

Joint statement

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Europe's Economic Policy towards China: a Targeted Strategy to Rebalance Interdependence

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Rising geopolitical tensions and the weakening of the rules-based trading system radically change the context and stakes of the EU's trade policy. Alongside the usual focus on gains from openness, economic security needs urgent consideration, too. This is especially true with regard to China, because its policy choices have propelled it into a position of commercial dominance across a widening set of strategic sectors. This is not only a threat for significant parts of the EU's manufacturing industry, it also creates strategic dependencies that can be exploited for coercive purposes, as recent Chinese export restrictions have illustrated.

The EU must therefore recalibrate its economic strategy to preserve the gains from trade while building resilience and reinforcing its own sources of economic and industrial strength. The objective is to rebalance interdependence so that it provides both insurance against disruptions and incentives for partners refraining from exploiting dependencies. This requires diversifying critical supplies, preserving production capacity where its loss would heighten dependence, and investing in capabilities that strengthen the EU's ability to absorb and deter coercion. The corresponding benefits must be weighed against the costs they may impose on consumers, case by case.

Across-the-board tariffs are a costly, poorly targeted response and therefore not recommendable. On the defensive side, diversification should be pursued through trade agreements, resilience criteria in public procurement and public support, as well as incentives, in extreme cases obligations, for firms, as in the Critical Raw Materials Act. Trade defence instruments should complement diversification: alongside the improved use of antidumping and countervailing measures, with coverage extended to close substitutes benefiting from the same subsidies, safeguard measures should be considered when surging imports threaten an EU industry. On the offensive side, measures must start with policies improving conditions for investment, firm creation, and innovation. They should include a strengthened role of public procurement in supporting innovation. Also, where domestic production is necessary to develop critical capabilities, targeted local content requirements may be justified.

While these measures operate in the long term, the rapidly mounting pressure of Chinese competition requires a more timely response. Faster, more efficient and appropriately scoped use of existing trade defence instruments would be a practical priority. To do so, the EU can simplify procedures, devote more resources to investigations and reconsider its own rules or interpretations that unnecessarily delay intervention or narrow its scope.

Introduction

For more than three decades, EU trade policy primarily sought to maximise the economic gains from globalisation. European market integration and the expansion of multi-lateral trade have delivered sizeable gains for European citizens.¹ Yet geopolitical tensions have exposed the limits of an approach focused solely on these gains. Trade also creates strategic dependencies that can be exploited for political purposes. When these dependencies are asymmetric, they give one trading partner leverage over the other. Bilateral trade patterns therefore matter for policy beyond their contribution to aggregate economic gains.

Accounting for these dependencies requires the EU to complement its traditional focus on market access with policies that hedge against geopolitical risk. Governments may use subsidies or currency undervaluation to expand domestic output in critical sectors, capture productivity gains, and establish asymmetric dependencies. These interventions can create both economic advantages and political leverage. To deter the use of this leverage, the EU must preserve and reinforce its own positions of economic strength while reducing its vulnerability to the exploitation of dependencies by foreign powers.

Cooperation with trading partners should be central to this strategy. Although the world is increasingly fragmenting into political blocs, many countries remain willing to forswear the opportunistic exploitation of asymmetric dependencies. Building coalitions with these partners allows the EU to address economic security concerns while preserving the gains from trade.

EU trade diplomacy must rest on general principles, but their application must account for the asymmetries in the EU's relationships with its largest trading partners. China warrants particular attention, because of its central role in world trade, and because its political and economic system gives strategic government planning and state intervention a more prominent role than they play in other major trading partners. This makes the relationship between economic policy and strategic dependencies particularly relevant to the EU's trade relationship with China.

This note examines the economic and geoeconomic environment facing the EU, with a particular focus on China. It then discusses policy proposals concerning trade defence instruments and selected provisions of the EU's Industrial Accelerator Act.

Current Economic and Geoeconomic Situation

Macroeconomic and Trade Imbalances

The EU's bilateral trade deficit with China has widened substantially in recent years. It reached €382 billion in the year to May 2026, i.e., approximately 2% of EU GDP, compared with €164 billion, or 1% of GDP, in 2019. These figures attract considerable attention, but their economic interpretation requires care. Bilateral trade balances have an ambiguous interpretation in economic theory, particularly when production is organised across global value chains.² Moreover, the EU continues to record an aggregate trade surplus, which stood at €122 billion in 2025, down from €225 billion in 2015. Excluding Ireland, however, this surplus falls to just €5 billion in 2025, approximately 0.03% of GDP, compared with 1.7% in 2015.³

Several factors have shaped EU industrial output and trade over this period, including the energy crisis following Russia's invasion of Ukraine. Yet, the widening deficit with China also reflects a broader development: China's large and growing trade surplus with the rest of the world. Across all products, this surplus reached \$1,188 billion in 2025, which represents 6.09% of the country's GDP, up from 2.90% in 2019. For manufactured products alone, it exceeded \$2 trillion in 2025, equivalent to about 15% of the rest of the world's manufactured imports. This share is unprecedented at least since the immediate post-war period. The scale of the imbalance makes it consequential for trading partners well beyond the EU.

China's growing surplus reflects both macroeconomic conditions and industrial policies. Its high savings rate is a longstanding feature of its economy, with significant social and cultural determinants. Yet the extent to which savings

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¹ For quantitative estimates of the benefit of European integration, see Felbermayr G., Gröschl J., Heiland I. (2022): "Complex Europe: Quantifying the Cost of Disintegration", *Journal of International Economics*, n° 138, p. 103647; Mayer T., Vicard V., Zignago S. (2019): "The Cost of Non-Europe, Revisited", *Economic Policy*, n° 34(98), pp. 145-199; Campos N., Coricelli F., Moretti L. (2019): "Institutional Integration and Economic Growth in Europe", *Journal of Monetary Economics*, n° 103, pp. 88-104; and Caliendo L., Oromolla L. D., Parro F., Sforza A. (2021): "Goods and Factor Market Integration: A Quantitative Analysis of the EU Enlargement", *Journal of Political Economy*, n° 129(12), p. 3491-3545. The benefits of broader trade integration are discussed in a vast quantitative trade literature surveyed in Costinot A., Rodríguez-Clare A. (2014): "Trade Theory with Numbers: Quantifying the Consequences of Globalization", *Handbook of International Economics*, vol. 4, pp. 197-261.

² On the meaning and interpretation of bilateral imbalances, see Felbermayr G., Yotov Y. V. (2021): "From Theory to Policy with Gravititas: A Solution to the Mystery of the Excess Trade Balances", *European Economic Review*, n° 139, p. 103875.

³ Irish trade statistics are exceptionally affected by the global activities of multinational firms domiciled there. In particular, contract manufacturing results in goods produced abroad on behalf of Irish-resident firms being recorded as Irish exports even when they never enter Ireland.

translate into an external surplus also depends on policies governing domestic investment, capital flows, and the exchange rate. The yuan's 14% real effective depreciation since March 2022 raises questions about the role of policy in sustaining this surplus.⁴

China also provides substantial support to its industries. Estimates place its fiscal equivalent at between 2% and 4% of GDP in 2023. Over 2005–2024, firms based in China are estimated to have received, on average, three to eight times as much government support as firms based in OECD countries. These policies affect China's net exports and industrial activity in partner countries.⁵ As the sectoral composition of Chinese exports increasingly resembles that of EU exports, competitive pressures extend to core European industrial sectors, especially in Germany.⁶

Economic Security and Strategic Dependencies

Beyond the macroeconomic context, the European economy's increasing reliance on Chinese products raises economic security concerns. Recent events have shown how major trading partners, including the United States and China, can exploit economic vulnerabilities to put pressure on EU decision makers. Many of the EU's preferential trade partners, including the United Kingdom, Canada, and Japan, face similar challenges. Industrial policy, export controls, investment restrictions, exchange-rate policies, and other instruments of economic statecraft are used to build or exercise leverage and secure political or economic advantages. The scope for such pressure depends on the positions these economies occupy in global production networks, as well as on their size.

China has accumulated dominant positions in a growing number of sectors, including rare earth processing, battery materials, some pharmaceutical ingredients, and several clean-energy technologies.⁷ In many of these activities, production is geographically concentrated, and alternative suppliers are difficult to develop in the short run. This limits the ability of trading partners to adjust when access to Chinese supplies is restricted. Recent export restrictions on gallium, germanium, graphite, and rare-earth-related products illustrate how commercial dominance can translate into geopolitical influence.

These risks extend beyond current patterns of specialisation, as China may acquire new sources of economic leverage over the coming decade. An assessment of Europe's exposure must therefore identify both existing dependencies and sectors in which future asymmetries are likely to emerge. From this perspective, the extensive support China provides to its industries, discussed in the previous section, raises concerns not only about current competitive pressures but also about the future dependencies it may create.

Trade agreements, supply-chain diversification, industrial policy, and investment in key technologies offer complementary ways to address these risks. They operate through two distinct channels. Some reduce the costs EU countries would bear in the event of economic coercion, notably by widening access to alternative suppliers. Others preserve or strengthen capabilities on which trading partners depend, increasing the costs those partners would themselves incur from coercion. The objective is to reshape interdependence so that it provides both insurance against disruptions and incentives for trading partners to refrain from exploiting dependencies. This would allow the EU to preserve the gains from openness while strengthening its resilience and capacity for deterrence.

Policy Recommendations

General principles

Across-the-board tariffs are a costly and poorly targeted response to economic security concerns. They tax consumption goods that provide little strategic leverage, as well as inputs for which diversified production limits the scope for coercion. In these cases, higher import prices impose costs on European consumers and firms with little benefit in terms of resilience. Evidence from the 2018 US trade war illustrates the economic costs: tariffs on Chinese goods generated net income losses even after accounting for tariff revenue and gains to protected producers with limited benefits in terms of geopolitical power.⁸ Policy should instead target products for which dependence on a trading partner creates a strategic vulnerability, rather

⁴ Source: BIS, September 25, 2026.

⁵ For the estimation of government support on Chinese firms, see the OECD MAGIC Database of Industrial Subsidies published in 2026. The consequences for China's trade surplus are discussed in Jean, S. (2026), "Global imbalances, industrial policies, and the challenge of surging Chinese trade surpluses", in H. Rey, B. Weder di Mauro, & J. Zettelmeyer (Eds), *Paris Report 4: The New Global Imbalances*, CEPR Press, pp. 263–289.

⁶ Tordoir S., Setser B. (2026): *China Shock 2.0: The Cost of Germany's Complacency*, Centre for European Reform, policy brief, 20 May.

⁷ For a detailed discussion of the identification and possible consequences of trade vulnerabilities see Vicard V. & Wibaux P. (2023): *EU Strategic Dependencies: A Long View*, *CEPR Policy Brief*, no. 41 and Mejean I. and Rousseaux P. (2024): "Identifying European trade dependencies", in Pisani-Ferry, J., B. Weder di Mauro and J. Zettelmeyer (eds), *Paris Report 2: Europe's Economic Security*, CEPR Press.

⁸ See Fajgelbaum P. D., Goldberg P. K., Kennedy P. J., Khandelwal A. K. (2020): "The Return to Protectionism", *The Quarterly Journal of Economics*, n° 135(1), p. 1–55, for a detailed analysis of the economic consequences of US tariffs. Mayer, Mejean and Thoenig build a quantitative framework allowing to compare these economic effects with potential benefits in terms of geoeconomic power ("The Fragmentation Paradox: De-risking Trade and Global Safety", 2025, CEPR DP 20564).

than treating all imports from that partner as a source of risk.

At the same time, product coverage should not be defined too narrowly: effective policy must account for both current vulnerabilities and those that may emerge as trade patterns adjust. In particular, targeting a single product may redirect demand toward close substitutes that fall outside the policy's scope, thereby limiting its effectiveness. The EU's countervailing duties on battery electric vehicles from China have probably shifted some demand toward plug-in hybrids, which remain outside their scope despite being offered by the same producers. This substitution illustrates how narrow targeting can undermine the effectiveness of trade defence measures. Where producers supply closely substitutable products, investigations should examine whether the same subsidies benefit both, so that product coverage reflects the reach of the distortions.

The choice of instruments should reflect two complementary objectives. Defensive measures reduce the costs that disruptions or coercion impose on the EU, including by preventing new dependencies from emerging. Offensive measures strengthen capabilities on which trading partners depend, increasing the costs those partners would incur from coercion. Both require paying attention to existing patterns of specialisation and to the dependencies that current investment and industrial policies may create.

Within this approach, the EU can combine measures that limit exposure to dominant suppliers with support for alternative sources of production. Trade restrictions can encourage diversification by raising the price of imports from the dominant supplier. Subsidies, investment support and long-term commitments to purchase can instead help alternative suppliers become competitive. The appropriate combination depends on the source of the dependency and the scope for developing substitutes.

Both approaches carry economic costs. As long as the dominant supplier is also the lowest-cost supplier, tariffs raise the price buyers pay to induce them to source elsewhere. Subsidising alternative production shifts part of the burden to public budgets, but households ultimately bear most of the costs through higher consumer prices, lower incomes, or the financing of public support. The relevant policy test is therefore whether the reduction in vulnerability justifies the cost, and which combination of instruments achieve the objectives at smallest cost.

Defensive Measures

Diversification is central to reducing exposure to coercion. Among the 350 products identified as dependent by Vicard and Wibaux using the European Commission's statistical measure, around half are predominantly supplied by China.⁹ Where the EU and its strategic partners are unlikely to develop a durable comparative advantage, policy should prioritise access to suppliers across different regions, limiting the disruption any single country could cause.

Trade agreements can support this objective by improving access to existing suppliers and encouraging investment in alternative production capacity. The provisions on energy and raw materials in the modernised agreements with Chile and Mexico, and the agreements concluded with Australia and Mercosur provide useful precedents. Depending on the agreement, these provisions lower tariff and non-tariff barriers, restrict export taxes and monopolies, and make market access more predictable for producers in partner countries. They also improve conditions for EU investment by granting firms a right of establishment under non-discriminatory treatment. Together, these measures make it more attractive to serve the EU market from partner countries. Future agreements, or modernisations of existing ones, could extend this approach to other products for which the EU remains dependent on a small number of suppliers.¹⁰

Trade agreements are unlikely to be sufficient on their own, however. Negotiation and implementation can take many years; also, changes in trade and investment patterns take time to materialise. In addition, alternative suppliers may remain more expensive or lack the capacity to serve the EU market at the required scale. Public intervention is justified where firms do not fully account for the wider economic costs of disruptions and therefore diversify less than is socially desirable.¹¹ Public procurement can address this gap by including resilience criteria alongside price, particularly where public entities account for a large share of demand. Its role is therefore naturally confined to sectors in which public demand represents a substantial share of overall demand, such as transport equipment, education, construction and defence. Article 25 of the Net-Zero Industry Act already provides for such requirements when supply concentration exceeds specified thresholds, subject to exceptions. The provisional agreement reached on the Critical Medicines Act in May 2026 also includes resilience requirements for public procurement.

⁹ Vicard and Wibaux (2023) using data for 2019.

¹⁰ Canada is a natural candidate for deeper cooperation on critical raw materials. CETA already provides for a bilateral dialogue on raw materials, while EU-Canada cooperation has expanded through a Strategic Partnership on Raw Materials. Bringing these two frameworks more closely together could strengthen incentives for investment and supply-chain integration. South Korea provides a similar opportunity in the area of battery production. The existing EU-Korea FTA could be complemented by dedicated provisions facilitating investment and cooperation in battery supply chains, building on the strategic dialogue launched in 2026.

¹¹ For a more extensive discussion of the welfare-theoretic argument in favour of intervention see Felbermayr G. (2026), *The Economics of Diversification Tariffs*, *Oxford Review of Economic Policy*.

Diversification requirements could also be attached to public support for private purchases or investment.¹² In retrospect, support for solar deployment in the late 2000s and early 2010s should have been conditioned on diversification in panel sourcing, as subsidised demand ended up being overwhelmingly met by Chinese producers. Diversification requirements could be considered for support to electric vehicles or renewable energy investment where concentrated sourcing creates economic security concerns. The principle is to account for the dependencies that public support may reinforce, while weighing the benefits of diversification against higher procurement costs or greater subsidy requirements.

Trade defence instruments can complement diversification where dumped or subsidised imports injure EU producers. Anti-dumping and countervailing duties provide remedies when the relevant conditions concerning dumping or subsidisation, injury, and causation are established. In practice, however, these instruments are not used as effectively as they could be. The main weaknesses are delayed intervention and an excessively narrow definition of the products covered. Investigations require time and resources, creating a risk that measures arrive after production capacity has disappeared. Following the reforms of the past decade, the legal framework already allows the European Commission to initiate investigations on its own initiative and shortens the pre-provisional-duties investigation period. The main challenge therefore concerns implementation. More strategic use of these instruments requires earlier monitoring of import developments, closer engagement with affected industries and sufficient investigative capacity to identify problematic cases and establish the necessary evidence quickly.

Product coverage is equally important. Investigations should not focus on a narrowly defined product when closely substitutable products may benefit from the same practices. The countervailing duties on battery electric vehicles from China illustrate this risk. They cover battery electric vehicles but exclude plug-in hybrids, even though both are mostly supplied by the same producers. This creates an incentive to shift sales to models that fall outside the measure, therefore weakening the effectiveness of the countervailing duties. Where evidence indicates that the same subsidies benefit closely substitutable products, investigations should consider them together so that the scope of the measure reflects the reach of the distortion.

Safeguards address a different situation: a significant increase in imports that causes or threatens to cause serious injury to an EU industry, without requiring a finding of dumping or subsidisation. Their use does not legally depend on whether the resulting foreign supply would be concentrated. Supply concentration is instead relevant to whether a safeguard contributes to resilience. From this perspective, priority should be given to cases in which the loss of EU production would create dependence on a small number of external suppliers and eliminate capacity that would be difficult to rebuild. They can contribute to resilience where losing EU production would materially increase dependence on concentrated foreign supply.

Safeguards must in principle apply irrespective of origin and may therefore affect trading partners on which the EU relies for diversification. This constraint calls for careful design rather than inaction. Tariff-rate quotas based on historical imports can preserve established trade flows, and country allocations offer some flexibility within WTO rules. Safeguards can also cover a broader group of products than anti-dumping or countervailing measures, provided that the increase in imports and the resulting injury are established for the product scope as a whole.

Safeguards provide temporary breathing space for adjustment rather than permanent protection.¹³ Their contribution to resilience therefore depends on how the adjustment period is used. The EU should consider them when a significant increase in imports seriously jeopardises domestic production, and where the loss of that capacity would heighten external dependence. Whether particular industries meet the legal conditions must be established through case-specific investigations. This requirement should not prevent the EU from monitoring import surges systematically and initiating investigations when the available evidence warrants them.

Offensive Measures

Reducing vulnerabilities addresses only one side of economic security. The EU can also deter coercion by strengthening capabilities on which its trading partners depend, increasing the costs they would incur from a deterioration in economic relations. This complementary offensive strategy should build on Europe's technological and industrial strengths. Industrial and innovation policies should support activities in which the EU can realistically become, or remain, a critical supplier to the rest of the world.

¹² As with public procurement, support for private purchases is concentrated in specific market segments in which public support is quantitatively important. For example, purchase subsidies and tax incentives accounted for around 20% of global spending on electric cars in 2017 and approximately US\$38 billion in 2024 (IEA, *Global EV Outlook 2025*). The extent to which this support generates additional demand, and how that demand is distributed between domestic and foreign producers, depends on policy design, substitution patterns and the share of purchases that would have occurred without support (Allcott et al., *The Effects of "Buy American": Electric Vehicles and the Inflation Reduction Act*, NBER Working Paper, n° 33032).

¹³ Their initial duration cannot exceed four years, with conditional extensions up to a total of eight years and progressive liberalisation for measures lasting more than one year.

Identifying future comparative advantages is difficult. Thus, policies that improve conditions for investment, firm creation, and innovation remain absolutely crucial. The horizontal competitiveness agenda discussed in the Draghi Report (2024) would help firms develop their strengths without requiring governments to identify promising sectors with incomplete information. A growing and prosperous domestic market would itself strengthen the EU's bargaining position by making access to the EU market more valuable to trading partners.

The proposed Industrial Accelerator Act introduces European-content requirements in public procurement and public support schemes. Whereas diversification requirements discussed in the previous paragraph seek to reduce exposure to concentrated supply, European-content requirements seek to develop production capabilities within the EU. The latter should be assessed against their ability to generate lasting economic and strategic benefits. Local content requirements can attract domestic production, but at a substantial cost to buyers. Estimates for existing US Buy American provisions put the cost per additional job above \$100,000.¹⁴ In EU public procurement, limited competition is already a concern. Untargeted preferences risk increasing prices while doing little to develop new capabilities.

A more promising approach would strengthen the role of public procurement in supporting innovation. By acting as early buyers of innovative products, public entities can help firms expand production and achieve economies of scale. Targeted local content requirements could contribute where domestic production is necessary to develop the capabilities sought. They could be complemented by the Foreign Subsidies Regulation to address distortions from foreign subsidies in the internal market.¹⁵

Local content requirements attached to purchase incentives, such as electric vehicle subsidies, may have greater scope to redirect demand toward European production where imports account for a substantial share of purchases.¹⁶ This does not make them less costly: restricting eligibility can shift demand toward more expensive products and reduce the increase in total sales achieved by a given subsidy budget. Their justification should therefore rest on the capabilities they help develop, weighed against the additional cost and the implications for other objectives, including the adoption of clean technologies.

These measures should preserve cooperation with partners that contribute to the EU's economic security. Their design must respect the EU's commitments under the WTO Government Procurement Agreement and relevant free trade agreements. Where origin requirements are used, allowing content from partner countries to count toward eligibility, as proposed in the [Industrial Accelerator Act](#), would broaden the supplier base and contain costs.¹⁷ Procurement obligations and the rules applicable to purchase subsidies must, however, be assessed separately; extending eligibility to partners does not by itself resolve all legal constraints.

Conclusions

The EU's response to China's growing industrial dominance should target the dependencies that create scope for economic coercion. The objective is not to reduce imports from China across the board, but to limit vulnerabilities that could be exploited for political leverage. This requires diversifying critical supplies and investing in capabilities that strengthen Europe's ability to absorb and deter coercion.

The EU already has instruments to pursue these objectives, including trade agreements, trade defence measures, public procurement and public support. The challenge is to translate existing strategic frameworks into clear operational priorities. For each dependency, the EU should determine whether resilience is best achieved by preserving or developing domestic capacity, diversifying foreign supply, or combining the two. It should then allocate its political and technical resources accordingly.

These instruments are complementary. Public procurement and other diversification requirements can create predictable demand for new production capacity. Public support can facilitate the necessary investment, while trade agreements can improve access to alternative suppliers. Trade defence instruments serve a more immediate purpose. They can prevent injurious import competition from eliminating productive capacity before diversification and investment policies take effect.

The distinction between time horizons is therefore central. Building competitive industries in Europe and developing

¹⁴ E.g., Bombardini M., Gonzalez-Lira A., Li B., Motta C. (2024) : «The Increasing Cost of Buying American», NBER Working Paper, n° 32953.

¹⁵ The EU's Foreign Subsidies Regulation, in force since mid-2023, lets the European Commission investigate and, if necessary, block mergers, public procurement bids, or other market activities by companies that received foreign government subsidies distorting competition in the EU single market.

¹⁶ Malgouyres C., Mayer T., Nolden L. (2026), «The Trade-Off Between Decarbonization and Reshoring: Evidence from the French EV Environmental Score Reform»

¹⁷ The IAA Article 8 states that: "With respect to the Union origin requirements referred to in Article 11, content originating in third countries with which the Union has concluded an agreement establishing a free trade area or a customs union, or that are parties to the Agreement on Government Procurement, where relevant obligations of the Union exist under that agreement, shall be deemed to be of Union origin."

stronger trade relationships with alternative suppliers are essential, but their effects take years to materialise. EU policy has so far placed greater emphasis on this long-term agenda than on the immediate response to increasing competition from China. Where the relevant legal conditions are met, faster, more systematic and appropriately scoped use of existing trade defence instruments should be a practical priority. Such measures would not replace the longer-term strategy. They would preserve the time and productive capacity needed for it to succeed.

The main constraints on more effective trade defence do not necessarily arise from WTO rules themselves. They also reflect additional conditions incorporated into EU law, their interpretation within the European legal order, administrative procedures and political disagreements among Member States. This distinction matters because it leaves scope to improve the European framework while respecting the EU's multilateral commitments. The tools are not ineffective by design, but their impact depends on how they are implemented. The EU can simplify procedures, devote more resources to investigations and reconsider

rules or interpretations that unnecessarily delay intervention or narrow its scope. A common position among the largest Member States, notably France and Germany, could help build the political agreement required for such changes. Improving the implementation of existing instruments should take precedence over creating additional support schemes.

Any such strategy must weigh the gains from resilience and deterrence against the costs ultimately borne by European households. Broad restrictions on Chinese imports or untargeted preferences for European production would impose substantial costs without necessarily improving economic security. Cooperation with partner countries can contain these costs by broadening access to alternative suppliers and expanding markets for European firms. The EU should therefore combine targeted and timely trade defence with sustained investment in European capabilities and deeper partnerships with reliable suppliers. This would address immediate threats without abandoning the openness on which Europe's long-term prosperity depends. ■

