny of the Chinese nation, and its leadership is portrayed as both necessary and inevitable for realizing the great rejuvenation. To put it simply, the CCP is the not just the rightful leader of the Chinese nation but the ***only*** leader capable of guiding and leading the country to attain shared objectives.

Concretely, drawing on its historical interpretation, the CCP asserts that its past success in securing national independence and achieving prosperity legitimizes its continued leadership as the sole force capable of guiding China towards national rejuvenation. Recent discourse further underscores that this leadership must be centralized under Xi Jinping, rather than the Party collectively. This claim is reinforced by the Party's promotion of Xi's Sinicization of Marxism, a theoretical contribution built upon Xi's wisdom and described as the unique foundation of China's developmental path. As the CCP positions itself as the agent that recognized and actualized this synthesis, it claims credit for charting a distinctive trajectory for national rejuvenation. Within this constructed common sense through nationalist discourse, the Party is portrayed as indispensable to achieving the great rejuvenation of the Chinese nation, thereby justifying its continued rule.

Building on these findings, one may further argue that the renewed emphasis on a Sinicized Marxism and a distinctive developmental path positions China internationally as a putative model of governance. By presenting its trajectory as rooted in indigenous historical experience rather than Western emulation, the Party projects cultural confidence and asserts epistemic autonomy in global debates on modernity and development. This discourse operates across different levels. To reiterate, domestically, it reinforces legitimacy by linking national rejuvenation to continued Party leadership. Internationally, it frames China's rise as historically inevitable and normatively grounded in a uniquely Chinese ideological synthesis. In doing so, it intertwines regime legitimacy, national identity, national security, and global ambition within a coherent narrative of ascent.

Does it also, though, lay the foundations for a different set of problems in the future? Given that Xi now seems to be more important than the Party itself, it remains to be seen what

to this understanding of the location and durability of power once Xi is no longer around to be the core. History offers a cautionary precedent: Hua Guofeng's succession after Mao Zedong in 1976 illustrates how difficult it is for the next leader to assert their own authority when a single individual has been identified as the source of wisdom and authority. In Hua's case, grievances long suppressed under Mao quickly surfaced, and his inability to command respect left him overshadowed until Deng Xiaoping took the Party in a new direction in 1978. The fact that Hua is now remembered only faintly, if at all, underscores how fragile such authority can be. At the very least, it will be very difficult for whoever comes next to simply insert themselves into the gaps left by Xi and to inherit his authority.

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Governing Relational AI: China's Regulation of Anthropomorphic AI and the European Governance Challenge

by Łukasz Gacek

Policy recommendations

The following recommendations outline strategic directions for adapting European AI governance to the emergence of anthropomorphic and emotionally interactive AI systems. As conversational AI evolves into systems capable of shaping users' emotions, behaviour, and social engagement, existing regulatory frameworks will need to consider risks that arise not only from system outputs but also from longer-term patterns of human–AI interaction.
These recommendations are structured to first address core governance challenges within the European framework, before turning to the implications of global regulatory developments, including those observed in China.

- Develop regulatory guidance for anthropomorphic and emotionally interactive AI systems: European institutions (in particular the European AI Office) should issue guidance on how systems designed for sustained social or emotional interaction should be assessed in the implementation of the AI Act. Such guidance could clarify how risks related to relational interaction and long-term engagement may be interpreted within existing risk categories.

- Incorporate interaction design into AI risk assessments: Current governance frameworks largely focus on system outputs. Yet many risks associated with conversational AI emerge from how systems structure ongoing engagement. Risk assessments and auditing standards should explicitly examine interaction design, including engagement optimisation mechanisms, recommendation loops, and other features that may encourage behavioural influence or dependency.

- Address psychological safety in systems designed for sustained interaction: AI systems intended to simulate companionship or emotional responsiveness raise questions that go beyond traditional product safety. Regulatory oversight should consider risks such as emotional manipulation, addictive interaction patterns, and the potential impact of prolonged AI interaction on users' mental well-being, particularly for vulnerable users.

- Assess the systemic role of large-scale conversational AI systems: Widely used conversational systems increasingly function as interfaces through which users access information, digital services, and online markets. European regulators should monitor whether such systems begin to assume intermediary or gatekeeping roles within digital ecosystems and consider how existing platform governance frameworks might apply in this context.

- Strengthen monitoring of global regulatory developments in AI governance: Regulatory approaches to advanced AI systems are evolving differently across major jurisdictions. Recent Chinese regulatory initiatives addressing anthropomorphic and emotionally interactive AI services illustrate emerging governmental responses to the social and psychological risks associated with relational AI. Systematic monitoring of these developments – for example through foresight functions within the European Commission or the AI Office – would help anticipate regulatory divergence and support future adjustments to European governance frameworks.

- Provide guidance for European firms operating in asymmetric regulatory environments: European AI companies increasingly face differing regulatory expectations across global markets. European institutions should provide structured support for these firms through advisory mechanisms, regulatory guidance, and structured dialogue with key partner jurisdictions, helping companies navigate emerging compliance requirements abroad.

Keywords

Relational AI

Anthropomorphic AI

AI Governance

Chinese AI Governance

EU AI Governance



Introduction

AI systems are increasingly designed not only to generate information or automate tasks, but to sustain ongoing interaction that shapes users' emotions, behaviour, and perceptions of social relationships over time.

This paper argues that anthropomorphic and emotionally interactive AI introduces a new category of systemic social risk arising from sustained human–AI interaction, which current European regulatory frameworks address only partially. China's regulatory response offers an early indication of governance challenges that are likely to become relevant for the European Union. Unlike most existing regulatory frameworks, the Chinese approach explicitly treats emotionally interactive AI as a source of social and behavioural risk, including emotional influence, dependency, and the reshaping of social relationships.

The emergence of emotionally interactive AI reflects a broader shift in digital governance. Whereas earlier debates focused primarily on regulating information systems, recent technological developments increasingly raise questions about how to regulate technologies that mediate social interaction. Generative AI systems now not only produce information or automate tasks, but also simulate personality, emotional responsiveness, and conversational presence. As a result, a growing number of AI applications are built to sustain ongoing engagement with users and to create a sense of social presence. Emerging regulatory approaches differ in what they seek to protect. While European frameworks focus primarily on individual rights and autonomy, China's regulatory approach places greater emphasis on broader social and collective interests. Recent regulatory developments in China addressing anthropomorphic and emotionally interactive AI services illustrate how

governments are beginning to respond to these emerging governance challenges. These developments are not limited to China. As conversational AI becomes more deeply embedded in everyday digital environments, similar questions are already emerging for European AI governance. They also provide insight into how state authorities conceptualise the social implications of AI systems designed for sustained human interaction.

Earlier research has shown that humans readily develop emotional responses and forms of social attachment toward interactive technologies, including digital agents and conversational systems. Concepts such as relational artifacts and parasocial interaction highlight how mediated technologies can generate emotionally meaningful, often one-sided relationships with users. More recent studies on companion chatbots suggest that such systems are increasingly experienced as sources of social interaction and emotional support in everyday contexts. Research on persuasive technologies and digital platforms further shows how interaction design can shape user behaviour by leveraging cognitive biases and reinforcement dynamics, often through engagement-driven design. These insights indicate that AI systems designed for sustained interaction may influence users not only through their outputs, but through the dynamics of ongoing engagement.[1]

Building on these discussions, this paper uses the concept of relational AI to describe AI systems designed to sustain ongoing social and emotional engagement with users. These systems reflect a broader shift toward AI technologies that increasingly operate as social and relational interfaces rather than purely informational tools. Relational AI refers to artificial intelligence systems designed for sustained or repeated interaction with users, simulating social presence, emotional responsiveness, or companionship. Unlike conventional AI tools, their primary function extends beyond information provision or task automation to structuring ongoing engagement that can influence users' behaviour and emotional states over time. As their use expands, these systems influence more than individual exchanges. They shape emotional responses, affect decision-making, and alter how users perceive social relationships. At scale, such dynamics raise broader questions about mental well-being, communication patterns, and the societal implications of AI-mediated interaction. Yet existing regulatory frameworks remain largely oriented toward technical safety, data protection, and harmful content. Recent regulatory initiatives in China provide an early example of how such systems are beginning to be addressed in practice.

Analytical approach

Rather than evaluating the effectiveness of specific regulatory measures, this paper shows how emerging AI technologies are framed as governance problems and how states interpret the societal risks associated with relational forms of human–AI interaction. From this perspective, China's regulatory initiatives are treated as an expression of a broader governance logic through which state authorities interpret the social implications of anthropomorphic AI. This perspective also highlights a broader distinction between gover-

nance models centred on the protection of individual users and those oriented toward the preservation of collective order. The regulation of relational AI provides a particularly clear case through which these differing priorities can be observed.

Relational AI may mark a new phase in digital governance, as states increasingly confront technologies that extend beyond information processing to sustained forms of human–AI interaction. Recent regulatory developments in China provide an early example of how governments are beginning to address the risks associated with such systems. Chinese authorities have introduced regulatory instruments targeting services designed for ongoing interactive engagement with users.

China's regulatory model reflects a distinct political and institutional context, yet it also highlights governance challenges that are becoming increasingly relevant as relational forms of AI interaction expand. Regulators increasingly treat anthropomorphic AI as a technology capable of shaping behaviour and influencing social relationships, rather than merely producing automated outputs. This raises an important policy question for the European Union. Conversational AI is becoming embedded in everyday digital environments and increasingly functions as an interface through which users access information, services, and social interaction. Ensuring that existing governance frameworks remain capable of addressing these dynamics will therefore become an important task for European policymakers. These developments in China provide an early and illustrative example of how such challenges are being addressed in practice.

China's regulation of anthropomorphic AI

China's regulation of anthropomorphic and emotionally interactive AI should be understood within the broader evolution of the country's AI governance system. From this perspective, the regulation can be interpreted not only as a legal instrument but also as an expression of how the Chinese state understands the societal risks associated with emerging AI technologies. More broadly, China's approach to AI governance reflects a centralized model in which planning, regulatory oversight, and standardisation operate as instruments for steering technological development. Within this framework, artificial intelligence is treated not merely as a technical domain but as a strategic field of governance linked to social stability, economic modernization, and political authority. Beyond risk management considerations, Chinese regulatory initiatives in the AI domain are also embedded in a broader governance framework that includes information control, content moderation, and the management of public discourse in digital environments.

Previous research within the EuroHub4Sino project[2] indicates that China has developed a highly centralized and preventive model of digital governance that combines data regulation, algorithm oversight, and sector-specific rules for technologies with significant social impact. This broader regulatory logic provides an important context for understanding

China's emerging approach to anthropomorphic and emotionally interactive AI services. Against this background, China has recently begun to address the risks associated with anthropomorphic and related forms of AI-mediated social interaction through dedicated regulatory instruments. More generally, the country has increasingly moved from articulating ethical principles for artificial intelligence toward embedding them in enforceable regulatory frameworks. The draft *Interim Measures for the Administration of Anthropomorphic Interactive Artificial Intelligence Services*,[3] issued by the Cyberspace Administration of China on 27 December 2025 and released for public consultation, represent one of the first comprehensive regulatory frameworks specifically addressing AI systems capable of sustained emotional and social interaction with users. The regulation refers to the need to support the "healthy development" (健康发展) and the "standardized (regulated) use" (规范应用) of this type of service, while simultaneously protecting state security, the public interest, and users' rights – especially those of minors and older adults (Art. 1). The ordering of these objectives is notable, with state security and public interest explicitly preceding the protection of users' rights.

The rules cover services that use AI to simulate human personality, patterns of thinking, and communication style, as well as to conduct emotional interactions with users in the form of text, images, audio, or video (Art. 2). In conceptual terms, the regulation addresses systems corresponding to what this paper defines as relational AI, focusing on forms of sustained human–AI interaction. The measures introduce the principle of combining support for innovation with cautious, phased regulatory oversight, and of preventing misuse and loss of control over AI systems (Art. 3), with cyberspace authorities playing a central role in coordinating supervision (Art. 4). Providers are required to comply with law, ethical norms, and socialist values, and are prohibited from generating content that threatens state security, public order, or social interests. This pattern reinforces the central role of state security within the regulatory framework. Particular emphasis is placed on risks associated with emotional influence and behavioural manipulation. The regulation explicitly bans emotional manipulation, the creation of so-called "emotional traps" (情感陷阱), encouragement of suicide or self-harm, and algorithmic practices that push users toward irrational decisions (Art. 7). The regulation imposes comprehensive responsibility on providers for service safety across the entire life cycle, including algorithmic and ethical audits, data and privacy protection, addiction prevention, and crisis-response systems (Arts. 8–9). Particularly notable is the explicit prohibition of designing AI services intended to replace social relationships or deliberately foster emotional dependency (Art. 9), reflecting official concern about the social consequences of relational AI.

With respect to training data, the framework requires lawful provenance, consistency with official values and Chinese culture, and prohibits using interaction data and sensitive data to train models without separate user consent (Arts. 10, 15). These categories remain broadly defined, allowing for considerable discretion in their interpretation in practice. Special

weight is placed on protecting users' mental health: providers must identify emotional states and addiction risk, intervene in crisis situations, and ensure human takeover of conversations in cases of threats to life or health (Art. 11). For minors, mandatory usage modes, time limits, parental controls, and financial restrictions are provided for (Art. 12); for seniors, the measures prohibit simulating family relationships and impose obligations to respond to health or property risks (Art. 13). In addition, providers must transparently inform users when they are interacting with AI, ensure immediate exit from the service, and provide effective mechanisms for complaints and reporting (Arts. 16–20).

Overall, these provisions suggest that Chinese authorities perceive anthropomorphic AI services as an area of elevated social and political risk that warrants early regulatory attention and preventive state intervention due to their capacity to shape users' emotions, attitudes, and social norms. In this sense, the regulation can be seen as a governance response to the emergence of relational AI – technologies capable of shaping users' emotional experience and behaviour. It can therefore be interpreted as an instrument of risk management responding to the perceived shift of AI from a purely technical tool to a participant in emotional relationships, while also legitimizing further AI development as a controllable process aligned with state priorities.[4] Chinese policy analyses likewise highlight risks associated with anthropomorphic AI services, including emotional dependency and social alienation, cognitive influence through personalised interaction, and potential harms to users' mental health and safety. These concerns reflect broader regulatory attention to the psychological and social effects of sustained human–AI interaction.[5]

From an institutional perspective, the regulation extends providers' responsibility across the full service life cycle, indicating an intention to introduce continuous, structured regulatory oversight. It leaves substantial discretion to supervisory bodies – particularly in enforcement and reporting – which may materially affect service design and market-access conditions, especially for foreign entities. Operationally, the rules generate significant organisational costs due to the obligation to continuously monitor interactions and maintain intervention mechanisms. Ideologically, the requirement that training data conform to core socialist values further raises barriers to entry.

These features can also be better understood in a broader, transnational context of regulating anthropomorphic AI services. A brief comparison with California's Senate Bill No. 243[6] highlights that similar risks are identified on both sides of the Pacific – including addiction, the blurring of boundaries between humans and technical systems, and the need to protect minors – yet the institutional logic and enforcement mechanisms remain fundamentally different: administrative and preventive in China, compared with civil-liability-based and largely ex post enforcement in the United States. A further difference concerns the regulatory object itself: the Chinese draft regulation applies to "products or services" (产品或服务) providing anthropomorphic interaction, whereas the Californian legislation focuses more narrowly on "AI systems" (人工智能系统) or related platforms.

This distinction reflects a regulatory approach that targets the provision and operation of interactive services within digital environments rather than the underlying technical systems alone.[7]

The emergence of such regulatory initiatives should also be viewed in the context of the rapid expansion of generative AI use in China. The *Report on the Development of Generative Artificial Intelligence Applications (2025)*,[8] prepared by the China Internet Network Information Center, shows that by June 2025 the number of generative-AI users in China had reached 515 million – implying a doubling in just six months – and an adoption rate of 36.5% of the population. These figures indicate that generative AI has ceased to be a niche technology and has become a mass, everyday tool. The demographic profile of users further amplifies the significance of the phenomenon: people under 40 dominate (74.6%), as do users with higher education (37.5%) – groups with strong potential cultural, professional, and normative influence. Generative AI is used not only in office work, education, and entertainment, but also in areas such as agriculture, industry, and scientific research, indicating horizontal diffusion across multiple sectors of the economy and social life. This scale of adoption also suggests that China has reached a high level of infrastructural and technological maturity, enabling stable service delivery to hundreds of millions of users. As adoption expands, conversational AI increasingly functions as core digital interfaces, shaping communication patterns beyond individual interactions.

From a state governance perspective, the concentration of adoption among young and well-educated social groups is particularly significant, as Chinese policymakers often view these groups as socially influential. There is also a strong preference for domestic models, linking generative AI development to policies of technological self-reliance and the strategic reduction of dependence on foreign platforms.

As a result, AI in China is developing as a national technological ecosystem closely aligned with state goals in security, control, and long-term development. The scale of adoption and the pace of growth appear to have contributed to regulatory pressure to introduce new risk-management rules, especially in psychological and social domains. Public debates about the potential psychological effects of intensive chatbot use reinforce regulatory perceptions that sustained interaction with AI can generate socially relevant risks rather than purely hypothetical technological concerns.

The requirement of ideological alignment with core socialist values,[9] far-reaching requirements for algorithm registration, audits, and security assessments, and expanded mechanisms of state control suggest that Chinese rules are moving toward a state-supervised ethical regime for AI. Within this framework, the protection of users does not appear as the primary regulatory objective, but is embedded within a broader set of priorities related to social order, state interests, and normative alignment. As a consequence, these regulations significantly increase the costs and complexity of AI development, requiring

continuous oversight, mechanisms for human takeover, and sustained compliance with political and administrative norms.

Taken together, these features suggest that while the Chinese regulatory model reflects a distinct political and institutional context, it also highlights governance challenges that are likely to gain relevance globally as relational forms of AI interaction expand. The effectiveness of these regulatory measures remains uncertain, but they offer insight into how Chinese authorities conceptualise and attempt to govern the societal risks associated with relational AI

Policy implications for the European Union

The governance of anthropomorphic and socially interactive AI raises challenges that go beyond the regulatory tools traditionally applied to digital technologies. As conversational systems become embedded in everyday digital environments, AI systems designed for sustained interaction can shape behaviour, emotional responses, and patterns of use over time, creating risks that are not fully addressed within existing regulatory frameworks. This shift introduces a new set of social and psychological risks that existing European governance frameworks address only partially. While the European approach is firmly grounded in the protection of individual rights, many of the risks associated with relational AI emerge at the level of collective behaviour and socially embedded dynamics, rather than solely at the level of individual system outputs.

Current European regulatory frameworks focus primarily on safety, transparency, and harmful content. The EU's approach to AI governance is largely based on a risk-based model that classifies AI systems according to the level of risk they pose and introduces corresponding regulatory obligations. This logic is reflected in the *AI Act*,[10] which establishes prohibitions for certain practices, requirements for high-risk systems, and transparency obligations for specific AI applications (Recital 26). The regulation also recognises that AI can generate a wide range of harms, including physical, psychological, societal, or economic impacts (Recital 5). However, systems designed for sustained relational interaction introduce challenges that are not easily captured by this structure. While the *AI Act* addresses certain manipulative practices (Recital 29) and identifies systems posing risks to health, safety, or fundamental rights as high-risk (Recital 52), its regulatory structure remains largely centred on system capabilities and predefined risk categories. As a result, the regulation pays limited attention to the cumulative dynamics of human–AI interaction, particularly in systems designed to simulate social relationships or sustained engagement. Most provisions address discrete regulatory concerns, such as decision-making impacts, system safety, or compliance with fundamental rights, rather than behavioural dynamics emerging through continued use.

The *AI Act* also contains few provisions addressing interaction design and engagement

mechanisms, including algorithmic nudging, addictive interaction loops, or emotional reinforcement strategies. These dynamics are especially relevant for conversational AI systems, AI companions, and personalised assistants designed to maintain ongoing interaction with users. In practice, the current framework largely treats AI as a tool, product, or service rather than as a technology embedded in ongoing social interaction. European policymakers should therefore recognise anthropomorphic and socially interactive AI as a distinct governance domain and develop guidance addressing relational interaction, long-term engagement, and psychological safety. The European AI Office could play an important role in this process as part of its mandate to support the implementation and interpretation of the *AI Act*. Such guidance would clarify how systems designed for sustained social interaction should be assessed within existing *AI Act* risk categories and would extend governance beyond individual system outputs to patterns of user engagement.

From a regulatory perspective, many of the societal risks associated with relational AI arise from how systems structure long-term engagement rather than from individual responses. European governance should therefore pay closer attention to interaction design and engagement mechanisms. This includes examining interaction design features (e.g. engagement optimisation, recommendation loops, reinforcement dynamics) and other design elements that encourage emotional attachment, behavioural influence, or dependency. Existing EU regulatory frameworks already offer useful reference points. The *Digital Services Act*[11] introduces a governance framework for systemic risks arising from the design and functioning of digital services operating at scale. Article 34 requires providers of very large online platforms and search engines to assess systemic risks related to the functioning of their services, including risks affecting fundamental rights and societal processes, while Article 35 requires proportionate mitigation measures. Other provisions also highlight the importance of platform design. Article 27 introduces transparency requirements for recommender systems, and Article 38 requires very large platforms to provide users with options to modify or avoid profiling-based recommendation systems.

Product safety regulation offers another relevant perspective. The *General Product Safety Regulation*[12] establishes a general safety requirement for consumer products (Article 5) and requires risk assessments to consider factors such as product design, technical characteristics, and foreseeable patterns of use (Article 6). These provisions indicate that interaction design should also be considered when assessing the safety implications of AI systems intended for prolonged engagement with users.

Taken together, these frameworks indicate that such risks are not adequately captured by output-based regulatory models. Incorporating interaction design considerations into AI risk assessments and auditing standards therefore represents an important next step. Risk assessments, for example, could explicitly evaluate engagement optimisation mechanisms and behavioural influence patterns in conversational systems.

As conversational AI becomes embedded in everyday digital environments, it increasingly operates as an interface through which users access information, digital services, and online markets. Widely used conversational systems, AI companions, and personalised assistants are therefore likely to become important intermediaries shaping communication practices, knowledge access, and social interaction at scale. If conversational systems begin to operate as gateways to digital ecosystems, questions related to market power, platform dependency, and gatekeeping functions will become more prominent. In this context, governance discussions should also draw on principles established under the *Digital Markets Act*.[13] Regulatory authorities could monitor whether widely used conversational systems develop gatekeeping functions comparable to those addressed under the DMA. Such monitoring would also inform future reviews of the *Digital Markets Act* and its definition of core platform services. The *Digital Markets Act* introduces obligations for designated gatekeepers controlling core platform services. These include restrictions on combining personal data across services (Article 5) and rules aimed at preventing self-preferencing while ensuring fair, reasonable, and non-discriminatory access conditions for business users (Article 6). Conversational AI systems are not currently classified as core platform services under the *Digital Markets Act*. However, as they function increasingly as interfaces connecting users with digital services, information, and markets, similar competition and governance concerns arise. By shaping how users discover services, content, and commercial offers, such systems can acquire gatekeeping functions comparable to those addressed by the *Digital Markets Act*. In this sense, conversational AI is gradually evolving from a standalone service into a key intermediary shaping how users navigate the digital ecosystem.

This focus on market structure and competition differs from the Chinese approach, which regulates AI services more directly at the level of how they are designed and how users interact with them. While the *Digital Markets Act* is primarily concerned with gatekeeping and market power, Chinese rules address issues such as interaction dynamics, emotional influence, and the ways in which systems may shape user behaviour over time.

Global regulatory divergence and its implications for Europe

The rapid development of relational and conversational AI is also likely to intensify differences between global approaches to AI governance. Regulatory models emerging in the European Union, China, and the United States reflect distinct institutional priorities and regulatory philosophies. For the European Union, this divergence represents an important strategic challenge. Differences in regulatory frameworks influence not only market access conditions but also the broader digital environment in which European citizens and companies operate. European policymakers should therefore closely monitor regulatory developments in major AI jurisdictions, particularly emerging rules addressing conversational and anthropomorphic AI systems. Such monitoring supports strategic foresight

and helps ensure that the EU's rights-based regulatory approach remains capable of responding to evolving technological and societal risks. Dedicated foresight and regulatory monitoring functions within the European Commission and the European AI Office could play an important role in this process.

The emergence of new regulatory regimes for conversational and anthropomorphic AI also creates asymmetric compliance environments for European firms operating globally. Such regulations may impose additional requirements related to content governance, algorithmic oversight, data localisation, or training-data standards. European institutions should support companies navigating these environments through regulatory guidance, risk-assessment tools, and dialogue with foreign regulators. This could include structured regulatory dialogues with key partner jurisdictions and advisory mechanisms for European AI providers operating abroad. Such measures help European firms remain competitive while maintaining compliance with EU regulatory standards. At the same time, regulatory initiatives adopted in other jurisdictions should be treated as early indications of governance challenges that may later become relevant within Europe. Monitoring these developments can inform future regulatory adaptation while preserving the EU's core principles of fundamental rights protection, proportionality, and democratic accountability. The challenge for European policymakers is not to replicate more interventionist models of governance, but to ensure that a rights-based framework remains capable of addressing technologies that increasingly operate at the level of social relations rather than discrete technical outputs.

[1] See, for example: Sherry Turkle (2007). 'Authenticity in the Age of Digital Companions.' *Interaction Studies* 8(3): 501-517; Sherry Turkle (2011). *Alone together: Why we expect more from technology and less from each other*. Basic Books; Julie Carpenter (2016). *Culture and Human-Robot Interaction in Militarized Spaces: A War Story*. London: Routledge; Mark Coeckelbergh (2020). *AI Ethics*. Cambridge, MA: MIT Press; Kate Darling (2021). *The New Breed: What Our History with Animals Reveals about Our Future with Robots*. New York: Henry Holt and Company; Shannon Vallor (2016). *Technology and the Virtues: A Philosophical Guide to a Future Worth Wanting*. Oxford University Press; Shannon Vallor (2024). *The AI Mirror: How to Reclaim Our Humanity in an Age of Machine Thinking*. Oxford University Press; Donald Horton, and R. Richard Wohl (1956). 'Mass Communication and Para-Social Interaction: Observations on Intimacy at a Distance.' *Psychiatry* 19(3): 215–229; Vivian Ta et al. (2020). 'User Experiences of Social Support From Companion Chatbots in Everyday Contexts: Thematic Analysis.' *Journal of Medical Internet Research* 22(3): 1-10; Brent Daniel Mittelstadt et al. (2016). 'The Ethics of Algorithms: Mapping the Debate.' *Big Data & Society* 3(2): 1-21; Luciano Floridi (2018). 'AI4People-An Ethical Framework for a Good AI Society: Opportunities, Risks, Principles, and Recommendations.' *Minds Mach* 28(4): 689-707; Tarleton Gillespie (2014). 'The Relevance of Algorithms. In: *Media Technologies,* ed. Gillespie Tarleton, Pablo Boczkowski, and Kirsten Foot. MIT Press; Fogg, B.J. (2003). *Persuasive Technology: Using Computers to Change What We Think and Do*. San Francisco: Morgan Kaufmann; Tristan Harris (May 18, 2016). 'How Technology Hijacks People's Minds – From a Magician and Google's Design Ethicist.' *Medium*. Available at: https://medium.com/thrive-global/how-technology-hijacks-peoples-minds-from-a-magician-and-google-s-design-ethicist-56d62ef5edf3 (Accessed: April 14, 2026).

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Administration of Anthropomorphic Interactive Artificial Intelligence Services, with a Comparison to California's Companion Chatbot Law' (千里自同风——《人工智能拟人化互动服务管理暂行办法（征求意见稿）》解读（兼比加州陪伴聊天机器人法）). King & Wood Mallesons (金杜律师事务所). Available at: https://baijiahao.baidu.com/s?id=1855979037596552770&wfr=spider&for=pc (Accessed: April 14, 2026).

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[9] The term "core socialist values" refers to an official normative framework promoted by the Chinese party-state. In the Xi era, such concepts have increasingly been embedded in a broader effort to link contemporary governance to China's traditional culture and civilizational distinctiveness; see: Shaun Breslin (2024), 'The "Two Integrations" And The (Increasing) Chineseness of Chinese Marxism.' *EuroHub4Sino Policy Paper* 1. Available at: https://eh4s.eu/publication/The-Two-Integrations-And-The-Increasing-Chineseness-of-Chinese-Marxism (Accessed: April 14, 2026).

[10] *Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (Artificial Intelligence Act).* Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32024R1689 (Accessed: April 14, 2026).

[11] *Regulation (EU) 2022/2065 of the European Parliament and of the Council of 19 October 2022 on a Single Market For Digital Services and amending Directive 2000/31/EC (Digital Services Act).* Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R2065 (Accessed: April 14, 2026).

[12] *Regulation (EU) 2023/988 of the European Parliament and of the Council of 10 May 2023 on general product safety, amending Regulation (EU) No 1025/2012 of the European Parliament and of the Council and Directive (EU) 2020/1828 of the European Parliament and the Council, and repealing Directive 2001/95/EC of the European Parliament and of the Council and Council Directive 87/357/EEC.* Available at: https://eur-lex.europa.eu/eli/reg/2023/988/oj/eng (Accessed: April 14, 2026).

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One or many: the decision-making behind China's science and innovation policies

by Yu Jie

KEY TAKEAWAYS

- The policy brief highlights several important signals that challenge the conventional belief that Beijing's science and innovation policies are linear in nature and carefully orchestrated solely by a small cohort of political elites in the power corridors of Beijing.
- It offers a basic framework to gauge who the key players are and to what extent some of these key players play pivotal roles in shaping China's current science and innovation policies.
- China's experience highlights the importance of sustained coordination between government institutions, research communities, and industry, as well as the role of long-term policy continuity in supporting emerging technologies. Appreciating this complex ecosystem will be essential for Europe as it seeks to strengthen its own science and innovation capabilities.

Keywords

Science

Innovation

Bureaucratic Politics

China



Introduction

On 22 January 2025, DeepSeek, the Chinese homegrown Artificial Intelligence (AI) company, released its latest model and blew a trillion-dollar hole in Wall Street, on the basis that the until-then relatively unknown Chinese firm would undermine the United States's AI giants. It was heralded in the media as a 'Sputnik moment', raising questions as to how China has incubated ground-breaking companies such as DeepSeek and Huawei.[1]

International observers have frequently interpreted China's ambition to become a global champion of innovation as a personal priority for President Xi Jinping.[2] In the eyes of Chinese senior leadership, maintaining innovation capability is the only pathway to managing a protracted competition with Washington while enhancing China's economic resilience.

This policy brief does not deny the absolute importance of Chinese leaders' views on science and innovation. Yet the party leadership must rely on various enablers, including senior technocrats, small-medium size companies and individual talents, to deliver its gigantic ambitions. The pursuit of science and innovation excellence is not a new policy goal for Beijing, but many emerging technologies move at a speed beyond the comprehension of senior policymakers and ordinary people alike. As a result, these enablers are tasked with explanation, experimentation and eventual policy implementation.

As many have observed, China takes a whole-of-nation approach to sustaining its level of commitment to science and innovation.[3] This involves decision-making, resource allocation and coordination between companies and governments at various levels. In the case

of science and innovation policies, many Chinese domestic companies have created the policy demand from the decision-makers.

In European institutions, China's innovation prowess has been met with more fear than admiration. As AI and other technologies become critical to productivity, European policy-makers must decide how they want to respond to the example set by China. It is essential to understand how decisions on the science policies underlying these innovations were made in Beijing and who the key players are.

This policy brief attempts to serve as a basic guide to understanding China's science and innovation policymaking processes, including who the key players are and what impact they have in shaping China's current science and innovation policies. Drawing from a wide range of official documents, secondary literature and in-person interviews with companies and policy practitioners, it aims to challenge the conventional belief that Beijing's monolithic decision-making process has led to technological prowess – examining instead whether China's rapid progress in science and innovation is driven by a combination of state direction, experimental companies and local government ambitions.

The absolute importance of science policy

Global investors and China observers alike have been poring over Beijing's latest Five-Year Plan, which was published on 13 March 2026.[4] The plan sets out China's economic growth targets for the next five years and, crucially, places science and innovation front and centre in driving the Chinese economy.

Beijing has sent clear signals regarding the importance of pursuing scientific self-reliance in the medium to long-term, as a pathway to upgrading the Chinese economy and consolidating national resilience. The state-run media has repeatedly emphasized 'achieving scientific self-reliance and domestic innovation', making it one of the top three headlines broadcast on prime-time news across the country throughout 2025.[5] The 22 members of the CCP's all-powerful politburo gather monthly for 'study sessions', which included a focus on cutting-edge technologies in four out of ten total sessions in 2025.[6]

Beijing's deeply rooted anxieties about technological vulnerabilities and the urgency of economic transformation underly the move to position science and innovation policies as the absolute priorities of Chinese leadership. These anxieties derive from China's continuously worsening relationship with the US and its allies, which has previously impacted the supply chain behind China's technological developments. Beijing is also convicted that its economy and productivity could be accelerated enormously with greater utilization of the latest technologies available.

The key players at central government level

China's science and innovation policymaking is shaped by both political leadership and interactions among multiple bureaucratic institutions with overlapping mandates.

In March 2023, the annual National People's Congress approved the establishment of a new Central Science and Technology Commission.[7] The commission sits directly under the party leadership and is chaired by Ding Xuexiang, China's Executive Vice Premier and a member of the Politburo Standing Committee, the highest decision-making body within the party and the state. The newly established commission has authority to coordinate the efforts of key ministerial actors to accelerate China's technological breakthroughs and address strategic bottlenecks. It also acts as the final arbiter in cases of overlapping policy jurisdictions or inter-ministerial competition.

Beneath this overarching coordination mechanism, three central ministries under the State Council of the People's Republic of China play particularly important roles in developing and implementing science and innovation policies. These are the Ministry of Science and Technology of the People's Republic of China (MOST), the Ministry of Industry and Information Technology of the People's Republic of China (MIIT) and the National Development and Reform Commission (NDRC).

MOST has traditionally served as China's central policymaking body for science, technology and basic research. It formulates national science and technology strategies, plans and policy frameworks that guide research and innovation across the country. Its remit also includes overseeing basic and strategic research, managing national research programmes and major scientific initiatives and coordinating with scientific institutions. At the macro level, MOST also plays a key role in shaping China's national innovation system and defining scientific priorities.[8] In essence, the ministry acts as the chief planner for China's national science and research strategy. For example, in the development of advanced semiconductors, MOST managed the allocation of early-stage research funding, particularly for universities and research institutes.

In contrast, MIIT is more focused on linking technological research with industrial development. Its chief functions are to implement industrial and digital technology policies, establish technical standards and regulate technology sectors.[9] As Beijing has sought to consolidate its position as a global manufacturing leader, MIIT's authority over high-tech commercialization and innovation-driven industrial development has expanded. One prominent example is the widely discussed 'Made in China 2025' initiative, which was initiated and largely implemented by MIIT, albeit to some international controversy.[10]

The third key institution, the NDRC, does not formally include science and innovation in its core remit but, as China's central economic planning agency, it plays an increasingly important role in the country's technological development strategy. Science and innovation

have become central components of China's broader economic growth model, resulting in the NDRC's involvement in areas such as AI and robotics policy.[11] The commission oversees national industrial development planning and is responsible for drafting significant components of China's Five-Year Plans.[12] It also determines strategic emerging industry catalogues and allocates major infrastructure investments, including those related to digital infrastructure. Consequently, when the technology sector requires large-scale capital investment, industrial restructuring, or national-level infrastructure development, NDRC involvement is essential.

Contrary to the conventional perception of China as a monolithic decision-maker, the reality of science and innovation policymaking is far more complex than decisions made by a single leader or institution.

With these three ministries simultaneously involved in shaping Beijing's science and innovation policies, stakeholders on the receiving end of these policies must carefully navigate which institutions to engage with and for what purposes. Provincial governments, research institutions and major technology companies alike must also assess 'which ministry holds influence over specific policy areas, who allocates the funding and where their own interests can be most effectively represented'.[13]

China's recent efforts to develop a domestic semiconductor industry provide a clear illustration of this triangular policymaking structure. Establishing a semiconductor fabrication plant requires massive capital investment, alignment with national industrial policy and support for technological breakthroughs.[14] As a result, semiconductor companies in China must engage with multiple ministries: seeking early-stage research funding from MOST, ensuring their technical and industrial standards align with MIIT regulations and ultimately obtaining approval on any major investments from the NDRC. While companies rarely publicly align themselves with specific bureaucratic actors, in practice they must navigate these institutional channels to secure funding, regulatory support and political capital.

Although competition among these three ministries is largely bureaucratic rather than openly political, major Chinese technology firms are often drawn into – and can sometimes leverage – the triangular relationship between MOST, MIIT and NDRC, particularly in sectors such as artificial intelligence, robotics, semiconductors, and telecommunications equipment.[15]

The key players at provincial government level

China's innovation and industrial policies are highly centralised in design but highly decentralised in execution. As several China specialists have pointed out, provincial governments are not passive recipients of policy directives but active players with a degree

of autonomy; they often navigate – and at times, strategically balance – the priorities of different central ministries in Beijing.[16]

The Politburo of the Chinese Communist Party and the State Council typically provide macro-level policy guidance for specific science and innovation sectors. However, given China's vast economic and geographic diversity, provincial and municipal governments often have a better understanding of what policy approaches will work most effectively in their respective regions in pursuit of Beijing's broader innovation ambitions.

Provincial governments are therefore not merely implementers of centrally designed policies. Instead, they use their fiscal resources, administrative capacity and local policy initiatives to develop programmes that align with central government priorities while also serving regional economic and political interests. One critical factor shaping these dynamics is that the political promotion of provincial governors and party secretaries has historically been closely tied to indicators such as local economic growth and productivity. As a result, provincial leaders are incentivized to mobilize financial resources and political capital to support policies that can deliver measurable economic outcomes.

Over the past decade, Shanghai, Hangzhou and Shenzhen, three of China's most economically dynamic cities, have been vying to position themselves as the leading hub for China's home-grown AI industry.[17] Each city brings distinct advantages to this competition, from talent pools and industrial ecosystems to geographic location and existing technology clusters.

Among them, Shanghai is one of the most comprehensive centres for AI development in China.[18] The city is widely recognised as a key regional hub supporting the country's advancement in artificial intelligence, particularly in terms of industry scale, talent concentration, ecosystem development and cross-sector integration. One of Shanghai's most significant advantages lies in its large pool of skilled professionals. Estimates suggest that the city hosts roughly one-third of China's AI talent, giving it a substantial human capital advantage.[19] To build on this, the municipal government has developed policy frameworks and initiatives aimed at retaining and attracting AI talent.

The Shanghai Municipal People's Government has also leveraged its political networks and institutional influence in support of this ambition. Notably, Li Qiang, the current Chinese premier, previously served as the city's party secretary until March 2023. During this period and afterwards, Shanghai positioned itself as the regular host of the World Artificial Intelligence Conference (WAIC) and supported the creation of the Center for Global AI Governance at Fudan University.[20] Through these initiatives, the city aims not only to serve as a national centre for AI innovation and talent development, alongside Hangzhou and Shenzhen, but also to establish itself as the natural home for international dialogue on AI governance and capacity building. This positioning helps Shanghai contribute to shaping China's preferred narratives and policy frameworks in global discussions on AI governan-

ce, an ambition that Hangzhou and Shenzhen have not yet pursued to the same extent.

Shanghai's strategy illustrates how provincial governments in China do not simply implement central directives but actively compete to shape emerging technology sectors, using local advantages, policy experimentation and political connections to influence national innovation priorities.

How companies are shaping China's science and innovation policy

In the past, Chinese companies, particularly state-owned enterprises, have often been perceived as largely following government directives. However, the dynamics in the science and innovation sector are frequently quite different from those observed in traditional industries. Due to the nature of technological innovation, companies operating at the technological frontier often play a more proactive role in shaping government decision-making on science and innovation.

Chinese firms have three main pathways through which they can influence government policy: demonstrating technological breakthroughs; integrating industrial clusters; and creating state–industry feedback loops.

The 'AI Plus Action Plan', part of China's 15th Five-Year Plan, aims to embed artificial intelligence across a wide range of economic activities nationwide over the next five years. However, this initiative did not originate solely from the central government. Instead, companies specializing in AI and robotics first achieved significant technological breakthroughs, which in turn generated a demand for ambitious policies.

The state recognised the potential of these technologies to address labour shortages and upgrade China's manufacturing base, prompting targeted industrial policy responses. As a result, the influence of domestic firms is reflected in the latest national strategy emphasizing the importance of integrating AI across industries.

A notable example is Unitree Robotics, one of China's leading robotics companies. In late February 2026, the German Chancellor Friedrich Merz visited the company and was greeted by a line-up of robots demonstrating their advanced functionality.[21] Unitree illustrates how technology firms can play an important role in shaping China's science and innovation policy landscape. The company's founder, Wang Xingxing, was appointed deputy chair of China's humanoid robot standards committee, allowing industry engineers to participate directly in shaping national technical standards. [22]

This development reflects a broader trend in which private technology entrepreneurs are increasingly involved in formulating national technical rules, including standards for robotics hardware design and the regulation of AI capabilities in humanoid robots. Rather than designing regulatory frameworks unilaterally and imposing them on companies, Bei-

jing has increasingly allowed leading domestic companies, such as Unitree, to co-develop regulatory structures for emerging technology sectors.

Another prominent example is DeepSeek, whose rapid rise has also influenced policy debates in Beijing. Following the success of its R1 language model, the company gained both national and international recognition. Its founder, Liang Wenfeng, was invited to brief Premier Li Qiang on the company's technological progress.[23]

DeepSeek's breakthroughs also prompted debates among Chinese policymakers and legal scholars about strengthening AI governance and regulatory frameworks. However, the company's low-cost, open-source AI models aligned with Beijing's broader strategy of promoting domestic innovation and technological self-reliance. This was reflected in the firm's designation as a 'National High-Tech Enterprise', a status that comes with tax incentives and preferential access to state-backed research and development funding.[24]

Together, these cases illustrate how China's leading technology firms are not merely policy recipients but increasingly act as policy entrepreneurs, shaping regulatory debates and influencing the direction of national innovation strategies.

Conclusion

This short policy brief does not seek to capture the full complexity of China's science and innovation decision-making processes. Instead, it provides an overview of indicators that challenge the conventional belief that Beijing's science and innovation policies are linear in nature and carefully orchestrated solely by a small cohort of political elites in the power corridors of Beijing.

There is an overarching goal of pursuing technological self-reliance, initiated by Xi Jinping and placed at the core of Beijing's macroeconomic agenda. This is also an integral component of what the Chinese leadership refers to as 'comprehensive national security', which will require more than a political blueprint articulated by policymakers to achieve.

A wide range of actors play pivotal roles in realizing Beijing's technological ambitions. Some operate within government ministries responsible for science and technology governance, while others are tasked with implementing industrial policy and guiding economic planning. This ecosystem should remind international policymakers that achieving scientific breakthroughs and fostering innovation is a multifaceted endeavour, requiring financial resources, technical expertise, human capital and sustained political commitment.

At both the central and provincial levels, Chinese governments understand where their comparative advantages and institutional autonomy lie within the broader ecosystem of technological development. Rather than simply implementing directives from the central leadership, many local authorities adapt overarching policy priorities to align with region-

al development strategies and economic interests.

Meanwhile, the Chinese companies discussed throughout this brief have emerged as domestic champions in their respective sectors and, in some cases, de facto agenda-setters in areas such as AI, quantum technologies and robotics. However, their influence in shaping Beijing's science and innovation policies may become more constrained as the government increases scrutiny over data protection and corporate accountability in the name of national security. Technology governance is emerging as a new policy frontier in China, as both the state and the private sector attempt to strike a delicate balance between innovation and regulation.

For European policymakers, the key lessons lie not only in recognizing the speed with which China has advanced its technological capabilities, but also in understanding how different actors within the system position themselves, as resource allocators, policy implementers and policy pioneers. China's example highlights the importance of sustained coordination between government institutions, research communities and industry, as well as the role of long-term policy continuity in supporting emerging technologies. Appreciating this complex ecosystem will be essential for Europe as it seeks to strengthen its own science and innovation capabilities in an increasingly competitive technological landscape.

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Too Big to Unwind? About the Current State of China's Coal Sector

by Belinda Uebler

KEY TAKEAWAYS

- Despite rapid renewable expansion, China continues to build and commission new coal-fired power plants and increases raw coal production. This persistence reflects the coal sector's deep economic and political role in China's development model.
- China still lacks a coherent, targeted coal phase-out strategy. Decarbonization remains fragmented, with coal-dependent, resource-depleted cities offering early insights into the challenges ahead. Their common responses include diversifying into heavy industry and expanding tourism.
- Coal-dependent cities face major structural constraints: slowing growth, population decline, and limited investment capacity. In many underdeveloped regions, these pressures make economic transition difficult and reinforce continued reliance on coal.
- Key coal-based industries remain central to China's economy, including coal-to-chemicals, and coal-based hydrogen among others. Framed as green transition strategies, they often amount to rebranded continuity rather than true transformation.
- EU policy and analysis should account for China's underlying coal intensity, avoid equating renewable growth with full decarbonization, and strengthen cooperation on localized coal phase-out strategies.

Keywords

Coal sector

Decarbonization

Energy Transition

Coal-mining Cities

Transformation

Greenwashing



Introduction

Optimistic headlines about China's falling CO_2 emissions and efforts to reduce coal-fired power generation often suggest a rapid and clear path toward decarbonization, but they can obscure the structural realities of the country's energy system and its long-term trajectory. Behind narratives highlighting record growth in renewable capacity, a different coal story remains to be told. Although China's renewable buildout is substantial, it coexists with a large, hard-to-abate coal sector that remains deeply embedded in industrial production and the overall energy mix, underscoring the continued expansion and central role of coal in electricity generation.

In recent years, China's rapid expansion of renewable energy capacity has had profound effects on its traditionally coal-dominated energy system. In 2024 and 2025 alone, China installed 360 and 430 gigawatts of wind and solar capacity, respectively.*[1]* In 2024, this represented roughly 64 % of all new solar and wind installations worldwide.*[2]* Most notably, as of February 2025, for the first time, wind and solar energy together – reaching a total installed capacity of 1.45 billion kW – have overtaken coal power, becoming China's largest electricity source in terms of installed capacity.*[3]*

This, however, does not mean that renewable energy has already displaced thermal power*[4]* such as coal, despite increases in installed capacity. Chinese data, and increasingly global data, tend to report installed capacity, which indicates the potential maximum output, rather than operational or actually producing capacity. In practice, especially in China, only a fraction of installed renewable capacity is actively generating electricity at any given time due to storage limitations and grid dispatch constraints, among other factors.

Consequently, when examining China's energy mix, which reflects the energy actually consumed by society, coal energy still accounts for the majority, representing 55.5 percent of the total between October 2024 and September 2025.[5] Moreover, as China's total energy demand continues to rise, the absolute amount of coal-fired electricity generation increased for many years and only declined for the first time in 2025, by 1.6% year on year.[6]

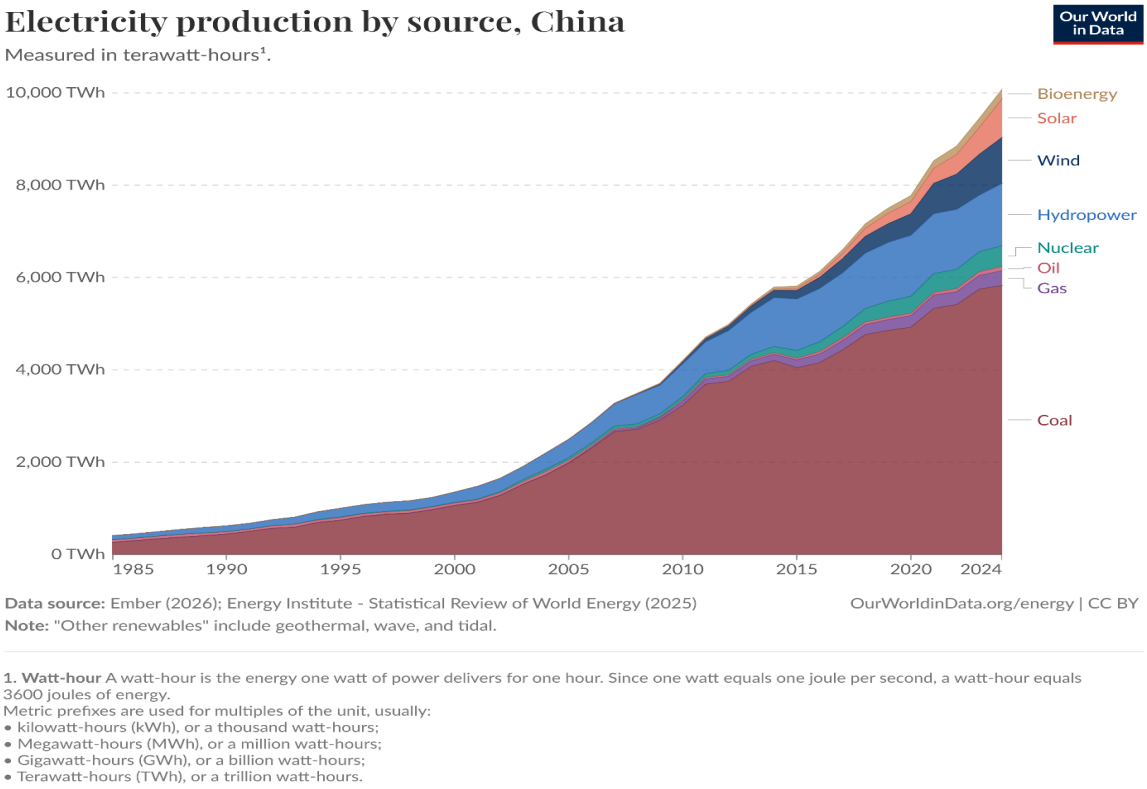


Fig. 1: China's electricity production by source 1985-2024[7]

Against the backdrop of global climate targets and China's commitments to peak carbon emissions by 2030 and achieve carbon neutrality by 2060, deep decarbonization has become an essential policy objective. Achieving these goals requires a comprehensive energy transition, as the energy sector constitutes a central source of CO_2 emissions. A key component of this transition is the gradual phase-out of coal. In China, however, the coal sector is deeply embedded in the country's economic structures, regional development, and energy system, making a rapid exit particularly challenging. Against this background, this paper examines the current state of China's coal sector and analyzes the economic, structural, and political challenges associated with a necessary phase-out of coal in China.

Where China's Coal Industry Stands Today

Despite China's rapid expansion of renewable energy installations, the country has also continued building coal-fired power plants, reaching a 10-year high of 94.5 gigawatts in

2024, driven by rising energy demand and concerns over energy security.[8] In 2025, a record number of coal power plants were newly commissioned, alongside unprecedented levels of project starts and reactivations.[9] Coal mining output has likewise increased to record levels in recent years, following a period of stagnation and slight decline throughout much of the 2010s.[10] This simultaneous growth in renewables and thermal energy shows that isolated figures can be misleading without considering the full context of the country's energy transition.

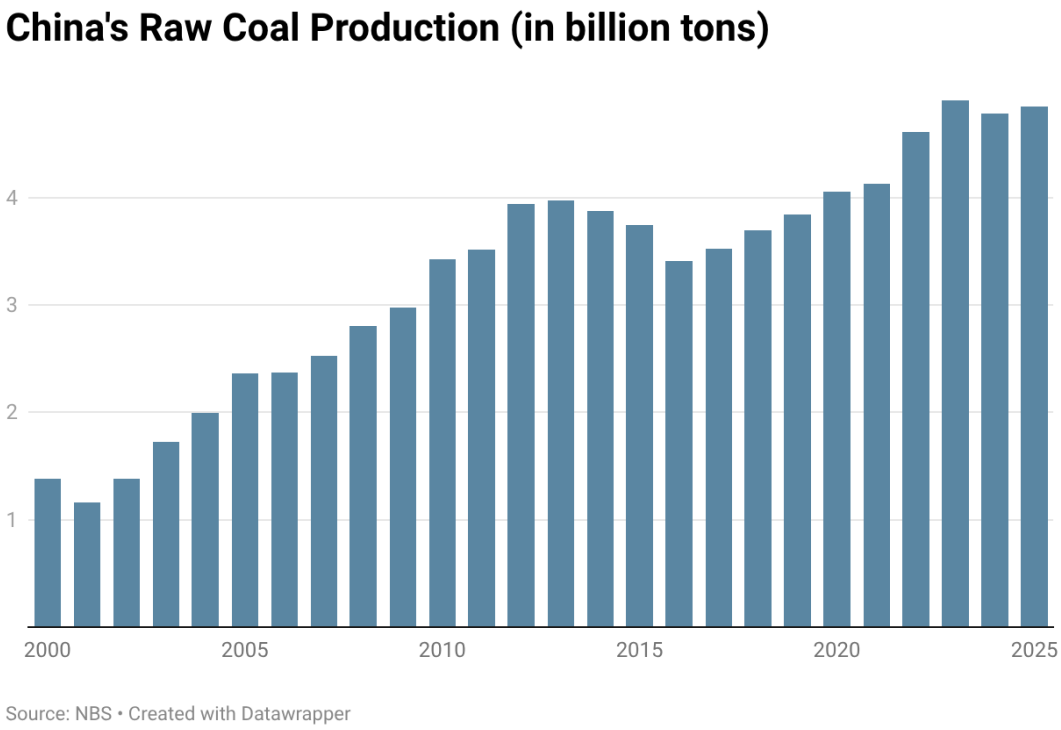


Fig. 2: China's Raw Coal Production in billion tons 2000-2025 (Own graph based on data from the National Bureau of Statistics)

Merely in terms of coal sector employment, the situation looks clearly different. Following a series of environmental regulations and policies aimed at reducing coal overcapacity in the 2010s, numerous closures and layoffs occurred within China's coal sector. As a result, coal employment has fallen to historically low levels in recent years, declining by around 50% between 2013 and 2022 in coal mining, washing, and dressing.[11] However, precise figures are difficult to determine, as actual employment numbers may be somewhat higher than officially recorded.

Despite declining coal employment, coal remains central to China's energy system. The overwhelming majority of coal production is directed toward industry, where it is consumed either in its original form or as heat or electricity.[12] Consequently, China's industry would be most affected by a structural phase-out of coal, while other end-use sectors such

as residential, commercial, agricultural, and transport account for only a marginal share and would be comparatively less affected.

Thus, despite growing narratives of a 'greening' China driven by the rapid expansion of renewable energy, a more accurate picture recognizes the continued existence and dominance of a large, hard-to-abate coal sector. This sector continues to fuel China's industry and remains a central component of the energy mix, even amid rising renewable capacity installations.

Tentative attempts at transformation

Despite China's dual carbon goals – peaking CO_2 emissions by 2030 and achieving carbon neutrality by 2060 – there is still no consistent, nationwide phase-out of coal. Instead, China has implemented a series of mostly isolated decarbonization policies and emission reduction targets that are partly intended to support the dual carbon goal, but vary in strictness across regions and political priorities. Decarbonization policies include such on the closure of coal mines and coal-fired power plants, particularly smaller facilities with poor environmental standards, as well as plant and mine shutdowns aimed at reducing air pollution among others.[13] They also encompassed the closure of coal-based production capacities in the steel or aluminium sectors, or banning coal as a heating source in rural areas of northern China.[14]

The growing fiscal burden of coal-depleted cities

One of the most notable examples of a cross-sectoral and multidimensional policy aimed at transitioning away from coal in China so far is the transformation of coal resource-depleted cities. In the 2000s, the Chinese government began addressing the growing number of resource-depleted cities across the country, which were struggling with structural economic problems. Between 2008 and 2012, the central government officially designated 69 resource-depleted cities, including 37 coal resource-depleted cities, although the current actual number is likely much higher.[15] These officially recognized resource-depleted cities received and still receive support from the government, particularly in the form of transfer payments to support social security, education and healthcare, environmental protection, public infrastructure construction, and interest subsidies for special loans in these cities.[16] The transfer payments were conceived as time-limited from the outset, initially for three to four years from 2007 to 2010. Later, the possibility of extensions was announced, followed by plans for a phased withdrawal. In practice, however, new extension options continued to be introduced, and transfer payments to resource-depleted cities are still being made to this day.

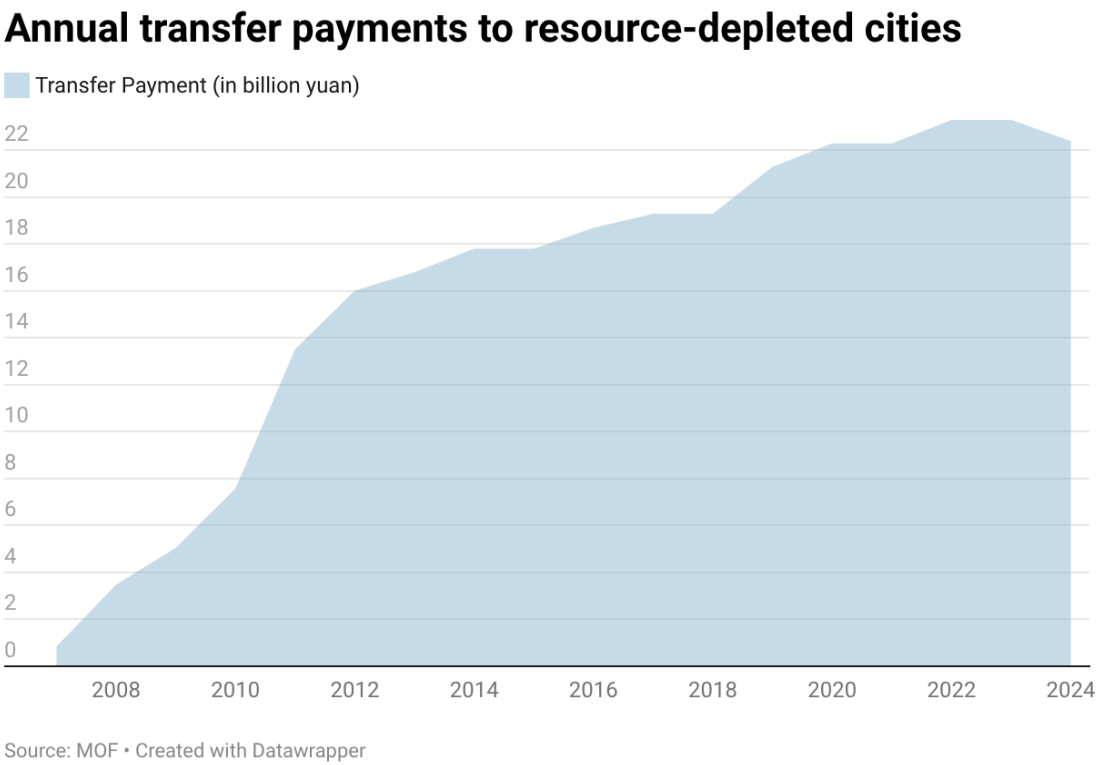


Fig. 3: Annual transfer payments by the central government in billion RMB (Own graph based on data from the Chinese Ministry of Finance)

Although transfer payments have increased in absolute terms in recent years, when compared to the budgets of the affected cities, these payments provide limited support, and may thus not be sufficient as a long-term strategy for facilitating the transformation.[17] In this context, some cities have been reportedly unenthusiastic about applying for these transfer payments because the amounts are relatively small.[18]

Beyond financial support, these resource-depleted cities, and particularly their local governments, are expected to attract new investments or establish new industries to accelerate the economic diversification of cities that, for decades, have been overwhelmingly dependent on coal and largely monoindustrial.

Between heavy industry diversification and tourism expansion

Investment attraction remains challenging in many regions of China, partly due to the country's overall economic slowdown and partly because local conditions, such as geographic location, infrastructure, and other factors, often limit their appeal to investors. In practice, it is primarily politically prioritized "guideline industries" that are established in these areas, as they are promoted under national industrial policies regardless of local suitability. However, these industries are frequently expanded without thorough assessments of actual demand, often resulting in overcapacity, as observed in sectors such as

solar and renewable energy manufacturing or electric vehicle production.[19] In provinces like Shanxi, typical investment initiatives in cities repeatedly focus on similar sectors, including tourism, renewable energy expansion, and battery production. This pattern reflects a top-down approach to investment planning, in which comparable strategies are applied across multiple cities rather uniformly. Drawing on existing infrastructure and resources from their coal era, many resource-depleted cities have also developed more diversified heavy industries, such as the chemical industry, new materials, aluminium production, and metal smelting, among others.[20]

As a result, primarily due to the lack of alternative industries, there is often no clear or sustained shift away from coal. Development trajectories frequently revert to coal, particularly for economic reasons. This pattern is especially pronounced in cities located in traditionally coal-dependent, resource-based, and structurally weaker regions of China, making the transformation process in many coal cities particularly challenging.[21] Furthermore, the political system, including corruption, frequent turnover of local cadres, and misaligned incentives, produces varying effects on the long-term transformation process depending on the locality and specific circumstances. In some cities, local officials act as proponents of coal phase-out, while in others they function as opponents, reflecting their highly variable and context-dependent role in the transformation process.[22] Cadres often do not continue the strategies of their predecessors, which prevents long-term transformation plans from being fully implemented.[23]

The struggles of China's indirectly coal-dependent cities

Yet, transformation efforts have not been limited to coal resource-depleted cities. Cases of coal restrictions in non-coal mining cities have revealed similar challenges, indicating that many non-coal cities, particularly heavily industrialized ones reliant on coal energy, are also likely to face a difficult transition. This is partly due to the fact that certain industrial sectors in China, such as cement, chemicals, aluminum, textiles, and others, have become structurally oriented toward coal – not necessarily because coal is essential to their production, but because state policies and cost advantages over decades have made these industries unnecessarily coal-dependent.[24]

In terms of coal consumption, for example, Shandong Province, located on China's east coast and possessing very limited coal-mining resources, has for years recorded the second-highest level of coal consumption nationwide, after Inner Mongolia. After all, Shandong has long had high electricity demand from its dense population and economy, and especially from its large industrial base in energy-intensive sectors such as steel, cement, chemicals, and petrochemicals, supported by extensive coal-fired power generation and energy security policies that favor coal.

Consequently, even smaller cities without coal resources can experience transformation

shocks comparable to those of post-mining cities when confronted with non-coal policies that mandate the closure of coal-based industrial production capacities. In Zouping, a – at least by Chinese standards – small non-mining city of 700,000 inhabitants in the Eastern province of Shandong, these policies caused its GDP to halve from one year to the next, despite the city not being a coal city in the conventional sense.[25]

Challenges in transitioning away from coal

China's slow energy transition is largely rooted in decades of deep structural dependence on coal. Over time, coal became not just the dominant fuel but the organizing principle of China's economy, energy system, and governance structures. This has made a shift to alternatives politically, technically, economically, and socio-economically difficult. As Chinese energy experts note, coal abundance was long treated as a self-evident justification for a coal-heavy energy mix despite international examples showing that resource abundance does not preclude diversification.[26]

This prolonged coal focus has shaped infrastructure, planning, management, and operational mechanisms, creating strong path dependence that hinders structural change and renewable deployment. It has also produced a form of "coal preference," reinforced by symbolic and emotional reasoning and the persistent belief that coal is the cheapest option even where cost data suggest otherwise.[27] These biases are embedded in market and policy structures where coal is often favored in operations and investment, e.g. large coal units dominate baseload supply, and inefficient long-distance coal transport persists while gas and other energy alternatives are undervalued. Weak policy enforcement and entrenched interest groups further contribute to coal overcapacity, while electricity prices based on coal make it harder for alternatives to compete.[28]

Another factor underlying China's continued reliance on coal is its broader push for greater self-reliance. In line with central government guidance to develop strategic sectors and reduce dependence on Western powers, some coal-based industries continue to receive state support rather than being meaningfully constrained by decarbonization policies.[29] Prominent examples include coal coking and coal-to-chemicals. Currently, it works in China's favor: the steady expansion of the coal chemical sector has enabled the substitution of coal for oil, a strategy now paying off amid surging oil and gas prices driven by supply shortages. In this context, coal has effectively been assigned a geopolitical role by the state – one it is unlikely to relinquish anytime soon. It thus serves not only as an energy source but also as a tool for enhancing national self-sufficiency and reducing import dependence.[30]

Beyond the extreme dependence on coal, which already makes the energy transition particularly difficult, issues of injustice and greenwashing pose additional serious challenges.

At the international level, in particular at the UN's recent COP30, China has positioned itself as a proponent of the "just transition" concept, emphasizing that the transition should not disadvantage specific regions or actors particularly affected.[31] Domestically, China has not articulated a clear position on just transition, and the term itself is largely absent from public discourse. Nevertheless, the challenges of a just transition are very much present. In the event of a coal phase-out, China faces an exceptionally large number of coal-dependent cities and regions that would require support within the framework of an energy transition. Compared to other countries, this significantly increases the social and economic burden of transition.

The social burden of the coal transition

From a social and socio-economic justice perspective, coal sector workers are among those most affected by a coal phase-out – especially in structurally and economically underdeveloped coal provinces, where alternative employment opportunities are extremely limited. Mobility is further constrained by China's household registration system, the hukou, which, although relaxed in recent years, still poses a barrier to migration across regions.[32]

In theory, many coal cities have announced support measures for laid-off coal workers, including retraining programs to facilitate reemployment, subsidies for enterprises that avoid or limit layoffs, support policies for unemployed workers seeking to start their own businesses, and the creation of public-interest jobs for those struggling to find new employment. In practice, however, implementation is highly uneven. Only a small number of enterprises, mostly state-owned ones, offer meaningful retraining or job placement support. Employees in privately owned mining companies are often laid off without severance pay, as they usually do not have formal long-term contracts.[33]

Regional inequality of opportunity

At the city level, injustice also manifests in uneven and often stringent support conditions from central and provincial governments. While coal resource-depleted cities may receive targeted assistance, such as transfer payments, they simultaneously face growing domestic competitive pressures, as cities with poor economic performance risk being neglected. This is illustrated by the case of Shizuishan, a coal resource-depleted city that was removed from the national-level economic development zone list in 2021 after ranking near the bottom for two consecutive years, thereby reducing its prospects for economic development.[34] In Shanxi, several cities have raised concerns about unequal support, attributing this to weak coordination at the provincial level, where resources and investment are often concentrated in the capital, Taiyuan.[35]

At the regional level, the coal transition is likewise marked by persistent injustices. Ge-

nerally, support and resources tend to be concentrated in the politically and economically important east coast region of China, while significantly less assistance is directed to peripheral areas.[36] Historically, several provinces have long been exploited as resource hinterlands, with coal serving as the backbone of China's rapid industrialization, while much of the generated value was not reinvested locally.[37] This dynamic is particularly evident in the resource-rich but economically and structurally underdeveloped northern provinces of Inner Mongolia, Shaanxi, and Shanxi, commonly referred to as the "coal triangle" and marked in dark blue in the map below.

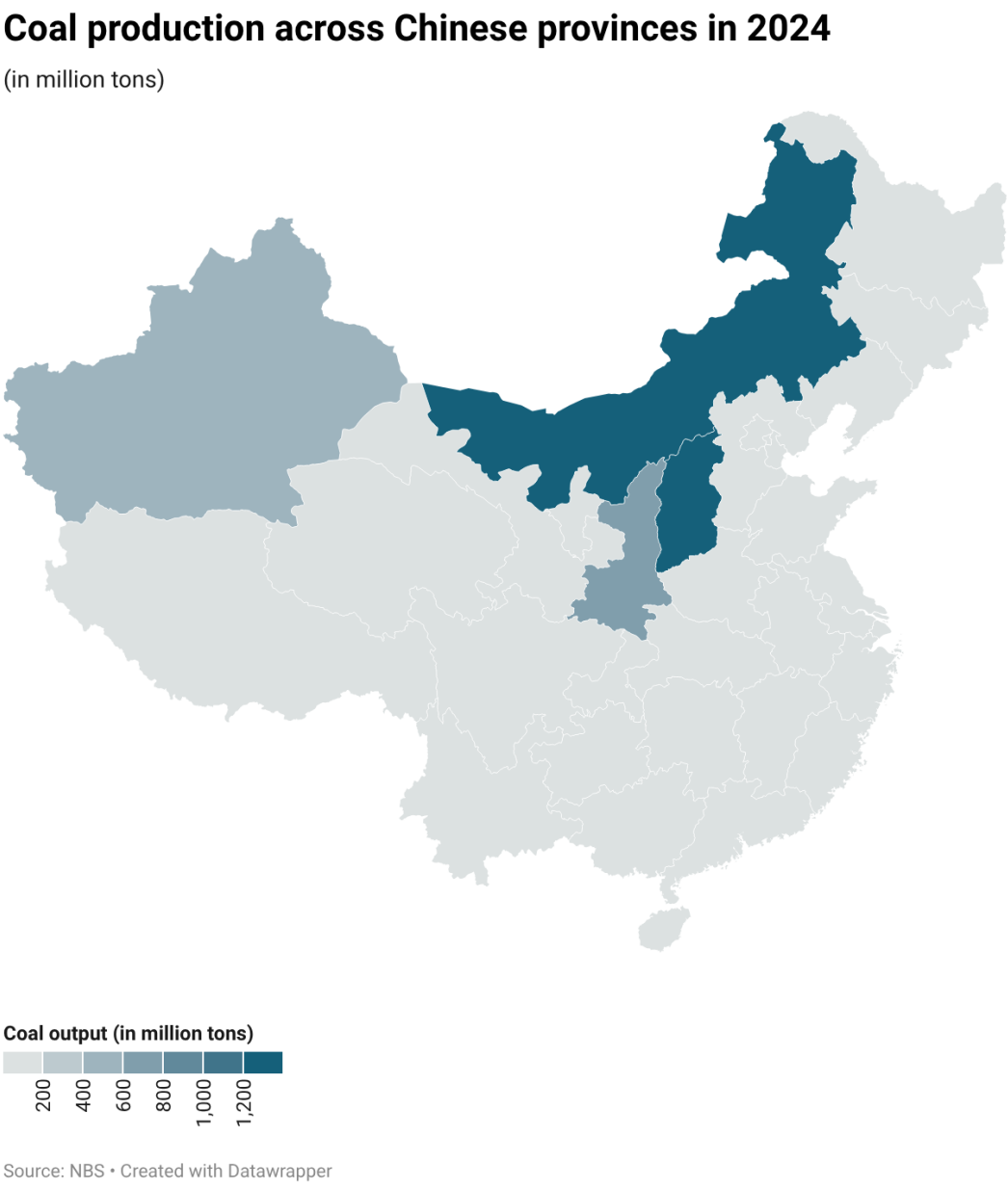


Fig. 4: Coal output by province in 2024 (Own graph based on statistical data from the National Bureau of Statistics)

In Shanxi, among other coal producing provinces, decades of coal extraction were not leveraged to develop sufficient downstream industries, resulting in limited long-term economic benefits and unevenly distributed, short-term gains. Wealth accumulation was largely concentrated among a small elite of coal enterprise owners in both state-owned and private sectors, while many miners faced poor working conditions, low wages, and few alternatives as resources became depleted. Structural weaknesses, inadequate infrastructure, and the long-standing strategic neglect of western or northeastern China have further constrained these regions' ability to attract investment, a reality often summarized by the saying that "investment does not go beyond Shanhaiguan", meaning it won't reach more peripheral regions of China.[38]

Green framings of coal

Beyond questions of justice, the greenwashing of the coal sector presents another major challenge to the transition. Rather than being phased out, many coal-related activities are increasingly reframed. By emphasizing technological upgrades or "green" modifications, attention is diverted from their continued dependence on coal. In Shanxi among other regions, the upgrading of the mining sector, often under the term "green mining" (绿色开采) is actively marketed as part of the transformation of coal cities, creating the impression of progress while the underlying dependence on coal remains unchanged.[39] Similar dynamics can be observed in the promotion of allegedly "green" innovations, such as hydrogen projects. In practice, much of this hydrogen is produced using coal-based processes, resulting in blue or grey hydrogen[40] rather than genuinely green alternatives. In Shanxi in particular, local and provincial governments have been actively supporting newly emerging industries and companies that produce "new energy," for example, using by-products of coal and other fossil fuels. These initiatives are often labeled as green energy, even though they are still closely linked to the coal industry and do not fully meet the conventional definition of truly green energy.[41]

As a result, coal use continues in industrial form, but under rebranded and sanitized labels that obscure its environmental impact and undermine the actual status and development of transformation away from coal.

Conclusion

Despite China's massive expansion of renewable energy capacity, coal remains deeply entrenched due to decades of structural dependence, the dominance of powerful state-owned enterprises, and strong vested interests at the local level. Efforts to phase out coal – particularly in resource-depleted cities – face significant obstacles, including weak alternative industries, limited private investment, and fiscal pressures that often drive local governments back toward coal-based development. Policy implementation is further

undermined by fragmented governance, blurred administrative responsibilities, and incentive structures that reward officials for short-term economic performance over long--term decarbonization. As a result, coal continues to dominate many regions, increasingly concealed behind ostensibly "green" initiatives such as coal upgrading, coal-to-hydrogen projects, or efficiency improvements that do not fundamentally reduce coal dependence. This growing "greening" and rebranding of coal risks obscuring the true scale of China's reliance on fossil fuels and underscores the need for systemic energy and governance reforms to overcome this self-reinforcing dependency.

For the European Union, this has important implications.

The EU should treat increasingly frequent optimistic headlines claiming that China has reduced CO_2 emissions or curtailed coal-fired power generation with caution, as such reports reveal little about China's long-term decarbonization trajectory and risk misrepresenting its current energy profile. Similarly, narratives emphasizing China's rapid expansion of renewable capacity can create an overly green impression, often leaving the continued growth of the coal sector and persistent high coal power use in the shadows.

Furthermore, many industrial products in China are still produced using coal-intensive processes, even low-carbon technology imports cannot automatically be considered "green." The EU should therefore exercise greater caution in its trade and climate policies, recognizing the hidden coal dependence embedded in Chinese production and avoiding the assumption that rising renewable capacity necessarily translates into low-carbon output.

Finally, the EU should leverage the potential for EU–China cooperation and mutual learning on coal phase-out at the city or regional level. Partnerships between cities or provinces could be leveraged or newly established to facilitate joint projects, knowledge exchange, and practical collaboration on transitioning away from coal. Such localized initiatives could complement broader policy efforts and provide tangible models for low-carbon development, helping both sides translate ambitious climate goals into actionable outcomes.

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Russia-China Cooperation amidst the war in Ukraine:From Joint Management of Security in Eurasia to AI Collaboration

by Gaziza Shakhanova

KEY TAKEAWAYS

- Although China and Russia have not yet formed a military alliance, they ought to be considered as de-facto allies. In fact, their leaders have themselves been claiming that Sino-Russian strategic cooperation exceeds the level of a formal military alliance.
- There is an ongoing process of synthesis of a common geopolitical worldview shared by both countries. In their joint statements, the Russia-originated concept of the "indivisibility of Eurasian security" has been incorporated into the Chinese framework of the "community of common destiny for all mankind".
- After 2022, and in a stark contrast to its earlier modus operandi, Russia has officially invited China to collaborate on the security issues in Central Asia, Caucasus, and Eurasia.
- Partly as a consequence of Western sanctions, Russia has greatly intensified its technological collaboration with China, including areas such as AI technology and semiconductors production where Russia is playing catch-up. These technologies might be employed by Russia both on the battlefield in Ukraine and in its hybrid warfare inside the EU.
- Russia's overreliance on Chinese technology and semiconductors supplies has deepened its dependence on China. In future, this dependence is likely to increase even further.
- The EU needs to monitor the evolution of Sino-Russian cooperation in the formation of international norms, rules, and institutions in order to stay relevant as a normative power, and steer the transformation of the international order in its favour.

Keywords

China

Russia

Sino-Russian military cooperation

Sino-Russian collaboration in AI

Eurasian security



Introduction

February 2026 marked the fifth year since the beginning of the Russian-Ukrainian war, an event that led to the isolation of Russia from the Western world and intensified its pivot towards China. Since then, Sino-Russian cooperation has continued to expand and, at least on paper, has already reached very ambitious and comprehensive scope, ranging from joint efforts in space exploration, such as the agreement to build the International Lunar Research Station and perhaps even a lunar nuclear power plant by 2035, to collaboration in military and AI technologies on earth.[1] Although some aspects of Sino-Russian cooperation might seem immaterial or preposterous, for instance their joint investigation into the detrimental effects of Western colonial and neocolonial practices, there are other aspects that deserve immediate attention.[2] Perhaps the most pertinent among them is military cooperation, especially if one considers that some EU countries including Germany have not ruled out the possibility that open war with Russia could break out as early as 2028.[3]

Officially, Beijing denies that it has been providing military aid to Russia. Despite this, as Bloomberg reports, China-made drone technologies have been frequently found on the battlefield in Ukraine, and as the U.S. Department of State reported, as of the beginning of 2026 China has been providing Russia with about 80% of dual-use parts that Russia uses for military application.[4] And perhaps even more important is the fact that both countries expressed their interest to further deepen their military cooperation in future. Since 2022 Russia and China have concluded several agreements aimed at enhancing cooperation between the People's Liberation Army (PLA) of China and either the Russian Armed Forces or the Russia-led security forces of the Collective Security Treaty Organisation

(CSTO). These agreements state that the cooperation between the two countries' military forces will contribute to building trust between China and Russia and help them to defend not only their national interests, but also to counteract any external attempts to destabilise Eurasia, and thus to preserve regional or even global security.

Examining Russia's policies and the evolution of Sino-Russian cooperation is important in order to assess what Russia's military capabilities might be in the near future, and to better estimate the future of security in post-Soviet Eurasia in general. Another important aspect of this topic is the possibility of Russia falling into technological dependence on China. In this policy paper we consider some of these questions, relying on the analysis of bilateral agreements signed by Russia and China between 2022 and 2025, relevant Russian legislative acts, and the existing academic research and media outputs.

Russia-China shared management of post-Soviet security

In general, China has been quite supportive of Russia's arguments for its invasion of Ukraine. It endorsed one of the key Russia's war narratives already in March 2022 stating that Russia had to defend its security interests on its western border in the face of NATO's plans to expand.[5] In fact, in the Chinese official discourse Russia has never been blamed for the violation of Ukraine's territorial integrity, and the blame for the war has instead been shifted to the U.S. and NATO.[6] China also endorsed Russia's concept of the "Indivisibility of Eurasian security" in the joint statement adopted on 4th of February 2022, twenty days before the invasion.[7] The "indivisibility of Eurasian security" is essentially a claim that the security of each of the Eurasian countries is dependent on the overall security of Eurasia, and that as a consequence none of the countries or military blocs should expand or obtain advantage at the expense of the security interests of others. China continued adhering to this position in the joint statements of 2023, 2024, and 2025.

In these joint statements China and Russia started to combine the Russian concept of the "indivisibility of Eurasian security" with the Chinese concept of the "community of common destiny for all mankind" when they stated that "the destinies of people in the world are interconnected, and therefore none of the countries can secure its security at the expense and to the detriment of others".[8] Even though the overall argument is rather vague, this rhetorical shift is quite interesting in itself as it suggests a gradual sinicisation of Russian foreign policy rhetoric.

Following these commitments China became very visible at discussions of security issues in post-Soviet Eurasia. The special representative of the Chinese government on Eurasian Affairs Sun Linjiang has become a regular guest in the Kremlin, and Chinese officials often visit security-related conferences in the post-Soviet space.[9] China and Russia do also hold regular consultations on the problems of the Commonwealth of Independent States

(CIS). During one of their recent meetings in December 2025 China's and Russia's delegations discussed topics such as the war in Ukraine, their mutual interests in Central Asia and Caucasus, and China's prospects in the Eurasian Economic Union.[10]

One of the more striking aspects of these developments is that Russia has acknowledged China's role in co-managing the security situation in Central Asia, which was previously considered as an exclusive domain of Russia. In particular, in the joint statement of 2023, Russia and China agreed to coordinate their activities to preserve Central Asia's sovereignty and territorial integrity, and prevent any attempts of foreign interference and colour revolutions. Russia and China also tend to present themselves as particularly well-disposed to manage the security of that region.[11] For instance, the Russian foreign affairs minister Lavrov stated that unlike Russia or China, the U.S. and NATO approach Central Asia as an isolated region and show little interest in solving the security problems of Eurasia as a whole.[12]

An important feature of Sino-Russian cooperation is that they both support the view that the U.S. is a hegemonic actor at the centre of the international security system. Here, however, their visions of the future of the international security system are not exactly identical. While China seeks to share power on a multilateral basis Russia merely expects world power to be redistributed among several actors, each with their own exclusive sphere of influence.[13] This is where China distances itself from Russia, claiming to be a benign and fair power capable of managing a peaceful global order.[14] Credibility of those claims, however, might have been somewhat hurt by the fact that China failed to defend the territorial integrity of Ukraine, despite having a unique leverage over Russia. In fact, there seem to have been remarkably few voices raised in defence of Ukraine's sovereignty in the Chinese official discourse.[15] Furthermore, reflecting the widespread U.S. view of Russia and China being America's main adversaries, Russian and Chinese officials often describe their countries as being targeted by a consolidated pressure from the West. In this regard, however, Russian officials often claim that their country does not represent a major threat to the West, and describe Russia as being only a Eurasian power, and China as a rapidly developing center of global power successfully competing with the U.S.[16]

Evolution of China's perceptions in Russia: from arrogance to singularisation

Russia has not always pivoted towards China. In fact, from the 1990s until the early 2010s Russian elites largely followed the stereotype of Russia being China's older brother. This had its origins in the Soviet past when Russia patronised China in the conduct of its political, military and economic reforms. Russian elites generally "looked down" on China, which they considered as "a giant country with far too many poor people".[17] They began

to reassess China's role only after the 2008 crisis when, in 2009, Russia's state-owned companies Rosneft and Transneft signed a 20 years contract with the Chinese CNPC on oil supplies, financed with a giant loan of $25 billion from China. Even after that, however, did the overall attitude towards China remain arrogant. An expert of Russian foreign policy Alexander Gabuev highlighted that when the Russian government was developing a classified strategy on Russia's cooperation with the Asia-Pacific region back in 2011, China was still portrayed as technologically backward compared to Russia. It was really only after the annexation of Crimea in 2014 that, when Russia started to fully pivot towards China with the signing of a $400 billion deal on the construction of the "Sila Sibiri" pipeline which was planned to deliver gas from the Russian Far East to China.*[18]*

At the same time, Russia and China have not yet formed a military alliance. For many years Russia had been cautious about expanding its military cooperation with China, and it was only in 2015 that Russia agreed to sell its S-400 surface-to-air missile systems and SU-35 fighter jets to China.*[19]* However, it seems that the absence of a formal military alliance does not limit Russia's and China's actual intentions to cooperate in the military matters. In particular, in the joint statements of 2022, 2023 and 2024, Russia and China noted that even though their countries did not form "a military alliance of Cold War mentality type", their relations were exceeding that form of interstate interaction.*[20]*

It is worth clarifying here that the statements do not imply that Russia and China are planning to enter a formal military alliance. However, as will be discussed in the next paragraph, Russia and China revealed their plans to cooperate on maintaining regional security. In addition to the People's Liberation Army (PLA) of China and the Russian Armed Forces, also the Russia-led security forces of the Collective Security Treaty Organisation (CSTO) are supposed to be involved in this endeavor.

Since 2022, China and Russia have adopted a number of agreements concerning their military cooperation. The agreements include plans for Sino-Russian joint military exercises between the two countries' air forces and navies, and also the rationale for the closer cooperation between the PLA and Russia's armed forces (Joint statements 2024, 2025).*[21]* Interestingly, according to that rationale, trustworthy relations between the two countries' armies would help them not only to defend their national interests and the sovereignty of their respective countries, but also regional and global security. Furthermore, the earlier 2023 and 2024 statements stipulated that in addition to developing cooperation between their respective armed forces, Russia and China plan to also involve the Russia-led Collective Security Treaty Organisation's forces.*[22]*

The CSTO is a military organisation consisting of the forces of six post-Soviet countries of Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan, and Tajikistan. (Although Armenia froze its membership in 2024 and undertook steps to withdraw from the alliance.) As their joint statement of 2025 argued, Russia and China aim to support peace and security in the

whole Eurasia, and undertake unified efforts to counteract foreign attempts to destabilise the region.[23] Even though not much is known on that topic, the involvement of a multilateral military organisation such as the CSTO in the Sino-Russian military cooperation should be considered as an important geopolitical shift, and as Russia's official invitation to China to collectively manage the security framework in Eurasia. All in all, Russia's efforts to increase all sorts of cooperation with China suggest that Russia has already accepted China's unique and exceptional role in its future.

Unpacking some of the Sino-Russian agreements in AI

In 2026, Russia and China will celebrate the 25th anniversary of a cornerstone agreement that laid the foundations of their cooperation, the 2001 Treaty on Good Neighbourliness, Friendship and Cooperation. Putin plans to visit China for that purpose in May or June 2026. Some pundits believe that during that visit Putin plans to focus not only on the traditional agenda such as discussions on the "Power of Siberia-2", but also on the Sino-Russian collaboration in AI.[24] Putin has been paying major attention to the development of AI and considers Russia's competitiveness in that field a top priority: as he argued, "anyone who secures a monopoly in AI will rule the world."[25]

As a matter of fact, however, Russia lags behind the current leaders in the development of AI, the U.S. and China. According to the Artificial Intelligence Index Report 2025 run by Stanford University, in 2024, the U.S. companies produced 40 "notable" AI models, China 15 and Europe 3. (And China continues to lead in the number of AI-related publications and patents.)[26] While the U.S. is home to the majority of the leading companies in this field, including Anthropic, Google, and OpenAI, China took the world by surprise when it revealed its very efficient model by DeepSeek (and has since produced several serious competitors to the American models). Compared to that, Russia has so far achieved only modest results. Its generative AI models include the GigaChat developed by Sberbank, the YandexGPT developed by Yandex, and some other models developed by Rostec or Rosatom, but their general capabilities are lagging behind top-tier Western models.

This lagging behind its competition has been recently acknowledged by Russia in its 2030 National Strategy on AI Development, stating that the deficit of chips and semi-conductors, and a general lack of specialists as the main reasons behind it.[27] Indeed, Russia's reliance on Chinese semiconductor imports is well known, and according to the Associated Press, "Russia's semiconductor imports from China jumped from $200 million in 2021 to over $500 million in 2022", while "in 2023 about 90% of Russia's microelectronics came from China, which Russia has used to make missiles, tanks and aircraft."[28]

At the same time, according to the Artificial Intelligence Index Report 2025 in 2024 Russia surpassed other countries in terms of the number of AI-related laws that it adopted (in

2024 Russia adopted 7 laws). On that account, Russian experts expressed their worries that the AI development in their country remains too centralised with the state "coordinating private business through various mechanisms and stimulating its development".[29] Russia adopted its first law on AI in 2019, in which it set up an ambitious goal for itself to enter the list of world leading countries in AI development by 2030. The law stipulated that by 2030 Russia should be able to produce its own microchips and competitive AI software, to secure its technological sovereignty. To support these ambitions, Russia declared its plan to build 38 small nuclear power plants in Ural, Siberia and the Far East to provide energy for AI data centers.[30] In addition, Putin ordered the government to elaborate a national plan for AI regulation, and establish state structures to coordinate the development of AI.

Although Russia itself has not yet managed to establish itself as a leader in the field of artificial intelligence, it has been engaged in ongoing collaboration in AI with China. This collaboration started about a decade ago and intensified after 2019 when Russia launched its National Strategy for the Development of AI. The cooperation then grew even further after 2022 when Russia started to face the Western sanctions. Among the first bilateral agreements that mentioned Russia's and China's intentions to cooperate in AI were their joint statements of 2022 and 2023.[31] The 2024 and 2025 joint statements granted still more attention to the issues related to AI.[32] In the 2025 joint statement, Russia and China stressed the importance of the UN's role in AI regulation, and expressed their position that AI should not become a geopolitical instrument in the hands of unspecified countries pursuing hegemonic goals. Furthermore, in November 2025, Russia and China decided to create a joint expert council dedicated to AI issues.[33]

Russian-Chinese collaboration in AI has given rise to a number of projects in the fields of medicine, agriculture, road infrastructure, and telecommunications.[34] According to the think tank SCSP, Chinese company Huawei has been gradually expanding its presence in Russia and cooperating with Russian telecom providers such as MTS to develop 5G and AI infrastructure.[35] The Russia–China Investment Fund has also been financing AI and semiconductor technology startups in China, such as the Shanghai-based fabless semiconductor company Biren Technology.[36] According to Anna Sytnik, an associate professor at the St. Petersburg State University, Russia has been actively adapting Chinese AI models such as DeepSeek, which provide an computationally efficient alternative for Russia which lacks access to Western chips.[37]

Furthermore, in March 2026 Russia started discussions about the draft law according to which West-made AI models such as ChatGPT, Claude, or Gemini should be limited in Russia, because those Western technologies could operate "discriminative algorithms and hidden manipulations".[38] On the contrary, Chinese AI models such as Qwen and Deepseek were considered safe. The draft law therefore contains plans to localise those models for the needs of the Russian population. If passed, the law will take effect in 2027. Considering all these developments, one can ask how likely it is that Russia will fall into technological

dependence on China. Furthermore, there is a possibility that Russia will develop further vulnerabilities towards China in cybersecurity, despite the fact that the country's regulation has so far been quite effective in that regard.[39] In fact, a large-scale China-originated cyberattack on Russia took place already in August 2024, when Chinese hackers coordinated attacks on dozens of Russia's state-owned networks.[40]

Perhaps even more importantly, Russia and China collaborate on the sensitive issue of the military use of AI. They conducted two high-level meetings on the military use of AI in 2024 and 2025.[41] During the meeting in 2024, the Russian MFA reported that Russian and Chinese approaches to the military use of AI were close.[42] While it is not completely clear what precisely that means, because the protocols from the meetings are not publicly available, one possibility might have been suggested by the recent Chinese research into various options to sabotage SpaceX's Starlink satellite network, which proved itself very helpful to Ukraine in its ongoing war with Russia.[43] On a more formal side of things, China and Russia also demonstrated their will to collaborate on the formation of AI-related international laws and norms, as for instance by calling for more responsibility in the use of AI-controlled autonomous weapons.

Discussion and recommendations:

As we have seen, China and Russia have already established a comprehensive collaboration in many areas spanning from coordinated diplomacy and norms creation, through intense economic ties, to cooperation in military and technology. First, this paper drew attention to the expanding military cooperation by discussing several agreements adopted between 2022 and 2025 according to which the two countries agreed to increase the cooperation between their armed forces (as well as the CSTO forces). Another aspect of the cooperation between Russia and China discussed in this policy paper was the cooperation in technology, in particular in the development of AI and semiconductor supplies. While Russia is clearly lagging behind the U.S. and China in this area, it has already acknowledged that reality and seems determined to catch up. Although this paper has not attempted to estimate Russia's likelihood of success, it pointed to the fact that China is providing Russia with significant assistance and that Russia, in its turn, is opening further to Chinese technologies and cutting itself off from their Western counterparts. This has important consequences both for Russia's present and near-future capabilities and in the context of deepening Russia's dependence on China.

There is also another side to this Sino-Russian cooperation, which the policy paper briefly considered, and those are the accompanying ideational changes. Russia has already acknowledged the special role that China seems to play in its future, and has even invited China to collaborate on the issues of security in Central Asia and Caucasus, two regions that Russia used to treat as its exclusive sphere of influence. This is a major shift from the

arrogant and patronising attitude that many Russian elites held towards China as recently as a decade ago. Furthermore, the two countries also collaborate on the formation of international relations, or as they often stress, on the opposition to the U.S. hegemony. This can be seen not only in the coordination of their diplomatic activities but also in the gradual synthesis of a common worldview, as was illustrated here with the case of the merging of the Russian concept of indivisible Eurasian security with the Chinese community of common destiny for all mankind.

It is important for the EU to appreciate these shifts. Although it is understandable that in recent years the EU has focused more on its security, it must not lose sight of the rapidly changing international order. While the U.S.-dominated rule-based order, in which the EU was used to maneuver quite skillfully, is being scrapped by its former guarantor, China and Russia collaborate on the formation of new norms, concepts, and structures that could shape the new international order. One of the strengths of the EU has been its normative power, a power that the EU cannot afford to cede too easily. To prevent that from happening, the EU must seek to monitor and understand the development of Sino-Russian collaboration, so that it can react to those changes effectively.

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Europe's ambivalent answers to China in 2036

by Yu Jie

KEY TAKEAWAYS

- Researchers, investors and policy practitioners from across Europe participated in a workshop convened by the author, which used a back casting method to discuss a scenario of Europe–China relations in 2036.
- In contrast to existing analyses of Europe–China relations that focus on 'de-risking', the author and participants concurred that in this scenario, China's influence on Europe would be wielded less through frequent economic coercion and more through anticipatory compliance, with policymakers internalizing the expected costs of political confrontation before policy decisions are even made.
- The participants also anticipated the emergence of an increasingly hierarchical international system, rather than the balanced multipolar order which Beijing advocates in its diplomatic rhetoric. China and the United States would remain the principal superpowers, while Europe's ability to operate as an autonomous geopolitical pole is gradually diminished.

Keywords

China

Europe

Economic Security

Normative Power

Competitiveness



Introduction

China–Europe relations are entering a period of structural uncertainty, marked by economic rivalry and geopolitical realignment. While trade and investment ties remain deep, disputes over market access, technology, human rights, security alignment and global governance have intensified. At the same time, China's growing economic power, military might and technological prowess have created a so-called 'near-peer' status with the US, shaping a re-calibration of its policy on Europe.

Changes in the balance of power between China and Europe make conventional linear forecasting insufficient. As part of the 'European hub for contemporary China' project[1], the author convened a workshop that used backcasting to better examine relations between China and Europe.

While European policymakers have focused on the prospect of a prolonged trade confrontation with Beijing, these conversations are often primarily about addressing Europe's own anxieties over its economic competitiveness and geopolitical influence, rather than managing relations with China.

Many existing analyses of Europe–China relations emphasize Beijing's use of economic leverage.[2] The discussed future scenario argues that, once dependence becomes sufficiently entrenched, the more consequential phenomenon is that European political and business elites will begin adjusting their behaviour before coercion is necessary. The result of this will be that a sense of anticipatory conformity drives European policies on China.

This policy brief outlines the Europe–China 2036 scenario discussed by researchers, investors and policy practitioners in early 2026. It then examines some of the most significant themes and reflects on the key arguments that emerged from these discussions. Unlike previous policy briefs in this series, this brief does not analyse the issue from either a Chinese or a European perspective. Instead, it focuses on the scenarios and debates themselves.

Scenario summary

By 2036, Europe's economic growth, industrial competitiveness and green transition are structurally dependent on China, while China's exposure to Europe is limited and replaceable. Over 50–60% of Europe's imports in critical sectors originate in China or rely on Chinese-controlled supply chains. The relationship is stable but asymmetrical, with China enjoying agenda-setting power and Europe relegated to constraint-based diplomacy in place of strategic autonomy. This is not full 'vassalage,' but a condition of high dependency with limited exit options.

European countries have no viable short-to-medium-term substitutes for China in multiple critical sectors. Attempting to replace them with European industries would incur high switching costs for European firms and governments. Dependence on China is moving beyond the trade-based system of 2026 to systemic and political alignment.

On the security front, Europe is no longer defining China as a direct military threat, as it did in 2026. Its concerns with China are reframed as risk management over the Taiwan Strait and jointly dealing with global stability challenges, while the US remains more inward-looking. Russia's invasion to Ukraine ended in 2027 with Ukraine surrendering parts of its territory and NATO's rhetoric on China has softened in response to influence from major EU member states. Europe now tolerates China's continued strategic alignment with Russia, with minimal pressure imposed on Beijing.

On the diplomatic front, EU institutions' statements on China are becoming more procedurally cautious and less critical of Beijing's policies on human rights, ethnic minority groups and values. Many dialogues are now taking place through the UN and other multilateral forums, despite countries such as Czech Republic and Estonia continuing to hold highly critical views on China's human rights record and political system.

European economic competitiveness

Throughout the workshop, all participants concurred that current debates in Europe on China are rooted in deep anxiety around Europe losing its economic competitiveness and political heft when dealing with Beijing.[3]

The scenario illustrates a transition from conventional economic interdependence to asymmetric dependence, in which European prosperity increasingly relies on Chinese

technology, capital, intermediate goods and critical supply chains, while China's exposure to European markets has become comparatively limited and replaceable.

Many participants argued that the key mechanism driving this asymmetry will not be repeated economic coercion by China, but a gradual internalization of constraints by European political and business elites. Anticipation of economic vulnerability supplants external pressure, engendering self-limiting policy behaviour.

European firms no longer choose China because it is cheapest. They choose China because every alternative requires rebuilding supply chains that no longer exist.[4] This is a much deeper form of dependency.

This asymmetry substantially weakens Europe's strategic choices. The EU can import many goods from other countries while remaining competitive; problems begin when the costs of diversification become politically and economically prohibitive.

Rather than making commercial decisions based on price or efficiency alone, European governments and firms face impossibly high switching costs across multiple strategic sectors, including artificial intelligence, renewable technologies, pharmaceuticals and logistics. As a result, diversification is no longer merely expensive but politically and economically unfeasible in the medium term.

The scenario also implies a profound transformation of Europe's industrial ecosystem. Chinese firms are no longer external competitors but have become embedded in the European economy through manufacturing investment, infrastructure ownership and employment generation.

The emergence of companies such as BYD and CATL as major employers replacing traditional European industrial champions fundamentally alters domestic political incentives. As a result, Europe's China policy extends beyond the realm of foreign affairs and economic security to become a key component of domestic politics.

Most EU national governments become subsequently reluctant to adopt policies that could jeopardize employment, regional investment or economic growth. Consequently, industrial competitiveness and strategic autonomy are increasingly difficult to reconcile. Rather than rebuilding indigenous technological capabilities, European economies adapt to a model in which Chinese firms constitute an integral component of their industrial development.

Psychological discomfort

Another interesting feature reflected among participants is a sense of psychological discomfort in imaging this 2036 scenario. The author deliberately designed an extreme but well-reasoned scenario, to prompt participants to think through hard choices. However,

some participants contended that Europe is already committed to the path described in the scenario.

In addition to a shift in material capabilities and economic heft, the scenario illustrates a gradual psychological transformation among European political elites.[5] China's influence is exercised less through frequent economic coercion than through anticipatory compliance. A sense of anticipatory compliance reshapes the behaviour of both member states and EU institutions, encouraging procedural caution and diplomatic restraint, as policymakers internalize the expected costs of political confrontation and make decisions based on avoiding retaliation.

Participants debated how this anticipatory compliance would work in real life and suggested policymakers would endeavour to avoid this future for Europe. Some participants argued that such a scenario would severely limit Europe's bargaining power with China and constrain Europe's ability to act as both an economic heavyweight and an impactful geopolitical player.

Some participants predicted that sensitive issues such as human rights, ethnic minority policies and political values would become less significant than the existing economic and trade disputes with Beijing. European policymakers would increasingly define their priorities as preserving economic stability and minimizing disruption, rather than actively shaping China's external behaviour.

Some suggested that normative issues will migrate from EU-China diplomacy to multilateral forums, such as UN agencies, where criticism becomes less direct and less politically costly. This represents a shift in strategic culture rather than simply a tactical adjustment, with considerably less explicit resistance to China over its approach to normative issues such as human rights.

Such developments may also generate a gradual erosion of confidence in Europe's strategic agency. Repeated experiences of unsuccessful diversification efforts, widening technological gaps and diminishing leverage over Beijing will encourage policymakers to perceive structural dependence as a permanent condition rather than a temporary policy failure.

Over time, the central policy question evolves from how Europe can reduce dependence on China to how its dependence can be managed most effectively. This narrowing of strategic imagination does not necessarily imply ideological alignment with Beijing, but rather reflects a pragmatic adaptation to perceived structural constraints.

Policy ambition becomes increasingly bounded by assumptions regarding China's indispensable economic role in the European economy, reducing the willingness of European institutions to pursue policies that could fundamentally alter the existing relationship.

A similar psychological adjustment emerges within the European business community.

Firms increasingly perceive deteriorating political relations with China as a greater commercial risk than regulatory uncertainty within Europe itself.

Corporate lobbying therefore shifts from advocating strategic resilience towards promoting stable and predictable bilateral relations. As investment decisions, research partnerships and long-term industrial planning become increasingly integrated with Chinese technological ecosystems, business preferences reinforce governmental caution. The resulting alignment between political and commercial interests further entrenches the structural dependence, making future diversification progressively more difficult and costly.

Global power shift

From a global power perspective, some participants argued that the scenario illustrates the emergence of an increasingly hierarchical international system, rather than the balanced multipolar order which Beijing has advocated in its diplomatic rhetoric.[6] China and the United States would remain the principal superpowers, while Europe's ability to operate as an autonomous geopolitical pole is gradually diminished.

China's influence derives not primarily from coercive measures, but from its capacity to shape the strategic calculations of others, as Beijing arguably learnt from Washington.[7] The accumulated economic asymmetry awards Beijing agenda-setting power, as European policymakers moderate their own behaviour in anticipation of economic consequences rather than in response to explicit threats. This represents a qualitatively deeper form of influence as policy restraint becomes internally generated rather than externally imposed.

The implications extend beyond Europe–China relations to the broader transatlantic partnership. For years, across successive US administrations, Beijing has sought to capitalize on divisions between Europe and the United States. However, some Chinese strategists argue that transatlantic disputes represent tactical differences rather than a fundamental strategic divide. From this perspective, the challenges China faces with Europe and the US are primarily characterized by more enduring rivalries rooted in fundamentally different political systems.[8]

Some participants contended that Europe's reluctance to commit to coordinated sanctions or deterrence measures in answer to potential military escalation across the Taiwan Strait has weakened the credibility of collective Western responses. Under the Biden Administration, there was a sustained effort to build a united front against China over hi-tech export control, maritime security and issues over human rights.[9]

Other participants argued that, rather than aligning unequivocally with either Washington or Beijing, Europe will position itself as a mediator seeking stability and risk management. While this approach may reduce immediate economic vulnerability, it simultaneously reflects a reduction in Europe's capacity to independently shape the strategic environment.

In this scenario, Europe's international influence is derived from its ability to manage dependence in an international order increasingly structured by competition between the world's two leading powers.

Conclusion

The defining characteristic of the 2036 scenario envisioned in the workshop is not China's growing ability to coerce Europe, but Europe's unwillingness and inability to exercise strategic choice. As asymmetric interdependence deepens across critical industries, technology, infrastructure and investment, the anticipation of economic disruption becomes sufficient to shape European behaviour without Beijing calling for the application of coercive measures. Strategic restraint is no longer imposed externally; it is gradually internalized by European governments, businesses and institutions as the rational response to the existing structural dependence.

This transformation fundamentally alters the nature of Europe's relationship with China. Economic interdependence ceases to be a source of disputes and instead becomes a source of asymmetric influence. Although the EU remains institutionally intact and economically prosperous, its capacity to pursue strategic autonomy is constrained by the high political and economic costs of disengagement with Beijing.

National governments prioritize domestic economic stability over collective European action, while businesses reinforce this trajectory through investment decisions and lobbying preferences. Some of these debates and policy choices have already shaped individual EU member states' attitude to China today.

More broadly, the scenario suggests that power in the international system is demonstrated not only through economic capabilities or explicit coercion in economic and military terms, but also through shaping the expectations and strategic calculations of others.

China's greatest advantage is therefore not its ability to retaliate against Europe, but its ability to make retaliation largely unnecessary. As European policymakers and industries consistently anticipate the costs of challenging Beijing, policy adjustment becomes routine and self-generated. Influence is applied through expectation rather than intervention.

The scenario does not portray Europe as a passive victim. Rather, it illustrates European countries making uneasy choices under increasingly restrictive structural conditions. Yet these individual choices collectively narrow Europe's path to long-advocated strategic autonomy. By 2036, the principal question is no longer whether Europe can reduce its dependence on China, but whether it still equipped with the political, economic and institutional capacity to imagine a credible alternative. In this sense, the most consequential loss is not economic leverage alone, but vanishing confidence in Europe's own strategic agency.

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From Military Dominance to Military-Civil Fusion: China's National Defence in the Semiconductor Industry

by Yifei Zhu

KEY TAKEAWAYS

- From the Mao Zedong to Xi Jinping eras, China's semiconductor industry has evolved from a military-dominated sector into a largely civilian-led industry.
- The military and defence establishment has remained a structuring force in the sector, but its role has evolved from direct patronage to relative decline, and more recently to strategic steering.
- The ongoing military-civil fusion (MCF) strategy has re-securitized semiconductors by building a more centralized party–military–government system to channel civilian capabilities toward defence use.
- Under MCF, China's emerging defence–semiconductor nexus is characterized by stronger defence steering, a renewed whole-of-nation approach, and the rise of a national team of largely civilian firms.
- It remains uncertain whether MCF can overcome the industry's "chokepoint" problems and deliver sustained technological breakthroughs.
- Europe needs to examine the Chinese model more closely, as either its success or failure could have major implications for its economic competitiveness and strategic security.

Keywords

China's semiconductor industry

Role of defence establishment

Military-civil fusion



Introduction

As the backbone of the digital-driven society, semiconductors—also known as integrated circuits (ICs) or simply (micro-)chips—enable nearly every modern industrial, commercial, and military system. For national defence, they are indispensable to information systems, command-and-control architectures, sensors, communications networks, and advanced weapons platforms. Semiconductor capability therefore affects not only the performance of individual weapons systems, but also the wider transformation of military organization, information processing, and operational effectiveness[1]. Conversely, the military and defence establishment has exerted significant influence on the development of semiconductors, as seen in the United States (U.S.) where the industry first emerged. It has played a foundational and catalytic role as military demand helped enable the industry's rise by providing early markets, funding, and technological direction. Although the industrial advancement is now largely driven by the market, the military remains a key strategic partner by catalyzing commercial innovation, sustaining technological superiority, and converting civilian technological advances into defence capabilities[2].

One of the most striking developments of the past two decades has been the rapid growth of China's semiconductor industry, which was reflected in its emergence not only as one of the most capable chip manufacturers but also as the world's largest market for chip consumption[3]. Despite the tightening of U.S. export controls and sanctions since 2018, the nation's semiconductor sector has demonstrated considerable resilience, as Chinese players have been accelerating efforts toward domestic substitution, technological upgrading, and expansion in alternative markets[4]. At the same time, China's military capabi-

lities have developed rapidly, as the People's Liberation Army (PLA) has transformed from a large but technologically outdated force into a modern great-power military, with major weaponry advances that depend heavily on sophisticated electronics and advanced chips [5]. It is therefore clear that China's semiconductor rise and military modernization are advancing in parallel, reflecting an increasingly close link between industrial-technological upgrading and military transformation.

Against this backdrop, this research aims to clarify the role of China's defence establishment in the country's semiconductor development: its significance to the industry relative to civilian actors, its strategic orientation and posture toward semiconductors, and the decision-making and implementation system through which this role is exercised. While the analysis traces how these dimensions have evolved across different periods, it places particular emphasis on the present.

Understanding how China links defence to semiconductor is directly relevant to European debates on a range of critical issues the continent is faced with: economic and technological competitiveness, supply chain resilience, renewed arms race, and not to mention Europe's strategic dilemma posed by China. The debates nowadays often focus on what Europe should do—whether to tighten export controls, strengthen indigenous innovation and production, or reduce strategic dependencies. Yet such choices cannot be made effectively if the Chinese system and policies are understood only in broad and vague terms. Moreover, China represents a distinct pathway to the defence–semiconductor nexus, one that neither copies the U.S. model nor replicates the obsolete Soviet approach[6]. A more precise understanding of the Chinese model is thus increasingly urgent for formulating effective policy responses.

Before Xi Jinping: Defence Origins and Civilian Ascendance

China's semiconductor industry emerged in the Mao Zedong era (c.a. 1950s-1970s) as a small but strategically important part of the broader electronics and telecommunications complex. As such, semiconductors developed not so much as a civilian industry but a component of a state-led defence industry. Its early development followed the Soviet model characterized by centralized planning, state monopoly, administrative allocation, and the separation of research from production. The logic was self-reliance, as the policymakers sought to sustain essential capabilities under technological isolation—especially after Sino-Soviet split—and domestic political disruption[7].

The defence establishment shaped the industry primarily through defence supply requirements and strategic priorities. Although semiconductors had not yet become an independent industrial sector, electronic components were increasingly needed for defence communications, radar, computing, missiles, aircraft, naval platforms, and other advanced

weapons systems[8]. As a result, military demand gave the sector political importance and resource priority, while the broader defence-industrial apparatus embedded semiconductor development within the logic of national security and self-reliance.

This period laid the institutional foundations of China's defence-centred semiconductor system, many features of which have persisted to the present. The main actors included party-state apparatus responsible for planning, resource allocation, and coordination; state-owned research institutions and factories for research, development and production; and the PLA as the end user. Their relationships were organized through vertical bureaucratic chains of command. Horizontal coordination between research, production, and military users remained weak and segregated, mainly through administrative planning rather than autonomous collaboration[9].

During the Deng Xiaoping era (c.a. 1980s and early 1990s), the industry began to shift from a closed and defence-centred system toward civilian use and commercialization. As central planning declined, semiconductors increasingly took on a dual-use character. The nation's Reform and Opening policies also enabled selective access to foreign technology and investment, and the global market, which became important channels for upgrading China's weak domestic capabilities[10].

The defence establishment lost the privileged position in the industry as defence production was reduced, procurement became more constrained, and many factories shifted their focus to civilian output. As a result, civilian demand gradually surpassed military demand to become the main driver of China's semiconductor development. Institutionally, this era saw limited reforms within the system and a broader weakening of the vertical structure of the Maoist defence economy. Defence enterprises gained greater autonomy, civilian agencies became more important, and foreign firms and local governments entered the system. Yet the transition was far from clean: although channels of horizontal coordination improved, military–civilian linkages remained limited and the military core retained many features of the old defence economy[11].

Between the mid 1990s and early 2010s (roughly Jiang Zemin and Hu Jintao eras), the semiconductor development was increasingly shaped by informatization demands, foreign technology absorption, dual-use applications, and industrial upgrading. Rapid growth in civilian demand and marketization pushed the sector beyond its earlier defence-centred role and embedded it into the global supply chain. Beijing no longer regarded semiconductors merely as a defence supply base but as a strategic sector with growing significance for the country's economy. Unlike in previous eras, civilian firms now played the leading role in industrial upgrading and technological innovation, rendering military modernization increasingly dependent on advances generated in the civilian sector[12].

Consequently, the defence establishment transformed from that of a direct industrial patron to that of an increasingly demanding customer. But this did not mean that the role of

defence continued to decline as it had in the previous period; on the contrary, its importance revived after Beijing—facing sanctions after the 1989 Tiananmen incident—renewed its emphasis on self-reliance[13]. As semiconductors became more central to weapons modernization, the PLA's demand shifted from basic supply to advanced capabilities, often through procurement from civilian suppliers. Meanwhile, vertical coordinating institutions that had once been weakened were strengthened, and defence enterprises were reorganized into large state-owned conglomerates that combined research and production more closely than before[14].

Xi's Reforms: Security Resurgence and Institutional Realignment

Xi Jinping's accession to power in 2012 altered the balance between national security and economic growth. Whereas the Jiang and Hu eras generally subordinated security to economy, Xi recast them as co-equal core interests and increasingly treated the latter as a means of strengthening the former[15]. In the industrial-technological domains, this securitizing turn found expression in an ambitious program of military-civil fusion (MCF), which was elevated to a national strategy in 2015. Semiconductors were central to this agenda, with high-end chips and large-scale integrated circuits identified as priority areas for deeper military-civil integration.

The MCF strategy aimed not simply to coordinate military and civilian activities but to integrate them at a deeper operational level. It sought to erode the boundaries between military and civilian technologies by promoting dual-use innovation, expanding investment in indigenous research and development (R&D), mobilizing overseas talent, and widening civilian participation in defence-related research. This expansion was facilitated through streamlined approval procedures, broader participation channels, and subsidies for relevant R&D projects[16]. The underlying logic was a recalibration of technology importation in relation to indigenous innovation: foreign technology acquisition was increasingly subordinated to the goal of mastering the designated "key and core technologies" for minimizing strategic dependence[17].

To translate this strategic turn into institutional reality, The Xi administration carried out substantial institutional reforms that cut across the party, military, and government.

At the apex of the party-state structure, the Central Commission for Military-Civil Fusion Development was created to provide unified political leadership. Under this central-level body, the Central Military Commission (CMC)—-the nation's highest military command body—established a Military-Civil Fusion Bureau within its Office for Strategic Planning to coordinate with government agencies and facilitate civilian participation in the defence industries. It also reorganized the Equipment Development Department and the Science and Technology Commission, tasking them with linking military requirements, procure-

ment, advanced weapons development, and technology projects to the wider MCF agenda. Meanwhile, military representative offices were embedded in defence contractors to supervise the procurement process such as contract execution and quality control[18].

On the government side, greater regulatory responsibilities for defence-industrial policy, dual-use technology diffusion, and defence conversion were assigned to the Ministry of Industry and Information Technology (MIIT)—especially its Department of Military-Civil Fusion Promotion—and the State Administration for Science, Technology and Industry for National Defence (SASTIND). Implementation then proceeded downward through provincial MCF bodies and local development agencies, which translated central priorities into regional industrial policies.

Also as part of the reforms, major state-owned defence conglomerates and military-affiliated research institutes were strengthened, a selected of which were tasked with developing into world-class national champions, such as the China Electronics Technology Group Corporation (CETC)[19].

Addressing the coordination issues, the MCF system established the *All-Army Weapons and Equipment Procurement Information Network*. Run by the CMC Equipment Development Department, this online platform posted regulated tender notices to private suppliers to reduce information barriers for private-sector entry. A second channel ran through SASTIND, which periodically issues matching lists that encourages both defence-to-civilian technology transfer and civilian participation in military technologies. The system also relied on local MCF centers and regional organizations to match private-sector advanced technologies against defence priorities, thereby extending central priorities into local industrial ecosystems[20].

These changes resulted in a more vertically centralized party–military–government decision-making and implementation system, combined with a more formalized set of horizontal channels for coordinating with civilian actors.

Emerging Defence–Semiconductor Nexus under MCF

Under MCF, the role of the defence establishment has expanded, especially since 2018 when U.S. export controls have intensified China's concern over supply-chain vulnerability and technological dependence. However, this does not mean a return to the direct military dominance as in the Mao era since civilian actors and market forces remain the primary engines of techno-industrial innovation and upgrading. What has changed is the state's capacity to steer the sector toward national security priorities. Defence actors now play a more prominent role in shaping procurement demand, certifying technologies and absorbing selected civilian and foreign-derived capabilities into military systems[21]. The defence–civilian relationship is therefore not one of substitution but of selective redirection: MCF seeks to make civilian semiconductor capabilities more accessible, reliable and

responsive to defence needs.

This steering role is reinforced by a renewed "whole-of-nation" approach, which mobilizes civilian actors and market forces under centralized state direction. The policy toolkit extends well beyond direct military procurement to combine state planning, government funds and subsidies, procurement platforms, certification requirements, and technology--matching mechanisms[22]. Among the key policy instruments is the National Integrated Circuit Industry Investment Fund (nicknamed the Big Fund), whose successive phases have reached a cumulative scale of nearly US$100 billion. It serves as a major vehicle for directing state-backed investment toward the so-called "chokepoint" capabilities, particularly chip fabrication, semiconductor equipment, and advanced packaging. Yet this architecture should not be treated as a perfectly coherent command system. Central priorities still must pass through local governments, commercial incentives and bureaucratic competition. Its actual degree of policy coordination and resource concentration therefore remains uneven[23].

An intended consequence of the whole-of-nation efforts is the emergence of a semiconductor "national team." This is not a fixed list but an evolving group of firms that expands with policy cycles. Its core logic is to use state support to compensate for the structural weaknesses that prevent Chinese semiconductor firms from catching up with global leaders through market mechanisms alone. At the inner circle are commercial chip companies directly backed by the Big Fund, such as SMIC, Hua Hong, and Yangtze Memory Technologies. They span almost the entire semiconductor value chain, including foundry manufacturing, IC design, memory chips, equipment, materials, and packaging and testing[24]. Whether by choice or necessity, semiconductor firms—particularly large or technologically critical ones—have become more deeply bound to the party-state, in particular the defence establishment. As they face stronger expectations to contribute to self-reliance, secure supply chains, and defence-relevant applications, national security is now a political obligation on top of profitability.

Conclusion

This brief review above shows that national defence has remained a persistent structuring force in China's semiconductor development, even as its role has changed over time. In the Mao era, the industry took shape under conditions of military demand, self-reliance, and strategic isolation, with limited space for civilian applications. Meanwhile, this period laid the intuitional foundations of the industry, many of which endure to this day. During the Reform era, the defence's dominance declined, while military modernization became increasingly dependent on capabilities generated in the civilian sector. Civilian demand, foreign technology, and marketization became the main drivers of industrial growth. Under Xi Jinping, the balance has shifted back toward defence through the re-securitization

of the industry that gave defence actors stronger channels to draw on civilian capabilities with greater emphasis on indigenous innovation.

This securitizing turn was institutionalized through a more centralized MCF system characterized by vertical coordination across the party, military, and government, as well as more formalized horizontal channels for engaging civilian actors. Within this system, defence actors became better positioned to redirect selected civilian and foreign-derived capabilities toward military applications. This process was by a renewed whole-of-nation approach with a massive state-backed fund serving as a key instrument for helping civilian firms advance in bottleneck areas. A noticeable result was the emergence of a national team of selected leading Chinese semiconductor firms, for which security compliance has become a political obligation alongside profitability.

Over the decades, China has made remarkable achievements in semiconductors: it built a relatively comprehensive industrial base almost from scratch and has more recently caught up rapidly to become a world-class player. Despite mounting pressure from U.S. restrictions, Chinese firms have shown resilience and continued to make breakthroughs in critical areas. However, it remains too early to conclude that MCF can overcome China's chokepoint problems. Stronger state direction may improve coordination and mobilization, but it may also weaken the market discipline and commercially driven experimentation needed for frontier innovation. This tension is becoming sharper as China faces reduced access to foreign technology, equipment, markets, and supply chains. Whether MCF can produce sustained technological breakthroughs, therefore, remains an open question.

For Europe, the implications are not straightforward. A successful Chinese model could strengthen Beijing's semiconductor competitiveness and military modernization; An unsuccessful one could still sharpen tensions across a wide range of issues from trade imbalances to geopolitical stability. Europe should therefore examine China's trajectory in greater detail and develop more targeted, timely responses to its evolving defence–semiconductor strategy.

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Open by Design, Exposed by Default:Data Security and the Strategic Challenge of PLA Intelligentised Warfare

by Maud Descamps

KEY TAKEAWAYS

- What counts as relevant is being redefined by intelligentisation, where data quality determines AI effectiveness, making peacetime civilian data acquisition a form of military preparation.
- The establishment of ISF in April 2024 institutionalised the doctrinal shift of information gathering into intelligentisation.
- MCF creates legal pathways for access to civilian capabilities and information, rather than implying automatic espionage or data transfer.
- There is an aggregation problem as individual datasets may appear innocuous or commercially oriented, yet their combination can generate strategic value by enabling more comprehensive profiling, inference, targeting, or AI training.
- The EU's principal gap is one of integration rather than absence: the EU already possesses instruments addressing cybersecurity, data protection, AI, investment screening, and research security, but these frameworks are not systematically connected around the cumulative military value that data can acquire through aggregation.

Keywords

AI

PLA Tech

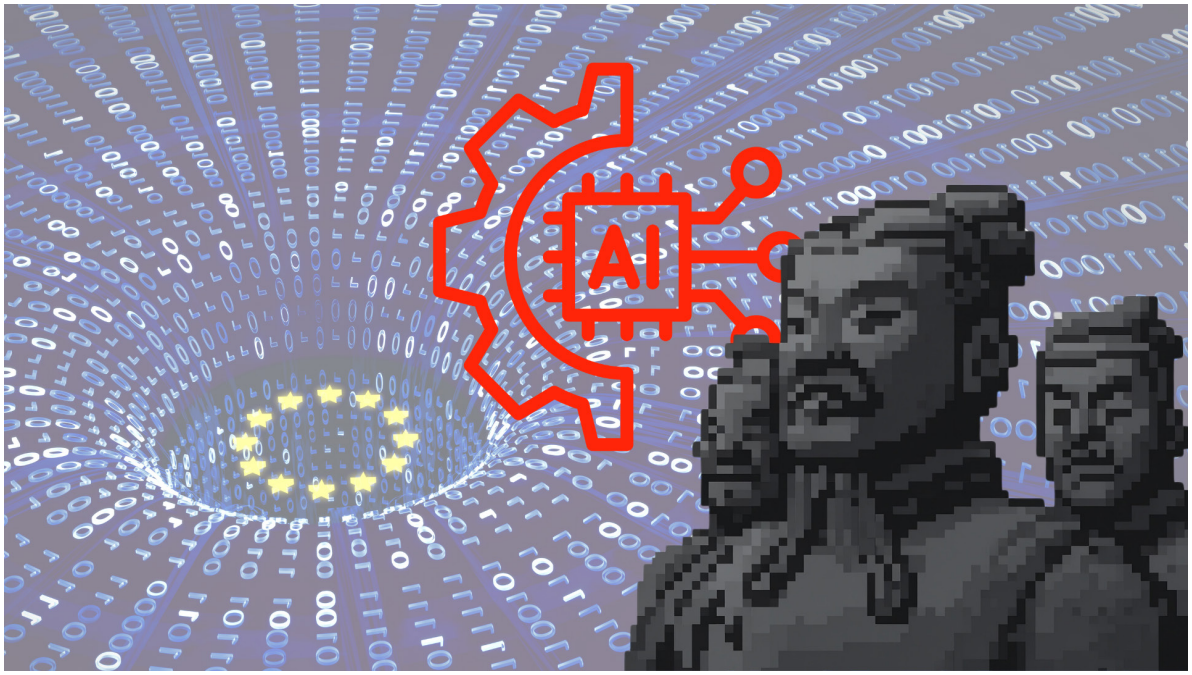
MCF

PLA doctrine

Military-Civil Fusion

EU data

Cybersecurity



Introduction

China is undergoing a qualitative transformation in how it understands military power. The 2019 defence white paper marked the official elevation of intelligentised warfare (智能化战争, zhìnéng huà zhànzhēng) in China's defence discourse, describing it as an emerging form of warfare driven by advances in AI, big data, cloud computing and other technologies. Its current modernisation phase, intelligentisation, treats data not as a by-product of military activity but as a strategic resource essential for AI-enabled decision-making. The April 2024 creation of the Information Support Force (ISF) reflects this shift by placing data integration and information support at the centre of joint operations. By overseeing the networks, communications, and information infrastructure through which data is collected and shared across the PLA (Pleople's Liberation Army), the ISF provides a key institutional foundation for intelligentised warfare.

For Europe, the challenge extends beyond traditional defence concerns. China's Military-Civil Fusion (MCF) framework *[1]* deliberately links civilian and military technological ecosystems, allowing commercially acquired data, research outputs, and infrastructure information to contribute to broader national-security objectives. Individually, datasets such as geospatial information, logistics records, telecommunications metadata, or industrial data may appear benign. Aggregated and analysed at scale, however, they can reveal infrastructure dependencies, supply-chain vulnerabilities, and operational patterns with potential military value.

This challenge is becoming increasingly relevant as the European Union accelerates defence investment under initiatives such as Readiness 2030 and ReArm Europe. While

these efforts seek to strengthen military capabilities, they also increase reliance on AI, cloud infrastructure, telecommunications networks, and digitally enabled civilian systems. The key question is therefore not only whether Europe is strengthening its military capabilities, but whether the civilian data ecosystems underpinning those capabilities are receiving comparable security attention.

Existing EU instruments addressing cybersecurity, data protection, investment screening, research security, and critical infrastructure provide important safeguards. Yet they do not consistently assess the cumulative military significance that can emerge when civilian datasets are aggregated across sectors. This brief identifies that gap and proposes policy responses.

PLA Intelligentised Warfare

Doctrinal Shift

PLA modernisation has followed a three-phase trajectory: mechanisation, informatisation, and intelligentisation.[2] Mechanisation focused on modern platforms and weapons. Informatisation connected those systems through digital networks, communications systems, and information-sharing architectures. Intelligentisation[3] goes a step further by transforming information into decision advantage through artificial intelligence and large-scale data integration.

Under this approach, information generated by satellites, unmanned systems, radar, cyber operations, electronic warfare assets, and other sensors is integrated into shared data architectures. The purpose is not merely to connect different systems but to create a continuously updated operational picture that supports faster and more informed decision-making. AI-enabled tools can assist commanders by identifying patterns, prioritising threats, evaluating courses of action, and coordinating operations across domains.

The U.S. Department of Defense's 2024[4] assessment similarly notes that the PLA views information superiority as a prerequisite for successful military campaigns and is pursuing next-generation capabilities based on AI, big data, quantum computing, and other emerging technologies. Military effectiveness consequently depends increasingly on access to large volumes of reliable and timely data. The operational logic can be represented as a causal chain: [5]

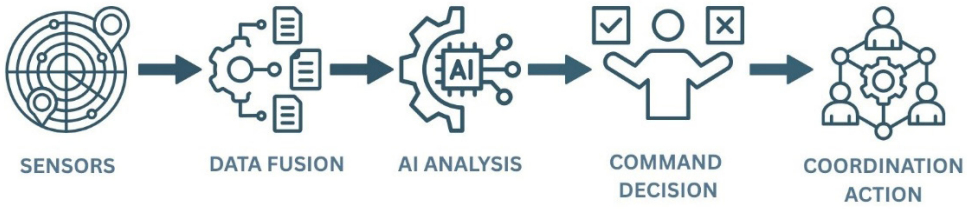


Figure 1 Author's illustration based on U.S. Department of Defense (2024), and Center for Security and Emerging Technology (2026)

Intelligentisation places greater emphasis on common data architectures capable of integrating information generated across different services and operational domains.[6] The objective is to move beyond information sharing between systems towards the continuous fusion of information into a machine-readable battlespace picture from which commanders, and increasingly automated systems, can derive decisions. AI models are consequently dependent not only on computing power but also on the quantity, diversity, timeliness, and reliability of the data used to train and deploy them.[7]

Thus, Intelligentisation represents an infrastructure challenge as much as a weapons-development effort. AI-enabled military systems require sensors, communications networks, cloud computing resources, databases, and data-management structures capable of supporting continuous information fusion. China's 15th Five-Year Plan (2026–2030) reflects this logic by linking the development of information systems, data resources, and intelligentised military capabilities within a broader framework [8] of national strategic integration. This institutional approach extends beyond the PLA itself, linking military requirements to China's wider technological, industrial, and data ecosystem through mechanisms associated with military-civil fusion (MCF). [9]

The strategic consequence is significant. Data is no longer simply generated through military operations; it has become a critical input that must be acquired, managed, and protected before conflict occurs.

Institutionalisation of Data Warfare

The clearest evidence that intelligentisation is operational is that it has moved from doctrine into military organisation, as seen with the PLA's April 2024 restructuring [10] of its information-support architecture. On 19 April 2024, Beijing dissolved the Strategic Support Force (SSF), which had unified space, cyber, and information operations since 2015. The principal functions of SSF have been placed under three separate Central Military Commissions (CMC): the Aerospace Force (ASF), responsible for space-based military capabilities; Cyberspace Force (CSF), dedicated to network warfare and offensive cyber operations; and the Information Support Force (ISF). [11] The ISF is responsible for providing informa-

tion support, including the networks, communications, and information infrastructure required for joint operations. The reform is significant because it gives information support an institutional position at the centre of joint operations. Thus, the organisational change reflects a broader shift in how the PLA intends to fight: information must be collected, transmitted, integrated, and made available across the force quickly enough to support joint operations.

Organisational Structure of the Military Forces in China *[12]*

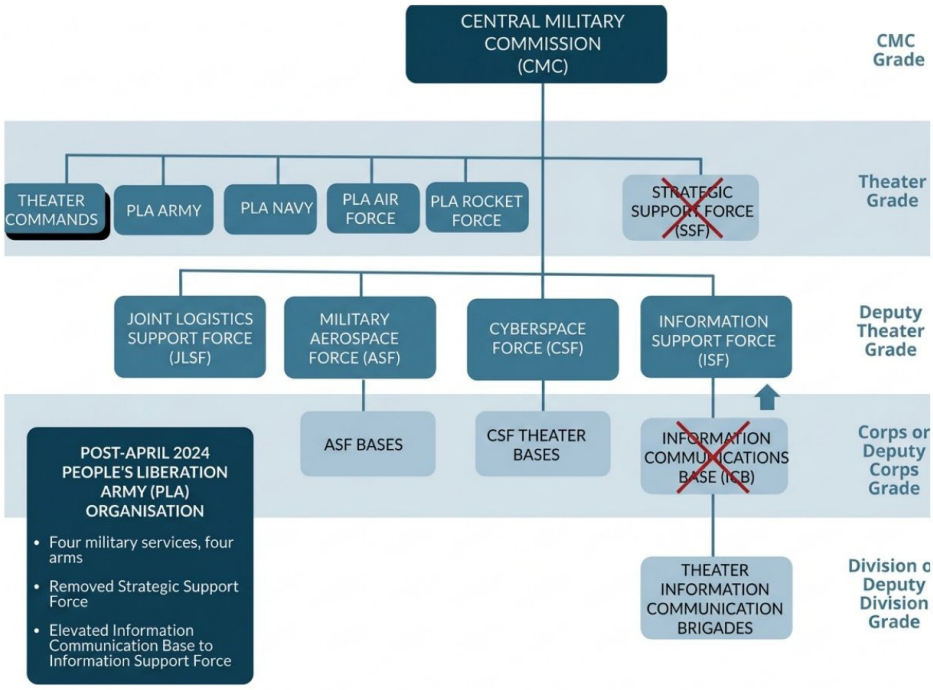


Figure 2 Author's illustration based on U.S. Department of Defense (2024), CNA (2024), Jamestown Foundation (2024), and Cyberspace Administration of China (2017)

The importance of the ISF extends beyond providing communications infrastructure. Intelligentised warfare depends on the ability to collect, transmit, integrate, and distribute large volumes of data rapidly across the force. AI systems depend on sufficiently large, relevant, and reliable datasets to support effective battlefield assessment. The ISF contributes to the networked information environment through which data generated by sensors, units, and command systems can be made available for analysis and operational decision-making. The April 2024 reform should consequently be understood not simply as an administrative reorganisation, but as an institutional recognition that the effective exploitation of information has become a core requirement of joint warfare.

This also changes the military significance of data acquired before conflict begins. If the quality of training data directly affects *[13]* the performance of intelligent algorithms, then data relevant to military AI can acquire value long before it is used operationally. Commer-

cial, industrial, scientific, infrastructure, and telecommunications datasets can potentially contribute to models, simulations, geographic understanding, or assessments of an adversary's capabilities and vulnerabilities. The relevant question is therefore not whether a dataset is explicitly military, but whether it can improve the PLA's ability to understand, model, or operate within the battlespace.

MCF: Civilian Data Pipeline as Military Resource

The connection between China's civilian technological ecosystem and military modernisation is reinforced by the broader framework of Military-Civil Fusion (MCF). MCF is a state-led strategy for integrating civilian and defence capabilities, encouraging the sharing and coordinated development of technologies, infrastructure, talent, research, and industrial capabilities that can contribute to national defence. *[14]*

Two legal provisions are particularly relevant to the potential extraterritorial implications of this framework. The 2015 National Security Law *[15]* adopts a broad conception of national security encompassing political, economic, military, cultural, social, and other domains. The 2017 National Intelligence Law *[16]* further provides, in Article 7, that "any organisation or citizen shall support, assist, and cooperate with state intelligence work." Together, these provisions illustrate how Chinese law can connect civilian entities and activities to national-security and intelligence objectives. They do not mean that every Chinese company is automatically an agent of the state or that all civilian data is accessible to intelligence authorities. Rather, they highlight the importance of considering the legal and institutional environment *[17]* in which Chinese entities operate when assessing access to strategically significant data, infrastructure, technologies, or research.

This distinction is particularly important in Europe. A Chinese company, research institution, or technology provider does not need to be formally designated as a defence contractor for information obtained through commercial or research activities to have potential strategic value. Access to European industrial processes, infrastructure information, geospatial datasets, telecommunications systems, supply-chain information, or dual-use research can contribute to China's broader technological and intelligence ecosystem. The potential security problem lies not only in the transfer of explicitly military technology, but also in the aggregation of otherwise civilian information that can become militarily relevant when combined with other datasets and capabilities. *[18]*

Europe's Exposure

Research and Technology Partnerships

The exposure operates at several levels simultaneously. Research partnerships can provide access to datasets, including dual-use data with potential military applications in areas such as materials science, autonomous systems, quantum technologies, and artifi-

cial intelligence. They can also provide methodologies, technical expertise, models, and tacit knowledge that may be difficult to acquire through conventional technology transfers. Participation in European research networks can additionally create relationships and institutional knowledge that facilitate future access to expertise and infrastructure. Research-security assessments nevertheless remain uneven [19] across Member States.

This situation is not limited to EU research programmes. Member States are also pursuing bilateral cooperation with China in strategically relevant technologies. Slovakia provides a good illustration: during President Peter Pellegrini's July 2026 visit [20] to Beijing, cooperation in digital and emerging technologies featured alongside broader economic and investment ties. Such cooperation is not inherently problematic and does not imply that participating Slovak entities are acting on behalf of the Chinese state. It nevertheless illustrates the policy challenge: individual technology partnerships may be legitimate, while their cumulative contribution to European technological and data exposure is harder to assess.

Infrastructure and Data

The more strategically significant exposure is infrastructural. European military capabilities increasingly depend on civilian digital and physical infrastructure, while the operation of this infrastructure generates data that may have military and intelligence value.

Three areas are particularly relevant: telecommunications, cloud infrastructure, and logistics. Telecommunications infrastructure generates metadata on traffic patterns, geographic distributions of activity, and network architecture. Huawei equipment remains present in parts of several European telecommunications networks, despite EU efforts to restrict high-risk suppliers through measures such as the 5G cybersecurity toolbox. [21] Aggregated over time, telecommunications data can provide insights into communications dependencies and vulnerabilities.

Cloud and data processing present a different but related challenge. European dependence on a small number of major cloud providers raises questions about who operates the infrastructure through which strategically sensitive datasets are stored, processed, and aggregated. Three US companies account for approximately 65 percent [22] of the European cloud services market, illustrating the concentration of infrastructure on which European institutions and other strategic actors increasingly depend. The significance of cloud infrastructure lies not only in data storage but also in the ability to process information across systems and datasets, potentially revealing patterns that are not apparent in individual datasets.

Ports, logistics, and industrial systems generate another important category of data. Chinese state-owned shipping interests have established significant positions in European port infrastructure, most prominently through COSCO [23] Shipping's investment in the

Port of Piraeus. Port and logistics systems generate continuous information on cargo flows, supply-chain dependencies, infrastructure use, and transportation patterns. Where civilian infrastructure also supports military mobility, these data streams could provide insights into military logistics and force movements. Industrial and smart-city systems similarly generate sensor and operational data which, when collected across sites and over time, can contribute to a broader picture of infrastructure dependencies and vulnerabilities.

No single dataset is necessarily sensitive in isolation. Their aggregation, however, can reveal infrastructure dependencies, logistical patterns, and potential vulnerabilities that are difficult to identify from individual datasets.

Where Existing Security Instruments Fall Short

The EU is not starting from scratch and possesses a substantial set of security instruments, *[24]* including investment screening mechanisms, cybersecurity regulations, critical-infrastructure protections, research-security initiatives, and economic-security measures. The gap lies instead in how these instruments connect. Existing frameworks generally assess specific risks, sectors, transactions, or systems. They are less suited to identifying the cumulative military value that can emerge when otherwise legitimate access to civilian datasets, infrastructure, research, and technologies is combined over time.

This limitation matters because intelligentised warfare relies precisely on the aggregation of information. Telecommunications metadata, logistics information, industrial production data, infrastructure records, and research outputs may appear predominantly civilian when assessed individually. Analysed collectively, however, they can provide insights into military mobility, supply-chain resilience, infrastructure vulnerabilities, and force-generation capacity. The strategic significance of a dataset may therefore depend less on its classification or original purpose than on what can be inferred when it is combined with other information.

The policy gap is therefore one of integration and strategic assessment rather than regulatory absence. Existing EU instruments provide important entry points, but they do not yet consistently assess whether access obtained through separate commercial, research, technological, or infrastructural relationships can cumulatively contribute to a foreign state's military capabilities. This is particularly relevant in the Chinese context, where Military-Civil Fusion seeks to connect civilian technological, industrial, scientific, and information resources with broader national-security objectives.

Conclusion: Policy Implications

The challenge posed by China's intelligentisation strategy is not primarily one of espionage, cyber intrusion, or illicit technology transfer. Rather, it stems from the growing mil-

itary value of information acquired legally through commercial, research, and infrastructural engagement and becoming strategically significant when aggregated at scale. The creation of the PLA's Information Support Force illustrates that China increasingly treats data as a military resource, while Military-Civil Fusion creates mechanisms connecting civilian technological, industrial, scientific, and information resources to national-security objectives.

This has important implications for Europe. The EU already possesses extensive instruments addressing cybersecurity, investment screening, critical infrastructure, economic security, and research security. The problem is therefore not simply a lack of regulation, but how risk is assessed. Existing frameworks tend to evaluate datasets, infrastructures, investments, or research relationships separately, while the strategic advantage sought through intelligentised warfare can emerge from their combination.

European policymakers should therefore place greater emphasis on the cumulative strategic value of data. Risk assessments should consider not only whether individual datasets are classified, personal, or explicitly military, but what could be inferred when information from different sources is combined. Existing mechanisms can be adapted to account for how civilian data access may contribute to military capability across sectors and Member States.

The same logic should apply to foreign engagement. Where organisations operate within legal or institutional frameworks connecting civilian activities to Chinese state intelligence or defence objectives, this context should inform assessments of strategically significant infrastructure, research partnerships, technologies, and datasets. Such linkages should not automatically determine the outcome of an investment or partnership, but they should be treated as a relevant factor in assessing strategic exposure.

The objective is not to close European data ecosystems or restrict legitimate engagement with China. It is to ensure that openness does not create strategic dependencies that become visible only after they have formed. In an era of intelligentised warfare, Europe must therefore learn to identify not only sensitive data, but also when ordinary data becomes strategically consequential through aggregation.

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Between Beijing and Washington, how long can 'constructive strategic stability' last?

by Yu Jie

KEY TAKEAWAYS

- The joint adoption of the term 'constructive strategic stability' after the May 2026 US–China summit revealed a shared recognition in Beijing and Washington that competition must be managed within a framework of limited stability, to allow both powers to pursue their domestic priorities while avoiding the costs of uncontrolled confrontation. *[1]*
- The summit did not alter the legal or institutional foundations of US policy towards Taiwan, but Trump's rhetoric and diplomatic priorities in other parts of the world may have encouraged China's strategic community to reassess Washington's willingness to shoulder the costs of direct military intervention.
- The domestic priorities of both countries will ultimately determine the sustainability of constructive strategic stability. For the US, these are centred on the cost of living and Washington's military adventures in the Middle East. For China, the focus is on buying time to build technological self-reliance and to deliver the core elements of the 15th Five-Year Plan.

Keywords

China

the United States

Great Powers Competition

Domestic Politics



Introduction

On 14 May 2026, when Chinese President Xi Jinping met his American counterpart, President Donald Trump, he introduced the concept of 'constructive strategic stability' to describe the current state of the world's most consequential bilateral relationship. [2] Since then, policymakers, analysts and commentators have debated both the meaning of the term and the sustainability of the framework it represents. With more than two years remaining for the current US administration, Beijing and Washington appear to have reached a tentative truce, with both sides seeking limited stability in a relationship that remains fundamentally competitive.

Many international observers have closely scrutinized the details of the May summit in search of concrete agreements or broader bargains concerning trade, Taiwan and crisis management. However, in the view of some Chinese observers, the summit produced a form of constructive ambiguity while signalling that Washington has finally begun to treat Beijing as a strategic peer and equal. [3]

Even so, few would argue that Sino-American relations have returned to the earlier era of 'engagement' pursued by successive American administrations before the end of the Obama presidency. [4] Instead, the summit appears to have established a new middle ground, defined by managed competition and an implicit recognition that neither side can afford the costs of unrestrained confrontation.

Global pundits, policy practitioners and investors have devoted considerable attention to the May Trump–Xi summit, analysing its implications for trade, security competition and

the broader trajectory of US–China relations. Yet relatively little has been written about how China's strategic community has interpreted the concept of 'constructive strategic stability' and assessed the near-term direction of the bilateral relationship.

This policy paper presents the author's own assessment of the current state of bilateral relations, with references to the views, public statements and speeches of selected Chinese officials and influential experts following the summit. In doing so, it aims to complement the debate among western scholars over the current trajectory of China-US relations and provide an inside-out understanding of Beijing's expectations to Washington in the months ahead. The evolving dynamics of this bilaterial tie and potential recalibration of the transatlantic alliance will have long-lasting implications for the rest of the world, including the EU and the UK.

The emergence of 'constructive strategic stability'

One of the most significant yet underappreciated outcomes of the May 2026 Trump–Xi summit was the joint adoption of the phrase 'constructive strategic stability' to describe the future direction of US–China relations. Yet, international pundits have queried how 'constructive' it will be and for how long the 'stability' will hold, given President Trump's erratic approach to diplomacy. It will take two to tango in maintaining these very consequential bilateral ties.

While President Xi introduced the concept during the summit, its significance lies in the fact that the White House subsequently echoed almost identical language in its official fact sheet, stating that both leaders had agreed to 'build a constructive relationship of strategic stability on the basis of fairness and reciprocity.' *[5]* This represents the first time in years that Washington and Beijing have publicly converged on a common description of their bilateral relationship, even if they continue to interpret that description differently. Without over-emphasizing this term, such a convergence in diplomatic vocabulary is rare.

From Beijing's perspective, strategic stability extends far beyond the traditional nuclear realm as a Chinese arms control specialist referred. *[6]* Chinese analysts generally define stability in comprehensive terms, encompassing military competition, economic interdependence, technological rivalry, crisis management and mutual political recognition. *[7]* The addition of the adjective 'constructive' further implies that competition should be bounded by agreed rules and directed towards coexistence, rather than outright confrontation. *[8]*

Seen in this light, the phrase itself is not entirely new. Chinese officials and scholars have long advocated concepts such as a 'new type of major-country relationship', 'mutual respect', and 'peaceful coexistence', all of which emphasize the need to manage strategic competition while avoiding direct confrontation. *[9]* Constructive strategic stability should therefore be understood less as a completely new doctrine and more as an evolution of Bei-

jing's longstanding diplomatic narrative, adapted to a geopolitical environment in which protracted rivalry with the United States has become the defining feature of the relationship.

What is genuinely new is Washington's willingness to publicly employ terminology that closely resembles Beijing's preferred framing. This should not be interpreted as a straightforward US endorsement of China's broader vision for the international order. The White House's formulation deliberately qualifies the concept by stressing that strategic stability should rest on 'fairness and reciprocity', language that reflects enduring American concerns over market access, trade practices and the balance of obligations between the two countries. *[10]*

In other words, both governments have utilized the same diplomatic vocabulary, but they continue to attach different strategic meanings to it. *[11]* For Beijing, the concept is primarily about securing mutual recognition of China's status as an equal great power and establishing redlines against confrontation. For Washington, it is a pragmatic framework for managing competition while preserving American leverage and advancing US interests.

The importance of this rare convergence in wording should therefore not be overstated, but neither should it be dismissed. Rather than signalling a return to the era of engagement, the joint adoption of constructive strategic stability reflects a shared recognition that neither side can afford an uncontrolled deterioration in bilateral relations. The phrase establishes a consensual vocabulary through which both governments can pursue selective cooperation, manage crises and contain strategic competition without resolving their fundamental differences.

Neither 'Chi-merica' nor intense confrontation – for now

Putting the optics and diplomatic rhetoric aside, the clearest conclusion arising from the summit is that the US–China relationship is moving into an entirely different phase.

Over the past decade, US–China relations have gone through a dramatic cycle of ups and downs. The first Trump administration decisively abandoned the long-standing policy of engagement, replacing it with bipartisan consensus on strategic competition, tariffs and an ultra-confrontational approach towards Beijing. The Biden administration largely preserved this competitive framework, expanding technology controls, strengthening alliance coordination in the Indo-Pacific and framing China as America's principal long-term strategic and ideological nemesis. It also sought to establish so-called 'guardrails' to prevent the relationship from descending into open conflict, but these were largely dismissed by Beijing. *[12]*

Against this backdrop, the May 2026 Trump–Xi summit suggests that both governments are moving beyond the extremes of either engagement or unrestrained confrontation to-

wards a more pragmatic, if fragile, mode of co-existence.

Neither Washington nor Beijing appears willing to restore the dense forms of interdependence that once defined the relationship. American concerns regarding supply chains, technological leadership and national security remain deeply entrenched. Likewise, Chinese leaders remain committed to technological self-reliance, industrial manufacturing superpower and greater insulation from external pressures.

At the same time, however, the summit demonstrated that neither side wishes to sustain the exceptionally high levels of confrontation that became the recurring theme during recent years. Tariff disputes, technological restrictions, military signalling and ever-hostile rhetoric imposed substantial costs upon both countries.

The result is a paradoxical arrangement. Both countries continue to regard each other as strategic competitors, yet they increasingly behave as competitors who recognize that unrestricted confrontation is ultimately self-defeating.

Such a model differs fundamentally from both Cold War bipolarity and the earlier period of engagement. It is driven instead by selective cooperation, managed competition and limited mutual accommodation. A leading Chinese scholar suggested that 'the May summit has led the world order into some kind of dual-cores multipolarity'. *[13]*

This development also reflects President Trump's distinctive approach to diplomacy. Unlike Washington political establishments that frame competition primarily in ideological terms, Trump has consistently demonstrated a preference for transactional bargaining, highly personalized negotiations and visible political outcomes. President Xi, meanwhile, appears equally interested in establishing a predictable point of contact and face-to-face meetings that reduce the likelihood of uncontrolled escalation.

The May summit therefore represents not a reconciliation, but a nascent recalibration between the two capitals – at least under the current Trump administration.

Beijing's strategic assessment of American political commitment to Taiwan

In the aftermath of the May summit, the US strategic community intensely debated whether President Trump has changed the long-standing US commitment to Taiwan. Influential scholars in China had a similar debate among themselves. *[14]*

No single topic illustrates the complexities of the latest recalibration of the US–China relationship more clearly than Taiwan. The summit readout from Beijing dedicated a significant number of words to laying out the critical nature of the Taiwan question in the overall bilateral relationship. *[15]*

Although the summit produced no fundamental deviation in the official US policy, discussions nevertheless highlighted subtle, but potentially consequential, shifts in the American position. President Trump reaffirmed the importance of peace and stability across the Taiwan Strait, while simultaneously emphasizing broader priorities, including economic recovery, market stability and great-power diplomacy. [16]

Such statements have reinforced the perception that Trump views Taiwan not as an ideological commitment but as one element within overall great-power relationship management.

This perception is not entirely new. Throughout both of his presidencies, Trump has frequently demonstrated scepticism regarding long-term security commitments that, in his view, impose disproportionate costs upon the United States. [17]

Beijing may therefore conclude that opportunities for diplomatic accommodation have expanded. Chinese leaders are likely to interpret the summit as a clear signal that President Trump places greater emphasis on avoiding direct military confrontation than on demonstrating American resolve over Taiwan. Such an assessment would be consistent with Trump's broader preference for reducing overseas security commitments that he considers expensive, while prioritizing economic bargaining and great-power diplomacy.

Several Chinese commentators have interpreted Trump's remarks in precisely these terms. In their view, Taiwan is no longer treated primarily as a litmus test of American credibility in the Indo-Pacific, but increasingly as one issue within the broader management of US–China relations. [18] From this perspective, Trump appears to view Taiwan through a transactional lens: direct military involvement across the Taiwan Strait would not only impose significant strategic and financial costs on the United States, but could also jeopardize his broader objectives of stabilizing relations with Beijing and reducing America's long-term alliance burdens.

This interpretation does not necessarily imply that the US has fundamentally abandoned its long-standing Taiwan policy. [19] Existing legislation, Congress and the wider US national security establishment continue to shape presidential decision-making and preserve elements of strategic continuity.

Nevertheless, Beijing's assessment of American intentions is unlikely to be driven solely by formal policy statements. Chinese analysts generally place considerable emphasis on the political preferences and negotiating style of individual US presidents. Consequently, if influential Chinese observers increasingly conclude that Trump is less inclined than previous administrations to employ military force in defence of Taiwan, this perception alone could reshape Beijing's assessment of American political resolve.

The significance of the May summit therefore lies less in any formal policy adjustment

than in the signals it conveyed. Even without altering the legal or institutional foundations of US policy towards Taiwan, Trump's rhetoric and diplomatic priorities in other parts of the world may have encouraged a reassessment within China's strategic community of Washington's willingness to burden the costs of direct military intervention. Such changes in perceived political will can be as consequential for deterrence as closing gaps in the two militaries' capabilities.

Domestic imperatives and political incentives

The timing of the summit was equally illuminating. Both leaders face powerful domestic incentives to pursue a more stable relationship, even as strategic competition continues. In Washington, concerns over war in the Gulf, the cost of living and financial market stability have reinforced the grassroots political appeal of temporarily reducing tensions with China. At the same time, President Trump has consistently preferred high-octane leaders' meetings that can be presented as evidence of powerful leadership and successful bargaining.

China's calculations appear to be shaped by a different set of considerations. Rather than responding solely to cyclical economic pressures, Beijing is increasingly focused on the long-term objectives outlined in its latest Five-Year Plan. *[20]* Chinese policymakers appear prepared to accept a slower pace of growth in exchange for deeper structural transformation, including technological supremacy and greater self-reliance in strategically important sectors. Achieving these objectives will require not only substantial financial resources and sustained state investment, but also a relatively predictable external environment. *[21]*

For Beijing, prolonged strategic confrontation with the United States would complicate this transition. Intensified geopolitical competition would divert resources towards short-term crisis management, increase uncertainty for domestic industries and expose China to additional external pressure. *[22]* A more stable relationship with Washington, even if only temporary, would therefore provide the leadership with greater strategic space to pursue its long-term economic objectives.

One of the most esteemed Chinese strategists consequently argued that Xi is seeking to take advantage of what may be a limited political window while Trump remains in office. *[23]* Their assessment is not that Beijing expects a fundamental reconciliation with Washington, but rather that it hopes to establish sufficient stability to facilitate China's own economic and technological transformation. Constructive strategic stability is therefore not an end in itself, but a means of creating more favourable conditions for the next stage of China's development.

Political considerations are equally important. Trump has long emphasized the value of personal diplomacy and has consistently portrayed himself as a leader capable of reach-

ing agreements that others could not. He views Chinese policies as serving the purpose of the summit, not vice versa. Xi, meanwhile, has sought to project an image of confidence and stewardship. In this sense, both leaders have incentives to portray stability not as a concession to the other side, but as a demonstration of their own leadership and political authority.

Wider policy implications

There are several wider implications emerging from the May summit. To start with, international policymakers should avoid interpreting the language of constructive strategic stability as evidence of a fundamental strategic transformation. Competition remains the defining feature of the relationship.

As with all of President Trump's comments, observers should distinguish carefully between symbolic rhetoric and substantive policy adjustments from Washington. Public language could change rapidly after the May summit, while strategic interests tend to evolve much more gradually.

As always, Taiwan will remain a critical source of instability. Even relatively modest changes in perceptions of American commitment could produce disproportionate strategic responses from Beijing and other powers in the region.

The central conclusion of the summit is that both Washington and Beijing increasingly recognize the necessity of coexistence. Neither side appears willing to surrender its fundamental objectives, yet neither appears prepared to bear the costs of unlimited confrontation. The world is therefore witnessing the emergence of a new equilibrium: a relationship that is neither cooperative enough to resemble the age of engagement, nor hostile enough to constitute a new Cold War. The concept of constructive strategic stability reflects precisely this ambiguous reality.

Whether such a balance can endure will depend not only on warm words from both Presidents, but also on the ability of both leaders to reconcile domestic political pressures with the incentives of great-power management. The three meetings scheduled for the rest of 2026 will provide an early indication of whether this delicate equilibrium can be maintained. They will serve as signposts on whether constructive strategic stability can evolve from a rhetorical formula into a durable framework.

Conclusion

The scheduled state visit by President Xi to the US in late September will be expected to implement understandings reached during the May summit. Both sides will focus on the concrete delivery of two boards of trade and investments respectively, export controls, military communication and mechanisms designed to prevent crises from escalating un-

expectedly.

The May 2026 Trump–Xi summit did not mark the return of engagement, nor did it signal the end of strategic competition. Instead, it revealed a shared recognition in Beijing and in Washington that competition must be managed within a framework of limited stability, one that allows both powers to pursue their domestic priorities while avoiding the costs of uncontrolled confrontation. To borrow a phrase from a report written by one of China's most influential think tanks, 'strategic stalemate defines the current state of China–US relations' – but the question without a clear answer is, for how long? *[24]*

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Peru's strategic shift toward China: The European Union's role in supporting autonomous development

by Vojtech Skreta

KEY TAKEAWAYS

- China's growing influence in the Global South is driven by an approach that combines economic engagement, infrastructure development and a principle of non-interference, creating a challenge to the Western-led liberal international order.
- Peru's traditional diplomatic posture as a reliable partner of the US in the Andean region has undergone a significant transformation, culminating in a prioritized strategic alignment with Beijing.
- This change in diplomatic heading is driven by a stark contrast in external approaches: the US is increasingly viewed as an inconsistent partner prone to protectionism, while China offers tangible infrastructure lending, resource monetization and a shared developing-nation solidarity.
- The completion of the mega-port of Chancay serves as a material manifestation of Peru's redefined geopolitical role, shifting the country's policy focus to become South America's primary logistical gateway to the Asia-Pacific.
- Peru's pivot is driven by pragmatic economic balancing rather than an ideological break with the West, as Lima actively maintains its democratic identity and security ties with the US to preserve its autonomy.
- If the EU wishes to counter Chinese systemic consolidation in Latin America, it must move past purely rhetorical commitments and deliver competitive, actionable infrastructure investments through instruments like the Global Gateway.
- Frequent socio-environmental conflicts surrounding Chinese projects expose the vulnerabilities of Beijing's extractive model, creating an opportunity for the EU to differentiate itself through a transparent, values-driven partnership focused on local industrialization and community infrastructure.

Keywords

Core-periphery dependency

Global South

Infrastructure diplomacy

Port of Chancay

Powershoring

South-South cooperation



Introduction

In EuroHub4Sino Policy Paper 2026/1, Garlick and Senz explained how China is altering the international landscape by systematically establishing new norms and alliances throughout the Global South. Their analysis demonstrated that China's engagement strategy, which relies heavily on trade, practical infrastructure investments, and a principle of non-interference, is proving successful because it aligns closely with the immediate economic needs of developing countries. This creates a challenge to the Western-led liberal international order. [1] This paper provides a case study examining how these broader dynamics are reflected in Peru's recent strategic shift towards Beijing.

Over the past decade, Latin America's geopolitical and economic landscape has changed significantly. Historically, the Andean region was regarded as an area of strong US influence. However, China has steadily expanded its economic and political engagement across the continent through trade, investment and initiatives such as the Belt and Road Initiative (BRI). By offering infrastructure financing and emphasizing economic cooperation without interfering in domestic political affairs, Beijing has become a major partner for many Latin American countries.

Peru illustrates these broader regional trends, as the country has moved beyond its traditional position as a close partner of the US by diversifying its foreign and economic relations and seeking to position itself as a logistical hub for South America. [2] Growing economic ties with China, particularly through major infrastructure projects such as the Port of Chancay, have strengthened Peru's role as an important destination for Chinese investment in the region.[3] These developments have important implications for the EU. As

Latin American countries deepen their engagement with China while pursuing increasingly diversified foreign policies, the EU must adapt its approach to the region. Maintaining economic and political relevance will require identifying areas where the European model of cooperation can complement the priorities of Latin American partners in an increasingly multipolar environment.

The drivers of Peru's policy shift

Drawing on a study of Latin America's geopolitical landscape between 2015 and 2025, based on a discourse analysis of Peru's foreign policy guidelines and official narratives toward the US and China, it is evident that the region has undergone significant changes. Historically, US involvement in Latin America has often been perceived as paternalistic, contributing to enduring institutional skepticism. [4] In the last decade, US foreign policy toward the region has been characterized by strategic inconsistency, marked by periods of heightened engagement followed by phases of limited attention. While Washington has continued to emphasize the importance of maintaining influence in Latin America, its level of involvement has often fluctuated depending on broader global priorities and domestic political developments. When the US does engage, it often relies on defensive warnings against Chinese economic coercion without offering competitive domestic alternatives for capital or infrastructure funding. [5]

Another core challenge was the rise of protectionist trade policies. Although the tariffs introduced during the first Trump administration were primarily aimed at countering China, their broader economic effects were also felt by smaller economies integrated into global trade networks, with Peru among the countries significantly affected. [6] While Washington continued to warn regional partners about the potential risks of overdependence on China, it failed to provide a comparable economic alternative or engagement strategy. This created a policy vacuum in which Peru increasingly questioned the reliability of its traditional partner and sought to diversify its external relations. [7] Consequently, Peru began to reassess its foreign policy approach, rebuilding its economic and strategic self-image around greater autonomy and the search for more reliable partners. [8]

The Chinese development offer

In contrast, China operates with a highly pragmatic package of statecraft. Beijing provides state-backed credit for large-scale physical infrastructure projects that Western financial institutions and private capital have largely ignored due to associated risks. [9] With the growing perception of the US as a less predictable partner, Peru increasingly sought to diversify its external relations. At the same time, the country faced significant development and infrastructure gaps that required substantial investment. China's willingness to provide financing and support for large-scale infrastructure projects created strong incentives for Peru to deepen its economic engagement with Beijing.

Furthermore, China's rhetorical appeal has contributed to its growing influence in Latin America by framing its engagement as a form of South-South cooperation among developing nations. Beijing presents its partnerships as based on equality, mutual benefit and "win-win" cooperation. This narrative has proven attractive to many Latin American states seeking greater autonomy in their foreign relations and alternatives to traditional partners. However, the emphasis on partnership and mutual benefit can also obscure emerging patterns of dependency, which can be interpreted as the formation of new core-periphery dynamics.[10]

The Chancay port and Peru's emerging role as a gateway to Asia

Facing significant infrastructure and development gaps, Peru has adopted a more diversified foreign policy, with China emerging as a key economic partner due to its willingness to finance large-scale infrastructure projects aligned with Peru's development priorities. [11] The Chancay megaport represents the centerpiece of this growing partnership, reflecting Peru's ambition to strengthen its position as a regional logistics hub and enhance its connectivity with global markets. [12]

Through this port, Peru establishes a direct maritime link to the East, which has repositioned the country as a gateway to Asia and the Pacific. Funded by massive Chinese investment and integrated into the BRI, the port accelerates Peru's national development and connectivity. [13] By acting as a central logistical anchor, the Chancay port allows Latin America to connect more seamlessly with Chinese markets, which has also fulfilled Peru's foreign policy goal of acting as a bridge of stability between the two regions. [14] As Peru pursues greater connectivity, it has increasingly deepened its relationship with Beijing, while the US has lost appeal due to strategic inconsistency and limited infrastructure financing. [15] Although the Chancay port offers significant economic opportunities, its long-term benefits are accompanied by socio-environmental challenges, including infrastructure damage, disruptions to local livelihoods and concerns over debt dependence and emerging core-periphery dynamics.

Peru's foreign policy of strategic autonomy

While Peru has increasingly prioritized its relationship with China, this shift should not be interpreted as an attempt to replace one hegemonic partner with another. Rather, Peruvian foreign policy reflects a pragmatic foreign policy change that views China primarily as a development partner capable of delivering tangible economic benefits. Official discourse therefore consistently emphasizes infrastructure, trade, investment and connectivity, which frames the cooperation with Beijing as a means of achieving national modernization. [16] In this sense, China's attractiveness stems less from its status as a rising great power than from its willingness to finance large-scale development projects, such as the

Chancay Port, without imposing extensive political conditionalities.

However, Peru remains aware of the risks associated with excessive dependence on any single external partner. For example, deeper cooperation with China has raised concerns related to environmental and social impacts, particularly in the mining sector, as well as issues of transparency and corruption. [17] For this reason, Peru's 2024 foreign policy guidelines emphasize the importance of maintaining a pragmatic and autonomous approach to its external partnerships. [18]

While China has become its leading economic partner, Peru continues to maintain important ties with the US in areas such as security cooperation, counter-narcotics efforts and education. [19] Its foreign policy therefore reflects a strategy of diversification, seeking to maximize the economic benefits of cooperation with China while preserving a constructive relationship with Washington. At the same time, Peru's deepening relationship with Beijing represents a pragmatic choice for national development rather than an ideological realignment. Throughout its foreign policy guidelines and official discourse, Peru consistently reaffirms its commitment to democracy, human rights and the rule of law, thereby preserving its identity as a democratic state. [20] Consequently, while China is valued as a partner for infrastructure and trade, Peru's foundational political values remain aligned with the US and the broader Western order.

The Peruvian case also carries broader implications for Latin America. First, it suggests that regional governments increasingly evaluate external partners according to their ability to deliver concrete developmental outcomes rather than based on ideological or normative alignment. Next, it highlights the growing importance of strategic diversification, as Latin American states seek to reduce their vulnerability by maintaining productive relations with multiple major powers instead of relying exclusively on a single patron. Finally, Peru demonstrates that the intensifying rivalry between the US and China has expanded the diplomatic space available to Latin American countries, allowing them to exercise greater agency and negotiate partnerships that better reflect their own national interests. As a result, Latin America should not be viewed merely as an arena for great power competition, but as a region whose states are actively pursuing their own strategic and economic interests in an increasingly multipolar world.

EU's environmental approach as an alternative to extractive models

These developments also carry implications for the EU. If Latin American states are increasingly guided by pragmatic development priorities and diversified foreign policies, the EU will need to adapt its engagement accordingly. Understanding Latin American countries as strategic actors rather than passive recipients of external influence is essential for developing an effective and mutually beneficial partnership with the region.

While Chinese state-owned enterprises provide massive infrastructure and mining investments, they frequently fall short of environmental and social standards. In Peru, Chinese-operated projects like the Las Bambas copper mine have sparked recurrent socio-environmental conflicts. [21] Local communities frequently protest over land access, dust and noise pollution and the depletion of water resources in vulnerable high-Andean wetlands, noting that neighboring indigenous communities often lack safe access to water while the mine seamlessly secures its own permits. [22]

Additionally, projects like the Chancay port have caused severe physical and ecological collateral damage, including sunken streets, cracked houses, paralyzed local fishing and the expansion of extractive logistics networks that threaten to push the Amazon rainforest over the edge. [23] The EU should therefore highlight the environmental and social risks associated with such investment practices and position itself as an alternative partner by promoting sustainable investment models that place greater emphasis on local communities and long-term development outcomes.

Building a Competitive EU Partnership Model for Peru

Peru's government recognizes the risks of excessive dependence on a single partner and actively seeks "strategic autonomy" to safeguard its political independence. While Chinese capital is highly attractive, the lack of transparency in inter-state loans and the asymmetrical nature of these trade agreements may expose Peru to debt diplomacy and an unbalanced core-periphery dependency. [25] The EU should take advantage of this opportunity to deepen its engagement with Peru by supporting the country's long-term development priorities. Greater cooperation in areas such as technology transfer, innovation and sustainable industrial development could strengthen Peru's domestic capacities and promote higher-value economic activities.

To provide a stronger alternative to the BRI, the EU should accelerate the implementation of its Global Gateway strategy and strengthen its visibility through concrete projects in Latin America. The focus should now be on translating its commitment to mobilize €45 billion in investments for Latin America and the Caribbean by 2027 into tangible infrastructure projects that contribute to long-term economic development and regional connectivity. [26]

In Peru, the Global Gateway already addresses several key development priorities, including projects in areas such as water infrastructure, wastewater treatment and renewable energy connectivity. [27] However, to further strengthen its role as a strategic partner for Peru, the EU should focus on areas that go beyond traditional infrastructure financing. While China has played an important role in developing large-scale transport and resource-related projects, the EU can now focus on areas that have received less attention.

Powershoring and the transition toward value-added industrialization

China's engagement model in Peru remains heavily skewed toward a primary-export system, extracting critical minerals such as copper and lithium to feed its domestic manufacturing base while leaving Peru at the bottom of the global value chain. [28] Concurrently, while the EU aims to avoid a policy of extraction, its current investments largely focus on implementing greener, more sustainable mining practices rather than transforming the underlying economic model. [29]

To become the preferred partner in Latin America, the EU must move past declaratory statements by committing real capital, aligning with local industrial policy and maintaining high environmental and social standards. Crucially, the EU should support "powershoring" by relocating energy-intensive processing to Latin American countries that possess abundant renewable energy. [30] In practice, this requires the EU to pivot toward investing in value-added processing and advanced manufacturing within Peru. Rather than limiting financing to raw extraction, European capital should underwrite local refining plants, battery component manufacturing and assembly hubs. This change would strengthen local economies and demonstrate that European investments are aimed more at supporting mutual industrialization than at facilitating the extraction of raw materials. This approach should also emphasize that cooperation with Latin American states such as Peru is based on an equal partnership, distinguishing it from models of engagement that are often perceived as more hierarchical.

Building digital capacity through EU-Peru cooperation

China has become a primary provider of hard digital infrastructure in Latin America, particularly in 5G networks. However, the EU is positioned to differentiate its engagement by focusing on digital governance and institutional transparency. The EU has already laid a strong foundation through the EU-LAC Digital Alliance which includes the extension of the BELLA fiber-optic network to Peru in 2026, the newly launched EU-LAC Supercomputing Network for AI and regional satellite initiatives supporting e-government services and secure public-sector networks. [31]

To maximize these investments, the EU should build upon these existing frameworks and agreements, such as the 2026 PROINVERSIÓN partnership on AI, by expanding targeted support for civic technology, AI-based public procurement auditing and open-source data platforms. [32] This would allow the EU to translate its digital infrastructure rollouts directly into improved institutional governance and anti-corruption tools for Peru.

Sustainable agriculture and technological innovation

China is a massive consumer of Peruvian agricultural exports, yet it invests negligible resources into the long-term sustainability or climate resilience of the country's food sys-

tems. Furthermore, Chinese infrastructure projects frequently threaten vital agricultural land and water resources. As Peru's third-largest trading partner and a major importer of its vegetable products, fruits and coffee, the EU also exhibits a strategic gap. Its large-scale infrastructure investments rarely target the technological modernization of the rural farming sector. Instead, the current focus lies primarily on ecological sustainability and digitalization, which are important areas, but there remains significant untapped potential for broader cooperation. [33]

The EU should therefore focus on investments in precision agriculture, climate-resilient crop technology and smart irrigation networks. Deploying this technology to the Andean subregion would secure the EU's own sustainable food supply chains while directly improving the livelihoods of rural Peruvian communities that have often been marginalized by the state and exploited by foreign mining interests.

Another recurring vulnerability in China's regional strategy is the failure to deliver on promised social infrastructure. In major initiatives like the Las Bambas mine, Chinese companies have frequently promised hospitals, schools and clean water pipelines to local communities, only to default on these commitments, triggering severe socio-environmental conflicts. [34] Meanwhile, the EU has dedicated significant funding, such as a €15 million commitment in 2023, to "soft" social protection. [35]

However, this assistance predominantly takes the form of policy reform and social programming rather than the construction of tangible community infrastructure. The EU could adapt its approach by placing greater emphasis on hard social infrastructure. While investing in integrated community centers, modern regional hospitals and advanced vocational schools in rural and mining-adjacent areas, the EU could visibly address developmental needs that have often remained unmet by Chinese state-owned enterprises.

Conclusion

As outlined by Garlick and Senz, China is successfully altering the international landscape across the Global South by establishing new institutional norms and offering practical, coordinated development packages that directly address the material needs of developing nations. [36] The Peruvian case provides specific, evidence of this broader trend in action, offering a window into a structural transformation across Latin America. Moving away from reliance on traditional alliances with the US, Lima has adopted a pragmatic posture that prioritizes national modernization and infrastructure financing. The completion of the Chancay megaport stands as a manifestation of this shift, which has repositioned Peru as a logistical bridge between South America and the Asia-Pacific.

This realignment was not driven by ideological convergence with Beijing, but rather by a structural vacuum left by Washington's strategic inconsistency and protectionist turn.

Where Western institutions offered defensive warnings about dependency, China delivered capital and a compelling narrative of South-South cooperation. However, Peru's pivot does not represent a simple replacement of one hegemon with another. The state continues to safeguard its democratic foundation, which maintains its ties with the West. At the same time, Peru pursues active diversification to avoid overdependence on any single power.

For the EU, this multipolar reality demands an evolution in diplomatic and economic strategy. Declaratory statements and normative diplomacy alone cannot compete with capital-intensive infrastructure. To present a viable alternative, the EU must translate its values into tangible investments under the Global Gateway by funding hard social infrastructure, supporting domestic industrialization over raw extraction and sharing critical technologies. Ultimately, Latin American states are no longer passive arenas for great power rivalry. A high-standard, sustainable partnership would empower Peru's strategic autonomy and serve as the EU's model for future engagement across the Global South.

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The Wrong Lens: Why Europe Misreads China's Biotechnology Rise

by Anja Senz & Zhu Yi

KEY TAKEAWAYS

- Europe is looking at China's biotech rise through the wrong lens. By focusing on pharmaceuticals and metrics such as trial volumes, patents, and capital, it risks reducing China to a benchmark rather than a system to be understood.
- Much of China's biomedical surge has been driven by intense "involution": hypercompetition that produces speed and volume alongside duplication, price pressure, and uneven innovation.
- China's ambition extends well beyond pharmaceuticals. Beijing is positioning biomanufacturing as a manufacturing paradigm tied to industrial upgrading and technological self-reliance.
- Geopolitical decoupling is pushing multinationals toward separate Chinese and Western supply chains, investments, and research. Yet the dichotomy between "European" and "Chinese" biotech is misleading, as many multinationals remain deeply embedded in China's ecosystem.
- The EU's advantage may lie less in matching China's speed than in shaping the rules of biotechnology, drawing on its strengths in ethics, transparency, regulation, and accountability.

Keywords

Biotechnology

China

Geopolitics

Competition

Biomanufacturing

Biosecurity

Bioethics



Introduction

Biotechnology is rapidly emerging as the next arena of geopolitical competition. After electric vehicles and artificial intelligence, China's rise in biotechnology is viewed in Washington and Brussels not only as an economic challenge but as a strategic one. According to an estimation from Harvard Belfer Center in 2025, among five critical technology sectors, "China has the most immediate opportunity to overtake the United States in biotechnology." [1] In the United States, the issue has been framed as a national security concern. The BIOSECURE Act, folded into the 2026 defense authorization, is presented by its proponents as "an important first step to protect the industry and our critical supply chains from interference by our nation's adversaries." [2]

While biotechnology spans a diverse spectrum of branches covering pharmaceuticals (red), industry (white), and agriculture (green), [3] international scrutiny of Chinese competitiveness centres primarily on the medical domain. Like the US, Europe has recognised the same trend but drawn a different conclusion. As one commentary put it, "faced with rising competition from China, the European Union has adopted a defensive posture, in contrast to the more offensive stance taken by the United States".[4] In late 2025, the European Commission proposed Biotech Act I. With a primary focus on health sector, it frames the challenge largely as an internal one and seeks to amend several existing EU legal instruments. In the Commission's account, the central problem is European regulatory friction: slow approvals, fragmented clinical-trial authorisation, limited venture capital, and difficulty to scale. [5] China appears in this narrative less as an adversary than as a mirror and a model—a demonstration of what becomes possible when the state clears a path for

biotechnology. The supporting evidence is by now ritually citied: China's share of industry-sponsored clinical trials rose from roughly 5 percent in 2013 to 18 percent a decade later; [6] patent filings, R&D spending, and the share of novel drug candidates originating from Chinese firms have all expanded sharply. [7]

That story is not wrong about the direction of change. But the European reading of China's biotechnology rise remains incomplete because it is filtered through the indicators Europe itself values: clinical-trial volumes, publication output, patent filings, regulatory approval times, and venture-capital flows. This narrow, quantitative lens reflects not only Europe's policy priorities but also the influence of its existing industrial structure. China is therefore often reduced to a benchmark against which Europe's competitiveness is measured, rather than examined as a complex and evolving political-economic system in its own right.

More importantly, the dominant narrative flattens a genuinely intertwined global system into a binary of us versus them. The reality is a dense web of different incentives and interest from different players across the globe: Western capital finances Chinese biotech firms; International pharmaceutical giants license Chinese molecules to offset their own patent cliffs; and Chinese firms rely on Western regulatory validation to unlock the value of their assets. To read this system as a simple contest between "European" and "Chinese" biotechnology is to misunderstand the object of analysis before the analysis has begun.

This article therefore pursues five analytical lines of inquiry: first, to examine dynamics within Chinese biomedicine that are largely absent from Europe's narrative; second, to reconstruct China's expansive conception of biotechnology; third, to analyse China's own reading of the biotechnology value chain and the links it sees as in need of breakthrough; fourth, to assess both the risks generated by China's rise in biotechnology and those arising as intensifying geopolitical tensions reshape a highly globalised industry; and fifth, to draw out policy recommendations for the European Union.

Involution, Not Innovation, as the Driver of China's Biotech Growth

China's vision for biotechnology extends well beyond the health sector, as the next section demonstrates. The present section examines the pharmaceutical segment because it has been the principal focus of European assessments of China's innovation capabilities.

In industry parlance, "biotech" usually denotes small and mid-sized firms engaged in discovery and early-stage clinical work, while "Big Pharma" refers to the multinationals that acquire such discoveries and possess the regulatory, clinical-trial, and manufacturing capabilities needed to commercialise them. [8] European attention has focused above all on the recent expansion of Chinese biotech: according to Goldman Sachs, 46 percent of new drug molecules entering human trials in the first half of 2025 originated with Chinese companies, and multinationals now source close to a third of their externally acquired

candidates from China. [9]

But multinationals are not buying on impulse. The main driver of Big Pharma's appetite for external drug candidates is the patent cliff: the sharp revenue decline that follows when a protected drug loses exclusivity. Because a small number of products account for most large manufacturers' drug revenues, the expiry of just two or three blockbuster patents can create a gap that internal pipelines cannot fill in time. [10] Chinese assets are among the cheapest ways to bridge that gap. According to PhRMA, early-stage studies in China run roughly half as fast and 40 percent cheaper than in the United States. [11] Western analysts attribute this to China's "competitive advantage": a much larger patient pool, which makes recruitment faster and cheaper, as well as lower costs for research labour and computation. [12]

What this account misses is the explanation offered by Chinese industry insiders, and increasingly Chinese regulators, for why this pipeline is simultaneously broad, fast, and shallow. Their answer is involution (, *neijuan*): hypercompetition in which too many firms crowd into the same opportunities, drive one another to the margin on price, and generate volume without corresponding value. [13] Involution is a phenomenon bearing down on almost every Chinese industry, from photovoltaics and electric vehicles, where intense competition has driven the same race to the bottom. [14] Pharmaceutical development, however, is particularly ill-suited to such conditions. Bringing a novel therapy to market typically takes around a decade and costs US$1 billion, [15] with a high probability of failure—a risk profile fundamentally at odds with compressed timelines and eroding margins.

It is therefore unsurprising that Chinese firms often concentrate on validated targets and established modalities rather than on genuinely first-in-class innovation. PD-1 inhibitors are the clearest example. After Bristol Myers Squibb and Merck each brought a breakthrough PD-1 cancer therapy to market in 2014, more than half of the world's PD-1 programmes were being developed by Chinese firms within a few years, and most simply repeated studies already conducted on the two American drugs. [16] Chinese industry commentators themselves describe the class as a textbook case of irrational involution: herd behaviour around a fashionable target, homogeneous competition, price-cutting, and declining innovative value. [17]

A newer hotspot is antibody-drug conjugates (ADCs)—complex cancer drugs that combine an antibody with a toxic payload to target tumour cells more precisely. After Daiichi Sankyo and AstraZeneca's Enhertu was approved in 2019, Chinese biotechs moved quickly: by 2025, they had launched more than 500 ADC programmes, accounting for roughly 40 percent of the global pipeline. [18] As industry participants acknowledged in a 2023 discussion, ADCs offered an "excellent opportunity for me-too, fast-follow and best-in-class development." Technically, ADC manufacturing is highly complex, and where high labour costs deter developed countries, Chinese teams proved "willing to put in the painstaking

work". [19] But the field quickly converged on the same few fashionable targets, producing a worrying bubble. In some cases, Western partners have returned assets, and doubts have grown about the reliability of Chinese clinical data. "China's ADC bubble is bursting," warned a 2025 commentary carried by PhIRDA, the sector's own innovation association. [20]

Not even monkeys are spared by irrational involution. In July 2026, the price of laboratory monkeys in China reached a record high of more than €20,000, roughly double the level a year earlier, and companies competed to hoard them. [21] The boom reflects rising biotech activity, but Chinese analysts read it as another sign of irrational competition: too many firms pursuing too many similar projects. [22] The ethical cost is rarely counted, though duplicative pipelines also consume the lives of laboratory primates.

Tackling involution is now the government's own stated position. In 2025, a senior official acknowledged that many domestic drug developments are heavily follow-on products and often lack obvious clinical value, and a 16-measure package was explicitly framed around avoiding "involutionary competition". [23] Yet Chinese analysts argue that involution is also a product of regulatory acquiescence: reforms since 2015 sharply improved review efficiency without creating meaningful entry thresholds or robust clinical-value screening for incremental innovation, allowing me-too filings to flood the system. [24]

The same pressure affects research quality. Chinese media have reported what they call "chaos in clinical trials" (临床试验乱象), [25] including corruption and data falsification. The distortion extends into the academic literature, where many biomedical research areas involve numerous experimental steps and large datasets, making them "high-risk zones" for fabrication. [26] In 2026, a former doctoral student in biology used social media to expose a series of academic fraud cases, triggering a national sensation. He implicated deans and senior scholars at several leading universities in data fabrication across *Nature*-family journals, prompting swift investigations and dismissals. [27] The debate that followed went beyond individual misconduct to the deeper incentives of an academic reward system that prizes quantity over quality.

This is not, however, the only reading available in the Chinese debate about involution. Senior figures, including former regulators, argue that what now looks like wasteful overcompetition also served a developmental function: in a phase of "wild growth" (野蛮生长), [28] crowded competition helped a young industry build and validate the platforms that now support its licensing success. [29] The two readings are not mutually exclusive. Involution may have been both wasteful and formative. What is striking is that neither reading is visible in European policy discourse on China's biotech boom.

None of this diminishes China's biomedical surge or its contribution to human health. It does, however, show that equating volume with quality is analytically unsound. Europe's declining share of clinical trials and research spending reflects a global cost-and-scale ar-

bitrage at least as much as any deficiency in regulatory speed, which is why shaving days from the Clinical Trials Regulation clock is unlikely to change the picture unless Europe is willing to replicate China's own era of wild growth.

"Biomanufacturing makes everything" – China's own vision on biotechnology

As analyst already stated, there are different terms surrounding biotechnology that can be confusing. [30] For the EU's agenda, the Biotech Act I with biopharma has been viewed as the centrepiece of its broad strategy, [31] with a deferred Biotech Act II (due in late 2026) to extend the framework to industrial biotechnology and biomanufacturing. [32]

China's vision of biotechnology is broader still. It is organised around the very category the EU has deferred: biomanufacturing (生物制造), understood not as a sector but as a manufacturing paradigm. The slogan that recurs across Chinese industry conferences captures the ambition better than any technical definition: 生物制造，制造万物 — "biomanufacturing makes everything". [33]

"No less important than semiconductors"

From the 1980s onward, as biotechnology moved from the laboratory into industry, post-reform China sought to catch up with the world's technological leaders. In March 1986, the Central Committee approved the National High-Technology Research and Development Plan (the 863 Programme), identifying biotechnology as one of seven priority high-technology fields. [34]

Where early policy treated biotechnology primarily as a scientific domain recent strategies have increasingly framed biotechnology, the bioeconomy, and biomanufacturing as an integrated industrial agenda. The *13th Five-Year National Science and Technology Innovation Plan* (2016), for example, positioned biotechnology innovation as a driver of life sciences, biomanufacturing, and bioenergy, with the explicit goal of strengthening the bioeconomy's international competitiveness. [35]

By the *14th Five-Year Bioeconomy Development Plan* (2022), biomanufacturing had been elevated to a strategic emerging industry, tasked with embedding biotechnology across chemicals, pharmaceuticals, materials, and light industry. [36]

The recommendations for the 15th *Five-Year Plan* (2025) gave biomanufacturing unprecedented prominence. In *People's Daily* 's reading, it occupies a "dual position in top-level design." Under the goal of "accelerating high-level science-and-technology self-reliance," it is identified as one of six core technologies to be advanced "with extraordinary measures" across the entire value chain. Under the goal of "building a modern industrial system," it is designated a future industry to be developed in advance as a new engine of growth. [37]

The enthusiasm this has generated within the industry is easy to imagine. Advocates contend that biomanufacturing is, strategically, "no less important than semiconductors," and they advance four principal claims.

First, they cast it as the foundation of China's manufacturing upgrade, capable of transforming virtually every industrial sector. Second, they present it as the lowest-carbon pathway, one that could offset China's structural resource constraints, above all its dependence on imported oil and its shortage of arable land. Third, they see it becoming the single largest emerging industry, citing estimates that the United States alone is planning a biomanufacturing sector worth some USD 30 trillion—in effect, "building a second American economy." Finally, and perhaps most tellingly, they argue that it can absorb capital on an enormous scale, offering the largest new investment outlet in the wake of the property market's collapse. *[38]*

The (Dis)advantages of Vagueness

Local governments have been eager to demonstrate their enthusiasm as well, each issuing its own biomanufacturing development plan. Yet China's vague definition of the field sometimes produces unintentionally comic results. Traditional Chinese medicine (TCM), for example, is routinely folded into the biopharmaceutical portfolio. By any conventional definition, however, herbal decoctions are not biomedicine, which relies on modern engineering to modify organisms or their components. But when categories are elastic and political incentives favour large numbers, the categories tend to expand.

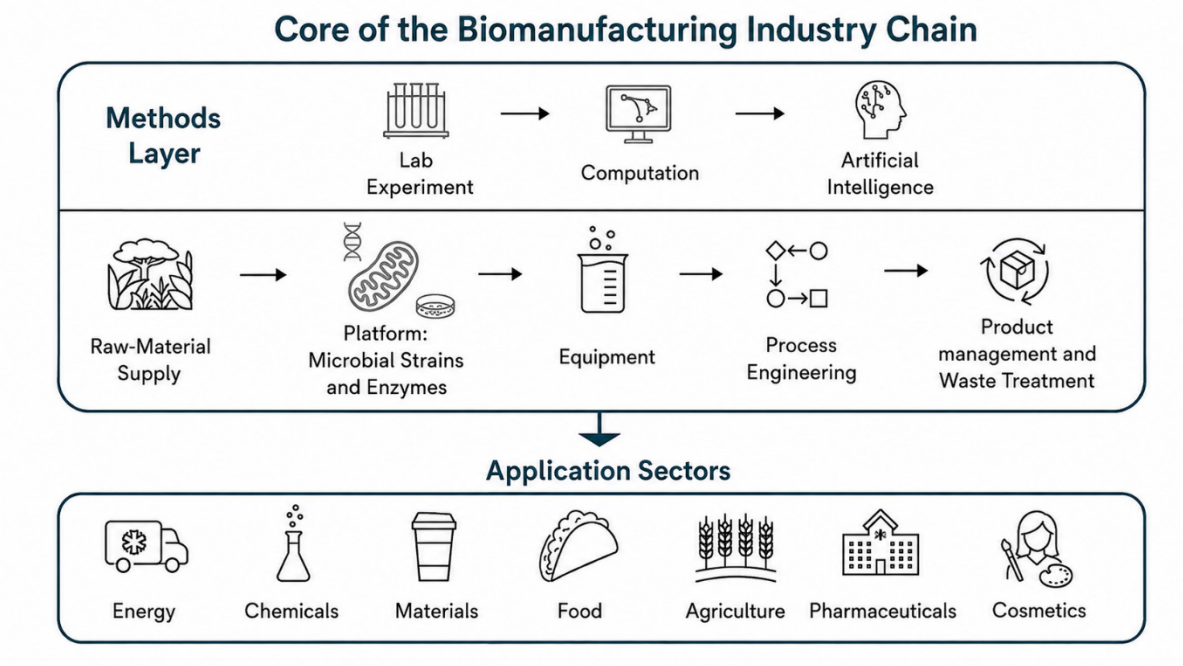
In 2024, the Tianjin Institute of Industrial Biotechnology at the Chinese Academy of Sciences (CAS) —the country's leading institute in the field—published its *White Paper on China's Industrial Biotechnology Development*. *[39]* In estimating China's biomanufacturing size, it folded large parts of TCM and chemical pharmaceuticals, with the result that medicine and health appeared to account for roughly three-quarters of the entire field. The figures were subsequently reproduced in overseas research. *[40]* The 2025 edition of the *White Paper* corrected the problem by adopting what it described as a "narrow statistical definition", reducing the output value of the medicine-and-health segment by more than half. Under the revised taxonomy, the segment accounts for about RMB 4.55 trillion of a biomanufacturing industry worth roughly RMB 10 trillion. *[41]*

And yet China's broad-brush approach also carries strategic advantage: Loose definitions dissolve inherited sectoral boundaries and leave room for industries that do not yet exist. The EU's biotechnology agenda, by contrast, reads like the handwriting of incumbent industries. Act I bears the fingerprints of pharmaceuticals; Act II is organised around an inventory of established markets: chemicals, plastics, fibres, construction materials, and fertilisers. It maps an industrial structure that already exists and already has representation in Brussels. China's conceptual vagueness is a genuine analytical weakness where precise measurement is required, and a genuine strategic strength where it comes to cre-

ating space for what has not yet emerged.

Reading the chain, not the sectors

Perhaps the clearest lens onto how China conceives of biomanufacturing is the work of Tan Tianwei (谭天伟), a leading biotechnologist at the Chinese Academy of Sciences. Rather than dividing the field into industrial sectors, Tan and his colleagues conceptualize it as an integrated value chain. [42] In their framework as illustrated in figure1, an upstream "methods" layer—laboratory experiment, computation, and artificial intelligence—supports the core stages of the chain: raw-material supply; a production platform built on microbial strains and enzymes; equipment and process engineering; product management; and waste treatment. Only at the downstream end does the chain fan out into application



sectors: energy, chemicals, materials, food, agriculture, pharmaceuticals, cosmetics, and industries yet to emerge.

Fig. 1: Framework of the Biomanufacturing Industry Chain.
Source: Own illustration based on Yun, Chen and Tan. [43]

Where sector-oriented perspectives tend to fixate on individual outputs, such as drug-licensing deals, this framework is more useful for identifying where an industrial system is exposed and which links are weak.

According to Tan and other Chinese researchers, the first vulnerability lies in raw-material supply. Roughly 90 percent of China's initial inputs come from corn and other grain crops, placing biomanufacturing in direct tension with food security. Non-grain biomass and industrial waste would be preferable alternatives, but they remain largely unindustrialized. [44]

The platform layer, built around microbial strains and enzymes, presents a clear paradox. China accounts for more than 70 percent of the world's basic fermentation capacity, a statistic Western analysts often cite when warning that Europe is losing "the next industrial race." [45] Yet China imports more than three-quarters of the core enzyme preparations on which its fermentation industry depends, and Chinese analysts worry about the foreign "near-monopoly" in high-end food and detergent enzymes, [46] led by firms such as Novonesis (Denmark) and BASF (Germany). [47] One Chinese paper points to a further sore spot: in several areas where China leads the world, more than 80 percent of the industrial strains in use are unlicensed, exposing the sector to intellectual-property risk. [48] Downstream, the pattern repeats. High-end equipment remains heavily import-dependent, with the market split between German and US suppliers; and the market for high-end control systems and industrial software is dominated by Western firms as well, Siemens alone holding roughly 20 percent market share of the global programmable logic controller. [49]

Without question, under the banner of self-reliance, China is directing "extraordinary measures" toward the very links in its value chain that it considers weakest. One example is the drive to "break through a batch of landmark technological equipment." To this end, the Ministry of Industry and Information Technology (MIIT) and CAS launched a joint programme covering reactor systems, key components and consumables, and industrial operating systems. By late 2025, it had shortlisted around 28 projects to develop cheaper, higher-performance equipment. [50]

The push extends beyond equipment. In July 2025, MIIT and the National Development and Reform Commission (NDRC) set a target of establishing 20 pilot-scale biomanufacturing platforms by 2027. A subsequent notice designated 43 companies to build pilot plants and mapped priorities across the sector, from raw materials and equipment to downstream products, spanning six key areas and 37 industry directions. [51]

Another paradox lies in talent: The West envies China's deep bench of inexpensive, capable junior engineers, while Chinese planners worry about the thin upper layer of interdisciplinary specialists spanning biology, chemistry, engineering, and computer science. [52] For two decades, China's strongest students tended to avoid biotechnology. Biology, chemistry, materials, and ecology are known among high-school graduates as the "four great pits" (四大天坑) of STEM: [53] demanding, poorly paid, and eclipsed first by the country's internet boom and now by artificial intelligence. Whether elevating the field to a national strategic priority will reverse that calculus remains an open question, but the system adapts quickly. After the 2026 college entrance examinations, the education ministry added a dedicated undergraduate major in biomanufacturing. Beijing is also buying talent at the top of the market, recruiting European Nobel Prize laureates and [54] welcoming Chinese-American scientists leaving the United States amid the disruptions of the Trump years.

Risks and Side Effects

In the past decades, biotechnology has been deeply globalized, with talent, capital, data, and research flowing across borders in pursuit of scientific and commercial opportunity. That model is now under growing strain. Although this article focuses on China and compares its approach with that of the EU, the United States is the decisive third actor because its policies increasingly shape the strategic choices of both European and Chinese companies.

One company, two systems

The U.S. BIOSECURE Act, enacted in 2025, restricts federal agencies from procuring goods or services from designated "biotechnology companies of concern," a category aimed primarily at firms with links to the Chinese state. [55] Although formally a procurement measure rather than a trade ban, its practical influence extends far beyond government contracting. Few multinationals, including those from Europe, can afford to lose access to U.S. federal funding, research partnerships, or the world's largest pharmaceutical market.

The side effect of the tightening regulatory scrutiny is the emergence of what might be called "one company, two systems". Multinational firms increasingly operate separate business models for China and the United States. AstraZeneca, for example, has committed more than US$15 billion to Chinese research and manufacturing through 2030 while simultaneously building independent supply chains for the U.S. and Chinese markets. [56] Germany's Merck KGaA has adopted an "in China, for China" strategy (borrowed from German carmakers), producing largely for the domestic Chinese market and minimizing reliance on imported inputs, particularly from the United States. [57]

Whether this balancing strategy remains viable is increasingly uncertain. Washington is steadily expanding its biotechnology security agenda. Proposed legislation, including the Biotech Investment National Security Act (BINSA), would subject outbound biotechnology investments and pharmaceutical licensing agreements to national security review. [58] At the same time, U.S. policymakers are scrutinizing the extensive use of Chinese clinical trial sites by big pharma and considering restrictions on the acceptance of clinical data generated in China for regulatory approval. [59] Together, these measures signal a shift from regulating products to regulating investment, knowledge, and data flows.

The backlash risks run the other way too. In Beijing the governing logic is sovereignty over biological resources and genetic data. China's Biosecurity Law, Human Genetic Resources (HGR) Regulation, [60] and related legislation require foreign companies to collaborate with Chinese partners when collecting or using Chinese human genetic resources and impose strict controls on cross-border transfers of genetic materials and associated data. The broader policy objective is to keep strategically valuable genetic resources under domestic control while continuing to attract foreign investment and technology. [61] For multina-

tional companies, this creates structural risks, including constraints on data ownership, intellectual property, and the management of commercially sensitive research.

Set against both, the EU's central preoccupation remains closing the innovation gap rather than treating biotechnology as an instrument of national security. Biological and health data are governed principally through horizontal frameworks such as the GDPR and the European Health Data Space, which prioritize privacy, ethics, and research rather than sovereign control over genetic resources. Recent initiatives such as amendments to the Dual-Use Regulation and the Biotech Act I have introduced elements of biosecurity and research security. Nevertheless, the Union has no HGR-style regime, no EU-wide outbound-investment screen, and no procurement bar comparable to the American one.

Ethical governance: development first, governance later

Beneath geopolitical competition lies a deeper divergence in how biological risk is understood. Chinese governance is organised around the concept of *anquan* (安全), which merges the English notions of safety (protection against accidents) and security (protection against deliberate misuse) within the framework of state security. *[62]* In practice, this approach often places greater weight on national objectives than on individual rights, leaving persistent grey areas in research ethics, data governance and accountability. More broadly, China's regulatory model has frequently been described as "development first, governance later" (先发展，后治理): innovation is encouraged first, with oversight following in response to emerging risks.

The 2020 Biosecurity Law, enacted in the wake of Covid-19, consolidated previously fragmented legislation, yet Chinese scholars continue to identify significant shortcomings: a lack of concrete legal instruments, fragmented inter-agency coordination, limited accountability, and insufficient professional training and public-awareness efforts, even as the rapid advance of biotechnology poses ever-new challenges for risk assessment and governance. *[63]*

These weaknesses became starkly visible in July 2026, when *Science* published a lengthy investigation revealing the death of a young girl who had received an experimental brain gene-editing therapy at a Shanghai hospital in 2025. The trial had proceeded under the hospital's own ethics approval rather than national regulatory review, despite animal studies that reportedly identified serious safety concerns shortly beforehand. Her death was never publicly disclosed, even when the research team published supporting preclinical results in *Nature* in 2026, and even as the trial registry continued to list the study as "recruiting." The hospital paid a modest fine to a local authority; the lead investigator was not publicly sanctioned. *[64]* Coming seven years after the He Jiankui gene-editing scandal, *[65]* the episode suggests that, despite substantial legislative reform, persistent gaps remain in ethical oversight, research transparency and institutional accountability.

Conclusion and Policy Recommendations

China's biotechnology and biomanufacturing sectors are evolving rapidly, and Europe's first task is to take off its own spectacles and study that trajectory more openly. Otherwise, it risks repeating earlier strategic misjudgements: The EU read China's push into electric vehicles largely through the single lens of emissions reduction, overlooking broader objectives such as reducing dependence on imported oil, upgrading industry capabilities, and integrating digital technologies into future mobility. By the time these wider ambitions became fully apparent, Chinese firms had already secured leading positions in global value chains.

Avoiding a similar mistake in biotechnology requires a stronger commitment to rigorous, empirically grounded research capable of grasping the full dimension. The current discourse is flattened into a binary of "us" and "them." In reality, multinationals, big pharma above all, have invested in China for years and maintain a deeply symbiotic relationship with Chinese contract manufacturers and biotech, forming an integral part of the very ecosystem Europe views as foreign. Neither uncritical admiration nor demonisation serves any purpose; both are captured by emotional narratives that neither capture the complexity of the industry's evolving political economy nor provide a sound basis for anticipating its future.

A more productive European strategy would combine strategic awareness with selective engagement. This requires a systematic mapping of China's biotechnology ecosystem: its industrial actors, research institutions and universities, financing mechanisms, policies at different levels, and international partnerships, alongside a clear-eyed identification of where cooperation advances the public interest and where genuine security risks lie.

Finally, Europe should recognise that it possesses comparative advantages of its own. While China's biotechnology ecosystem has demonstrated remarkable speed and scale, the EU has long-established strengths in research ethics, regulatory governance, transparency and accountability. Closer collaboration between European and Chinese universities, regulators and researchers on bioethics, responsible innovation and governance could strengthen ethical awareness, improve implementation standards, and promote greater transparency and accountability across the field. Such cooperation would not eliminate geopolitical competition, but it could help shape a biotechnology order that serves the global system rather than any single competitor within it.

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Governing the Data Layer:China's Digital Logistics Infrastructure and Europe's Visibility Gap

by Sławomir Wyciślak

Policy recommendations

The following recommendations address the governance gap that opens when global value chains are coordinated through data infrastructure that Europe uses but does not control. They move from recognition of the problem to the instruments already available within the current EU agenda.

- **Treat logistics data infrastructure as critical infrastructure.** The platforms and standards carrying information about goods flows should enter EU resilience and economic-security reviews on the same footing as ports, pipelines and networks. A dependency in the data layer is a dependency, even when no asset changes hands.
- **Screen data-layer agreements at European ports.** The Ports Strategy commits the Commission to criteria and guidance on foreign ownership and control of ports identified as strategic dual-use infrastructure.[13] That guidance should cover data and software agreements, not only equity stakes. Memoranda between EU ports and foreign state-run logistics platforms are today concluded port by port, with no European overview of what flow data leaves the Union.
- **Deliver eFTI as one European capability, not 27 national silos.** From 9 July 2027 member state authorities must accept electronic freight transport information, and implementation is proceeding through national gates built separately.[6] Without binding interoperability across them, Europe will digitise paper without gaining a shared view of its own flows.
- **Bring the transport-chain data guidelines forward, and give them binding force.** The Ports Strategy promises EU guidelines for data sharing in the transport chain by 2028 — a year after the eFTI obligation begins.[13] Reversing that sequence, and connecting eFTI gates, the maritime single window and the customs data hub in a federated architecture, would give European authorities and firms a symmetric view of flows. Federation, not centralisation, is the design lesson of the failed private platforms, and the Ports Strategy concedes it.
- **Attach flow-data obligations to the customs reform.** Removing the EUR 150 exemption and imposing the interim duty address revenue. Access to shipment-level data from non-EU e-commerce platforms should be secured in the same reform, while the customs data hub is still being designed ahead of its arrival in mid-2028.[9][10]
- **Monitor China's logistics-data standardisation systematically.** LOGINK's international agreements, its contribution to an ISO standard for visibility data interchange between logistics information service providers, and China's wider standards diplomacy in transport data deserve the foresight attention the EU now gives to AI governance and technical standards.[1]

Keywords

Global Value Chains

Digital Logistics

LOGINK

Supply Chain Visibility

EU–China Relations



Introduction

European debates about dependency on China concentrate on physical inputs: semiconductors, batteries, rare earths, and the ports that move them.[19] This paper argues that the coordination of global value chains has meanwhile shifted into a layer those debates reach only late: the data layer. China is building systematic advantage there while Europe regulates without building.

The data layer of global value chains is the infrastructure of visibility: the platforms, standards and databases that carry information about goods flows and thereby coordinate them. Whoever controls this layer influences priorities, prices and the allocation of capacity without owning a single vessel or warehouse. Control of flows increasingly follows from control of data about flows, not from ownership of assets.

That formulation is no longer only analytical. The Commission's EU Ports Strategy of 4 March 2026 devotes a section to digital autonomy for economic security and states that "whoever controls the data also controls the flows", noting that European operators are "often dependent on foreign hard- and software, with much of the bloc's data stored outside the EU".[13] The premise is now official European policy; the instruments are not. The Strategy answers with guidelines on transport-chain data sharing by 2028, a cybersecurity risk assessment by 2027, and criteria on foreign ownership of strategic port infrastructure. It names no third country anywhere in the text.

This paper takes that premise seriously and asks what follows from it. Chinese state and platform actors observe European goods flows in growing detail, while Europe has no sym-

metric insight into Chinese flows and no shared view of its own. This is a strategic dependency of the same class as raw-material dependencies, but one that appears in no trade statistic and triggers no screening instrument.

The timing gives the argument its urgency. The main European instruments for freight and customs data enter into force between 2025 and 2028, so their architecture is being decided now. The paper traces how China builds its position in the data layer, examines the European response, and closes with the implications for EU policy.

Analytical approach

The paper does not evaluate individual technologies. It traces how control migrates across three layers of a digitalised value chain: the physical flows of goods, the data about those flows, and the orchestration built on that data. The argument is that competition between China and Europe has moved up this stack, from the first layer to the second and third, faster than European policy frameworks have followed.

The three layers separate questions that dependency debates usually merge. A country can own terminals and still depend on foreign data infrastructure; it can lose manufacturing and still hold the orchestration layer. Reading the relationship through this stack also explains why dependency in the data layer stays invisible: nothing crosses a border, nothing is acquired, and nothing appears in customs records.

The evidence base is documentary: platform disclosures, regulatory texts and government assessments. Prior EuroHub4Sino work has traced how China engages in technical standardisation on two fronts, inside established standards bodies and through its own Belt and Road channels,[16] how the "soft" connectivity of standards travels with the "hard" connectivity of infrastructure and technology,[14] and how Chinese standards policy balances state control against competitiveness.[15] This paper extends that pattern one level down, from standards to the operational data infrastructure of trade itself.

How China builds the data layer

China's position in the data layer rests on a tandem: state-run infrastructure on one side, platform ecosystems on the other.

The state track is LOGINK. It began in 2007 as a provincial initiative in Zhejiang, is subsidised by the Ministry of Transport and housed within the China Transport Telecommunications and Information Center, and is offered free of charge to ports, carriers and forwarders.[1][2] It aggregates data from some 5 million trucks, more than 200 logistics warehouses worldwide and over 450,000 users in China, and has concluded agreements with at least 24 ports, freeports and port operators outside China, seven of them in Europe: Antwerp, Bremen, Hamburg, Barcelona, Sines, Riga and Rotterdam.[1][2][18] It has also partnered with

PortBase in the Netherlands, with CargoSmart, and with the International Port Community Systems Association, whose membership spans dozens of ports worldwide [2][18]. CargoSmart is a subsidiary of Orient Overseas, which COSCO acquired in 2018. The pricing is the policy: a free, state-subsidised platform builds adoption, and adoption builds the data position. The US assessment places this expansion inside the Digital Silk Road, through which "China also aims to control data and information flows that accompany the movement of goods", and notes that LOGINK is contributing to an ISO standard for visibility data interchange between logistics information service providers.[1]

The United States has drawn its conclusion. The FY2024 National Defense Authorization Act bars the Pentagon from using any seaport in the world that runs LOGINK and requires the Secretary of State to open talks with allies on removing the system from their ports.[2] The congressional assessment behind that measure warned that the platform could give the Chinese state access to shipping information, cargo valuations drawn from customs clearance forms, and routing data.[1] The European response has so far been a reminder that ports must handle sensitive data securely and in compliance with EU rules.[2]

The platform track runs through e-commerce logistics. Cainiao, Alibaba's logistics arm, opened its main European hub at Liège Airport in 2021 under a 2018 agreement with the Belgian government, a first phase of roughly 30,000 square metres with an announced investment of EUR 100 million that Chinese officials presented as Belt and Road cooperation.[4] Cainiao reported handling nearly 5 million cross-border parcels a day across its network,[4] and in September 2024 announced a second batch of global e-hubs toward worldwide delivery within 72 hours.[3] Physical expansion is not linear. Cainiao abandoned a planned enlargement at Liège in late 2025, but the data position built through such nodes does not retreat with the concrete.[17]

The direct-from-factory model of Temu and Shein compresses the value chain around this infrastructure. In 2024, 4.6 billion parcels valued under EUR 150 entered the EU, 91 per cent from China.[5] Each is a data point in an end-to-end system linking Chinese factories to European households, whose operators see demand, routing and price formation across the whole chain. European retailers and carriers see their own fragment.

The scale matters less than the direction of learning. A platform that observes European demand at item level can steer production, inventory and pricing faster than a competitor working from customs statistics and quarterly reports. Visibility becomes orchestration: the second layer feeds the third.

The two tracks reinforce each other, and in a familiar pattern. Fuchs and Eaton describe China's engagement in global standardisation as two-pronged: mastering practice inside established bodies such as ISO while diffusing its own practice abroad through the Belt and Road. [16] Seaman adds that Chinese standards internationalise through concrete investment, soft connectivity accompanying hard.[14] LOGINK follows the same two prongs one level down. It

contributes to an ISO standard for visibility data interchange while extending bilateral port agreements under the Digital Silk Road,[1] and Cainiao and the e-commerce platforms add the commercial adoption that turns a standard into an operating dependency.

Europe: regulation without infrastructure

The European Union has answered the digitalisation of value chains mainly with law. The eFTI Regulation obliges member state authorities to accept electronic freight transport information from 9 July 2027.[6] The European Maritime Single Window environment applies from 15 August 2025.[7] The Data Act has applied since 12 September 2025.[8] On the customs side, the Council gave final approval on 11 February 2026 to rules removing the EUR 150 duty exemption; a flat EUR 3 duty per product category has applied to low-value consignments since 1 July 2026 and runs until the EU customs data hub becomes operational in mid-2028.[9][10]

Each instrument is defensible; none yet produces a shared European view of flows. eFTI is being implemented through national gates constructed separately, so the likely outcome is 27 digital silos where paper silos stood.[6] The Data Act grants rights but supplies no infrastructure through which a carrier or authority could see a chain end to end. The Ports Strategy diagnoses the problem precisely: "B2B data exchange is fragmented and often bound to proprietary software". It answers it with guidelines by 2028, a year after the eFTI obligation begins.[13]

The market has not filled the gap. TradeLens, the platform built by Maersk and IBM from 2018, was discontinued in early 2023; Maersk's head of business platforms explained that "the need for full global industry collaboration has not been achieved" and that the venture "has not reached the level of commercial viability necessary to continue".[11] Its surviving counterpart is GSBN, incorporated in Hong Kong in 2021, six of whose eight founding shareholders are based in mainland China or Hong Kong: COSCO Shipping Lines, COSCO Shipping Ports, OOCL, Hutchison Ports, SPG Qingdao Port and Shanghai International Port Group, alongside Hapag-Lloyd and PSA International.[12] The Western-led neutral platform failed on adoption; the China-anchored consortium became the default.

The contrast carries a design lesson, and the Commission has independently drawn the same one: better integration of systems "can improve supply chain visibility without imposing centralised platforms".[13] TradeLens failed as a centralised platform run by one dominant carrier, which competitors declined to feed with their data; a European capability that repeats that design will repeat that outcome. The workable alternative is federation: national and sectoral systems that keep their data but expose it through common standards. The eFTI and single-window architecture could become if interoperability is enforced rather than encouraged.

This is the European position in the data layer: binding obligations, fragmented implementation, a correct diagnosis, and no infrastructure of its own between them.

Implications: visibility asymmetry as strategic dependency

The combined result is a visibility asymmetry. Through LOGINK agreements, platform logistics and e-commerce flows, Chinese state and commercial actors observe European supply chains at shipment level. Europe has no equivalent view of Chinese chains and, more strikingly, no consolidated view of its own.

The asymmetry has a peacetime cost and a crisis cost. In normal times it shows up as a competitive disadvantage: European firms negotiate rates, plan capacity and position inventory with less information than counterparts plugged into the Chinese data ecosystem. In a disruption it becomes a security exposure, because rerouting decisions depend on who sees congestion, capacity and cargo first.

Two objections deserve an answer. The first holds that logistics data is mundane, so its aggregation carries no strategic weight. The US assessment points the other way: aggregated flow data reveals cargo valuations, routing patterns and dependency structures, which is why Washington treated a logistics platform as a security matter.[1] In a crisis, whoever sees flows first decides first.

The second expects European regulation to generate the missing infrastructure by itself. TradeLens shows why this is optimistic: even a well-funded private platform with regulatory tailwinds failed to reach critical mass, and eFTI's national gates are reproducing fragmentation inside legal harmonisation.[6][11] Rights and obligations do not aggregate data; infrastructure does.

The policy conclusion is not to exclude Chinese platforms from European logistics. It is to govern the layer where dependency now forms: recognise logistics data as critical infrastructure, gain an overview of what leaves the Union and under which agreements, and connect the instruments Europe is already building into a federated visibility capability. Those instruments are eFTI, the maritime single window and the customs data hub. The Commission has stated the premise; what is missing is the sequencing and the binding force, and the window is open only while these systems are still under construction. Chips, batteries and raw materials taught the Union how expensive an unexamined dependency becomes. The data layer offers the rare chance to act before the dependency matures.

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