

Quest for Strategic Autonomy? Europe Grapples with the US - China Rivalry

Lead editors: Mario Esteban, Miguel Otero-Iglesias, Cristina de Esperanza

Editorial working group: Tamás Matura, Nick Nieschalke, John Seaman, Tim Summers,
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CONTRIBUTING INSTITUTIONS TO ETNC



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- Mercator Institute for China Studies (MERICS), Germany
- Elcano Royal Institute, Spain

Participating institutions

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EXECUTIVE SUMMARY



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The intensifying rivalry between the US and China has reshaped Europe's strategic calculations. Building on the 2020 European Think Tank Network on China (ETNC) report, which assessed Europe's positioning in this context, this edition re-examines the geopolitical landscape in light of the Covid-19 pandemic, Russia's war in Ukraine and Donald Trump's return to the White House. This report features 22 national chapters and one dedicated to the EU, analysing the evolution of Europe's relations with Washington and Beijing, the range of approaches to dealing the US-China rivalry and how these are expected to evolve.

The 2025 ETNC report underscores how these developments have compelled Europe to reevaluate its strategic positioning. This new geopolitical context has broadened the debate on strategic autonomy across most countries surveyed. Although the pace and ambition of this shift differ, support for strategic autonomy is growing in most of these countries. At the heart of this discussion is the shared understanding that Europe must reduce its reliance on external powers in key areas such as security, economy and technology.

On the security front, defence cooperation with the US has deepened across most of the countries featured in this report, particularly in response to Russia's invasion of Ukraine. However, the return of Donald Trump casts a shadow over this momentum, reviving concerns about the long-term prospects of transatlantic ties. At the same time, there is growing unease in European capitals about China's impact on European security –fuelled in part by the perception that Beijing has enabled Russia's war efforts in Ukraine–. Together, these developments are transforming the debate on European strategic autonomy into a more urgent and concrete policy agenda.

Economic security has also become a central focus, reflected in stricter national regulations and enhanced EU-level policy coordination. Nevertheless, national approaches to economic security –and the reassessment of dependencies on China and the US in particular– remain inconsistent, with some countries showing signs of scepticism or only limited engagement. The return of Trump to the White House has not been perceived uniformly across European capitals. Likewise, the ongoing reappraisal of economic vulnerabilities in relation to Beijing does not necessarily diminish the importance of China as a major market and partner in addressing global challenges. However, it adds to long-standing tensions over the fairness of trade with China, particularly as Europe's trade deficit continues to widen. These concerns are now compounded by renewed US protectionism. Although the US remains a significant trade and investment partner, and recent years have seen general continuity in Europe's economic relations with both the US and China, this apparent stability may be unsettled by the Trump Administration's aggressive foreign and trade policy and the implementation of the EU's emerging economic security agenda. The overall trend can therefore be summarised as increased distrust vis-à-vis the US, cautious and selective re-engagement with China, and a greater willingness to pursue strategic autonomy.

INTRODUCTION: NATIONAL PERSPECTIVES ON US-CHINA RIVALRY



INTRODUCTION: NATIONAL PERSPECTIVES ON US-CHINA RIVALRY

Mario Esteban and Cristina de Esperanza, Elcano Royal Institute, with the support of the authors

In 2020 the European Think Tank Network on China (ETNC) examined how European countries were positioning themselves amid the intensifying geopolitical rivalry between the US and China.¹ Five years on, the global and European landscapes have evolved significantly, notably due to the Covid-19 pandemic, Russia's war in Ukraine, and a disruptive second Trump Administration. As a result, European countries are increasingly compelled to navigate these tensions, which are reshaping global alignments, trade dynamics, and security frameworks. This has injected new dynamism into the ongoing debate on European strategic autonomy, as traditional US allies and partners in Europe reflect on how to constitute themselves as an autonomous strategic actor.

Following the first Trump Administration, the continuation of tensions with China during the Biden presidency further underscored the structural nature of the US-China rivalry. A series of strategic documents –including the *National Security Strategy* (2022) and the *Indo-Pacific Strategy* (2022)– confirmed the consensus in Washington that China's actions undermine US interests across multiple domains. Building on this assessment, the US continues to significantly expand export controls on sensitive and dual-use technologies, aiming to slow China's progress in critical areas such as semiconductors and AI.

However, while there was some continuity with the first Trump presidency, Biden's approach placed greater emphasis on working with allies. This shift facilitated renewed transatlantic coordination including through new frameworks such as the EU-US Trade and Technology Council (TTC), launched in June 2021. While the Biden presidency provided a period of relative stability in transatlantic relations, cooperation was not necessarily always smooth, as interests and approaches were not fully aligned. Additionally, points of friction remained, particularly over US industrial policies² and its unilateral imposition of export controls on advanced AI chips, including on some European countries.³ These measures revealed the negative impact of certain US decisions on European interests and underscored the challenges they pose for maintaining European unity.

The 2020 ETNC report observed that Beijing's growing assertiveness had prompted a reassessment of the EU and its Member States' approaches towards China. It was

1 M. Esteban, M. Otero, *et al.* Europe in the Face of US-China Rivalry: A Report by the European Think-tank Network on China (ETNC). Real Instituto Elcano. November 2021. <https://media.realinstitutoelcano.org/wp-content/uploads/2021/11/etnc-europe-in-the-face-of-us-china-rivalry.pdf>

2 J. Hayden. Von der Leyen calls for EU to 'adapt' state-aid rules in answer to US green subsidy scheme. Politico. 4 December 2022. <https://www.politico.eu/article/von-der-leyen-eu-state-aid-us-inflation-reduction-act/>

3 C. Powers. Biden divides EU with new AI chip export controls. Euractiv. 14 January 2025. <https://www.euractiv.com/section/tech/news/biden-divides-eu-with-new-ai-chip-export-controls/>

released shortly after the publication of *EU-China – A Strategic Outlook* by the European Commission and the European External Action Service (EEAS), which introduced the tripartite characterisation of China as simultaneously a partner, an economic competitor, and a systemic rival. In the years since, the balance among these three dimensions has shifted markedly. China's 'no-limits' partnership with Russia –signed just before Moscow's full-scale invasion of Ukraine in February 2022 and maintained since– has underscored the geopolitical dimension of this rivalry. As a result, the risks associated with growing dependencies on China are increasingly being reappraised. Concerns over the fairness of economic relations also persist. The data collected for this report shows that the trade imbalance between Europe and China has continued to widen over the past five years accompanied by growing scepticism towards Chinese diplomatic initiatives such as the Belt and Road Initiative (BRI). Despite these challenges, some chapters in this report reflect an enduring interest in economic engagement and cooperation with China on global challenges. However, the prevailing mood across Europe is one of caution, shaped not only by worsening tensions with China and the US, but also by a heightened sensitivity to Washington's expectations and the potential political costs of appearing too closely aligned with Beijing.

In 2020, we argued that neither the EU nor its Member States were equidistant between the two powers. This assessment remains valid despite the inauguration of the new Trump Administration. Most European countries maintain significantly deeper ties with the US across security, economic, and societal dimensions. However, the return of President Donald Trump has added new pressures to Europe's already delicate strategic positioning, not least because he has directed coercive measures against European countries. Trump has adopted a highly unpredictable approach to China, oscillating between overtures of cooperation and expressions of personal affinity with President Xi Jinping, and aggressive tariff escalations, such as the ones announced in the so-called 'Liberation Day' on 2 April 2025. This volatility has heightened European uncertainty not only about the reliability of the US as a partner in managing relations with China, but also on critical issues such as support for Ukraine and the future of the global trade regime, and the entire multilateral agenda.

Against this backdrop, the ETNC has dedicated its 10th annual report to reassessing how European capitals perceive and respond to the evolving US-China rivalry. Building on our 2020 analysis, this report looks into the approaches of 22 European countries, and the EU, with the aim of identifying the key variables that explain both change and continuity in their positions vis-à-vis the US-China strategic competition. Each chapter is written by China experts who set out to address the same array of questions with respect to their own country:

- (1) What is the state and direction of relations between the country, the US and China?
- (2) How is the country dealing with growing frictions between Washington and China?
- (3) To what extent might changes in political leadership affect the country's policies toward China and/or the US?

Essential ally, unsettling partner: the US and European security

European defence cooperation with the US has remained strong and has intensified among the countries covered in this report, reinforced by a heightened perception of US relevance for European security in the context of the war in Ukraine. In contrast, security and defence cooperation between European countries and China remains virtually non-existent. Not only is the EU arms embargo on China still in place, but recent developments have also brought forward debates on restricting transfers of dual-use technologies. Additionally, the perception that Beijing has enabled Russia's war efforts in Ukraine has raised concern in European capitals about China's impact on European security. The alleged involvement of Chinese actors in the sabotage of seabed cables and pipelines in the Baltic Sea has further reinforced these concerns.⁴

A notable development took place in April 2023 and March 2024, when Finland and Sweden officially joined NATO, ending their long-standing policy of military non-alignment and reflecting broader adjustments in regional security dynamics. Besides these striking examples, many EU Member States have similarly expanded military cooperation with the US. Hungary agreed to designate Kecskemét and Pápa Air as facilities for US use; Slovakia signed a Defence Cooperation Agreement (DCA) with the US in 2022 and Denmark, Sweden and Czechia did the same in 2023; and US troops were deployed in Latvia and Estonia following the 2022 NATO Madrid Summit. In Spain, the US committed to increase from four to six the number of destroyers stationed at Rota's Naval Base under a bilateral agreement announced at the same summit.⁵ In 2024, the Redzikowo missile defence site in Poland was officially inaugurated and handed over to NATO command, completing a project initiated under the Obama Administration in 2009. The port of Alexandroupolis in northern Greece has become a major logistics hub for NATO's eastern flank. Procurement of US military equipment has likewise increased. Czechia signed its largest-ever arms contracts with the US, while the Netherlands sourced 97% of its arms imports from the US between 2020 and 2024 –up from 76% in the previous five-year period—.⁶

This deepening of transatlantic defence ties has taken place alongside a growing European interest in the Indo-Pacific. The importance of the region has continued to increase in the European debate. A few countries have adopted Indo-Pacific strategies France (2018 and updated in 2020), Germany (2020), the Netherlands (2020), the

4 M. Bryant. Sweden seeks clarity from China about suspected sabotage of undersea cables. *The Guardian*. 28 November 2024. <https://www.theguardian.com/world/2024/nov/28/sweden-seeks-clarity-from-china-about-suspected-sabotage-of-undersea-cables>

5 Reuters. U.S. to add 2 destroyer ships in southern Spain. Reuters. 8 May 2023. <https://www.reuters.com/world/europe/us-add-2-destroyer-ships-southern-spain-2023-05-08/>

6 P.D. Wezeman, A. Fleurant, A. Kuimova, D.L. da Silva, N. Tian, and S.T. Wezeman. *Trends in International Arms Transfers*, 2019. Stockholm International Peace Research Institute (SIPRI). March 2020. https://www.sipri.org/sites/default/files/2020-03/fs_2003_at_2019.pdf; M. George, K. Djokic, Z. Hussain, P.D. Wezeman, and S.T. Wezeman. *Trends in International Arms Transfers*, 2024. Stockholm International Peace Research Institute (SIPRI). March 2025. https://www.sipri.org/sites/default/files/2025-03/fs_2503_at_2024_0.pdf

EU (2021), Czechia (2022), Lithuania (2023), and Sweden (2024), while the previous UK government put forward an 'Indo-Pacific tilt' (2021). While the US-China strategic rivalry forms an important backdrop to this debate, the adoption –or absence– of such frameworks should not be understood solely through this lens. These choices are also shaped by the economic attractiveness of the Indo-Pacific, national foreign policy priorities, resource constraints, and a broader recognition of the region's geoeconomic and geopolitical importance. At the same time, countries such as Spain and Italy feel represented by the EU's Indo-Pacific strategy. Italy, for instance, issued a brief policy document in 2022 titled *The Italian Contribution to the European Strategy for the Indo-Pacific*, framing its engagement within the broader EU context. Despite the lack of formal Indo-Pacific strategies, Italy and Spain have made some efforts to increase their visibility in the region, including through engagement in security dialogues and participation in joint naval exercises. While these actions demonstrate a degree of interest, they remain largely symbolic and often serve broader objectives, such as supporting their defence industries.

The war in Ukraine has intensified transatlantic security cooperation and increased awareness of the growing interconnections between the Euro-Atlantic and Indo-Pacific strategic theatres. However, the return of Donald Trump to the White House casts a shadow over this momentum. While his open hostility towards the EU and the unpredictability he brings to transatlantic cooperation are not new, Trump now presents a more direct challenge to European security. His erratic foreign policy behaviour, including regarding his claims over Greenland and shifting stance on Ukraine illustrate this disruptive role. In response to both this uncertainty and unprecedented security threats, Europe is increasingly reassessing its security posture. This includes renewed momentum behind EU-level initiatives such as ReArm Europe Plan/Readiness 2030 initiative to strengthen and finance European defence.

Fragile continuity in economic relations

In our 2020 report, we noted that the only area in which the EU's economic links with China were significantly stronger than with the US was goods imports, a pattern that largely persists. The economic data collected for this report⁷ shows that economic ties with the US have remained stable, both in trade and investment. In contrast, the EU's trade deficit with China has widened, whereas investment relations with Beijing remain limited and uneven. While the data presented here reflects overall continuity in economic relations, this stability may be constrained by the ongoing impact of Trump's economic policies and the emerging European economic security agenda. Although these trends are yet to materialise, they have the potential of disrupting established economic dynamics.

⁷ This Introduction uses trade data from UN Comtrade; investment figures come from OECD and Eurostat. Data was retrieved October-November 2024. Discrepancies may exist between these figures and the official data published by each country. Chapters may rely on different sources to complement this data.

On average, the share of trade in goods between the EU and the US has remained relatively stable over the past five years, with a 5% decline in the share of EU exports to the US and no significant change in the share of imports from the US. Nevertheless, in absolute terms, both imports and exports have increased, for the EU as a whole (15% and 13% respectively), as well as for most countries. In Germany, the US overtook China in 2024 to become the country's largest trading partner for the first time in nearly a decade. The US is also the largest non-EU trade partner for Sweden. Some countries, such as Denmark, Portugal, Slovakia, Sweden and Hungary, have seen notable increases in the share of their exports to the US. In Portugal, the US is now the fourth-largest export destination outside the EU. Since 2018, all countries except Estonia and Latvia have increased the absolute value of their exports to the US, with Germany leading at USD 171.65 billion, followed by Italy and the UK, with USD 72.7 and USD 71.9 billion respectively.

Similarly, several countries have seen a significant increase in the share of imports from the US. Lithuania stands out, with its share rising by 392% since 2018—though US imports still account for just 6.4% of its total—. Poland, Greece, Spain and Denmark also registered notable growth, with the value of imports from the US doubling or nearly doubling between 2018 and 2023. While increases in the Netherlands and the UK have been more modest, both countries maintain some of the highest shares of US imports among those surveyed, at 10.4% and 12.5% respectively—only behind Ireland, whose share slightly declined but still remains the highest overall at 15.6%—. In absolute terms, the biggest importers of US goods are Germany (USD 100.96 billion), the UK (USD 94.93 billion) and the Netherlands (USD 68.99 billion).

The trade imbalance between Europe and China has continued to widen over the past five years. Between 2018 and 2023, the share of EU exports to China declined by 19%, while imports from China increased by 3%. Although the US remains a more important export destination than China for all countries surveyed, China continues to rank ahead of the US as a source of goods imports for most, with the exceptions of Belgium, Ireland, the Netherlands, and Lithuania. While the value of exports to China increased in most countries, only six—Slovakia, Ireland, the UK, the Netherlands, Estonia and Italy—registered an increase in the share of their exports to China over this period. In terms of export value, of the countries covered by this report, Germany remains by far the leading European exporter to China, with USD 105.95 billion in exports—well ahead of the UK, the second-largest exporter at USD 34 billion—. The sharpest declines in export share were observed in Greece (where the share of exports to China dropped by 72% and the absolute value fell by 60%), Slovenia, Lithuania and Hungary, although in each case, exports to China accounted for less than 3% of total national exports.

On the import side, the trend has been predominantly upward across Europe both in the share and value of imports. In absolute terms, Germany and the UK remained the largest importers, with imports valued at USD 172 billion and USD 99 billion, respectively. Slovenia recorded the most significant increase, with the share of Chinese imports rising from 6.2% to 15.7% of its total imports—equivalent to a 327% increase in the absolute value—. However, a few exceptions stand out. Three countries—France, Denmark and

the Netherlands– experienced a decline in the share of imports from China. Among them, France registered the sharpest decline, with its share falling by 36% and, notably, it was the only country where the absolute value of Chinese imports also decreased by 24%. It was the only case where the trade deficit with China also narrowed. This trend is consistent with France’s leading role in promoting EU’s de-risking efforts and level playing field in its trade relations with China. In Denmark and the Netherlands the share of imports from China declined by 14% and 6% respectively; however, in both cases the absolute value of imports still grew, albeit at the slowest pace among the countries surveyed.

With the exception of France, the trade imbalance with China has widened for all countries surveyed and more sharply for Slovenia, Germany and Belgium. Although in 2023 both Germany and Belgium’s trade deficit dropped from their 2022 peak, it is substantially higher than in 2018. For the EU, the persistent trade deficit in goods with China –amounting to USD 316.63 billion as of 2023– constitutes a significant irritant in bilateral relations. The EU’s trade deficit with China is currently offset by a large surplus with the US. If Trump’s trade policies reduce that surplus, the EU may lose this cushion, exacerbating tensions with China unless Beijing adopts a more open trade stance.

Figure 1: Evolution of European trade value in goods with China and the US 2018-2023

Trade in goods is shown as a percentage of each country’s total exports and imports, with the sparkline illustrating the overall evolution between 2018 and 2023. The change (%) reflects the variation in this share over the same period.

Country	CN Exports (% of total)	Change CN exports (%)	US Exports (% of total)	Change US exports (%)	CN Imports (% of total)	Change CN imports (%)	US Imports (% of total)	Change US imports (%)
Austria	2.7	-6	7.1	1	5.8	28	3.8	3
Belgium	1.9	-8	5.8	21	2.4	41	5.4	24
Czechia	1.3	-20	2.1	10	14.1	25	2.5	12
Denmark	2.9	-15	4.4	-5	7.1	-14	2.8	57
EU	10.7	-19	20.5	-5	19.9	3	13.5	0
Estonia	1.2	10	6.9	-61	8.4	10	1.8	56
France	4.3	-5	8	-11	9	-36	6.3	-11
Germany	7.1	-12	8.6	17	9.8	20	6.1	13
Greece	2.7	-72	4.1	2	6.5	29	1.2	50
Hungary	1.9	-36	2.9	31	5.4	21	1.8	11
Ireland	3.3	37	28	-1	5.8	33	18.6	-16
Italy	2.8	9	9.1	18	7.3	11	3.7	16
Latvia	1.3	-25	4	-35	3.1	21	1.7	-41
Lithuania	0.7	-45	5	-4	2.8	38	1.3	392
Netherlands	2.4	11	4.6	9	8.9	-6	7.7	35
Poland	1	-14	2.8	11	11.6	6	2.8	61
Portugal	1.1	-13	4.9	37	3.1	58	1.8	17
Romania	1.1	-16	2	15	5.3	4	1.1	0
Slovakia	1.7	54	3.3	36	6	24	1	30
Slovenia	1	-53	1.8	-22	6.2	152	3	-43
Spain	2.1	-11	4.4	7	8.1	25	4	63
Sweden	4.6	-22	6.4	34	5.3	6	2.7	37
UK	5.6	17	13.4	3	9.4	33	9.4	33

Table: Eucano Royal Institute • Source: UN Comtrade • Created with Datawrapper

Regarding foreign direct investment (FDI), the US remains the leading partner compared with China across all the countries surveyed. As of 2022 the US was the leading source of foreign investment in the EU, with 16.8% of total FDI stock, and the leading destination of outbound investment from the EU, at 15.5%. The US was the first destination and origin of FDI for Spain, Denmark, France, Ireland and the UK, with Ireland (39.2%) and the UK (31.7%) registering the highest shares of US inward investment. Lithuania has seen a dramatic surge in outward FDI stock to the US, rising from just 0.3% to 40.4% of its total outward investment stock (an increase from USD 13 million to USD 4.8 billion) –by far the sharpest increase among the countries surveyed–. This remarkable shift is likely linked to China's coercive economic measures against Lithuania, which prompted a reorientation of its investment and trade flows.

In contrast, China's FDI presence remains more limited. Hungary is the country surveyed with the highest share of Chinese inward investment (5%), followed by Greece (4.2%) and more distantly by the Netherlands (2.1%). In absolute terms, Chinese investment Hungary saw the largest increase, rising by 174% from USD 2.22 billion to USD 6.98 billion. As of 2020 –the most recent year for which comparable data is available across all countries–, the Netherlands, the UK and Germany accounted for the highest amounts of Chinese investment in absolute terms, with approximately USD 58 billion, USD 32 billion and USD 18 billion respectively.

Regarding outward investment to China, the Netherlands and France are the two largest European investors, with total stocks of approximately USD 65 billion and USD 46.9 billion, respectively. In terms of the share of total outward FDI, the countries with the highest are Germany (5.9%), Denmark, the UK and Greece (all around 5.5%). However, trajectories vary over their respective periods surveyed: Danish and UK outward investment has increased both in absolute terms and as a share of their total FDI, while Greece's investment has decreased in recent years. Not surprisingly, however, the biggest decline in outward investment comes from Lithuania, from USD 52 million to USD 6 million.

Figure 2: Evolution of European FDI (stock) position with China and the US, % of total, 2017-2022

FDI stock positions with China and the US are shown as shares of total FDI. Change (%) refers to the variation in this share over the period. Total FDI difference (pp) shows the combined change in inward and outward FDI, in percentage points. CN-US difference (pp) reflects the 2022 gap between FDI with China and the US (2021 for the UK, Germany, Romania; 2020 for the Netherlands).

Country	CN inward FDI (% of total)	Change CN inward (%)	CN outward FDI (% of total)	Change CN outward (%)	Total FDI difference (pp)	US inward FDI (% of total)	Change US inward (%)	US outward FDI (% of total)	Change US outward (%)	Total FDI difference (pp)	CN - US FDI Share 2022 (pp)
Austria	2.3	-19	2.7	34	0.2	8.4	-24	7.1	40	-0.2	-4.5
Belgium	1.1	-31	1.2	43	0.1	0.9	308	2.7	-162	1.0	-2.1
Czechia	0.9	-16	0.8	436	-0.0	6.6	-23	3.2	1,146	-1.1	-4.0
Denmark	1.7	-5	5.5	75	1.5	25.7	-21	16.9	40	0.7	-14.1
Estonia	0.3	-8	1	163	0.1	2.7	207	3.9	157	4.6	-6.7
EU	1.4	18	2	22	0.4	13.7	22	15.5	9	2.4	-14.2
France	2.1	-17	2.6	-9	-0.3	17.5	-5	16.7	1	-0.2	-14.4
Germany	1.9	-10	5.9	-1	0.0	22.6	-5	19	8	0.4	-15.4
Greece	2.6	61	0.2	-98	-2.8	3.1	55	5.3	-57	-1.6	-1.7
Hungary	2.4	114	0.1	-38	1.8	11.9	-28	4.1	106	-1.8	-3.7
Ireland	0.9	47		0	0.0	31.8	23	25.7	141	11.1	
Italy	1.4	-10	3.3	22	0.3	10.9	-7	11.1	59	2.0	-8.3
Latvia	0.4	-19	0	0	-0.1	1	28	1.2	-70	-0.1	-0.9
Lithuania	0.2	-25	0.1	-96	0.0	5.1	274	40.4	12,538	20.3	-24.4
Netherlands	1.6	31	1.8	20	0.4	14.4	37	12.4	-9	2.9	-13.6
Poland	0.5	20	1	255	0.2	10.6	-18	2	-28	-1.9	-7.3
Portugal	1.7	15	0	-56	0.2	1.2	44	1.8	7	-0.7	-2.3
Romania	0.2	67	0.1	-63	0.1	1.5	-26	0.9	27	-0.4	-0.9
Slovakia	0.1	135	1	-15	0.0	0.4	5	0.4	58	0.1	-0.3
Slovenia	0	0	1.5	79	0.2	12.8	-26	2.7	185	0.3	-7.0
Spain	0.6	15	1	3	0.0	12.3	19	15	-6	0.3	-14.0
Sweden			2.7	-25	-0.9	7.9	-2	21.4	53	3.2	
UK	1.6	-26	5.5	-12	-0.7	27.4	16	29	38	6.1	-27.3

Due to data unavailability for some countries, the reference period varies: for Germany and Romania, data covers 2017–2021; for the UK 2018–2021; for Ireland 2018–2022; for Denmark, 2020–2022; and for the Netherlands, 2017–2020. Data on China does not include Hong Kong for Romania, Portugal, Lithuania and Slovakia. OECD (BMD4), data retrieved Oct–Nov 2024. % was calculated based on FDI positions (total) in USD, all economic activities, for the period 2017–2022. Data on China include Hong Kong. For Bulgaria, Romania, and the EU aggregate, source: Eurostat (BPM6), with SPEs excluded. % was calculated based on the net inward and outward FDI positions in EUR, based on immediate counterpart, across all FDI activities.

Table: Elicano Royal Institute • Source: OECD and Eurostat • Created with Databinder

A European economic security agenda in the making

Economic security has become increasingly salient in the European debate. The Covid-19 pandemic and the resulting disruption of global supply chains heightened awareness of the risks posed by strategic dependencies. These concerns have only intensified with Russia's invasion of Ukraine and more recently Trump's fixation reducing the large US deficit by introducing tariffs. In response, the European Commission launched its *Economic Security Strategy* in June 2023, aiming to foster a more active and coordinated EU-level approach.⁸

Across the countries surveyed in this report, there are varying positions regarding China and the broader economic security agenda. While many European governments are reassessing their economic relations with China in response to rising concerns over strategic dependencies and geopolitical risks, others remain ambivalent, disengaged, or openly dismissive of economic security as a policy priority. The coercive economic measures imposed by China on Lithuania (2021-2022) served as a wake-up call, not only for Vilnius but across the EU, speeding the adoption of the EU's the *Anti-Coercion Instrument* (ACI). France has taken a leading role in promoting de-risking and a broader economic security agenda. These concerns are also reflected in Austria's 2024 *National Security Strategy*, which emphasises the need to reduce critical dependencies, and in the proliferation of economic security measures across the EU. In Germany, a more critical posture is also emerging, particularly in sensitive areas such as scientific collaboration and technological infrastructure. At the other end of the spectrum, Hungary has rejected the notion of de-risking altogether, while Slovakia, under the Fico government since October 2023, has dismissed security concerns and prioritised (potential) infrastructure cooperation with China. In the middle, Greece and Romania have shown little engagement with the economic security agenda.

Economic security concerns are increasingly shaping policy debates across a range of strategic domains, including engagement with the BRI, 5G regulation and infrastructure, and the more recent discussions on dual-use export controls and outbound foreign direct investment (OFDI). European positioning across these areas reflects some degree of scepticism towards Beijing, but forms part of a broader reassessment of Europe's strategic dependencies and vulnerabilities –not only in relation to China–.

Reassessing Europe's engagement with the Belt and Road Initiative

Engagement with the BRI has declined significantly since the publication of the 2020 ETNC report, signalling growing disillusionment with the initiative and a widespread perception that it has failed to live up to initial expectations. This shift is also tied to

⁸ For a detailed discussion on de-risking see: P. Andersson and F. Lindberg (lead eds.). *National Perspectives on Europe's De-risking from China*. European Think-tank Network on China. 28 June 2024. <https://kinacentrum.se/en/publications/national-perspectives-on-europes-de-risking-from-china/>

Europe's evolving economic security concerns. The BRI is increasingly observed through a security lens, particularly due to its focus on strategic infrastructure and the view that it serves as a vehicle for expanding Chinese geopolitical influence.

As a result, many European governments have become more cautious about China's flagship initiative. In 2019, most European countries covered in the 2020 ETNC report sent high-level delegations to the Second Belt and Road Forum for International Cooperation in Beijing. Of the 18 countries surveyed in the 2020 ETNC report, 14 were represented by either a head of state or government, or a minister. By 2023, however, only two countries –Greece and Hungary– sent high-level delegations, and only Hungary maintained its previous level of participation. Greece, which had been represented by its prime minister in 2019, downgraded its presence to ministerial level.

This disengagement is also visible in the growing number of countries withdrawing from the initiative or allowing their BRI Memoranda of Understanding (MoUs) to end. Italy is the most prominent example, formally disengaging from the BRI after its MoU expired in December 2023. Estonia and Lithuania, which had signed MoUs in 2017, also chose not to renew them after their expiration in 2022. Latvia and Romania have similarly allowed their MoUs to become inactive. Other countries, such as Slovakia and Portugal, still maintain active MoUs, signed in 2015 and 2018 respectively as these agreements did not provide a timetable for expiration or renewal. In Poland's case, the 2015 MoU remains formally in force, as it was automatically renewed, but it is effectively inactive, with no substantive activity or dialogue underway. Slovenia and Greece both signed MoUs with the BRI in 2017 and 2018, respectively but the agreements were never made public. In Slovenia's case, the Chinese embassy has stated that the MoU remains valid as of spring 2025, though this has neither been publicly acknowledged nor problematized. In the case of Greece, it remains unclear whether the MoU is still in force. If it follows the five-year duration model, as in Italy's case, it may have expired in 2023 –though no public debate emerged on the matter–.

Figure 3: Engagement with the Belt and Road Initiative (BRI)

Level of participation at the Third Belt and Road Forum (2023), as well as the status of their Memorandum of Understanding (MoU) with China.

■ High-level official
 ■ Lower rank official
 ■ No information
 ■ No official delegation sent
 Inactive BRI MoU
 Active BRI MoU



This chart visualizes the positions of individual European countries surveyed in the report. The EU's approach (no MoU, no official delegation sent) cannot be displayed spatially on the map. Description of categories: High-level official: attendance by a prime minister, president, or minister. Lower-rank official: representatives below ministerial level. No official delegation sent: no delegation formally designated for the forum, though embassy staff may have attended. No information: no publicly available data on participation. Active BRI MoU refers to agreements with China that remain in force and produce tangible outcomes. Inactive BRI MoU includes agreements that have been terminated, expired, or formally remain in place but are no longer delivering concrete results. No pattern: no BRI MoU.

Map: Elcano Royal Institute • Source: compiled by authors • Created with Datawrapper

Toughening on 5G

The 2020 ETNC report observed that most European countries had already begun tightening their regulatory frameworks regarding the presence of Chinese providers in their 5G networks. Five years on, this trend has taken clearer shape. While some countries have adopted explicit bans –such as Romania, Sweden and Lithuania– most countries prefer a more cautious or indirect approach. Hence, a tighter regulatory framework remains the dominant model across much of Europe, even if outcomes are uneven.

In some cases, regulations are lax and allow for some level of involvement of and cooperation with Chinese providers. For instance, in Austria, Chinese companies are partnering with Austrian companies to provide 5G technology. Huawei is also building a factory for 5G kit in France, which is expected to become operational in 2025/26. Ireland, despite introducing stricter regulation, made concessions following lobbying from Huawei. In 2023, the Irish government revised wording in its telecoms bill, replacing the term ‘high-risk vendor’ with ‘relevant vendor’, aiming to mitigate negative economic impacts and ease bilateral tensions.⁹

By contrast, several countries have implemented de facto bans without necessarily codifying them as explicit exclusions. In the UK, for instance, the government has ordered Huawei’s presence to be removed by 2027. Denmark has also tightened its regulatory framework in a way that effectively excludes Chinese vendors. In Germany, a more decisive stance was taken in 2024, when the government and mobile network operators agreed to remove components from Huawei and ZTE by 2029. Notably, however, despite such a shift, Germany is among the European countries surveyed with most significant presence of Chinese providers, together with Czechia, Austria and Hungary. Moreover, the final version of Germany’s coalition agreement softened its language on the need for ‘trustworthy providers’, reflecting a potential shift in Berlin’s position towards Huawei and ZTE.¹⁰ This patchwork of approaches underscores the enduring tension between national security concerns, pressures from the US and economic or technological considerations in Europe’s 5G landscape.

9 Seanad Éireann. Communications Regulation and Digital Hub Development Agency (Amendment) Bill 2022 [Dáil Bill Amended by the Seanad], No. 86b of 2022. Houses of the Oireachtas. 2023. <https://data.oireachtas.ie/ie/oireachtas/bill/2022/86/seanad/6/amendment/creamList/eng/b86b22d-cl.pdf>. The Irish Times. ‘Last-minute concession to telecoms firms after Chinese criticism of new law’. The Irish Times. 13 February 2023. <https://www.irishtimes.com/politics/2023/02/13/last-minute-concession-follows-chinese-criticism-of-telecoms-bill-enabling-bans-from-irish-networks/>

10 N. Barkin. Watching China in Europe—May 2025. German Marshall Fund of the United States. 1 May 2025. <https://www.gmfus.org/news/watching-china-europe-may-2025>

■ Chinese Equipment Explicitly Banned
 ■ Explicit/Implicit Authorization Chinese Equipment
 ■ Tighter Regulatory Framework

▨ Minor role of Chinese providers
 ≡ Significant role of Chinese providers



Map: Elcano Royal Institute • Source: Compiled by authors • Created with Datawrapper

Moving forward with the economic security agenda

Certain aspects of the economic security agenda, such as 5G, have prompted tighter regulation and increased oversight across Europe. However, the broader agenda remains a work in progress. Public debate on several key dimensions is still limited, and significant gaps persist in both the understanding of the challenges and the design of effective policy tools to address them. Moreover, the level of political attention and priority given to economic security varies substantially across European countries.

In particular, the European approach to dual-use export controls and OFDI reflects an ambiguous and fragmented landscape. As part of its efforts to strengthen the EU's economic security framework, the European Commission published a White Paper on Export Controls in January 2024, proposing new actions to improve the effectiveness and coherence of the existing system. In 2025, it followed up with a recommendation urging Member States to review OFDI by companies operating in non-EU countries. This process remains ongoing, with Member States expected to submit a progress report by July 2025 and a comprehensive implementation report, including risk assessments, 2026.¹¹

National approaches to OFDI remain mixed. Spain, for instance, has taken new regulatory steps, establishing procedures for declaring foreign investments and submitting annual reports.¹² By contrast, France is generally sceptical of the utility of OFDI mechanisms and opposes EU involvement, viewing this area as a national competence. More broadly, the overall picture remains unclear, as national-level debate has been modest and many governments display ambivalence or scarce engagement. Regarding dual-use export controls, national positions are similarly diverse but generally more aligned than on OFDI. Several countries –including Austria, France, Denmark, Lithuania, Spain and Italy– support strengthening export control frameworks. Notably, Lithuania, Spain, the Netherlands and Italy have gone a step further by adopting national control lists that extend beyond the scope of the EU Dual-Use Regulation, indicating a more proactive stance.¹³ By contrast, others have shown limited enthusiasm, reflecting a more cautious or reserved approach.

Overall, despite growing support for de-risking, most European countries continue to acknowledge the strategic importance of access to Chinese markets and supply chains and remain hesitant to transfer too much authority to Brussels. This cautious approach is particularly evident in countries such as France and Sweden. While Sweden has reinforced its legal framework for dual-use export controls in 2022 and has actively participated in EU-level discussions aimed at improving the export control regime,

11 European Commission. Commission calls on Member States to review outbound investments and assess risks to economic security. 15 January 2025. https://ec.europa.eu/commission/presscorner/detail/en/ip_25_26

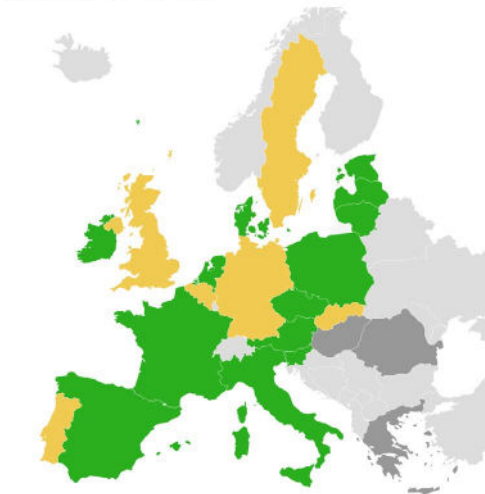
12 Ministerio de Economía, Comercio y Empresa. Declaraciones de inversiones exteriores. Accessed 4 June 2025. https://comercio.gob.es/es-es/inversiones_exteriores/declaraciones_inversion/Paginas/default.aspx

13 European Commission. White Paper on Export Controls. 24 January 2024. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A52024DC0025#footnoteref22>

it has expressed ambivalence towards adopting additional measures proposed by the European Commission –reflecting broader concerns about preserving national discretion in sensitive areas of economic policy–.

Figure 5: Attitudes towards strengthening dual use export restrictions

■ Ambivalent ■ In favour ■ No information

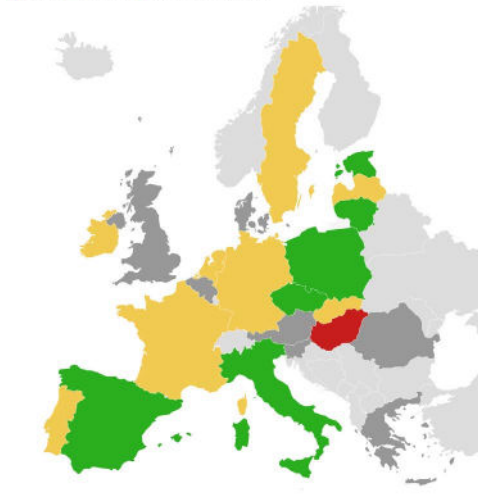


This chart visualizes the positions of individual EU Member States. The EU's position is in favour, but it cannot be displayed spatially on the map. Description of categories: In favour: explicit support for strengthening export control measures. Ambivalent: mixed views, or a cautious approach. Against: open opposition to tightening export controls. No information: absence of a publicly stated position.

Map: Elcano Royal Institute • Source: compiled by authors • Created with Datawrapper

Figure 6: Attitudes towards strengthening controls on outward FDI

■ Against ■ Ambivalent ■ In favour ■ No information



This chart visualizes the positions of individual EU Member States. The EU's institutional position is in favour, but it cannot be displayed spatially on the map. Description of categories: In favour: explicit support for strengthening controls on outward FDI. Ambivalent: mixed views, or a cautious approach supporting certain aspects while showing caution on others. Against: open opposition to introducing such controls. No information: absence of a publicly stated position.

Map: Elcano Royal Institute • Source: compiled by authors • Created with Datawrapper

Moving towards greater strategic autonomy

Over the past five years, the debate around European (open) 'strategic autonomy' has continued to evolve, largely driven by Russia's invasion of Ukraine and now accelerating further with the return of Donald Trump to the US presidency. Spain played an active role in advancing this agenda during its presidency of the Council of the EU. At the informal meeting of EU Heads of State and Government in Granada in October 2023, the 27 leaders issued the Granada Declaration, recognising the need to advance a 'strong, dynamic, competitive and cohesive Europe in a changing world.'¹⁴ On that occasion, Spain introduced the non-paper *Resilient* EU 2030 aimed at contributing to the development of a comprehensive, balanced, and forward-looking approach to reinforce the EU's open strategic autonomy.¹⁵ The emphasis on 'openness' builds on a prior joint non-paper with the Netherlands and reflects a continued commitment to multilateralism, international cooperation and proportionality.¹⁶

¹⁴ European Council. The Granada declaration. 6 October 2023. <https://www.consilium.europa.eu/en/press/press-releases/2023/10/06/granada-declaration/>

¹⁵ Gobierno de España. Resilient EU2030. 15 September 2023. <https://futuros.gob.es/sites/default/files/2023-09/RESILIENTEU2030.pdf>

¹⁶ Spain and the Netherlands. Spain-Netherlands Non-Paper On Strategic Autonomy While Preserving An Open Economy. 25 March 2021. <https://www.rijksoverheid.nl/documenten/publicaties/2021/03/25/spain-netherlands-non-paper-on-strategic-autonomy-while-preserving-an-open-economy>

Although the debate lacks a clear definition, by European strategic autonomy, we refer not only to EU initiatives but more broadly to the idea that the EU, and geopolitically aligned countries in Europe, should reduce its reliance on external powers across key areas –including security, technology and economic resilience– while maintaining openness and cooperation with international partners. In this context, recent geopolitical developments have injected new momentum into efforts to enhance European coordination. This is evident in the Franco-British leadership of coalitions of the willing supporting Ukraine, as well as in the recent reset of EU-UK relations, which led to the conclusion of a Security and Defence Partnership affirming that ‘the UK and the EU share a responsibility for the security of Europe.’¹⁷

Since the 2020 ETNC report, Austria, France, Germany, the Netherlands and Spain have maintained their support for European strategic autonomy. Denmark not only abolished its defence opt-out from the EU’s Common Security and Defence Policy in 2022, but has also shown increasing support for strategic autonomy. Portugal and Latvia have also moved in favour of European strategic autonomy, particularly in response to the shifts in US foreign policy under Trump. The Greek government has been vocal in advocating joint European defence capabilities as well as the inclusion of security and defence in the European Investment Bank’s list of strategic priorities. Sweden and Czechia remain ambivalent but have gradually warmed their stance on strategic autonomy. Lithuania, previously sceptical towards this concept, is now showing signs of a more ambivalent stance in the context of Trump’s return to power.

The growing support for greater European strategic autonomy should be interpreted with caution. The European stance largely reflects a desire to push forward EU strategic initiatives without undermining the alliance with the US. This is the case with Ireland which maintains a cautious strategic stance due to close economic and security relationships with the US. Additionally, some countries have maintained their scepticism or even reversed course. In Italy, both the Draghi and Meloni governments have maintained strong ties with Washington and are wary of straining transatlantic relations by endorsing a strategic autonomy agenda. In Hungary, Orbán has said that theoretically he supports Europe’s strategic autonomy, but only if that means the autonomy of the Member States and not of a federal EU.

The analysis also reveals distinct subregional dynamics in European approaches to strategic autonomy. In Southern and Western Europe support remains strong and consistent, with countries such as Austria, France, Germany, the Netherlands and Spain maintaining a firm commitment to the agenda. The UK, with its own post-Brexit realities, and Ireland adopt a more cautious stance, given their strong Atlanticist orientation. The Nordic and Baltic countries also show a slight trend towards greater support: Denmark, Latvia, Lithuania and Sweden reflect increased engagement with this idea amid evolving regional security concerns. In Central and Eastern Europe, ambivalence is the most prevalent stance, and positions have remained relatively stable. It should be noted that Hungary and Italy are the only countries where support for strategic autonomy is decreasing as a manifestation of the strong rapport that Meloni and Orbán are cultivating with Trump.

17 EU and the UK. EU-UK Security and Defence Partnership. 19 May 2025. https://www.eeas.europa.eu/eeas/eu-uk-security-and-defence-partnership_en

Figure 7: Approach to the concept of "strategic autonomy"

Support for the concept of European strategic autonomy by country, compared to the 2020 ETNC report. The Change column reflects shifts in stance, either across or within categories

Country	ETNC 2020	ETNC 2025	Change
Austria	In favour	In favour	↔
Belgium		In favour	↑
Czechia	Ambivalent	Ambivalent	↑
Denmark	Ambivalent	In favour	↑
Estonia		Ambivalent	↑
EU		In favour	↔
France	In favour	In favour	↔
Germany	In favour	In favour	↔
Greece	Ambivalent	In favour	↑
Hungary	In favour	Ambivalent	↓
Ireland		Ambivalent	↔
Italy	In favour	Ambivalent	↓
Latvia	Ambivalent	In favour	↑
Lithuania		Ambivalent	↑
Netherlands	In favour	In favour	↑
Poland	Ambivalent	In favour	↑
Portugal	Ambivalent	In favour	↑
Romania	Ambivalent	Ambivalent	↔
Slovakia	Ambivalent	Ambivalent	↔
Slovenia		In favour	↑
Spain	In favour	In favour	↔
Sweden	Ambivalent	Ambivalent	↑
UK	Ambivalent	Ambivalent	↑

The Change column reflects recent shifts in national positions, either compared to the 2020 ETNC report or, for countries not previously covered, based on recent developments in public and policy debates. In favour indicates explicit support for the idea. Ambivalent refers to mixed views or a cautious, conditional approach—supporting certain aspects while expressing reservations about others. Against denotes open opposition to the concept, and Blank spaces indicate countries not represented in the ETNC 2020 report.

Table: Elcano Royal Institute • Source: compiled by authors • Created with [Datawrapper](#)

Europe in the face of US-China rivalry, five years on

As tensions between Washington and Beijing worsen and become entangled with other global crises, European countries navigate an increasingly complex and uncertain terrain. This introduction has highlighted some continuity with the trends identified in the 2020 ETNC report. At the time, we noted that China's growing assertiveness was already prompting a strategic re-evaluation across Europe, a dynamic that has only become more pronounced in the wake of Russia's full-scale invasion of Ukraine. While this reassessment is not entirely uniform across the continent, it is evident in the growing disillusionment with initiatives such as the BRI and a broader reconsideration of Europe's economic ties with China, even if this shift has not yet clearly materialised in the data on trade and investment figures. The US also remains the key partner for most European countries, with important developments in the field of security, even though Washington is increasingly viewed as a disruptive actor in the European economic and security landscapes. Although the effects of US economic policies are not yet observable in the data, they hold the potential to significantly disrupt existing patterns of economic cooperation.

In navigating US-China tensions and broader geopolitical challenges, there is a growing push across Europe for greater strategic autonomy. This report finds increasing convergence around the idea that Europeans should reduce their reliance on external powers, a shift reflected in the wider traction the concept of strategic autonomy has gained compared to the last ETNC report on this topic. However, the practical implementation of this principle remains challenging. The difficulties in articulating a coherent economic security agenda exemplify the broader problem of translating these ambitions into actionable policy frameworks. While meaningful progress has been made in some domains, others still lack clear definitions, coherent instruments and sustained public debate, reflecting differing national priorities and positioning vis-à-vis China and the US.

Moving forward, European countries will continue to navigate a complex set of factors: managing their relationships with China, responding to the demands and expectations of the transatlantic alliance, and advancing their national foreign policy priorities. These competing pressures are particularly evident in the balancing act many have faced on issues discussed in this chapter, such as 5G regulation and the adoption of Indo-Pacific strategies. As US-China tensions deepen, these dynamics will remain central to shaping Europe's positioning in the evolving rivalry between the two powers.

This introduction and the accompanying national chapters were last updated on 30 May 2025. The trends outlined here draw on insights from the national chapters to highlight broad developments in the Europe's positioning vis-à-vis the US and China. Readers are encouraged to explore the full set of country analyses for a more detailed understanding of the diverse national contexts and evolving policy responses.

EU: INCREASED US
HOSTILITY OPENS
WINDOW FOR WARMER
EU-CHINA RELATIONS



EU: INCREASED US HOSTILITY OPENS WINDOW FOR WARMER EU-CHINA RELATIONS

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Over the past five years, the EU's approach to the US-China rivalry has evolved, with tensions now extending to the US itself. Initially focused on trade reciprocity, the EU's China strategy has shifted to de-risking and economic security, balancing competitiveness with green transition goals. Meanwhile, EU-US relations have worsened under Trump, with trade disputes, military tensions, and no cooperation on climate policy and the multilateral agenda. As the US pursues decoupling from China, the EU seeks a more independent global position, cautiously engaging with China while diversifying partnerships to reduce reliance on an increasingly unpredictable US.

US and China: partners, competitors and rivals to the EU?

The world in 2025 is dramatically different to that in 2020, when the ETNC published its last report on this topic. However, indications of the trends that would lead to where we are today were already visible five years ago. Throughout 2016 to 2020, the years of the first Trump administration, the rivalry with China had become the obsession of US foreign policy, and viceversa, thus unleashing a downward spiral. Partly as a consequence, in 2019 the EU published a set of new principles defining its relations with China, labeling the country a partner, competitor and rival in its strategic outlook paper.¹⁸ But ever since, the EU has struggled to connect this conceptual definition to concrete, unified action. In addition, the second Trump presidency has brought about profound challenges to US-EU relations. Uncertainty has become the defining factor looming over the strategic positioning of the EU in the context of US-China rivalry.

Bilateral relations with the US: from long-time ally to open hostility

With regards to the United States, the picture has radically changed since January 2025. The Transatlantic relationship has not been traditionally defined by complete cooperation; however, political proximity and a shared commitment to democracy and common values have sustained the alliance through various crises. The Biden Administration and others before pursued unilateral actions. However, taken altogether, the disagreements were manageable.

Today, the relationship with the EU is perceived as irrelevant or even running counter to US interests by President Donald Trump. He does not see value in the European Union and has famously described it as being conceived to “screw the

18 European Commission. EU-China – A strategic outlook. 12 March 2019. <https://commission.europa.eu/system/files/2019-03/communication-eu-china-a-strategic-outlook.pdf>

United States”.¹⁹ Trump does not consider the EU as a valid interlocutor and prefers discussions at Member State, bilateral level. The erosion of US democratic standards in recent months has also become a source of worry for the EU and its Member States. Vice-President J.D. Vance’s accusations against Europeans of curtailing free speech and manipulating elections during the Munich Security Conference have only further accentuated the political distancing between the two polities.²⁰ Thus, the EU-US relationship is now under much more stress than it was even in Trump’s first mandate.

This is worrying for Brussels because the United States has been the EU’s ally in multiple areas, but especially on security and defence. US leadership and participation in NATO, its military presence across the EU and its provision of intelligence and defence cooperation have, for decades, offered Europe the security guarantees required to deter Russia and maintain peace on the continent. But this is changing at high speed. Russia’s war of aggression against Ukraine tested the limits of the Transatlantic partnership. Under President Joe Biden, the US provided crucial military support for Ukraine, but at the same time continued to demand more burden-sharing from Europe to safeguard defence and security in the continent.

The new Trump Administration has doubled down on those demands and is increasingly hostile towards Europe. The US government wants European military expenditure to reach 5% of national GDPs and has threatened to take over Greenland through military force. Furthermore, Trump first tried to negotiate a cease fire with Russia without Ukrainians or Europeans at the table (although he included them at a later stage).

In terms of economic security, the once shared approach of the EU and the US is also fraying. It has taken significant time, US efforts, and international events for the EU to adapt its perspectives on trade and economic relations with the world. The EU has, in recent years, developed a more strategic mindset in thinking about its economic security and in defining its dependencies and vulnerabilities, especially towards China, Russia and other non-trustworthy actors. Vis-à-vis the US tendency to decouple from China, the EU has favoured a de-risking approach. Looking ahead, the United States might also become a risk factor to EU economic security. Almost daily, the Trump Administration makes announcements on its trade policy that severely impact Europe, including threats of tariffs on EU goods for, among others, EU Value-Added Tax duties and EU digital technology regulations.

Trump’s so-called “Liberation Day” on 2 April 2025 shook global markets when he announced a minimum tariff rate of 10% to all US trading partners, reaching 20% for the EU. Uncertainty looms large over EU-US trade relations given Trump’s consecutive unilateral and unexpected adjustments to his tariff policy. At the time of writing, Trump has removed reciprocal tariffs – meaning that EU imports are subject to the blanket 10%

19 D. Trump. The EU was created to ‘screw the US’, says Trump [Video]. Reuters. 26 February 2025. <https://www.reuters.com/video/watch/idRW478727022025RP1/>

20 D. Trump. The EU was created to ‘screw the US’, says Trump [Video]. Reuters. 26 February 2025. <https://www.reuters.com/video/watch/idRW478727022025RP1/>

tariff rate -, and imposed a new tariff rate to EU goods of 50%, which will enter into force on 9 July if negotiations are unfruitful. The EU has in turn halted its retaliatory response to steel and aluminium tariffs in the hope for a negotiation but continues working on retaliation packages with Member States. Nevertheless, the situation changes by the day as new tariff rates on goods and services are announced and later withdrawn.

Regarding the green transition, one of President Trump's first actions when becoming President for the first time was to leave the UN Paris Climate Agreement. At the time, the European Union and Member States tried to persuade the US to work together and cooperate. This time around, the EU has become more pragmatic: it is not expected to seek cooperation on climate and environmental issues with the US, as the effort will most likely be futile. Trump's coarse campaign slogan "drill, baby, drill" referring to oil drilling, and its tax bill removing fiscal incentives for cleantech, EVs and renewable energy production, confirm that efforts to advance the green agenda are not to be expected from the US. Coordination might continue at state and local level, but not with the Federal Government.

Bilateral relations with China: from asking for reciprocity to de-risking to re-engagement

The EU's relation with China has traditionally been economy-focused, with political and cultural ties less developed than with other countries and regions of the world. China is the EU's second largest trading partner in goods (USD 794 billion in 2023, or EUR 739 billion).²¹ However, this relation is defined by increasing imbalances. China is the origin of 20.5% of the EU's imports and the destination of 8.6% of the EU's exports (2023).²² Investment relations, on the other hand, are much smaller compared with investment to and from the US, with both outward and inward foreign direct investment (FDI) stocks below 1.5% as of 2023.²³

Consequently, reciprocity has been the key contentious issue in EU-China trade and economic relations for a long time, with Europeans being the continuous demanders. Issues like market access restrictions, technology transfer obligations, and state support to Chinese companies have traditionally led EU actors to demand a fairer economic dynamic. The lack of progress on resolving these issues has strained relations for several years now. As a result, the European Commission has pushed Member States

21 European Commission. China: EU trade relations with China. Facts, figures and latest developments. 21 May 2024. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en

22 UN Comtrade. Data retrieved October-November 2024. <https://comtradeplus.un.org/>

23 Only FDI stocks related to Mainland China. Including Hong Kong, both figures would be above 1.5%, but not exceed 2%. Eurostat. EU direct investment positions by country, ultimate and immediate counterpart and economic activity (BPM6). N.d. Data retrieved October-November 2024. https://ec.europa.eu/eurostat/databrowser/view/bop_fdi6_pos/default/table?lang=en

to adopt more assertive economic positions towards China. Examples include the approval of the EU's Foreign Direct Investment Screening mechanism (2020), and the 5G Cybersecurity Toolbox (2020), designed to mitigate the risks of having key technology infrastructure developed, owned and operated by Chinese actors – like Huawei or ZTE.

Today, the key principle governing the EU's approach to economic relations with China is no longer reciprocity, but de-risking and economic security. The speech by President of the European Commission Ursula von der Leyen held at an event in Brussels²⁴ in 2023 presented the terms and future approach to China: there are economic relations that, even if reciprocal and fair, are undesirable. Thus, identifying and limiting excessive dependencies, protecting against overcapacity harming indigenous industries and preserving European technological security are now much more prominent goals in the EU's China agenda. Events like Beijing's 2021-2022 boycott of Lithuanian exports to China for many policymakers served as a justification to pursue the reduction of EU dependencies from China.

Nevertheless, China is still perceived as a key economic partner, for instance, in managing the green transition (even if China's cleantech industry poses a competitive challenge for the EU). In 2023, China was the largest emitter of greenhouse gas emissions.²⁵ It also was the largest trading partner of 60 countries, entertaining closer trade relations than the US with 70% of the world's economies.²⁶ Thus, China plays a crucial role in the pursuit of domestic climate neutrality by 2060 and a global climate-friendly economy. There is a clear sense in Brussels that, without China, the EU will not be able to achieve the goals of its ambitious climate agenda neither domestically nor internationally.

The EU has a complicated balance to strike between economic security and attaining its climate goals: it needs to define a coherent position towards China on clean technologies that does not compromise the future of its own industries and its strategic autonomy, without at the same time giving up on the EU's ambitious climate targets. The EU is caught in what observers have called a "industrial autonomy trilemma": security, sustainability and competitiveness are portrayed by Brussels as simultaneously achievable goals, but the reality is that the EU can attain only two.²⁷ This is even more true now that the US has become increasingly protectionist and hostile, while China has

24 U. Von der Leyen. Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre. European Commission. 30 March 2023. https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_23_2063

25 European Commission, Joint Research Centre, IEA, M. Crippa, D. Guizzardi, F. Pagani, M. Banja, M. Muntean, E. Schaaf, F. Monforti-Ferrario, W. Becker, R. Quadrelli, A. Risquez Martin, P. Taghavi-Moharamli, J. Köykkä, G. Grassi, S. Rossi, J. Melo, D. Oom, A. Branco. F. Pekar. GHG emissions of all world countries. European Union Publications Office. 2 September 2024. <https://data.europa.eu/doi/10.2760/4002897>

26 R. Rajah, and A. Albayrak. China versus America on global trade. Lowy Institute. January 2025. <https://interactives.lowyinstitute.org/features/china-versus-america-on-global-trade/#section-analysis>

27 G. Pogorel, and F. Cappelletti. Revisiting the EU industrial autonomy trilemma. In G. Pogorel, F. Cappelletti. 'Sustainable? Competitive? The EU's industrial autonomy – facts and fantasies' (9-16). European Liberal Forum. 13 May 2024. <https://liberalforum.eu/wp-content/uploads/2024/03/Sustainable-Competitive-The-EUs-Industrial-Autonomy-%E2%80%93-Facts-and-Fantasies.pdf>

turned into an industrial powerhouse excluded from the US market, with Europe as the best destination to sell its overcapacity.

The trade-off between economic security and climate goals, as well as divergent hawkish and soft approaches towards China are currently internally debated at the EU institutions. The visions go from those who think that Europe's industry needs to be protected from Chinese competition to those who welcome Chinese greenfield investments as long as they bring employment and technology transfers. These differing visions among Member States regarding China's role in EU cleantech were demonstrated by the vote on tariffs on Chinese electric vehicles at the end of 2024, which was anything but unanimous.

Regarding bilateral relations with China, unlike with the United States, traditional security has not been a central concern. There has been no cooperation on defence issues, and so far, China has not posed a direct security threat for the EU. However, the role China has played in supporting Russia in its aggression against Ukraine has put a heavy burden on bilateral relations. The EU is increasingly wary of Chinese dual use technologies and support to Russia. Hence, Russia, alongside the trade deficit, will certainly strain the discussions in the forthcoming EU-China Summit in July in Beijing despite China partly lifting its sanctions to the European Parliament and seeking a warmer relationship. All in all, given Trump's hostility, the EU is now again willing to deepen its engagement with China, but its grievances remain unaddressed.

The EU position towards the US-China conflict: striving to diversify alliances

Bearing these shifts in the bilateral relations in mind, navigating the US-China rivalry is becoming an increasingly complex task for the EU. Uncertainty remains over what exactly Washington's future China policy will look like. Whether the objective of the trade war unleashed by Trump against China is upping the stakes to then negotiate a new "Phase 2" agreement – a continuation of the "Phase 1" deal²⁸ signed in 2020 during the first Trump Administration - remains unclear. At the time of writing, and after negotiations in Geneva, the post-"Liberation Day" US tariffs of 145% on Chinese goods and the reciprocal 125% Chinese tariffs on US imports have paused under a 90-day tariff "truce".

In addition, a trade war between the US and China could result in the EU becoming a market to absorb Chinese overcapacity, increasing EU dependencies and impacting its pursuit of more strategic autonomy. The US could also define products made in the EU through Chinese FDI to be Chinese products, thus further weakening the EU's position.

28 Office of the United States Trade Representative. Economic And Trade Agreement Between The Government Of The United States Of America And The Government Of The People's Republic Of China Text. 15 January 2020. https://ustr.gov/sites/default/files/files/agreements/phase%20one%20agreement/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf

The fact that the European Commission seems hesitant to clearly position itself, does not help in dissipating uncertainty. This is the case regardless of whether the EU's passivity is part of a deliberate strategy to allow for negotiations and avoid escalation with the US, or whether it responds to a lack of strategic direction.

Presently, the EU and the US have substantially different threat perceptions of China. The US is trying to "fight" a hegemonic competitor and an existential threat, while the EU is aiming to establish a balanced relation with a global player. As a result, the policy options pursued by the US and the EU towards China are fundamentally different. Washington seems set to decouple its economy from China's (although this will not be easy) and disentangle the value chains and trade relations that bind the US and China together. The EU prefers to develop differentiated de-risking strategies to reduce critical dependencies in its economic relations with China. It can thus afford to also "engage constructively"²⁹ in the face of geopolitical turmoil and unstable alliances.

In managing the US-China rivalry, the EU is also challenged by its inherent heterogeneous nature. Different Member States have different types of relations and dependencies with both the US and China, as well as individual interpretations of economic security and strategic autonomy. Even though the EU institutions are more hawkish than many of its Member States on these topics, foreign policy is intergovernmental. Thus, the historical, political, and economic relations of Member States with the US and China cannot be disregarded.

Lastly, the EU's apparent decision to diversify away from the US in response to the Trump Administration's confrontational approach to the world can be expected to become a major challenge. In her speech at the World Economic Forum, Von der Leyen expressed openness to the idea of collaborating "with any country we share interests with".³⁰ Documents like the Draghi Report and the EU Competitiveness Compass also advocate for the diversification of partnerships across a number of sectors.

Partnerships are indispensable for the EU, including with China: its economy is much more open than others and, therefore, it is more dependent on free and fair trade. It remains an open question whether the EU, under the current circumstances, could become more open to cooperation with China moving forward, especially in the face of a transatlantic-sceptic US. The Comprehensive Agreement on Investment is dead, but perhaps a new agreement could eventually be fleshed out. For this to happen, China will have to, among other things, open its market to European businesses, and this needs concrete actions and not just promises.

29 U. Von der Leyen. Davos 2025: Special Address by Ursula von der Leyen, President of the European Commission. World Economic Forum. 21 January 2025. <https://www.weforum.org/stories/2025/01/davos-2025-special-address-by-ursula-von-der-leyen-president-of-the-european-commission/>

30 Idem

AUSTRIA REASSESSES ITS ROLE AMID US-CHINA RIVALRY



AUSTRIA REASSESES ITS ROLE AMID US-CHINA RIVALRY

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Austria's foreign policy is increasingly shaped by geopolitical tensions between the United States, China, and Russia, as well as by internal political uncertainties. While the country maintains strong economic ties with the US, its historical energy dependence on Russia has sparked criticism from across the pond. Despite Austria's constitutionally enshrined neutrality, debates on security and defence policy have gained some traction in recent years. The public perception of both the US and China is characterized by scepticism - though China is viewed somewhat more critically - yet economic pragmatism continues to drive Austria's policies. As Austria navigates these challenges, domestic political dynamics further complicate its ability to develop a clear strategic direction in an increasingly polarized global landscape.

Repositioning in real time, adjusting to global tensions

"Europe is heavily affected by the competition between the US and China as well as by Russia's war of aggression against Ukraine and the resulting confrontation with Russia" – Austria's newly updated National Security Strategy accounts for the shifting geopolitical realities, acknowledging the challenges they pose to the country's foreign and security policy. As Austria grapples with these complexities, the country is currently in a process of recalibrating its approach vis-à-vis the two global powers, though not without difficulty in shedding old entanglements.

Austria-US relations on shaky grounds

A major point of friction that strained US-Austrian relations in the past has only been somewhat resolved for the time being. While the Austrian energy company OMV's participation in the Nordstream 2 pipeline had already long raised concerns in Washington, Austria's high dependence on Russian gas imports became painfully clear following Putin's invasion of Ukraine. Indeed, despite domestic and international criticism – and repeated assurances of commitment to international sanctions – Russian gas accounted for between 80% and 97% of Austria's imports every month in 2024.³¹ It was only after Ukraine's transit contract with Russia expired by the end of the

31 Österreich: Anteil Russlands an den Gasimporten 2024, Statista, accessed 1 June 2025, <https://de.statista.com/statistik/daten/studie/1425254/umfrage/anteil-von-russischem-gas-an-den-gasimporten-von-oesterreich/>

year, that gas imports abruptly stopped.³² Austria's role in this context is emblematic of a larger problem that had long been criticised from the other side of the Atlantic: From political ties to Russia across party lines, to the uninterrupted Russian cash flow into the Alps and the pervasive infiltration of Austria's intelligence services – Austria's track record in its relations with Moscow has repeatedly raised concerns.

The controversy surrounding Austria's energy dependence on Russia is further compounded by the financial ties maintained by domestic banks: Austria only ended its blockade of the 12th EU sanction package against Russia after Ukraine removed Austrian Raiffeisen Bank International from its *International Sponsors of War* list³³. Yet, both in 2022 and 2024 the US treasury has repeatedly threatened Raiffeisen Bank to be cut from the US financial system over its continued business in Russia^{34 35}. Despite that, Raiffeisenbank has not yet been able or willing to withdraw from Russia, instead the bank's Russian subsidiary registered almost half of Raiffeisen Group's global net profits, all the while allegedly counting suppliers of Russia's arms industry among their customers.³⁶

Nevertheless, Putin's war of aggression has triggered discussions about Austria's security and defence direction, both in policy-making circles as well as the broader public. For a country that is located in the centre of the EU and whose "perpetual neutrality" is enshrined in its constitution, this debate has been particularly sensitive. While only 0.6% of GDP was spent on defence in 2022, the decision was made to increase the share to 1.5% by 2027, and 2% by 2032.³⁷

And while Austria, a non-NATO country, has limited defence cooperation with the transatlantic alliance, it has been actively participating in the NATO Partnership for Peace since 1995 and has participated in three operations with a UN Security Council Mandate under NATO command, the last one being the Resolute Support Mission in Kabul between 2015 and 2021.³⁸ Furthermore, since 2021, Austria and NATO partners

32 Gasversorgung – Russische Gaslieferungen über Ukraine mit Jahreswechsel beendet, BMK, accessed 15 January 2025, https://www.bmk.gv.at/service/presse/gewessler/2025/0101_gas.html

33 Sanktionen: Österreich gibt Widerstand auf, Table.Briefings, 28 May 2025, <https://table.media/europe/news/sanktionen-oesterreich-gibt-widerstand-auf>

34 M. Karnitschnig. How Austria Became Putin's Alpine Fortress. POLITICO. 5 June 2023. <https://www.politico.eu/article/austria-russia-vladimir-putin-alpine-fortress-ukraine/>

35 J. O'Donnell and A. Schwarz-Goerlich. Exclusive: U.S. Warned Raiffeisen Access to Dollar System Could Be Curbed over Russia. Reuters. 15 May 2024. <https://www.reuters.com/business/us-warned-raiffeisen-access-dollar-system-could-be-curbed-over-russia-source-2024-05-15/>

36 L. Wolter. Putin: Raiffeisenbank-Kunden Helfen Den Ukraine-Krieg Zu Finanzieren. Handelsblatt. Accessed 1 June 2025. <https://www.handelsblatt.com/finanzen/banken-versicherungen/banken/putin-raiffeisenbank-kunden-helfen-den-ukraine-krieg-zu-finanzieren/100105303.html>

37 Regierungsprogramm 2025-2029. 2025. <https://www.wko.at/sbg/handel/regierungsprogramm.pdf>.

38 Austrian Mission to NATO. Operations with UN Security Council Mandate under NATO Command. Accessed 26 May 2025. <https://www.bmeia.gv.at/en/austrian-mission-to-nato/austria-and-nato/operations-with-un-security-council-mandate-under-nato-command>

have been seeking to further collaboration on the basis of the Individually Tailored Partnership Programme (ITPP), for instance by working towards interoperability of capabilities.³⁹

This trend towards stronger transatlantic ties, however, is thwarted by an increasingly erratic and unpredictable Trump administration, especially since the USA remain the Alpine republic's third most important trading partner, behind Germany and Italy. According to Austria's National Bank, the tariffs introduced by Trump are starting to leave their mark. While the economy as a whole is expected to take a hit of a comparatively modest -0.3%, some of Austria's key sectors such as automotive manufacturing are estimated to suffer a 1.3-1.6% loss⁴⁰. Volkswagen alone is customer to 135 car part manufacturers; an estimated 6,300 jobs directly depend on the German car giants⁴¹. Cars and car parts make up over 7% of Austria's export value, therefore turmoil in this sector would prove particularly painful for Austria.⁴²

Being the seat of numerous international organisations such as the OSCE and more than 20 UN institutions, Vienna is also directly affected by Trump's attacks on multilateral organisations. Apart from the immediate economic disadvantages, weakening these institutions would also undermine Austria's security interests and reduce the country's capabilities of co-shaping global security.⁴³

Thus, while the corner pillars of Austro-American relations – a strong focus on trade and limited cooperation in the security field – remain unchanged for now, they rest on increasingly shaky foundations.

Austria and China: a quiet recalibration is underway

The aforementioned national security strategy provides insights into a possible shift in security policy thinking in Vienna: not only is the rivalry between China and the US explicitly recognised as a threat to Europe, the People's Republic itself is referred to with critical comments: "The relationship with China is subject to constant dynamic and critical reassessment. A targeted reduction of dependencies in critical areas ('de-risking') without decoupling will have to be further developed with the aim of

39 U. M. Steindl. Die Partnernationen der NATO nach dem Washington Gipfel: Ihre zukünftige Rolle und Bedeutung. AIES Study 2024, no. 4. 17 February 2025: 7–11.

40 M. Schneider and R. Sellner. US-Importzölle: Welche Wirtschaftsbereiche Österreichs Sind Besonders Davon Betroffen? Austrian National Bank. 7 May 2025. <https://www.oenb.at/Presse/oenb-blog/2025/2025-05-06-us-importzoelle-welche-wirtschaftsbereiche-oesterreichs-sind-besonders-davon-betroffen.html>

41 P. Klimek. 6,300 Austrian Jobs Dependent on VW. Supply Chain Intelligence Institute Austria. 18 December 2024. <https://ascii.ac.at/publication/6300-austrian-jobs-dependent-on-vw/>

42 OEC. Austria (AUT) Exports, Imports, and Trade Partners. Accessed 1 June 2025. <https://oec.world/en/profile/country/aut>

43 Federal Chancellery Republic of Austria. Austrian Security Strategy. 2024: 16

strengthening European and national economic and technological resilience. In light of increasing tensions in the Indo-Pacific region and especially in the South China Sea, close coordination with our European partners is crucial” (p.11).

This explicit mention of China is a surprisingly clear positioning in view of the decision not to formulate a (public) China strategy and a track record of focusing on maintaining amicable relations with Beijing. Nevertheless, this document hardly goes beyond a mere declaration of intent, and it remains to be seen how it translate into tangible action. Still, a heightened risk awareness was already visible in Vienna’s adoption of a new Investment Control Act in 2020 which explicitly defined critical infrastructures and technologies, such as semi-conductors, artificial intelligence and energy, and demanded screening all foreign investments exceeding 10% of shares in an Austrian company.⁴⁴ For instance, telecommunications is labelled as one of the “areas in which a threat to security or public order [...] may arise”, yet Vienna has opted to not exclude Chinese manufacturers from developing the country’s 5G infrastructure arguing that an exclusion of Chinese manufacturers would constitute a supply chain risk and create dependencies on other manufacturers.⁴⁵ Florian Tursky, then Austrian State Secretary for Digitalisation, further stated that Austria was not interested in “geopolitical games.”⁴⁶

Concerns over Chinese influence are not limited to technological infrastructure. Austria is also closely watching Beijing’s growing role in the Western Balkans. China’s increasing footprint in infrastructure projects, loans, and political partnerships has raised alarms in Vienna, where policymakers fear that unchecked Chinese influence could weaken European integration efforts and create geopolitical dependencies. Former Chancellor Karl Nehammer, among other top ranking Austrian officials, has repeatedly called for increased efforts to engage the region politically, diplomatically, and economically “to ensure that we do not encounter any gaps in our security policy and geostrategy”⁴⁷.

Beyond economic and geopolitical considerations, Austria is also facing domestic security risks linked to Chinese digital platforms. Following an initiative by the Commission, Vienna has outlawed the use of TikTok on government officials’ work phones in 2023.⁴⁸ In addition, discussions surrounding the app recently flared up again after a series of Islamist-motivated attacks, among them the highly publicised

44 Austrian Economic Chamber. Das Investitionskontrollgesetz (InvKG). Accessed 1 June 2025. <https://www.wko.at/aussenwirtschaft/investitionskontrollgesetz>

45 L. Erlbacher and N. Nieschalke. Austria. In National Perspectives on Europe’s De-risking from China, ed. Patrik Andersson and Frida Lindberg, et al. ETNC. 2024: 28. <https://www.aies.at/publikationen/2024/ETNC-Report.php>.

46 Federal Ministry of Labour and Economy. 87th Federal Act, Enacting an Investment Control Act and Amending the Foreign Trade Act 2011. Federal Law Gazette 2020. 24 July 2020. https://www.bmaw.gv.at/dam/jcr:6eb2648b-505d-4605-b379-6ddb44e06c08/Investment_Control_Act_-_ICA.pdf

47 Federal Chancellery of Austria. Pressestatements von Bundeskanzler Karl Nehammer Und Griechischem Ministerpräsident Mitsotakis. 2024. <https://www.youtube.com/watch?v=k9uUYe7LQ3I>

48 ‘Futurezone. Österreich verbietet TikTok auf Diensthandys. 10 May 2023. <https://futurezone.at/produkte/oesterreich-oeffentlicher-dienst-tiktok-diensthandys-verbot-karner-china/402443688>

prevention of a terrorist attack at a Taylor Swift concert in Vienna in 2024. TikTok was identified as a platform used in their radicalisation process, and following an Islamist knife attack in the town of Villach in February 2025, Carinthia's Vice Governor Martin Gruber even called for a ban of the social media app.⁴⁹

These developments indicate a very gradual shift in Austria's security policy thinking, driven by growing concerns over Chinese influence across different domains. While concrete policy measures remain limited and contingent on political dynamics, Vienna's increasing alignment with broader European risk assessments suggests that China's role in Austria's strategic considerations will continue to evolve.

Austria between the US and China: trading with both, trusting neither

Political upheaval and complicated government constellations recently stirred discussions towards a strong focus on domestic policy. Apart from this, the foreign and security policy discourse was, as expected, heavily dominated by Russia and the war in Ukraine on the one hand and migration on the other. Apart from momentary attention, the role of China and the United States played a secondary role in the public sphere. Yet, the debate on the negative impact of US-China rivalry has long found its way into the business community. Austrian businesses active in China have cited tensions between the two blocs as their primary concern, closely followed by worries over a potential decoupling between east and west.⁵⁰ There is a notable tendency of Austrian multinationals to pursue a "China Plus One" approach, i.e., simultaneously investing into the Chinese and other promising markets.⁵¹ While it remains questionable whether this trend truly signifies de-risking or simply the exploration of new growth opportunities elsewhere, the 2024 Global Business Barometer found that more Austrian overseas branches in China reported shrinking rather than growing demand and revenue.⁵²

Opinion surveys over the last few years show that the public remains equally critical towards both China and the United States. A 2023 survey found that 72% of Austrians thought of China as a partner one "cannot trust", only 12% considered the People's

49 Vorarlberg Online. Kärnten Plant TikTok-Verbot Nach Villach-Anschlag. 18 February 2025. <https://www.vol.at/karntner-landesregierung-will-tiktok-verbot-nach-villach-anschlag/9224644>

50 Advantage Austria. Austria in China – Business Confidence Survey. December 2023. https://www.advantageaustria.org/cn/news/AUSTRIA_IN_CHINA_-_BUSINESS_CONFIDENCE_SURVEY_2023.pdf.

51 L. Erlbacher and N. Nieschalke. Austria. In National Perspectives on Europe's De-risking from China, ed. Patrik Andersson and Frida Lindberg, et al. ETNC. 2024: 27. <https://www.aies.at/publikationen/2024/ETNC-Report.php>

52 Außenwirtschaftszentrum Peking. China Wirtschaftsbericht. March 2025. <https://www.wko.at/oe/aussenwirtschaft/china-wirtschaftsbericht.pdf>

Republic to be trustworthy. While views on the United States were comparatively better, a considerable 47% considered the US to be untrustworthy, outnumbering the 34% that viewed Washington as a trustworthy partner.⁵³

Another survey found more than 50% of Austrians agreeing that China was a threat to world peace, with less than a fifth trusting the assessment that Beijing would rather strive for peace. At the same time, respondents distinctly thought China to be both politically and economically more influential than the United States.⁵⁴ This sentiment remains true in 2025 and is further corroborated by Austrians' negative outlook on Donald Trump's second term.⁵⁵

Still, as a relatively small country with a strongly export-orientated economy, Austria continues viewing both China and the US primarily as important trade and investment partners. The two superpowers play almost reciprocal roles here: While the US is primarily an important export market for Austrian products, China is an important source of imports. This role in fact has only become more pronounced in the last years as the goal set in 2018 of increasing the bilateral trade volume to over USD 20 billion per year was realised almost exclusively through a significant increase in imports from China, with a comparatively small rise in Austrian exports to China. At the same time, trade with the US grew steadily and proportionally on both the import and export side.

Chinese inward foreign direct investment (FDI) into Austria remains comparatively low at just below 2% of stock positions, while the United States were the fourth largest investor in the country making up around 6.4% of annual FDI in 2022. Even so, China is a particularly important partner for Austria's green transition. Chinese investment is increasingly concentrated on sectors such as railway technology, electric vehicles (EVs) parts and green technology.⁵⁶ Although Austria's direct strategic reliance on Chinese imports is relatively low compared to other EU countries, it still relies on China for essential raw materials needed for decarbonisation and a green transition. To reduce potentially risky dependencies, Austria has introduced the *Raw Materials Masterplan* in 2021, a strategy designed to boost domestic resource exploration and mitigate this vulnerability. Even so, Austria's deep integration with the European single market—especially through its close economic ties with Germany—further amplifies its indirect dependence on China⁵⁷.

53 Österreichische Gesellschaft für Europapolitik. ÖGfE Survey: EU Membership, Security and Partners on the Global Stage. 2 May 2023. <https://www.oegfe.at/survey/oegfe-survey-eu-membership-security-and-partners-on-the-global-stage/?lang=en>

54 P. Hajek. Umfrage: Ist China eine Bedrohung? Der Pragmaticus. 4 November 2023. <https://www.derpragmaticus.com/r/umfrage-china-bedrohung>

55 Gallup Austria. Erwartungen an Trumps Zweite Amtszeit. 22 January 2025. <https://www.gallup.at/de/newsroom/umfragen/2025/erwartungen-an-trumps-zweite-amtszeit/>

56 G. Interesse. China-Austria Trade and Investment Profile and Key Developments. China Briefing News. 31 October 2024. <https://www.china-briefing.com/news/china-austria-trade-and-investment-profile-and-key-developments/>

57 A. Wende et al. Meta-Studie zur Handelsabhängigkeit Europas und Österreichs von China. FIW Studien 2025, no. 1. January 2025. <https://www.fiw.ac.at/publications/meta-studie-zur-handelsabhaengigkeit-europas-und-oesterreichs-von-china/>

Austrian China policy at risk as political winds shift

As the tumultuous attempts to form a government coalition in Austria at the beginning of the year showed, the country's anchoring in Europe's democratic mainstream is more fragile than one might generally assume. The parties from the conservative (ÖVP), social democratic (SPÖ), and liberal (NEOS) spectrum, which—after an initial failed round of negotiations—now form the new government coalition, largely align with Brussels' approach vis-à-vis Beijing, albeit somewhat subdued. Still, a 2023 cross-party initiative additionally involving the Greens resulted in the adoption of a parliamentary resolution condemning China's human rights abuses in Xinjiang.⁵⁸

Even though the right-wing populist FPÖ tepidly supported the initiative at the time, the party is fundamentally questioning Austria's stance in and towards the EU. Its stance on China, however, remains ambiguous. At times, FPÖ politicians have voiced criticism of Beijing—particularly when it aligned with their broader anti-EU messaging. Yet in the European Parliament, the party's MEPs have frequently adopted pro-Beijing voting patterns, abstaining from key resolutions critical of China, including those condemning Hong Kong's security laws and supporting closer ties with Taiwan.⁵⁹ This inconsistency suggests that the FPÖ's position on China is shaped less by a coherent foreign policy than by an opportunistic and situational approach.

With FPÖ consistently polling as the country's strongest party since December 2022 and coming close to forming a government coalition in early 2025, a future role in government remains a real possibility – and a scenario that would likely usher in a notable shift in Vienna-Beijing relations.

From pragmatism to pressure

Austria will try and continue pursuing a pragmatic, i.e., an economically driven, balanced approach and try to avoid having to choose sides between China and the US. A prime example was Austria's abstention in last year's vote on imposing EU tariffs on Chinese electric vehicles.⁶⁰

In summary, Austria finds itself at a strategic crossroads as it contends with the intertwined challenges and opportunities presented by its relations with the US and China. While some policy measures and enhanced defence spending demonstrate a willingness to mitigate vulnerabilities, unresolved issues—ranging from select dependencies to political uncertainties—continue to pose significant challenges.

58 Parlament der Republik Österreich. Entschließung Betreffend die Situation der Uiguren. Accessed 1 June 2025. https://www.parlament.gv.at/dokument/XXVII/I/780/fnameorig_940232.html

59 Prague Security Studies Institute. MEPs from Central Europe: A Bulwark Against Authoritarianism. May 2024. https://www.pssi.cz/download/docs/11141_meps-from-central-europe-a-bulwark-against-authoritarianism.pdf.

60 Reuters. How EU Governments Voted on Chinese EV Tariffs. 4 October 2024. <https://www.reuters.com/business/autos-transportation/how-eu-governments-plan-vote-chinese-ev-tariffs-2024-10-04/>

The evolving interplay between economic imperatives, security concerns, and shifting geopolitical dynamics will undoubtedly influence Austria's future foreign policy orientation. With Sino-American tensions on the rise, shrinking maneuvering space may force Vienna out of its comfort zone. It remains to be seen how long Austria can maintain its pragmatic stance in light of these challenges. Ultimately, the nation's ability to reconcile national interests with broader European efforts to achieve open strategic autonomy will be pivotal in safeguarding its long-term security and prosperity amid intensifying global rivalries.

BELGIUM: MADE IN CHINA,
SECURED BY THE US?
BELGIUM'S TRADE AND
SECURITY DILEMMA



BELGIUM: MADE IN CHINA, SECURED BY THE US? BELGIUM'S TRADE AND SECURITY DILEMMA

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Belgium's foreign policy has evolved in response to intensifying US-China competition, balancing its deep historic transatlantic ties with growing economic interdependence with China. Despite friction with the current Trump administration, the US remains Belgium's primary security partner through NATO. Belgium's late adoption of a China strategy in 2023 reflects its gradual alignment with the EU's de-risking approach. Unlike larger EU economies that formulated responses earlier, Belgium's policy adjustments have been reactive, largely shaped by shifts in EU-wide trade and security frameworks rather than pressure from the US. At the same time, China remains a key trading partner, particularly in green technology and industrial supply chains, raising concerns over economic dependence.

The real father of NATO

Paul-Henri Spaak, a distinguished Belgian statesman and the second Secretary General of NATO, once remarked: *"The real father of the Atlantic Alliance was Stalin. It is he who has the right to a monument in each of our countries."* With this statement, Spaak underscored that the Soviet Union's actions compelled Western nations to unite in a defensive alliance. However, a similar sense of urgency does not extend to China today. While China's economic and political ambitions are a source of concern, they do not constitute the same existential military threat that the Soviet Union posed during the Cold War. Rather than a uniting force, China acts as a wedge. Ironically, it is Belgium's longstanding commitment to international free trade – rooted in its nearly two centuries of close economic ties with the United States – that prevents it from fully aligning with Washington's hardline stance on China. This friction has intensified under the Trump administration, whose confrontational trade agenda has drawn sharp criticism from Belgian leaders, including current Belgian Prime Minister Bart De Wever. Yet, De Wever has equally reaffirmed that Belgium's security alliance with the United States remains non-negotiable, and that transatlantic commitments cannot be undone by any single US president.

Unlike during the Cold War, where Belgium's foreign policy was shaped by an existential military threat, today's geopolitical tensions with China revolve around economic and technological dependencies. While the US-China rivalry has forced European nations to reassess their strategic priorities, Belgium has been slower to adapt than larger EU economies. Belgium's historically open trade policies, combined with its deep economic ties to China, delayed the formulation of a dedicated China strategy until 2023. This gradual policy shift was primarily driven by pressures within the EU rather than independent national initiatives or external pressure. As a result, Belgium's response to US-China tensions has largely been reactive, aligning with EU-wide frameworks on trade defence and de-risking rather than pursuing a distinct national policy.

State and direction of Belgium-US-China relations

Belgium-US relations

Economic ties between Belgium and the US are historically very robust. The United States is Belgium's largest foreign investor outside the EU, with over 900 American companies employing approximately 130,000 people in Belgium. Meanwhile, around 500 Belgian companies operate in the US, creating nearly 70,000 jobs. Annual trade in goods and services between the two nations exceeds USD 74 billion, driven by pharmaceuticals, chemicals, and technology sectors.⁶¹ Despite occasional diplomatic frictions—such as Belgium's opposition to the Iraq War in 2003—the overall trajectory of US-Belgium relations has remained strong, with deepening cooperation in high-tech areas.

Belgium has a trade surplus with the USA, mostly driven by pharmaceuticals and other chemical products – produced to a large extent in factories owned by American companies –, accounting for over half of the total exports to the USA.⁶²

On the security end, Belgium is a founding member of NATO and houses both NATO's political HQ as well as the military HQ, Supreme Headquarters Allied Powers Europe (SHAPE), which is the central commando centre of NATO. Yet, notwithstanding the strong institutional anchoring of NATO within Belgium and high public backing among the general population, Belgium has chronically failed to meet its military expenditure criterion of 2% of GDP.

Despite NATO commitments, Belgium's defence spending remains at 1.3% of GDP, among the lowest in the alliance, sparking repeated US criticism. While the government now targets 2% by 2029, budget constraints complicate this pledge.⁶³

However, beyond financial contributions, Belgium has remained a key NATO logistics hub and has increased its strategic commitments to Eastern European defence deployments following Russia's invasion of Ukraine. Additionally, Belgium's participation in EU-led defence initiatives signals a gradual shift toward a more integrated European security approach.

However, this also prompted military elites to look beyond the American security umbrella. In a markedly frank interview in February 2025, the newly appointed chief of

61 US. Department of State. U.S. relations with Belgium. U.S. Department of State. n.d. <https://www.state.gov/u-s-relations-with-belgium/>

62 The Observatory of Economic Complexity. United States (USA) and Belgium (BEL) Trade. OEC. n.d. <https://oec.world/en/profile/bilateral-country/usa/partner/bel>

63 North Atlantic Treaty Organization. Defence expenditure of NATO countries (2014–2024). NATO. 17 June 2024. https://www.nato.int/nato_static_fl2014/assets/pdf/2024/6/pdf/240617-def-exp-2024-en.pdf; European Commission. Economic forecast for Belgium. European Commission. 15 November 2024. https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/belgium/economic-forecast-belgium_en

Belgian Defence Frederik Vansina responded to recent rhetoric coming from the White House that ‘we have outsourced our security to the Americans for too long’.⁶⁴

Seen as an economic rather than a security challenge, discussions specifically focused on China are mostly pushed at EU rather than NATO level.

Belgium-China relations

Belgium has long maintained a positive economic relationship with China, emphasising trade and investment while simultaneously expressing growing concerns over strategic dependencies. China is Belgium’s second-largest non-EU trading partner after the US. However, recent assessments by Belgian policymakers highlight increasing risks associated with this economic interdependence, particularly in sectors such as telecommunications, renewable energy, and supply chain resilience.⁶⁵

Belgium has a significant trade relationship with China, particularly in strategic sectors such as electronics, chemicals, and transport equipment (notably electric vehicles). China is a key supplier of critical raw materials, semiconductors, and industrial components, which are essential for Belgium’s economy, but also creating a risk of supply disruptions or geopolitical leverage. The pharmaceutical industry, a crucial export sector for Belgium, also relies on Chinese raw materials and chemical components.⁶⁶

Whereas before the pandemic, trade and investment flows with China were widely seen positively, trade between China and Belgium has been imbalanced for decades, with the former consistently exporting more to Belgium than vice versa. Belgium’s trade deficit with China reached a record €27.7 billion in 2022, reflecting increased reliance on Chinese imports. This growing imbalance has fuelled concerns over strategic dependencies, particularly in renewable energy, semiconductors, and pharmaceuticals.⁶⁷ The persistent trade imbalance, driven by a lack of reciprocity, has come to symbolise Belgium’s economic overdependence on China.

Furthermore, cybersecurity and espionage concerns have also influenced policy. Following Huawei-related scrutiny, Belgium reassessed its reliance on Chinese telecom infrastructure. Since then, several incidents—including a TikTok ban on government devices and a political scandal involving Chinese influence—have kept China’s role in

64 C. Clapson. Defence chief urges Belgian government to act with speed: ‘The only language Putin understands is tough military power’. VRT NWS. 20 February 2025. <https://www.vrt.be/vrtnws/en/2025/02/20/army-chief-urges-belgian-government-to-act-with-speed-the-only/>

65 P. Andersson & F. Lindberg (Eds.). National perspectives on Europe’s de-risking from China. European Think-tank Network on China. 2024. <https://kinacentrum.se/en/publications/national-perspectives-on-europes-de-risking-from-china/>

66 National Bank of Belgium. De-risking European trade with China: Implications for Belgium. Economic Review. 2024. https://www.nbb.be/doc/ts/publications/economicreview/2024/ecorevi2024_h07.pdf

67 National Bank of Belgium. De-risking European trade with China: Implications for Belgium. Economic Review. 2024. https://www.nbb.be/doc/ts/publications/economicreview/2024/ecorevi2024_h07.pdf

Belgium's critical infrastructure and political system in the spotlight.⁶⁸ Although no conclusive evidence of espionage was presented, the debate over Huawei's 5G network involvement continued to shape European cybersecurity policy, reflecting broader geopolitical tensions between the US, China, and Europe at the time.

These developments have kept the issue of Chinese involvement in Belgium's critical infrastructure at the forefront of national discussions about China. However, with its first public iteration of a National Security Strategy in 2022, Belgium is traditionally cautious in making foreign policy strategies open to the public. Against this backdrop, the Belgian Foreign Ministry developed its first confidential China Strategy, issued in June 2023,⁶⁹ in an update of the ministry's internal guidance note from 2019. Considerable time and effort were spent on this strategic adaptation as the strategy needed to be calibrated at eight policy levels. The result of this coordination exercise is that the current strategy takes a whole-of-government approach, which recognises and signals challenges in both the economic and the security realm, rather than a narrow focus on managing diplomatic engagement with China. Although confidential, the China strategy sees de-risking as key, especially when it comes to reducing Belgium's strategic dependence on China. This approach is aligned with the narrative and the imperatives of the EU's China Strategy and the EU-China Strategic Outlook, which labels China a cooperation partner, an economic competitor, and a systemic rival.

In a nation renowned for its internal intricacies, most of the policy debates in Belgium converge in a continuing turf war over competencies. Amid this internal fragmentation, developing and implementing a coherent China strategy remains an elusive task.

How is Belgium dealing with increasing US-China rivalry?

Belgium has had to navigate the escalating geopolitical tensions between the United States and China, particularly in sectors such as technology, trade, and investment. As a small but highly open economy and a key member of the European Union, Belgium has aligned itself with broader EU policies while also protecting its national economic and security interests.

The European Union has sought to reduce its dependence on both the US and China by promoting "open strategic autonomy"—an approach that Belgium has largely supported. This is underscored by a series of economic security initiatives that are deliberately country-agnostic, though frequently interpreted as targeting China. Most notably, Belgium introduced its first foreign direct investment (FDI) screening mechanism in 2023, aiming to prevent foreign control over critical infrastructure. The mechanism remains untested in blocking Chinese investments, but its creation reflects Belgium's broader alignment with EU economic security policies.

68 L. Bové and S. Rousseau & P. Haeck. België voert onderzoek naar Chinese Huawei. De Tijd. 14 December 2018. <https://www.tijd.be/ondernemen/technologie/belgie-voert-onderzoek-naar-chinese-huawei/10076671.html>

69 Personal communication, December 13, 2023

In the latest FDI screening report, covering 2023-2024, published by the FPS Economy, the United States accounted for 43% of all notified investments, followed by the UK (29%), Switzerland (5%), India (4%), and China (2.6%). The low proportion of Chinese investments contrasts with previous concerns over Chinese acquisitions of critical infrastructure.⁷⁰

Belgium's trade policy has been shaped more by domestic economic concerns than by pressure from the United States, particularly regarding unfair competition stemming from Chinese state subsidies in industries like steel and automotive. In response, Belgium has pushed for a level playing field and stronger protective measures at the EU level. The recent closure of Audi's Brussels plant has left the Volvo factory in Ghent—owned by China's Geely—as the country's sole remaining car manufacturing site, underscoring the evolving dynamics of Belgium's automotive sector.

Meanwhile, the Port of Antwerp-Zeebrugge, the world's largest roll-on/roll-off hub for new vehicles, processes over three million cars annually. With the surge in Chinese electric vehicle (EV) exports, Zeebrugge has become a key entry point, making Belgium the top importer of Chinese EVs globally. This central economic role helps explain Belgium's decision to abstain from EU votes on countervailing duties against Chinese EVs—opting to safeguard national economic interests while stopping short of blocking the broader Commission stance.

At the same time, the Zeebrugge liquefied natural gas (LNG) terminal at the same port has played a pivotal role in diversifying Europe's natural gas sources, especially in light of geopolitical shifts following the war in Ukraine. In response to the need to reduce dependence on Russian gas, the terminal has significantly increased its intake of LNG from alternative suppliers, notably the United States. In 2022, the European Union imported a record amount of LNG, enhancing European energy security away from Russia, while increasing dependence on American LNG.

The 2025 election brought a significant political shift, with Flemish nationalist Bart De Wever becoming Prime Minister—a first in Belgian history. While reaffirming NATO ties, his coalition has pushed for deeper European defence integration and greater strategic autonomy. Fellow N-VA party member Theo Francken, previously active in the NATO Parliamentary Assembly, took on the role as minister of defence.

The N-VA under Bart De Wever has been staunchly transatlantic. Although the new government agreement underlines its commitment to the transatlantic alliance, it has shifted its tone towards a more favourable view on European defence cooperation in direct response to the changing policies from the Trump administration.

The government agreement explicitly warns about the deepening strategic alliance between Russia, Iran, and China, viewing it as a threat to the rules-based international order. As regards China, the government agreement acknowledges that the country

⁷⁰ Federal Public Service Economy. Screening of foreign direct investment: Annual report 2023–2024. FPS Economy. 2024. <https://economie.fgov.be/en/file/7470008/download?token=MGmQM1By>

dominates key sectors such as solar panels and batteries, posing challenges to Belgium's strategic autonomy. Therefore, it calls for stronger protection of European industry against Chinese dumping practices and advocates for a more assertive EU trade policy.

Belgium's foreign and economic policy thus reflects a dual strategy regarding the US and China. On one hand, Belgium remains closely aligned with the US on security and geopolitical stability. On the other, it acknowledges the economic necessity of trade with China, albeit under stricter conditions and with a growing awareness of associated risks. De-risking, economic security, and multilateral cooperation within the EU remain central to Belgium's approach.

Belgian Prime Minister Bart De Wever has strongly criticised current US President Donald Trump, calling him "a real bully", and labelling his political approach as "very un-European." In reaction to the iteration of 20% 'reciprocal tariffs' on the EU, De Wever warns against reacting with equally harmful protectionism and instead calls for strengthening the EU's internal market and pursuing new free trade agreements. In his view, Europe should show that it is "open for business" and respond wisely rather than emotionally. However, despite these criticisms and calls for a stronger European integration, De Wever has emphasised that Belgium will not sever ties with the United States.⁷¹ He reaffirmed that the US remains Belgium's most important historical ally within NATO, and that this strategic partnership will not be altered by a single president. While Trump's policies have caused friction, De Wever stated that this does not mean that Belgium should abandon long-standing treaties or agreements with the US, explicitly rejecting any notion of breaking from transatlantic commitments.

Balancing act

Belgium's approach to the growing US-China rivalry reflects its balancing act between security commitments to the US and economic interdependence with China. As a founding NATO member, Belgium remains firmly embedded in transatlantic security structures, yet its lagging defence spending continues to draw criticism from Washington. At the same time, Belgium has refrained from fully aligning with the US stance on China, instead adopting the EU's "de-risking" approach, which aims to mitigate economic dependencies without severing ties.

Under Prime Minister Bart De Wever's leadership, Belgium will likely deepen its engagement with the EU's economic security initiatives, ensuring its strategic autonomy while preserving its role as an open trading nation. In the end, it was not Beijing but Washington that shook Belgium awake – not through external threat, but through internal instability at the heart of NATO.

⁷¹ VRT NWS. Koning Filip ontvangt president Zelensky op het paleis. VRT NWS. 15 March 2025. <https://www.vrt.be/vrtnws/nl/liveblog/koning-filip-ontvangt-president-zelensky-op-het-paleis-premier~1741235439479/> R. Arnoudt. Premier Bart De Wever (N-VA) wil ondanks hoge importheffingen 'opportuniteit in de crisis zien'. VRT NWS. 3 April 2025. <https://www.vrt.be/vrtnws/nl/2025/04/03/premier-de-wever-reageert-op-hogere-importtarieven-vs-opportun/>

CZECHIA: FIRM ADHERENCE TO THE WEST AGAINST CHINA



CZECHIA: FIRM ADHERENCE TO THE WEST AGAINST CHINA

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This chapter explores Czechia's firm pro-Western orientation and increasingly antagonistic stance toward China under Prime Minister Petr Fiala's government (2021-2025). As the Russian invasion of Ukraine became the dominant topic for Czech foreign policy, China was securitised alongside Russia as a threat to liberal democracy. Czechia's foreign policy embraced a pro-Atlanticist orientation, which was marked by the signing of a Defence Cooperation Agreement (DCA) and accompanied by growing economic and technological cooperation with Taiwan. Simultaneously, diplomatic and economic engagement with China declined, exacerbated by disillusionment over failed investment promises and shifting domestic political dynamics.

Nearing the end of the right-wing government's current mandate (2021-2025) under the leadership of the Civic Democratic Party and Prime Minister Petr Fiala, two issues dominate Czech politics and foreign policy. First, the government coalition is facing waning support, and its popularity has been at a record-low for quite some time.⁷² Second, against the backdrop of the Russian military invasion of Ukraine, the primary attention is directed towards the Russian threat, which pushes the Chinese agenda aside. In this context, the incumbent government has largely securitized the fate of liberal democracy and the Czech Republic's (Czechia's) belonging to the West as the key themes for mobilizing its (potential) supporters while facing a likely defeat to populist (even extremist) parties in the upcoming autumn 2025 elections. Moscow and Beijing have been widely defined as a threat to liberal democracy and the West by the government and Czech mainstream media.

Czechia's China policy always oscillates enormously depending on the composition of the government cabinet with liberals and conservatives tend to be more anti-Chinese and pro-American. After the 2021 parliamentary elections, former pro-China parties and MPs have disappeared from parliament,⁷³ having left an anti-China majority unchallenged. Czech liberal and conservative parties have always linked the topic of China to their disputes with President Zeman (2013-2023), who actively promoted relations with China. This is arguably why China is not a key topic for the currently growing opposition ahead of the elections, as attention turns to President Trump's and his reorganisation of the US-European relations. The promise of significant Chinese investment inflow previously promoted by then-president Zeman failed to materialise, and exports to China

72 T. Jindrová. Fialova popularita se propadá. V Evropě je mezi premiéry nejhorší. Seznam Zprávy. 26 August 2022. <https://www.seznamzpravy.cz/clanek/fakta-popularita-premiera-fialy-klesla-na-22-procent-v-evrope-je-na-tom-nejhur-212447>; Ž. Nováčková. Fiala si polepšil v žebříčku oblíbenosti světových lídrů, už je předposlední. IDnes.cz. 9 January 2024. https://www.idnes.cz/zpravy/domaci/premier-petr-fiala-pruzkum-oblibenost-predsedu-vlady.A240109_142235_domaci_zof

73 iRozhlas. Parlamentní volby 2021. iRozhlas. 2021. <https://www.irozhlas.cz/volby/parlamentni-volby-2021/slozeni-snemovny?seskupeni=1&strana=&kraj=>

remain low, which is—as expressed by various politicians, analysts and journalists—an argument against the pro-Chinese pragmatic agenda.⁷⁴

Politics and security: The heyday of Czech Atlanticism and a strong anti-Chinese stance

Czech bilateral relations with the US during the current government of Prime Minister Petr Fiala can be considered some of the best since the era of the 1990s, when Czechoslovakia-born Madeline Albright served as the US Secretary of State and when Czechia received American support for joining NATO. Czech top-level visits to the US are always considered a significant event and a measure of foreign policy success. Hence, Prime Minister Fiala's visit to the US in April 2024 was a key event. It began, quite characteristically, at the CIA headquarters in Langley, where Fiala was accompanied by the heads of three Czech intelligence services,⁷⁵ which are among the most active Czech actors advocating a strong anti-China stance.⁷⁶ The following prime minister's meeting with President Biden at the White House, and consequently with Speaker of the House of Representatives Mike Johnson, chairman of the House Foreign Affairs Committee Michael McCaul, focused on the war in Ukraine, security cooperation between the countries, energy, and the economic agenda.⁷⁷

Perhaps most notably, Czechia signed the Agreement on Defence Cooperation (DCA) with the USA in 2023. In addition to deepening bilateral cooperation in this area, the agreement also sets the legal status of US army personnel in Czech territory.⁷⁸ The signing of a contract for 24 F-35 fighter jets sealed a significant shift in the procurement of US arms supplies. The estimated total costs (including operating expenses until the

74 iRozhlas. Parlamentní volby 2021. iRozhlas. 2021. <https://www.irozhlas.cz/volby/parlamentni-volby-2021/slozeni-snemovny?seskupeni=1&strana=&kraj=>

75 Echo24. Fiala zahajuje návštěvu USA v sídle CIA. Jsou s ním všichni šéfové českých tajných služeb. Echo24. 15 April 2024. <https://www.echo24.cz/a/HNb4p/zpravy-domov-fiala-zahajuje-navstevu-usa-v-sidle-cia>

76 O. Stratilík. Česko má po Zemanovi změnit vztah s Čínou. Jenže na Lipavského dokument se stále čeká. Aktuálně.cz. 12 November 2024. <https://zpravy.aktualne.cz/domaci/cesko-cina-vzajemne-vztahy/r~8e14235c9dc211efa065ac1f6b220ee8/>

77 Government of the Czech Republic. Prime Minister Fiala held talks with US President Biden at the White House. They addressed strategic, defence and economic cooperation. Government of the Czech Republic. 16 April 2024. <https://vlada.gov.cz/en/media-centrum/aktualne/prime-minister-fiala-held-talks-with-us-president-biden-at-the-white-house--they-addressed-strategic--defence-and-economic-cooperation-212936/>; Government of the Czech Republic. Petr Fiala discusses deeper Czech-U.S. cooperation in the U.S. Congress. Government of the Czech Republic. 17 April 2024. <https://vlada.gov.cz/en/media-centrum/aktualne/petr-fiala-discusses-deeper-czech-u-s-cooperation-in-the-u-s--congress-212973/>

78 Ministry of Defence of the Czech Republic. Defence Minister Jana Černochová signed the Defence Cooperation Agreement in the Pentagon. Ministry of Defence of the Czech Republic. 23 May 2023. <https://www.mo.gov.cz/en/ministry-of-defence/newsroom/news/defence-minister-jana-cernochova-signed-the-defence-cooperation-agreement-in-the-pentagon-244300/>

operation service expires in 2069) are CZK 322 billion (USD 12,6 bln), making it the most expensive Czech military contract ever.⁷⁹ The other acquisitions include a USD 138 million deal with Lockheed Martin and BAE Systems for the procurement of Hellfire missiles and Viper helicopter ammunition.⁸⁰ On the other hand, Czech high-level political dialogue with China has been suspended since the Covid-19 pandemic. The Czech official position in the first half of the 2020s is largely characterised by a strong (hawkish) stance on China but without turning to direct high-profile actions against Beijing. The Czech Ministry of Foreign Affairs also planned to prepare a new strategic document to guide Czechia's new China policy. It declared to straighten ("narovnat") Czech relations with Beijing, as China-hawk Minister Jan Lipavský promised. However, its publication became uncertain amid the domestic nervous atmosphere following the shift in US policy under Trump's new administration. Nonetheless, China has been defined as a key threat (only second to Russia) to the liberal West in official documents.⁸¹

Even though Czech Foreign Minister Lipavský, after meeting with US Foreign Secretary Antony Blinken, expressed his gratitude for "US strategic leadership on China" and emphasised that the "14+1 [format] has neither substance nor future," the Czech government has not yet declared a decision to quit its membership.⁸² In this sense, Czechia expressed its scepticism towards the initiative (previously known as 16+1 and 17+1) which was supposed to be the key platform for developing relations between China and Central and Eastern European countries. Meanwhile, the Prague-Beijing direct flight (one of four direct flights established before and interrupted during the Covid-19 crisis) has resumed. However, Beijing's unilateral easing of visa policy for short-term visits to China within two weeks for a group of European countries did not apply to Czech citizens.⁸³

Czechia's decision to close its consulate in Chengdu (2022) has put the economic agenda on the back burner in favour of political priorities, even though the Czech government has received no direct instructions from Western partners, except for

79 The Czech Ministry of Defence. Česko podepsalo smlouvu na F-35. The Czech Ministry of Defence. 5 February 2024. <https://mocr.mo.gov.cz/informacni-servis/for/cesko-podepsalo-smlouvu-na-f-35-249181/#:~:text=%C4%8Cesk%C3%A1%20republika%20m%C3%A1%20nakoupit%2024,%C4%8Dinit%20celkem%20150%20miliard%20korun>

80 ČTK. USA podpořily možný prodej zbraní Česku za 138,26 milionu dolarů. ČTK České noviny. 22 July 2024. <https://www.ceskenoviny.cz/zpravy/usa-podporily-mozny-prodej-zbrani-cesku-za-13826-milionu-dolaru/2544930>

81 Ministry of Foreign Affairs of the Czech Republic. Security Strategy of the Czech Republic 2023. Ministry of Foreign Affairs of the Czech Republic. 1 September 2023. https://mzv.gov.cz/jnp/en/foreign_relations/security_policy/security_strategy_of_the_czech_republic/

82 S. Lau. China's club for talking to Central Europe is dead, Czechs say. Politico. 4 May 2023. <https://www.politico.eu/article/czech-slam-china-xi-jinping-pointless-club-for-central-europe/>

83 A. Symons. Italy, France, Germany: 38 European countries can now visit China visa-free. Euronews.com. 22 November 2024. <https://www.euronews.com/travel/2024/11/22/china-aims-to-boost-tourism-by-giving-visa-free-entry-to-these-five-european-countries>

cybersecurity measures.⁸⁴ Due to problematic acceptance from the corporate sector, the government's draft has not yet entered into force and has not been adequately implemented.

Fiala's government focused on the active development of ties with Taipei rather than direct clashes with Beijing. It resulted in high-profile trips of Czech politicians to Taiwan⁸⁵. Ivan Bartoš, the leader of the Czech Pirate Party and a member of the government (at that time), held negotiations about the US financial support for Czechia from a proposed dedicated US fund aimed at assisting Taiwan's allies and countries that were experiencing Chinese retaliation (e.g. Lithuania).⁸⁶ However, the planned support has not been confirmed so far, and the Pirates meanwhile left the government in 2024 over disputes about the Czech domestic agenda on digitalization reform.

As Atlanticism has dominated Czechia's foreign policy in the first half of the 2020s, it is symptomatic that the concept of "strategic autonomy" did not receive high attention. The importance of attempts in the early 2020s to advance the concept in Czech policy circles⁸⁷ has been limited. Rather, the notion of strategic autonomy has remained underspecified in terms of how it should guide Czechia's foreign policy in general and on China in particular.

Economic agenda

A comparative view of Czech economic ties with the USA and PRC shows a limited growth in investment and trade with the US and a decline with China. Trade turnover with EU-27 countries in 2024, worth EUR 255.99 billion, clearly dominates Czech foreign trade. The world without the EU represents a smaller share (EUR 106.18 billion). Trade turnover with China in 2024 was EUR 23.665 billion, and 10.520 billion EUR with the US, while Czech exports amounted 2,131 billion EUR to China and 5.337 billion EUR to the USA.⁸⁸

84 Czech Cybersecurity Agency. Průvodce novým zákonem o kybernetické bezpečnosti. Czech Cybersecurity Agency. 2024. <https://portal.nukib.gov.cz/informace/legislativa/zakon-o-kyberneticke-bezpecnosti>

85 iRozhlas. Pekarová Adamová dorazila na Tchaj-wan. Doprovází ji největší česká delegace za posledních pět let. iRozhlas. 25 March 2023. https://www.irozhlas.cz/zpravy-svet/marketa-pekarova-adamova-na-tchaj-wanu_2303252024_mfk

86 J. Vaněk. Česko by mohlo získat peníze z amerického fondu na podporu spojenců Tchaj-wanu, naznačil Bartoš. ČT24. 13 June 2024. <https://ct24.ceskatelevize.cz/clanek/svet/cesko-by-mohlo-ziskat-penize-z-americkeho-fondu-na-podporu-spojencu-tchaj-wanu-naznacil-bartos-350225>

87 T. Novotná. Národní konvent o EU: Strategická autonomie Evropské unie. Europeum. 7 June 2021. <https://www.europeum.org/clanky-a-publikace/doporuceni-narodni-konvent-o-eu-strategicka-autonomie-evropske-unie/>

88 Czech Statistical Office. International trade in goods by countries. Czech Statistical Office. 2025. <https://vdb.czso.cz/vdbvo2/faces/cs/index.jsf?page=vystup-objekt&f=TABULKA&z=T&skupId=3910&katalog=32935&pvo=VZO013-NP-A&pvo=VZO013-NP-A&str=v152>.

Czech disillusionment with the results of the partnership with China in terms of trade and investment and an ideologically fueled perception of China's international position meant the departure of Czech businesses from China. So far, two leading Czech investment and trade stakeholders have experienced significant setbacks and losses in the PRC. The PPF group, owned by the Czech billionaire Petr Kellner's Home Credit subsidiary, successfully expanded into post-communist Russia and China by providing consumer retail business loans, which later spread to other Asian countries like Indonesia, Vietnam, and the Philippines. Home Credit was China's first overseas retail credit provider to receive a lending license in 2010. However, the Covid-19 crisis and the geopolitical shifts that made doing business in non-democratic states riskier, growing local competition, and decreasing profitability led to PPF's withdrawal from the Russian and Asian markets.⁸⁹ The PPF's decision was influenced by the loss of domestic political backing after the end of Miloš Zeman's presidency, public criticism of the PPF's activities in non-democratic countries in Czech media⁹⁰ driven by NED-sponsored think tanks, mainly Sinopsis and European Values (Evropské hodnoty).⁹¹

In addition, after twenty years of presence in China, Home Credit was sold to Chinese Jingdong Technology Holding, the fintech arm of JD.com.⁹² Similarly, for Škoda VW, China was the largest market for the Czech automaker. Recently, however, it has been considering a complete withdrawal from China, where it is losing out to competition from local brands, electric cars, and hybrids, as well as due to a shortage of semiconductors.⁹³

Compared to that, Czech business with the US reveals more positive perspectives. Czech investment growth in the US is led by the arms industry sector, as confirmed by the acquisition of Colt (Colt Holding Company LLC), worth USD 220 million, by Czech CZG (Česká Zbrojovka Group), which employs 1600 people in Czechia, Germany and the US.⁹⁴ An even more remarkable deal is the historic purchase of Vista Outdoor's subsidiary The Kinetic Group, the leading US ammunition company by the Czechoslovak Group (CSG). Almost two years of negotiations on the most significant Czech investment agreement in the USA (USD 2,225 billion) with a political and security context made CSG a key

89 T. Goslink. Oligarch's death sends Czech giant west. DW. 17 February 2022. <https://www.dw.com/en/oligarchs-death-sends-czech-giant-west/a-60809142>

90 Home Credit. Skupina PPF se důrazně ohrazuje proti lživým nařčením od Sinopsis a Aktualne.cz. PPF. 3 September 2019. <https://www.ppf.eu/tiskova-zprava/skupina-ppf-se-durazne-ohrazuje-proti-lzivym-narcenim-od-sinopsis-a-aktualnecz>

91 F. Jirouš. Český „Král lichvářů“: Home Credit v Číně znovu terčem společenské kritiky. Sinopsis. 3 September 2019. <https://sinopsis.cz/cesky-kral-lichvaru-home-credit-v-cine-znovu-tercem-spolecenske-kritiky/>

92 M&A Port. PPF to sell Home Credit in China, Deloitte. M&A Port. 19 September 2024. <https://www.mnaport.com/en-CZ/media/ppf-to-sell-home-credit-in-china>

93 Reuters. Volkswagen's Skoda considers withdrawing from China, Automobilwoche reports. Reuters. 11 December 2022. <https://www.reuters.com/business/autos-transportation/volkwagens-skoda-considers-withdrawing-china-media-report-2022-12-11/>

94 Colt News. Colt Announces Closing of Acquisition by CZG. Colt News. 24 May 2021. <https://www.colts.com/2021/05/24/colt-announces-closing-of-acquisition-by-czg/>

player in the American and global ammunition market.⁹⁵ The US market is attracting the rising attention of the Czech aviation, engineering, health care, and space industries, as well as start-up projects.⁹⁶

Technology and green transition

Czech security and foreign policy government-related elites regard the anti-Chinese policy and support for Taiwan as also pertaining to technological issues. Technological “de-risking” from China has been on the top of the list of some official agencies (e.g., The National Cyber and Information Security Agency), but it has also served as an instrument for strengthening Atlantic ties. Despite the apparent efforts of Czech diplomacy to enhance relations with the US, the problem of chip exports for AI to the US has not yet been resolved. The United States imposes restrictions to keep highly advanced technology from falling into the hands of Russia and China. The regulation also applies to the Czech Republic, while the Western part of the European Union have more liberal conditions. Prague thus negotiates to gain support from the US technology sector, namely Oracle, NVidia, Amazon Web Services, and IBM.⁹⁷ In a similar sense, the Czech ban on Huawei and the active securitization narrative was also a diplomatic instrument to appeal to US high-level circles, as admitted by Czech Ambassador Hynek Kmoníček in his interview in 2019.⁹⁸

Czech foreign policy under Fiala’s government reinvigorated strong support for Taiwan, which was seen as part of the government’s perspective that Czechia needs to “belong to the (liberal-democratic) West” and shouldn’t “turn to the (autocratic) East”. Taiwan’s diplomacy actively responded and took advantage of the dominant political position of the first half of the 2020s. Czech-Taiwanese technological cooperation has gained a new impetus as Taiwan declared an intention to invest in semiconductor-related technologies and start-ups. Taiwan’s TSMC chip factory is being built near Dresden—a German city very close to the German-Czech border—, which some politicians and journalists understood as an opportunity for the Czech Republic.⁹⁹

95 Czech Army and Defence Magazine. Historic Czech investment in the United States – Czechoslovak Group becomes a key player in the ammunition market. Czech Army and Defence Magazine. 26 November 2024. <https://www.czdefence.com/article/historic-czech-investment-in-the-united-states-czechoslovak-group-becomes-a-key-player-in-the-ammunition-market>

96 BusinessINFO.cz. Do USA míří české start-upy i úspěšné firmy. Očekávají investice i nové zakázky. BusinessINFO.cz. 10 March 2023. <https://www.businessinfo.cz/clanky/do-usa-miri-ceske-start-upy-i-uspesne-firmy-ocekavaji-investice-i-nove-zakazky/>

97 Hospodářské noviny. Lipavský: Americké firmy podpořily Česko v úsilí o nulové limity vývozu čipů pro AI. Hospodářské noviny. 7 February 2025. <https://byznys.hn.cz/c1-67600940-lipavsky-americke-firmy-podporily-cesko-v-usili-o-nulove-limity-vyvozu-cipu-pro-ai>

98 M. Sviták. Kmoníček: Českému premiérovi otevřely dveře do USA vydání Nikulina a varování před Huawei. ČT24. 21 February 2019. <https://ct24.ceskatelevize.cz/clanek/svet/kmonicek-ceskemu-premierovi-otevrela-dvere-do-usa-vydani-nikulina-a-varovani-pred-huawei-69051>

99 M. Hála. Čipy místo Jie Tien-minga: ekonomická diplomacie, tentokrát vážně. Sinopsis. 15 October 2021. <https://sinopsis.cz/cipy-misto-jie-tien-minga-ekonomicka-diplomacie-tentokrat-vazne/>

Green transition has been one of the declared goals of Fiala's government. Although it has prepared a key strategic document (the so-called National Climate Plan), the government has not been particularly enthusiastic to promote and implement measures for tackling climate change. The Plan was revised throughout 2024 to make sure that it is not too radical.¹⁰⁰ Some of the key figures of the governmental parties, such as Alexander Vondra (a current member of the European Parliament and a former minister of foreign affairs as well as defence), are vocal climate sceptics and their voice seems to be strengthened after Donald Trump's election.¹⁰¹

Czechia's dependence on Chinese solar panels has become apparent and has been considered a potential risk in the turbulent energy crisis and adaptation in the aftermath of Russia's 2022 invasion of Ukraine.¹⁰² However, the question of green transition gained a rather low priority in the context Czechia's policy towards the USA as well as China.

Uncertain future of Czechia's China policy

In the second half of the 2010s, the Czech political scene was split between strong critics of China's authoritarian regime and its foreign policy, and economic pragmatists who were the main advocates and protagonists of the Sino-Czech rapprochement. In the first half of the 2020s, the situation is different, and the latter camp has a much weaker position, which is almost negligible in terms of official foreign policymaking. The dominant orientation of Fiala's cabinet was pro-American and largely favoured transatlantic ties rather than Europe's strategic autonomy as a "third way" of sorts, in the fashion of Emmanuel Macron. As such Czechia didn't belong among the leaders of new minilateral initiatives aimed at enhancing European security and diplomatic agency independently of the US, which started to burgeon in early 2025.

China was largely seen as a threat and systemic rival by the government. Although Czech relations with China cooled significantly compared to previous years, they did not deteriorate to the extreme. An indication of that can be found in the decision not to actively participate in the Belt and Road Initiative (BRI) and the 14+1 format, which was chosen rather than an outright withdrawal from these platforms. High-level political contacts between Czechia and China have remained suspended since the very early 2020s, and the government concentrated on being an active supporter of Ukraine, strengthening Czech-US relations, and energising Czech-Taiwan relations.

100 J. Nádoba. Zelený dokument, který v létě vyděl vládu, je zpět. Seznam Zprávy. 13 December 2024. <https://www.seznamzpravy.cz/clanek/ekonomika-byznys-trendy-analyzy-zeleny-dokument-ktery-v-lete-vydesil-vladu-je-zpet-266359>

101 ČT24. Vondra: Obama, to byly jen krásné řeči. Trump na rozdíl od něj jedná. ČT24. 12 April 2017. <https://ct24.ceskatelevize.cz/clanek/svet/vondra-obama-to-byly-jen-krasne-reci-trump-na-rozdil-od-nej-jedna-97718>

102 J. Václavíková. Z jedné závislosti do druhé? Čína dominuje výrobě solárů a může vydírat Západ. Aktuálně.cz. 4 March 2023. <https://zpravy.aktualne.cz/zahranici/z-jedne-zavislosti-do-druhe-cina-dominuje-vyrobe-solaru-a-mu/r~436aef48b81811ed9ae20cc47ab5f122/>

However, the upcoming autumn 2025 elections will almost certainly lead to the instalment of a different government, with Andrej Babiš (leader of ANO 2011, a right-wing populist party) as the most likely prime minister. A specific political orientation of the new government may highly depend on other political parties as well, but it is almost certain that Babiš and ANO will change Czechia's foreign policy orientation. Nonetheless, they are expected to be neither strong anti-China hawks nor pro-China enthusiasts, although they may try to revive and make use of the potential of Sino-Czech economic cooperation.

DENMARK: ALIENATED BY
BEIJING, FORSAKEN BY
WASHINGTON AND DRAWN
TO BRUSSELS



DENMARK: ALIENATED BY BEIJING, FORSAKEN BY AND DRAWN TO BRUSSELS

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Denmark finds itself in the midst of a major foreign policy crisis, triggered by the Trump administration's disruptive policies, including its desire to gain control over Greenland. The present crisis comes against the backdrop of a deepening US-China rivalry that, since 2018, has seen Denmark moving ever closer into Washington's orbit, thereby alienating itself from Beijing and dismantling its Comprehensive Strategic Partnership with China in the process. Although the US remains a vital military ally and Denmark's single-most important economic partner, the Trump administration's approach has raised serious questions about the nature of the bilateral relationship, forcing the Danish government to pivot towards Brussels and support its agenda for greater strategic autonomy. As negative views of China's political trajectory under Xi Jinping have hardened in Denmark, Copenhagen is unlikely to exploit the current geopolitical turmoil to pursue closer bilateral ties to Beijing, especially with Prime Minister Mette Frederiksen at the helm.

The Trumpian crisis in Danish foreign policy

For Denmark, 2025 started off with what was widely perceived to be the worst foreign policy crisis in decades.¹⁰³ In the lead-up to his second term in the White House, Donald Trump not only publicly (re)stated¹⁰⁴ his ambition to gain control over Greenland – an autonomous part of the Danish Kingdom – but openly questioned Denmark's claim to Greenland and threatened the use of coercive diplomacy to realize his ambition.¹⁰⁵ Since taking office, Trump has maintained the pressure on Denmark (and Greenland), prompting Danish Prime Minister Mette Frederiksen to publicly denounce it as “an unacceptable pressure [which] we will resist”¹⁰⁶ and raising disconcerting questions in Copenhagen about the nature of its relationship with Washington.

103 M. Hansted. Danmark i 'historisk uhørt' krise [Denmark in a historic crisis]. TV2. 17 January 2025. <https://nyheder.tv2.dk/2025-01-17-danmark-i-historisk-uhørt-krise-alarmtilstanden-gaar-kun-en-vej-og-det-er-op>

104 In 2019, President Trump offered to buy Greenland in a proposal that Danish Prime Minister Mette Frederiksen dismissed as “absurd: <https://eu.usatoday.com/story/news/politics/2019/08/19/danish-prime-minister-mette-frederiksen-calls-discussion-greenland-sale-absurd/2048872001/>

105 I. Aikman. Trump says he believes US will 'get Greenland'. BBC. 26 January 2025. <https://www.bbc.com/news/articles/crkezj07rzro>

106 T. Reinwald. Amerikanske topfolk vil besøge Grønland – uacceptabelt, siger Mette Frederiksen [American top officials wants to visit Greenland – unacceptable, says Mette Frederiksen]. TV2. 25 March 2025. Amerikanske topfolk vil besøge Grønland – uacceptabelt, siger Mette Frederiksen - TV 2

The present crisis comes against the backdrop of a deepening US-China great power rivalry that, since 2018, has seen Denmark essentially dismantling its Comprehensive Strategic Partnership with China and moving even closer into America's orbit. This trajectory has been further cemented by Russia's war in Ukraine which, in the blunt words of Mrs. Frederiksen, would not have been possible "without help from China... They have to be held responsible for their activities."¹⁰⁷ Taken together with her frequent warnings in the international media about becoming too dependent on Chinese technology,¹⁰⁸ Frederiksen has earned herself a reputation as one of China's most vocal critics in Europe – in addition to being the most pro-American Danish prime minister in recent memory. Indeed, as Denmark's military, economic, and technological reliance on the US has become increasingly pronounced, Frederiksen had until recently doubled down on transatlanticism, granting the US military unprecedented access to Danish bases,¹⁰⁹ and stating publicly that "we [Europe] can do nothing without the Americans" and "not a piece of paper must separate us from the US".¹¹⁰

As it now struggles to adapt to the new realities in Washington, the current Danish centrist coalition government is – despite the pragmatist mindset of Foreign Minister Lars Løkke Rasmussen – unlikely to seek closer bonds with Beijing, given how deeply negative views of China run in the Danish political establishment as well as in the Danish mass media today. Instead, an already emerging trend of pivoting towards Brussels is gaining further momentum, driven by the unsettling realization that the US is no longer a reliable ally, and that the EU needs to strengthen its strategic autonomy to navigate the US-China rivalry.

Worlds apart: Comparing Denmark's relations with China and the US

While far from ever matching the strategic depth of Denmark's relationship with the United States, the Danish-Chinese Comprehensive Strategic Partnership (CSP) did usher in a golden decade in bilateral relations following its establishment in 2008. As the only Nordic and smallest European country to have enjoyed such a partnership, Denmark cultivated a wide range of bilateral cooperation areas (encompassing no less than 56 MoUs in the 2017 work program) that were underpinned by frequent high-level visits

107 S. Lynch. Hold China responsible for helping Russia, Danish PM says. Politico. 25 September 2024. <https://www.politico.eu/article/danish-pm-mette-frederiksen-blast-china-help-russia-wage-war-ukraine/>

108 Europe must rely less on Chinese technology, Danish PM says. Financial Times. 2 September 2024. <https://www.ft.com/content/fb5d678f-d828-460b-b683-caade2b04fe3>

109 Forsvarsministeriet. New agreement strengthens defence cooperation between Denmark and the United States. Danish Ministry of Defense. 19 December 2023. <https://www.fmn.dk/en/news/2023/new-agreement-strengthens-defense-cooperation-between-denmark-and-the-united-states/>

110 O. Høj & P. Bang Thomsen. Mette Frederiksen efter Nordisk topmøde: Der må ikke komme et A4-ark mellem Europa og USA [Mette Frederiksen after Nordic summit: Not a single piece of paper must separate Europe from the US]. DR. 13 July 2023. <https://www.dr.dk/nyheder/politik/mette-frederiksen-efter-nordisk-topmoede-der-maa-ikke-komme-et-a4-ark-mellem-europa>

to China (on average eight annually), as well as the largest Danish diplomatic mission abroad (in Beijing).¹¹¹ In the meantime, China rose to become one of Denmark's largest export markets with hundreds of Danish companies investing in the Chinese market. Since around 2018, however, the CSP has been gradually reduced to an empty shell, triggered by the intensifying US-China rivalry and a fundamental reassessment among Danish policymakers of China's political trajectory under Xi Jinping (fully at display during a parliamentary debate in December 2018).¹¹² Today, although China remains Denmark's fourth-largest export partner, with a 6% share of Denmark's total exports in goods and services in 2022¹¹³, active political cooperation between the two sides has been trimmed down to a few green MoUs on climate change, sustainability and the environment in the most recently updated work program of the CSP (from August 2023).¹¹⁴ Research cooperation is now far more restricted, cultural exchanges are minimal, bilateral investments appear negligible and Chinese technology is viewed with growing scepticism by Danish authorities. In fact, China's overall influence capacity in Denmark is quite limited, as documented by the recent findings from a comparative survey that places Denmark at the bottom of the list (#88 of 98), alongside Lithuania, Latvia and Finland.¹¹⁵

Denmark's relationship with the United States, on the other hand, is extraordinarily deep and wide-ranging, leaving the Danish government in a potentially vulnerable position of strategic dependence on Washington. Militarily, America's indispensable role as NATO's key security (and intelligence) provider has been made abundantly clear in the aftermath of Russia's aggressive expansionist campaign in Ukraine, which has exposed Denmark's glaring lack of military capabilities to monitor and safeguard the kingdom's territorial sovereignty, notably in the Arctic region where the US military operates the Pituffik space base in Greenland (formerly Thule air base).¹¹⁶ Economically, the US surpassed Germany in 2020 as Denmark's single-largest export market accounting for 15% of outbound trade in goods and services (and 9% of total imports) in 2022, and America has also long been the main source of foreign direct investment (FDI) into Denmark, with a share of 20% of all foreign investments in addition to being the top destination for Danish companies' outbound investments since 2022 (with 17% of total

111 AB. Forsby. Danish-Chinese relations: 'Business as usual' or strategic disruption?. Danish Foreign Policy Review. 2020.

112 Ibid.

113 A. Zhuang et al. Et tilbageslag i Kina vil reducere væksten i Danmark betydeligt [A downturn in China will reduce Denmark's economic growth significantly]. Denmark's Central Bank. 27 June 2023. <https://www.nationalbanken.dk/da/viden-og-nyheder/publikationer-og-taler/analyse/2023/et-tilbageslag-i-kina-vil-reducere-vaeksten-i-danmark-betydeligt>

114 Udenrigsministeriet. Green Joint Work Programme for 2023-26. Ministry of Foreign Affairs of Denmark. August 2023. Green-Joint-Work-Programme-23-26-ENG (4).pdf

115 The author has compiled and analyzed the Danish dataset: <https://china-index.io/>

116 In January 2025, the Danish government announced a new set of major investments under the national defence agreement to address these shortcomings in the Arctic region: <https://www.fmn.dk/da/nyheder/2025/forste-delaftale-for-arktis-og-nordatlanten-styrker-forsvarets-opgavelosning-i-regionen/>

FDI stocks).¹¹⁷ Technologically, US high tech companies like Amazon Web services, Apple, Google, Microsoft and Open AI dominate the increasingly digitalized Danish workspace, while social media platforms such as Facebook, YouTube, and Instagram have become ubiquitous applications for organizing and practicing the social life among Danes.¹¹⁸ Culturally, American music, movies, TV-series and sports still play a significant role in winning the hearts and minds of the Danish population. Until recently, no one really questioned Denmark's comprehensive strategic dependence on the US, with Prime Minister Frederiksen tellingly declaring ahead of her visit to the White House in May 2023 that "the US is our most important ally. The transatlantic bond is stronger than it has ever been."¹¹⁹

Siding with Washington: How Denmark has navigated the US-China rivalry

With Mette Frederiksen at the helm (as prime minister since 2019), the Danish government has sided in no ambiguous terms with Washington. Apart from emphasizing national security interests, the prime minister has stressed the "shared values-based destiny of Europe and the US", while categorizing China as a "systemic rival" on several occasions.¹²⁰ This increased focus on "systemic rivalry" was particularly pronounced in the official foreign policy strategy from 2022 which adopted an unprecedentedly critical view of an "assertive" China that "challenges global rules" and "attempt[s] to hollow out the values our institutions are built on".¹²¹ While Mrs. Frederiksen herself has continued to express hawkish views of China (see Introduction), the current coalition government has sought to strike a somewhat more pragmatic approach in the most recent (May 2023) Danish foreign policy strategy, more attuned to the outlook of Foreign Minister Lars Løkke Rasmussen: "On the one hand, we must not be strategically dependent on China or forget the risks of being in the Chinese market. On the other hand, it is also not

117 Erhvervsministeriet. USA spiller historisk vigtig rolle for dansk samhandel og investeringer [The US plays a historically important role for Danish trade and investments]. The Ministry of Commerce. 8 November 2023. <https://www.em.dk/aktuelt/udgivelser-og-aftaler/2023/nov/usa-spiller-historisk-vigtig-rolle-for-dansk-samhandel-og-investeringer>

118 RJ. Ginman. Sådan blev danske myndigheder afhængige af amerikanske tech-giganter [How Danish authorities became dependent on US tech giants]. Ingeniøren Radar. 15 December 2023. <https://radar.dk/artikel/saadan-blev-danske-myndigheder-afhaengige-af-amerikanske-tech-giganter>

119 Statsministeriet. Statsministeren besøger USA's præsident [The Prime Minister visit the US President]. The Prime Minister's Office. 23 May 2023. <https://www.stm.dk/presse/pressemeddelelser/statsministeren-besoeger-usa-s-praesident/>

120 M. Frederiksen. Statsminister Mette Frederiksens tale til Det Udenrigspolitiske Selskabs 75-års jubilæum den 29. oktober 2021 [Prime Minister Mette Frederiksen's speech at the 75th anniversary of the Danish Foreign Policy Society]. 29 October 2021. <https://www.stm.dk/statsministeren/taler/statsminister-mette-frederiksens-tale-til-det-udenrigspolitiske-selskabs-75-aars-jubilaem-den-29-oktober-2021/>

121 Regeringen. Foreign and Security Policy Strategy. Ministry of Foreign Affairs of Denmark. January 2022. <https://um.dk/udenrigspolitik/aktuelle-emner/udenrigs-og-sikkerhedspolitik-strategi-2022>

in Denmark's or the EU's interest to decouple ourselves from China or to disregard the growth potential for Danish exports".¹²² A few months later, Mr. Rasmussen travelled to Beijing to revive a trimmed-down, greenwashed version of the effectively defunct CSP at a time, when the Biden administration was also more actively re-engaging with the Chinese.

Even so, the recent 'course correction' does not seem to alter the overall trend since 2018 towards severing Denmark's ties to China (i.e. de-coupling) with a specific view to undesirable dependencies (i.e. de-risking). In late 2018, Denmark was among the very first to heed the public warnings from the first Trump administration about relying on Chinese 5G digital infrastructure, prompting the Danish government to openly pressure the local telecom industry to abandon Huawei as a partner, before a new law on the security of suppliers of critical digital infrastructure (L1156) could be passed in 2021 (accompanied by a new national investment screening mechanism).¹²³ Amid direct warnings from Washington, Copenhagen also intervened in late 2018 to block Chinese companies from becoming involved in building a projected expansion of Greenland's airport infrastructure.¹²⁴ In 2022, the Danish government enacted a new set of national guidelines for international research cooperation to address potential security-related risks directly associated with China, with the Danish Security and Intelligence Service even launching a public campaign in early 2024 to raise awareness about such risks.¹²⁵ Moreover, a new Strategy for Security Supply has been published by the government in 2023 to identify "vital societal functions", specifically mentioning China as a cause of concern.¹²⁶ Meanwhile, the bulk of partnership agreements with Confucius Institutes and Chinese sister cities/municipalities have been terminated under the influence of public media scrutiny, and the Danish authorities are also increasingly banning the public use of Chinese tech such as drones and surveillance cameras due to security-related concerns.¹²⁷ All of these measures, it should be noted, have been preceded by similar initiatives in the United States, albeit only the first Trump administration exerted direct public pressure on Denmark to follow suit.

Despite this overall de-coupling/de-risking trend, Denmark still relies on Chinese technology and supply chains in some respects, especially regarding green tech such as electric vehicles (EVs) and batteries. Furthermore, the Confederation of Danish Industry

122 Regeringen. Foreign and Security Policy Strategy. Ministry of Foreign Affairs of Denmark. May 2023: [USS_2023_english.pdf](#)

123 AB. Forsby. Denmark: Enhanced vigilance in countering potential dependencies on China. In John Seaman et al., Dependence in Europe's relations with China. IFRI. ETNC report

124 Ibid

125 AB. Forsby and Y. Jiang. Denmark: De-risking paves the way for pragmatic reengagement with China. In Andersson & Lindberg. National perspectives on Europe's de-risking from China. NKK. ETNC Report.

126 Styrelsen for Forsyningssikkerhed. Strategy for Security of Supply. Danish Critical Supply Agency. September 2023. [Strategi-for-forsyningssikkerhed.pdf](#) (sfos.dk)

127 AB. Forsby. Afkobling eller risikokontrol [Decoupling or de-risking]. DIIS Policy Brief. August 2024. <https://www.diis.dk/publikationer/afkobling-risikostyring>

has warned about underestimating China's imprint on the Danish economy, including the critical role that various types of Chinese components and materials play in the supply chains of Denmark's export industry.¹²⁸ Echoing these points ahead of his China trip in August 2023, Foreign Minister Rasmussen pointed to "China's indispensable position for our supply chains", "our climate change ambitions" and "our own green transition".¹²⁹ In May 2025, to mark the 75 year anniversary of diplomatic relations between Denmark and China, Mr. Rasmussen again travelled to China, where he underlined the importance of "long-term strategic relations [with China] even if we don't agree on everything".¹³⁰ In an ironic twist, China's Foreign Minister Wang Yi seized the opportunity to state that "The Chinese side fully respects Denmark's sovereignty and territorial integrity on the issue of Greenland and hopes that Denmark will continue to support China's legitimate position on matters concerning its sovereignty and territorial integrity."¹³¹ Less than a week earlier, former Taiwanese President Tsai Ing-wen had travelled to Denmark to meet local MPs and participate in the annual Democracy Summit, hosted by Alliance of Democracies.¹³²

From opted-out to vested-in: Growing Danish support for EU strategic autonomy

For Denmark, as a (self-perceived) liberal small state that for decades has relied on the United States to underpin free-trade, multilateralism and a rules-based international order, the second Trump administration seems to represent a critical juncture. Having largely handled the consequences of being increasingly alienated from China since 2018, the fallout of now being forsaken by the US is on a whole different order of magnitude. Although the Danish government has so far stuck to the official mantra of stressing how important the US is to Denmark, there is a widespread sense of

128 A. Sørensen & E. Ellegaard. Kinas økonomiske betydning for Danmark [China's economic impact on Denmark]. DI Analyse, The Confederation of Danish Industry. April 2023. <https://www.danskindustri.dk/arkiv/analyser/2023/4/kinas-okonomiske-betydning-for-danmark/>

129 LL. Rasmussen. Vi vil føre en klarsynet og realistisk Kina-politik [We will conduct a clear-eyed and realistic China-policy]. Ministry of Foreign Affairs of Denmark. 15 August 2023. <https://um.dk/om-os/ministrene/udenrigsministeren/udenrigsminister-lars-loekke-rasmussen/vi-vil-foere-en-klarsynet-og-realistisk-kina-politik>

130 Udenrigsministeriet. Danmarks og Kinas udenrigsministre mødes i Beijing [Denmark and China's foreign ministers meet in Beijing]. 19 May 2025. <https://via.ritzau.dk/embedded/release/14407450/udenrigsministeren-markerer-75-ars-diplomatiske-relationer-i-beijing?publisherId=2012662&widget=true>

131 MFAPRC (2025). Wang Yi Holds Talks with Danish Foreign Minister Lars Løkke Rasmussen. Ministry of Foreign Affairs of the People's Republic of China. 19 May 2025. https://www.fmprc.gov.cn/eng/wjbzhd/202505/t20250520_11628772.html#:~:text=The%20Chinese%20side%20fully%20respects,its%20sovereignty%20and%20territorial%20integrity

132 Reuters. Danish minister heads to China, days after Taiwan ex-leader's contested Denmark trip. Reuters. 15 May 2025. Danish minister heads to China, days after Taiwan ex-leader's contested Denmark trip | Reuters

urgency among Danish policymakers and a growing resolve to pursue Europe's strategic autonomy against the backdrop of the deepening US-China rivalry. As stated by Prime Minister Frederiksen following her European roundtrip in late January: "There is, from my perspective, only one solution to this: An ever closer and stronger European cooperation".¹³³ The notion of and support for Europe's strategic autonomy has actually been gaining momentum for several years, propelled in no small part by the disruptive experiences during the first Trump administration. After decades as a reserved outlier in the EU, zealously guarding its four national opt-outs, Denmark not only abolished its defence opt-out in 2022, but also embarked on a more offensive approach to the EU as witnessed in the most recent foreign policy strategy: "Denmark must achieve increased resilience through closer European cooperation [...] Denmark must therefore work to strengthen the EU through open strategic autonomy"¹³⁴

In practice, Copenhagen has already been looking to Brussels in particular for overall policy guidance on how to address the risks of becoming overly dependent on China, thus welcoming a range of EU initiatives such as the Critical Raw Materials Act, the Net-Zero Industry Act, the Anti-Coercion Instrument, the EU framework for foreign direct investments as well as the imposition of tariffs against Chinese EVs. Now, with the prospects of an EU-US trade war on the horizon, or even a pull-out of US forces from Europe, the current Danish coalition government is increasingly seeking convergence in Brussels on how to respond to Washington.

With the geostrategic landscape in the making, a final consideration is the degree of cross-partisan consensus in Denmark on how to navigate the US-China-EU triangle. With respect, firstly, to China, none of the political parties in the Folketing are openly advocating for closer relations with Beijing; on the contrary, some right-wing opposition parties have been highly critical of the somewhat more pragmatic turn in Denmark's China policy under the current coalition government.¹³⁵ Secondly, concerning Denmark's relations to the US, the opposition parties have generally refrained from politicizing the bilateral relationship itself or stoking anti-American sentiments, even though Danes turn out to be the most critical of the new Trump administration in Europe.¹³⁶ Thirdly,

133 K. Axelsson. Mette Frederiksen på krisetur i Europa: USA er stadig vores tætteste allierede [Mette Frederiksen on a crisis tour in Europe: The US remains our closest ally]. Politiken. 28 January 2025. <https://politiken.dk/internationalt/art10263823/Mette-Frederiksen-p%C3%A5-krisetur-i-Europa-USA-er-stadig-vores-t%C3%A6tteste-allierede>

134 Regeringen. Foreign and Security Policy Strategy. Ministry of Foreign Affairs of Denmark. May 2023. [USS_2023_english.pdf](#)

135 M. Vestergaard. Løkke har kurs mod Kina, men oppositionen er kritisk [Løkke is headed for China, but the opposition is critical]. DR. 14 August 2023. <https://www.dr.dk/nyheder/politik/loekke-har-kurs-mod-kina-men-oppositionen-er-kritisk-det-er-dybt-bekymrende>

136 H. Britton. European favourability of the USA falls following the return of Donald Trump. YouGov. March 4. 2025. <https://yougov.co.uk/international/articles/51719-european-favourability-of-the-usa-falls-following-the-return-of-donald-trump>

whereas EU negativity was widespread in the Folketing a decade ago,¹³⁷ most political parties nowadays view Brussels favourably fully in line with the Danish population itself (with 80% of Danes viewing the EU positively according to a Eurobarometer survey from late 2023).¹³⁸ Only one right-wing opposition party, the Danish People's Party (polling at around 5%), wants Denmark to eventually leave the EU, while the two largest right-wing opposition parties (around 12% each) merely prefer a leaner EU in order to reduce regulation (Liberal Alliance) or to empower the nation state (the Denmark Democrats).

As such, the present juncture is unlikely to bring about any significant warming of Denmark's ties with China, nor any publicly stated reservations about Denmark's treaty-bound alliance with the US given the sheer scale of its overall strategic dependence on Washington. But the disruptive policies of the new Trump administration are already moving the needle in Copenhagen as the Danish government pivots towards Brussels.

137 T. Knudsen. Eksperter: Alle danske partier er blevet mere EU-skeptiske [Experts: All Danish parties have become more skeptical of the EU]. *Politiken*. 13 May 2014. <https://politiken.dk/danmark/politik/art5515454/Eksperter-Alle-danske-partier-er-blevet-mere-EU-skeptiske>

138 EP Autumn 2023 Survey: Six months before the 2024 European Elections. European Union, December 2023. <https://europa.eu/eurobarometer/surveys/detail/3152>

ESTONIA: BACKING TRANSATLANTICISM, COOL ON CHINA



ESTONIA: BACKING TRANSATLANTICISM, COOL ON CHINA

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Sticking to Washington, distant from China – the Estonian government's position into the second Trump administration. In recent months Estonian officials have communicated to Beijing that Russia's aggression against Ukraine is an absolute priority, informing Tallinn's assessment of all other international issues,¹³⁹ while also calling for a reconsideration of EU China policy, focusing on China's role as "rival and competitor".¹⁴⁰ Meanwhile, the Estonian foreign minister has expressed gratitude to his American counterpart Rubio, for "the contribution of the US to our region's security". Cooler China ties are evidenced by Estonia's 2022 withdrawal from the China-led 16+1 format, and the Estonian Ministry of Foreign Affairs' (MFA) 2023 decision to greenlight the creation of Taipei's non-diplomatic representations in Estonia,¹⁴¹ a move unwelcome in Beijing. Although transatlantic ties face challenges, Beijing's ever deepening ties with Moscow leave little room for a thaw in Estonia-China relations.

Tallinn and Washington: allies in testing circumstances

Russia is widely understood to be the only conceivable existential threat to the states of the Nordic-Baltic region and to European states more broadly.¹⁴² Consequently, Estonia's foreign and security policy is fundamentally shaped by its perception of the Russian threat, which also frames the country's approach to relations with both the US and China.

Estonia has viewed the US as a cornerstone of its security architecture consistently across governments. The historical support of the US never recognising the Soviet Union's illegal annexation of Estonia provides a strong foundation for bilateral ties today. Following the Soviet Union's collapse, Estonia has viewed EU and NATO membership as crucial to ensuring long-term security against Russia. Among NATO allies, Estonia has been a vocal proponent of increasing defence spending. While Estonia has met NATO's

139 Secretary General Vseioiv in China: we are expecting Chinese cooperation in the criminal investigation into the damage to submarine infrastructure in the Baltic Sea. Estonian Ministry of Foreign Affairs. 12 November 2024. <https://vm.ee/en/news/secretary-general-vseioiv-china-we-are-expecting-chinese-cooperation-criminal-investigation>

140 Foreign Minister Tsahkna in annual foreign policy speech. What we should fear is the success of the aggression, not the aggressor's defeat". Estonian Ministry of Foreign Affairs. 11 February 2025. <https://vm.ee/en/news/foreign-minister-tsahkna-annual-foreign-policy-speech-what-we-should-fear-success-aggression>

141 Comment by Foreign Minister Margus Tsahkna on the regular review of the China policy of the Government of Estonia. Estonian Ministry of Foreign Affairs. 3 November 2023. <https://vm.ee/en/news/comment-foreign-minister-margus-tsahkna-regular-review-china-policy-government-estonia>

142 T. Lawrence, T. Jermalavičius, J. Hyllander. The Newest Allies: Finland and Sweden in NATO. International Centre For Defence and Security. March 2024. https://icds.ee/wp-content/uploads/dlm_uploads/2024/03/ICDS_Report_The_Newest_Allies_Lawrence_Jermalavicius_Hyllander_March_2024.pdf

minimum defence spending threshold of 2% of GDP since 2015, in 2025 parliament committed to 5% from 2026.¹⁴³ Hoping that European allies will also increase defence spending, Estonia has called for simplified EU borrowing rules.¹⁴⁴

The US is a major source of military aid to Estonia, providing funding via the Baltic Security Initiative (BSI) and the State Department's Foreign Military Financing (FMF) programme. In 2024, the US provided USD 228 million in security assistance to the Baltic States via BSI and USD 47.3 million via FMF. While BSI continuing depends on US Congress, Secretary Rubio confirmed in March 2025 the continuation of the FMF programme in Estonia, related to the acquisition of HIMARS systems.¹⁴⁵

As part of its broader defence strategy, Estonia has actively sought increased US and allied troop deployments within its borders. After the NATO Madrid summit in 2022, additional US troops have been stationed in Estonia on a rotational basis, numbering around 600 as of February 2025.¹⁴⁶ As part of NATO, Estonian defence forces participate in tens of international training exercises every year. Many of these include the US and some are held in Estonia,¹⁴⁷ the Baltops annual exercise being one of these. Bilateral exercises are also held with the US.

US security support for Estonia also occurs in non-NATO multilateral formats, such as the Three Seas Initiative (3SI). As a member of 3SI, Estonia has direct access to the White House and the US State Department, offering valuable political capital in an environment where many countries compete for Washington's attention. While 3SI offers opportunities to diversify the relationship and strengthen economic ties, security and military cooperation continue to dominate bilateral engagement.¹⁴⁸ President Trump personally attended the 3SI summit in 2017, while the Biden administration also backed the format. Some US supporters underline 3SI's strategic value, highlighting it as a "potential counterbalance to the PRC's regional projects as part of its Belt and

143 Estonia's defence spending to equal at least 5% of GDP from next year. Postimees News. 19 March 2025. <https://news.postimees.ee/8213217/estonia-s-defense-spending-to-equal-at-least-5-percent-of-gdp-from-next-year>

144 Estonian government calls for Maastricht criteria change to help increase defence spending. ERR News. 23 January 2025. <https://news.err.ee/1609584953/estonian-government-calls-for-maastricht-criteria-change-to-help-increase-defense-spending>

145 Tsahkna: US security assistance to the Baltic States shows allied commitment to our defence. Estonian Ministry of Foreign Affairs. 25 March 2024. <https://vm.ee/en/news/tsahkna-us-security-assistance-baltic-states-shows-allied-commitment-our-defence>

146 Estonian defmin: No discussions about US troop withdrawal from Baltics. Postimees. 18 February 2025. <https://news.postimees.ee/8194974/estonian-defmin-no-discussions-about-us-troop-withdrawal-from-baltics>

147 Rahvusvahelised õppused. Estonian Defence Forces. retrieved 28 February 2025. <https://mil.ee/kaitsevagi/oppused/rahvusvahelised-oppused/>

148 P. Kuusik. How Does the Three Seas Initiative Help Estonia?. International Centre for Defence and Security. 13 November 2020. <https://icds.ee/en/how-does-the-three-seas-initiative-help-estonia/>

Road Initiative (BRI)".¹⁴⁹ The second Trump administration has continued engagement with 3SI, sending Energy Secretary Chris Wright to attend the 2025 summit.

Although public friction between Tallinn and Washington is rare, tensions emerge from time to time. Recent AI chip export restrictions imposed on several European countries by the Biden administration led the Baltic foreign ministers to issue a joint statement expressing concern about the decision.¹⁵⁰ While Estonia's prime minister expressed the view that dividing Europe in this way was unacceptable, an Estonian expert commented that the restrictions' primary rationale was preventing AI chips reaching China, and that restrictions would not materially affect Estonia.¹⁵¹ Continuing into the second Trump administration, new uncertainties have arisen, visible in EU-critical rhetoric coming from the White House, especially in light of Liberation Day reciprocal tariffs. Yet, for Estonia there is no viable immediate alternative to US security guarantees, given that calls for EU strategic autonomy cannot be realised overnight. Secretary Rubio's comments at the Brussels NATO foreign ministers meeting that "President Trump has made clear he supports NATO; we're going to remain in NATO," may alleviate Estonian security concerns, at least in the short term.¹⁵²

Tallinn and Beijing: no thaw in sight

Estonia's approach to China is not defined by a single overarching strategy but is informed by three key documents.¹⁵³ The 1994 Estonia–China Joint Declaration, in which Estonia committed to recognising the PRC as the only legitimate government of China; the EU's 2019 Strategic Outlook on China, defining it as a partner, competitor and rival; and an internal cabinet memorandum for policymakers. Since 2022, Russia's aggression against Ukraine has been Estonia's absolute foreign policy priority, informing its assessment of all other international issues. The Estonian MFA's 2023 regular review of its China policy stated "it is important that China does not support Russia's aggression."¹⁵⁴

149 Report to Congress on Three Seas Initiative. U.S. Naval Institute Staff. 20 March 2025. <https://news.usni.org/2025/03/20/report-to-congress-on-three-seas-initiative>

150 Baltic states' foreign ministers issue appeal on US AI export chip restrictions. ERR News. 17 January 2025. <https://news.err.ee/1609579159/baltic-states-foreign-ministers-issue-appeal-on-us-ai-export-chip-restrictions>

151 TalTech professor: AI chip restrictions on Estonia won't make much difference. ERR News. 20 January 2025. <https://news.err.ee/1609581226/taltech-professor-ai-chip-restrictions-on-estonia-won-t-make-much-difference>

152 We're going to remain in NATO. U.S. Mission to the EU (@US2EU) on X. 3 April 2025. <https://x.com/US2EU/status/1907771141826941001>

153 'Taiwani küsimus' ja Eesti julgeolek. A webinar of the Estonian Academy of Security Sciences. 29 November 2024. <https://www.youtube.com/watch?v=XvCdbq6yli4>

154 Comment by Foreign Minister Margus Tsahkna on the regular review of the China policy of the Government of Estonia. Estonian Ministry of Foreign Affairs. 3 November 2023. <https://vm.ee/en/news/comment-foreign-minister-margus-tсахкна-regular-review-china-policy-government-estonia>

Already since 2019, Estonia-China relations have cooled.¹⁵⁵ That year, Estonia signed a 5G security memorandum with the US, effectively ruling out Chinese companies as suppliers for 5G networks,¹⁵⁶ citing national security concerns. Estonia's foreign minister sought to reassure China that the memorandum was not explicitly directed against any specific technology company, emphasising that it would not harm Estonia's relations with China, an "important country for Estonia".¹⁵⁷ The move was cemented in 2021, when Estonian parliament adopted the Electronic Communications Act,¹⁵⁸ listing several criteria that would label China as a high-risk country, ruling it out of providing critical telecommunications infrastructure.

Wider Estonian society has also shown awareness of China risks. In 2021, a public letter signed by 70 academics, journalists, writers and politicians warned about Chinese influence activities' threat to academic and press freedoms in Estonia.¹⁵⁹ Prime Minister Kallas welcomed this letter, saying that activities by the Chinese government pose an increasing challenge for Estonia, other small countries, and democracies as a whole.¹⁶⁰ Later the same year she called for Europe, US and allies to merge their infrastructure investment projects to rival China's BRI, which China's *Global Times* criticised as "Estonia overreaching".¹⁶¹

Following Russia's full-scale invasion of Ukraine in 2022, Estonia's primary China-related concern has been Beijing's continued support to Russia. This has seen Estonia withdraw from China-led formats. When Estonia left the 16+1 format in August 2022, Foreign Minister Reinsalu stated that "We [Estonia] prefer EU cooperation. And there is certainly an element here in that China has not condemned the Russian Federation's war against Ukraine in clear terms".¹⁶² His annual foreign policy speech further reinforced this message, stating "one of the reasons we decided to leave this format was the

155 A. Mikelsaar. Estonia and China: Changing role, Perceptions, and Security Implications. In M. Andžāns, and U. Bērziņa-Čerenkova, *China in the Baltic States – from a Cause of Hope to Anxiety*. (pp. 6–31). 2022. Rīga Stradiņš University. https://doi.org/10.25143/China-in-the-Baltic-States_2022 ISBN 9789934618154_06-31

156 A. Lobjakas. 5G: Estonia Picks National Security over Technology. Aspen Institute Central Europe. 12 March 2020. <https://www.aspeninstitutece.org/article/2020/5g-estonia-picks-national-security-technology/>

157 Foreign minister: Estonia-US 5G memorandum will not hurt China relations. ERR News. 28 October 2019. <https://news.err.ee/996756/foreign-minister-estonia-us-5g-memorandum-will-not-hurt-china-relations>

158 Legislation barring Huawei 5G tech passes Riigikogu. ERR News. 25 November 2021. <https://news.err.ee/1608414737/legislation-barring-huawei-5g-tech-passes-riigikogu>

159 Public address: On influence activities of the People's Republic of China. ERR News. 16 April 2021. <https://news.err.ee/1608180589/public-address-on-influence-activities-of-the-people-s-republic-of-china>

160 Prime minister: China appeal welcome address on concerning issue. ERR News. 16 April 2021. <https://news.err.ee/1608180598/prime-minister-china-appeal-welcome-address-on-concerning-issue>

161 Estonia overreaches by calling for rivalry over BRI. Global Times. 6 September 2021. <https://www.globaltimes.cn/page/202109/1233497.shtml>

162 Estonia, Latvia withdrawing from China's 16+1 cooperation format. ERR News. 11 August 2022. <https://news.err.ee/1608682231/estonia-latvia-withdrawing-from-china-s-16-1-cooperation-format>

[China's] attitude and reactions to Russia's aggression in Ukraine".¹⁶³ The same year, Estonia allowed its BRI MoU to expire without renewal. Both instances reflect decreasing Estonian willingness to directly engage with China while it continues supporting Russia, instead opting for EU-level engagement.

While China's *de facto* support for Russia had already soured relations, two cases of Chinese vessels involved in the sabotage of Baltic Sea critical seabed infrastructure have deepened distrust. First, the October 2023 case of Hong Kong-flagged Newnew Polar Bear damaging the Balticconnector undersea gas pipeline between Estonia and Finland. And second, the December 2024 case of Chinese ship Yi Peng 3, suspected of damaging underwater communication cables in the Baltic Sea. Commenting on both cases, Foreign Minister Tsahkna noted that "China is clearly playing a borderline game here."¹⁶⁴

Estonia's intelligence community sees the PRC as negatively affecting national security. In 2024, the Estonian Internal Security Service pointed out activities of Chinese intelligence services in Estonia, and the role of the Chinese embassy in spreading its narratives among Estonian politicians, academics and local government staff, while opposing dissenting views.¹⁶⁵ In 2025, the Estonian Foreign Intelligence Service said investments by Chinese state-owned enterprises in Estonia should be evaluated with a clear understanding of their deep politicisation and strong ties to the Communist Party.¹⁶⁶ The Service called for the public and private sectors to take forward-looking measures to prevent the proliferation of Chinese technology, as it is highly likely that, in the not-so-distant future, a painful decision to abandon Chinese technology may be necessary.¹⁶⁷ The risks and vulnerabilities created by dependencies on Chinese technologies, for example Chinese inverters in solar energy installations, were also highlighted by Estonian Information Systems Authority.¹⁶⁸ Chinese intelligence activities in Estonia are evidenced by the 2021 and 2022 arrests of two Estonian citizens, sentenced to jail for spying on behalf of China.¹⁶⁹

163 Foreign Minister Reinsalu in his annual foreign policy speech: Estonia's foreign policy focuses on Ukraine's victory and Russia's defeat. Estonian Ministry of Foreign Affairs. 14 February 2023. <https://vm.ee/en/news/foreign-minister-reinsalu-his-annual-foreign-policy-speech-estonias-foreign-policy-focuses>

164 FM: Maritime law complicates investigating Baltic Sea sabotage cases. ERR News. 23 December 2024. <https://news.err.ee/1609559306/fm-maritime-law-complicates-investigating-baltic-sea-sabotage-cases>

165 Annual Review 2022-2023. Estonian Internal Security Service. https://kapo.ee/sites/default/files/content_page_attachments/Annual%20Review%202022-23_0.pdf

166 International Security and Estonia 2025. Estonian Foreign Intelligence Service. February 2025. <https://raport.valisluureamet.ee/2025/en/6-china/6-3-chinese-state-owned-enterprises-as-political-instruments/>

167 International Security and Estonia 2024. Estonian Foreign Intelligence Service. February 2024. https://raport.valisluureamet.ee/2024/assets/VLA_ENG-raport_2024_240122_Web.pdf

168 The red dragon spreads its wings. Estonian Information System Authority annual report Cyber Security in Estonia 2025. February 2025. <https://www.ria.ee/en/red-dragon-spreads-its-wings>

169 ERR: Court jails Estonian woman found guilty of spying for China. ERR News. 4 June 2022 <https://news.err.ee/1608619453/court-jails-estonian-woman-found-guilty-of-spying-for-china>

As relations cool, Estonia has taken a hawkish approach on China policy within the EU. In the 2024 EU governments' vote on Chinese electric vehicles (EVs) tariffs, Estonia was one of the ten Member States who voted in favour of imposing tariffs on importing Chinese-made EVs. In 2025, Foreign Minister Tsahkna called for the EU to reconsider its China policy. Nonetheless, Estonia is a Member State that has a less-extensive relationship with China than many others, resulting in Tallinn having less experience dealing with Beijing. This means that on the EU-level Estonia is often quieter on China while remaining vocal about Russia.

Despite a hawkish stance from Estonia's diplomats, politicians, and intelligence community, public opinion is more diverse. A 2023 survey conducted on attitudes in Estonia towards China, showed half of respondents seeing China in a positive light, while Xi Jinping's role in the world was viewed negatively.¹⁷⁰ A 2024 ECFR survey showed 41% of Estonian respondents viewing China as "a necessary partner – with which we must strategically cooperate", while 37% saw China as a rival or adversary.¹⁷¹ Opinions in Estonia are divergent among age groups, as well as between Estonian and Russian language speakers, with Russian speakers tending to take a more favourable stance on China, skewing the Estonian public's overall opinion towards positive.

Tallinn: warming to Taipei?

Low trade figures with both Washington and Beijing mean that Estonia's position within US-China great power competition is almost entirely based on security considerations. In 2024 Estonia's trade with the US was worth just over EUR 1 billion, while trade with China was worth slightly less at EUR 974 million. These figures accounted for 2.7% and 2.6% of Estonia's total EUR 38.1 billion trade respectively.¹⁷² With national security and values-based politics as stronger drivers of Estonia's position than trade, global geopolitical flux has caused foreign policy developments in Tallinn.

Changes to global security have seen Tallinn and Taipei increasingly perceive a shared geopolitical reality – being a small democracy, situated next to an aggressive authoritarian neighbour, facing persistent hybrid warfare activity. The parallels are

170 Eestimaalaste Hiina hoiakute uuring. University of Tartu. 11 September 2023. <https://aasiakeskus.ut.ee/et/sisu/eestimaalaste-hiina-hoiakute-uuring>

171 J. Puglierin, A. Varvelli, P. Zerka. Transatlantic twilight: European public opinion and the long shadow of Trump. European Council on Foreign Relations. 12 February 2025. <https://ecfr.eu/publication/transatlantic-twilight-european-public-opinion-and-the-long-shadow-of-trump/>

172 Trade statistics for Estonia. Statistics Estonia. <https://data.stat.ee/profile/country/ee/?locale=en> Estonia 2024 total exports €17.4B, Estonia 2024 total imports €20.7B, Estonia 2024 total external trade €38.1B. Estonia 2024 exports to USA €714M (714/17400*100) = 4.1% of total, Estonia 2024 imports from USA €315M (315/20700*100) = 1.5% of total, Estonia 2024 total trade with USA 1,019M (1019/38100*100) = 2.7% of total. Estonia 2024 exports to China €244M (244/17400*100) = 1.4% of total, Estonia 2024 imports from China €730M (730/20700*100) = 3.5% of total, Estonia 2024 total trade with China €974M (974/38100*100) = 2.6% of total.

stronger year by year, with undersea cable cutting a frequent occurrence in the Baltic Sea and Taiwan Strait.

Russia's ongoing war, China's support for it, and these shared realities, may all have factored into the 2023 decision to allow Taipei's representation in Estonia. While most EU countries, and even Moscow, are already home to Taipei representations, this decision holds political weight nevertheless. The move could be seen as a political response to China's continued support for Russia in its aggression. Its significance is evidenced by Ambassador Guo's response, threatening to leave Estonia if the representation is opened.¹⁷³

Support for Taiwan has grown in Estonian parliament since 2019. That year, the Estonia-Taiwan parliamentary support group wrote a letter to the WHO concerning Taiwan's inclusion. In 2023 the support group said that Estonia should look towards Taiwan more boldly, "a society that believes in democracy and the rule of law, like Estonia".¹⁷⁴ The group has facilitated Estonia-Taiwan political cooperation, including Taiwan donating USD 1 million to the Estonian Refugee Council to Support Ukrainian War Refugees in 2022,¹⁷⁵ and a further USD 1.2 million to aid Estonia's efforts to build a shelter for Ukrainian refugees in 2024.¹⁷⁶ Enthusiasm for Taiwan has been shared by the parliamentary foreign affairs committee, who sent a historic first-ever committee delegation to Taiwan in 2024, where committee chair Mihkelson commented that "cooperation at various levels has intensified considerably" following a meeting with President Lai.¹⁷⁷ Perhaps most notably in parliamentary cross-strait issues, the Estonia-Taiwan support group surpassed the Estonia-China parliamentary friendship group in membership count for the first time in 2024.

Estonian media seemingly favours Taiwan over China, often criticising relations with the PRC while not doing so for Taiwan. For example, the Estonia-China parliamentary friendship group drew widespread criticism in Estonian media for its 2024 visit to China,

173 Hiina suursaadik ähvardas Taipei esinduse avamise korral Eestist lahkuda. Postimees. 7 November 2023. <https://www.postimees.ee/7892056/hiina-suursaadik-ahvardas-taipei-esinduse-avamise-korral-eestist-lahkuda>

174 Estonia-Taiwan Friendship Group of the Riigikogu: Estonia should look towards Taiwan more boldly. Riigikogu. 4 October 2023. <https://www.riigikogu.ee/en/news-from-factions/news-from-associations/estonia-taiwan-friendship-group-of-the-riigikogu-estonia-should-look-towards-taiwan-more-boldly/>

175 The Taipei Mission in the Republic of Latvia Donated a Million Dollars to the Estonian Refugee Council to Support Ukrainian War Refugees. Estonian Refugee Council. 19 May 2022. <https://www.pagulasabi.ee/en/taipei-mission-republic-latvia-donated-million-dollars-estonian-refugee-council-support-ukrainian>

176 Taiwan donating US\$1.2m to Kyiv through Estonia. Taipei Times. 21 June 2024. <https://www.taipeitimes.com/News/taiwan/archives/2024/06/21/2003819683>

177 Väliskomisjon Taiwanil: demokraatlike ühiskondade koostöö on möödapääsmatu. Riigikogu. 1 November 2024. <https://www.riigikogu.ee/pressiteated/valiskomisjon-et-et/valiskomisjon-taiwanil-demokraatlike-uhiskondade-koostoo-on-moodapaasmatu/>

due to Beijing funding part of the trip.¹⁷⁸ Visits to Taiwan by the Estonia-Taiwan support group have not drawn similar criticism – for example the support group’s 2025 visit to Taiwan with a delegation of Estonian defence industry companies, going unscathed in the media. Whether Taiwanese financing was involved is unclear; if there was, the Estonian media seems uninterested. In 2024, Ambassador Guo commented her hope that “all Estonia politicians would fully understand the grave damage of ‘Taiwan independence’ separatist activities”.¹⁷⁹ Given the frequency of critical comments coming from the Chinese embassy, many Estonian parliamentarians have grown indifferent to such remarks.

Diplomatic comments that created a real stir in Estonia came instead from Chinese diplomat Lu Shaye, former ambassador to France, who in 2023 remarked that former Soviet countries had no “effective status” in international law. In response, the Estonian MFA summoned a Chinese diplomat to “explain sovereignty comments”.¹⁸⁰ Although Lu has changed his tone since his 2025 appointment as China’s special envoy for European affairs, calling Trump’s treatment of European allies “appalling”, his sovereignty critical comments will likely not be forgotten by those shaping Estonia’s China policy.

In conclusion, Estonia’s position within great power competition has remained relatively stable to date, despite challenges brought by Trump’s second term. Security remains the primary priority, while ongoing trade wars hold less strategic importance. Therefore, Estonia continues to affirm the importance of transatlantic security, while calling “the increasingly strategic cooperation between Russia, China, North Korea, and Iran” a most serious shared concern. Foreign Minister Tsahkna noted that “without their [including China’s] support, Russia would not be able to wage war in Europe”.¹⁸¹ This China-Russia cooperation, as well as a weakened rules-based international order, have likely played an important role in warming Estonia-Taiwan ties – seemingly the only moving part in Estonia’s otherwise stable position amid great power rivalry. If transatlantic ties are able to maintain some stability, and China continues to deepen ties with Russia, Estonia will likely maintain its current strategic outlook.

178 Estonia's Foreign Ministry distances itself from MPs' China visit. ERR News. 10 September 2024. <https://news.err.ee/1609449455/estonia-s-foreign-ministry-distances-itself-from-mps-china-visit>

179 Ambassador Guo Xiaomei gave an interview to Estonian Media Postimees”, Embassy of the PRC in Estonia, 21 December 2024, <https://archive.ph/LF4ZB>

180 Estonian MFA summons Chinese diplomat to explain sovereignty comments. ERR News. 24 April 2023. <https://news.err.ee/1608957581/estonian-mfa-summons-chinese-diplomat-to-explain-sovereignty-comments>

181 Foreign Minister Tsahkna: Rubio’s clear foreign policy positions are the basis for successful cooperation. Estonian Ministry of Foreign Affairs. 21 January 2025. <https://vm.ee/en/news/foreign-minister-tsakna-rubios-clear-foreign-policy-positions-are-basis-successful>

FRANCE: BETTING ON EUROPE WHILE MANAGING US-CHINA COMPETITION



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As transatlantic relations enter a moment of profound crisis, France's quest for a more autonomous, sovereign Europe now faces a moment of truth. For Paris, strategic autonomy was meant to be understood as a strategy to make Europe a more capable partner, better equipped to act on its own when necessary, but nevertheless firmly couched within a strong transatlantic partnership. As the bedrock of values and interests that have characterized the "West" is crumbling under Donald Trump's leadership and the weight of American unilateral self-interest, France is not moving closer to Beijing, but rather seeing Washington move further away from French and European core interests. Indeed, Paris and Beijing have profound competing interests in the fields of trade and investment, not to mention antagonistic views of democracy and rules-based international order. Paris has looked to strengthen the EU as a global player while shifting towards deepening strategic partnerships with regional powers beyond the US-China dichotomy, such as Japan and India.

France-US: Towards estrangement or worse?

Before the return of Donald Trump to the White House, relations between France and the United States were strained, at times tense, but largely stable. To be sure, transatlantic tensions are not new, with France often finding itself at odds with Washington during the Cold War, over the invasion of Iraq, or following the Snowden revelations of 2013, in which the US government was revealed to be using a vast array of digital tools to spy on foreign, including allied governments, including that of France. Confidence was further undermined as a result of the unilateralist tendencies of the first Trump presidency.

To the chagrin of Paris, the Biden administration continued a shift away from the multilateral trading system and towards a more protectionist form of industrial policy that undermined French and European commercial interests. Washington also continued to press forward with strong-arming allies to support its approach to strategic competition with China. It acted to undermine important French partnerships, notably security cooperation with Australia through the AUKUS agreement, and further developed unilateral tools of extraterritorial economic statecraft such as export controls. France moreover strongly opposed the idea, which Washington advocated, of opening a NATO liaison office in Tokyo, which Paris considers an overstretch for the alliance and an unnecessarily provocative move.

Despite these clear sources of friction, France's relations with the United States remained on a relatively strong footing: converging security interests (Ukraine, Indo-Pacific); dialogue on digital governance; significant investment into combatting climate change. The channels for transatlantic dialogue remained robust. Trade and investment between France and the United States have also remained strong, with bilateral trade in goods and services reaching a record USD 153 billion in 2023 and inbound and outbound

investment flows with the US averaging a stable 16% of France's total two-way foreign direct investment (FDI) traffic since 2017. France is moreover the fifth largest provider of FDI to the United States with a stock of over USD 370 billion.¹⁸²

Since the re-election of Donald Trump in November 2024, many of the ties that have bound the transatlantic relationship and formed the bedrock of US-France relations are being fundamentally shaken. France has long advocated for multilateralism and shutters at Washington's abandonment of multilateral cooperation and the very idea of global governance that Paris holds dear, including on climate, health, human rights, and AI safety. The fundamental change of tack by the US on Russia and the war in Ukraine has questioned the US commitment to European security and pressed Paris into taking a more forward leaning position, including considering the extension of nuclear deterrence. Threats to undermine the sovereignty of Europe through the conquest of European territory, namely Greenland, which French officials were quick to denounce,¹⁸³ troublingly reflects a more generalized disregard for and active undermining of international law and norms around national sovereignty. Direct incursions by Trump administration officials and the president himself into domestic European politics raise further questions about America's ability to wield its influence. In France's case, American officials have weighed in on the decision of the French courts to ban National Rally politician Marine Le Pen from running for office for the next 5 years following a conviction for embezzlement, with the US Vice President JD Vance labeling the trial a "witch hunt" and President Trump to openly calling to "Free Marine Le Pen" (all in all capitals).¹⁸⁴ Finally, Trump's focus of tariffs on Europe will undoubtedly affect the French economy. While "reciprocal" tariffs have been postponed until July and negotiations are underway, the schedule for French champagne, wine and liquor was slated at up to 200%.

France and Europe nevertheless remain deeply intertwined with the United States, both on the security and the economic front, making the choice of a dramatic turn away from an even hostile Washington a difficult one for Paris. France can hardly afford to provoke a deeper transatlantic crisis, and Paris has strived for a coolheaded approach in the face of American positions that solicit outrage both across France and Europe. French president Emmanuel Macron has chosen to engage directly with Donald Trump, publicly making the case in the Oval for continued support of Ukraine, demonstrating European resolve. At the same time, it has sought to capitalize on opportunities to press forward with long-established goals, such as bolstering European strategic autonomy.

182 Embassy of France in the United States. France and The United States: Trade Down In 2023 But Historically High Levels Continue. 2023. <https://franceintheus.org/spip.php?rubrique142>

183 France warns Trump against threatening EU 'sovereign borders' on Greenland. Le Monde. 8 January 2025. https://www.lemonde.fr/en/international/article/2025/01/08/france-warns-trump-against-threatening-eu-sovereign-borders-on-greenland_6736834_4.html

184 Le Monde and AFP. Donald Trump et J. D. Vance apportent leur soutien à Marine Le Pen, dénonçant une « chasse aux sorcières ». Le Monde. 4 April 2025. https://www.lemonde.fr/international/article/2025/04/04/condamnation-de-marine-le-pen-donald-trump-appelle-a-la-liberation-de-la-dirigeante-d-extreme-droite-denoncant-une-chasse-aux-sorcieres_6590633_3210.html

With his harsh and coercive policy toward Europe, Trump has unintentionally proved Macron right, although the hard way, or as the French president has called it, through an “electroshock”¹⁸⁵. Regarding NATO’s burden sharing, one may regard Trump’s pressure on the Europeans to assume their own defence as going in the same direction on strategic autonomy that Macron has been advocating since 2017.

France-China: Keeping Beijing at arm’s length

The crisis in transatlantic relations is not leading France toward a policy of rapprochement with China. Rather, in recent years Paris has taken on a stronger dose of realism in dealing with Beijing, while still working to keep the channels of dialogue open on tackling key global issues such as climate change, digital governance and trade, as well as on regional security matters closer to home.¹⁸⁶ In the economic realm, the situation has also changed drastically: formerly perceived as a land of great opportunities for trade and investment, China is now widely seen as a challenge or a risk, considering the degraded domestic economic perspectives, the narrow access to the Chinese market (compared to liberal economies), China’s weaponization of trade, and the US-China trade war. This trend is likely to continue.

The war in Ukraine has topped the foreign policy agenda for Paris in the last three years, including in its relations with China. Beijing’s rapprochement with Moscow, while not leading to overt weapons supplies to Russia, is nevertheless a source of great friction in France’s relations with China. But it also makes China an important interlocuter. French diplomacy continues to hold out hope that Beijing can wield its influence to sway Moscow.¹⁸⁷ Yet if China is unlikely to hold, much less use its influence over Vladimir Putin to temper Russia’s ambitions, it can at least be dissuaded from pursuing more direct forms of support.

On the economic and technological front, France has been a staunch supporter of the European de-risking approach to China and the pursuit of a broader economic security agenda.¹⁸⁸ Paris has backed the development of economic security tools such as an inbound investment screening mechanism, a 5G toolbox, public procurement rules, anti-subsidy instruments and an anti-coercion mechanism. It has bolstered the European Commission’s investigations into electric vehicles (EVs), high-speed rail, wind and solar

185 R. Khalaf, L. Abboud, B. Hall. Europe must respond to Trump ‘electroshock’, says Macron. Financial Times. 13 February 2025. <https://www.ft.com/content/1ee43b51-9d3a-47d2-adf6-3315c38e1c38>

186 M. Julienne. Macron’s China Policy: Dropping Illusions and Bringing Back Realpolitik. The Prospect Foundation. 14 May 2024. <https://www.pf.org.tw/tw/pfch/13-10698.html>

187 H. Thibault. A Pékin, Jean-Noël Barrot demande à la Chine d’influencer la Russie sur le dossier ukrainien. Le Monde. 29 March 2025. https://www.lemonde.fr/international/article/2025/03/29/a-pekine-jean-noel-barrot-demande-a-la-chine-d-influencer-la-russie-sur-le-dossier-ukrainien_6587642_3210.html

188 J. Seaman. France: Chinese undertones in a broader quest for economic security. In P. Andersson, F. Lindberg. National Perspectives on Europe’s De-risking from China. ETNC Report. 28 June 2024. <https://kinacentrum.se/en/publications/national-perspectives-on-europes-de-risking-from-china/>

sectors, as well as the imposition of countervailing duties on EVs and other measures meant to level the playing field with China in support of European competitiveness.

In retaliation to France's activism in Brussels, China is pressuring Paris by putting tariffs on imports of cognac and armagnac. A non-essential or strategic product for China, it is a politically important, an export-dependent industry for France which is at the same time hit by American tariffs. Beijing blows hot and cold towards Paris on this matter. After French foreign minister Jean-Noël Barrot's visit to China in March, China delayed the definitive imposition of tariffs for three months. However, when China's economic tsar, He Lifeng, visited Paris mid-May, the France's economy and finance minister, Eric Lombard, said that there was no solution to this issue "at this stage".¹⁸⁹ And after the phone call between President Macron and President Xi on May 22, Macron tweeted: "We have agreed to move forward as quickly as possible on the issue of cognac, which is essential for our producers."¹⁹⁰ China knows it has a lever on Paris and it is using it fully.

In parallel, France has sought to support the development of a more robust European industrial policy by transforming competition rules and unleashing the investment power of the state and public-private partnerships. Through its France 2030 strategy, it has also spearheaded efforts to boost supply chain diversification, for instance in green hydrogen and renewable energy, batteries and electric mobility or critical mineral supply chains.¹⁹¹ For instance, over the next three years France expects to boast a rare earth supply chain that runs from mineral processing to magnet production to recycling, alleviating what has become a key source of leverage for China.¹⁹²

During his visit to China in late March, amid heightened tensions with Washington, French Foreign Minister Jean-Noël Barrot underlined once again that France seeks to de-risk, not decouple, and that it stands for a level playing field, noting during a press conference with his Chinese counterpart Wang Yi that "the European Union is one of the most open markets in the world and we are opposed to decoupling. But, this openness supposes that in order to be beneficial to all, the conditions of fair competition must be ensured."¹⁹³

189 Challenges and AFP. Pas de solution "à ce stade" entre la France et la Chine sur le cognac, affirme Eric Lombard. 15 May 2025. https://www.challenges.fr/economie/pas-de-solution-a-ce-stade-entre-la-france-et-la-chine-sur-le-cognac-affirme-eric-lombard_604371

190 E. Macron on X. 22 May 2025. <https://x.com/EmmanuelMacron/status/1925529730679210007>

191 Ministère de l'économie, des finances et de la souveraineté industrielle et numérique. France 2030 : un plan d'investissement pour la France. 13 October 2023. <https://www.economie.gouv.fr/france-2030>

192 C. Messecar. UK rare earth metal maker LCM plans expansion in France. Fastmarkets. 20 May 2025. <https://www.fastmarkets.com/insights/lcm-rare-earth-magnet-supply-europe/>

193 Déclaration de M. Jean-Noël Barrot, ministre de l'Europe et des affaires étrangères, sur les relations franco-chinoises et les questions internationales, à Pékin le 27 mars 2025. Vie publique. 27 March 2025. <https://www.vie-publique.fr/discours/297968-jean-noel-barrot-27032025-france-chine>

At the same time, France has sought to maintain robust economic interaction with China, which has competed with the United States for the title of France's largest extra-European trade partner, though one with which it consistently runs large trade deficits. France's dependence on Chinese supply chains dictates that, while Paris seeks to build resilience through competitiveness at home and diversification abroad, it must ensure access to Chinese raw materials, goods and technology. This includes attracting Chinese investments. While limiting the role of Huawei in France's 5G networks, France is also welcoming the company's first production plant in Europe, to be opened in 2025/26 in Alsace. While supporting countervailing duties on Chinese EVs, France also welcomes Chinese investments into France's EV battery industry.¹⁹⁴

Xi Jinping's most recent visit to France in May 2024, marking the 60th anniversary of bilateral relations, demonstrated that Paris remains keen to keep dialogue open on all fronts - economy, international security, military, global challenges - without eluding the deep divergences.¹⁹⁵ Indeed, despite frictions, France counts on China to send a high level representative to and constructively support the UN Ocean Conference to be held in Nice in June 2025.

France and US-China strategic competition: the limits of a balancing act

France's approach to managing the impact of growing strategic competition between the US and China in recent years has been one of "balancing". Its Indo-Pacific strategy, first published in 2019 and renewed in 2022, is a clear example. Paris advocates an open, inclusive Indo-Pacific based on respect for international law and multilateralism. Its strategy first and foremost aims at defending France's national interests in the region while seeking not to antagonize any country, China in particular. As a sign of French engagement in the Indo-Pacific, President Macron will also give the first keynote address by a European head of state at the annual Shang-ri La Dialogue in Singapore in early June 2025, rounding out a diplomatic tour in Southeast Asia, that brought him to Vietnam, Indonesia and Singapore.

France has been increasing its military presence in the Indo-Pacific region over the past three years, with regular Navy and Air Force deployments, such as the Air Force's annual Pegasus missions, the deployments of the FREMM Lorraine in 2023, the FREMM Bretagne in 2024, as well as the Clemenceau 25 Mission of the French carrier strike group around the Charles de Gaulle aircraft carrier. Growing tensions, violations of international law, great power competition, in addition to challenges posed by climate

¹⁹⁴ Reuters. France's Orano to set up two JVs with China's XTC. Reuters. 9 December 2024. <https://www.reuters.com/markets/deals/frances-orano-set-up-two-jvs-with-chinas-xtc-2024-12-09/>

¹⁹⁵ C. Pajon, M. Julienne, J. Seaman. France Adapts to an Era of Strategic Competition With China. ISPI. 5 June 2024. <https://www.ispionline.it/en/publication/france-adapts-to-an-era-of-strategic-competition-with-china-175576>

change have pushed Paris to prepare for potential future crisis in the region. During these deployments, French vessels and aircraft train and develop ties with many countries along the way, including Europeans and the United States.¹⁹⁶

In recent years, an “*en même temps*” (at the same time) approach has guided a balancing of actions to simultaneously press forward with strategic autonomy for Europe, strengthen France’s alliance with Washington, and maintain dialogue and channels of cooperation with Beijing. But as the United States and China both increasingly diverge from French interests, the flexibility of “*en même temps*” may prove to be a self-limiting “*ni, ni*” (neither, nor) that ultimately constrains France and Europe’s scope for action. France has chosen to limit its interactions with China. It may now be compelled to limit its engagement with the United States. A more capable, sovereign Europe remains the goal, but one for which France nevertheless is reluctant to cede more authority to Brussels for fear of encroachment into foreign and security domains, including economic security, that it sees as the exclusive domain of the state.

Towards a deepening of partnerships with third parties?

Regardless the US-China strategic competition and Trump’s coercive policy against Europe, France is likely to stay on track with its Indo-Pacific strategy, promoting an inclusive and holistic approach of the region based on the deepening of existing strategic partnerships with regional powers – India, Japan, and the recovering relationship with Australia – and strengthening and developing new partnerships with Singapore, the Philippines or Indonesia, on hard security, non-traditional security (including climate change, illegal fisheries, migration), and economic cooperation. In this context, it has looked to strengthen the EU as a global player while deepening strategic partnerships with regional Indo-Pacific powers in hopes of finding common cause in tackling global challenges arising from climate change or AI governance and the digital transformation.

196 C. Pajon, M. Julienne, J. Seaman. France Adapts to an Era of Strategic Competition With China. ISPI. 5 June 2024. <https://www.ispionline.it/en/publication/france-adapts-to-an-era-of-strategic-competition-with-china-175576>

GERMANY: TRUMP'S POLICIES AND THE US- CHINA CONFLICT PRESENT HISTORIC CHALLENGES



GERMANY: TRUMP'S POLICIES AND THE US-CHINA CONFLICT PRESENT HISTORIC CHALLENGES

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In Germany, long-held certainties have been shaken since the new US administration under Donald Trump upended transatlantic relations. At the same time, German ties with China have further cooled, despite intensive trade and business links. Germany's new government (a coalition of the conservative CDU/CSU and the Social Democrats) and German industry now face unprecedented pressure to navigate in a geopolitical world amid an ongoing polarization of society at home.

Recent trends in Germany's relationship with the US: No more business as usual

For Germany—perhaps even more so than for the rest of Europe—US Vice President J.D. Vance's speech at the Munich Security Conference in February 2025 marked a historic turning point. Vance's verbal attack—which involved interfering in German elections, praising far-right parties, and oddly denouncing Germany's alleged 'lack of' freedom of expression—sparked outrage in German political circles. At the time, Defence Minister Boris Pistorius (SPD) called the statements "unacceptable," while Chancellor Friedrich Merz, who at the time was in the final days of the election campaign, described Vance's comments as "offensive" and expressed frustration at the questioning of democratic institutions.¹⁹⁷

In the first months of the second Trump administration, transatlantic relations have come under the hardest test since the end of World War II. This has hit Germany particularly hard, given that much of its prosperity is built on US military protection and decades of close transatlantic security and economic cooperation – with Germany recording an export surplus in trade with the US since 1991.¹⁹⁸ The unpredictable dynamic unleashed by Trump in the context of the war in Ukraine made it clear that maintaining a close alliance with Germany and Europe is no longer a priority for the US president.

For Germany, this historic U-turn occurred at a particular inopportune moment: in the midst of a federal election campaign in which parties focused on migration issues rather than foreign and security policy. Nevertheless, Merz has called for greater cooperation within a "self-confident" EU.¹⁹⁹

197 Thureau. Deutschlands Außenpolitik: Nichts bleibt, wie es ist. Deutsche Welle. 19 February 2025. <https://www.dw.com/de/deutschlands-au%C3%9Fenpolitik-nichts-bleibt-wie-es-ist/a-71658868>

198 For German-US trade statistics: Statistisches Bundesamt. 33 years of export surplus in trade with the United States. 17 April 2025; https://www.destatis.de/DE/Presse/Pressemitteilungen/2025/04/PD25_147_51.html, and Statistisches Bundesamt. Export surplus of 17.7 billion euros registered in trade with the United States in 1st quarter of 2025. 20 May 2025. https://www.destatis.de/DE/Presse/Pressemitteilungen/2025/05/PD25_178_51.html

199 Speech of Friedrich Merz at Körber Stiftung. 23 January 2025. <https://www.cdu.de/aktuelles/aussen-und-sicherheitspolitik/politikwechsel-fuer-eine-bessere-aussenpolitik/>

In response to Trump's apparent alignment with Russia, he stressed the need to engage in discussions with the two European nuclear powers, France and Great Britain, regarding nuclear sharing. "We must prepare for the possibility that Donald Trump will no longer uphold NATO's mutual defence commitment unconditionally," he stated in a media interview.²⁰⁰ Merz also called it a priority to "strengthen Europe step by step so that we achieve independence from the US".²⁰¹

Yet, the new coalition government remains committed to the transatlantic alliance and close cooperation with the US. Trump was among the first politicians Merz called after entering office. However, his diplomatic efforts to create more US-European alignment to end the war in Ukraine – for instance, by initiating a trip of France's Emmanuel Macron and Britain's Keir Starmer to Kiev and hoping for Trump's support – have so far proved futile.²⁰²

Economically, relations between Germany and the US intensified in 2024. The US replaced China as Germany's largest trading partner for the first time in nine years, with a trade volume of 252.8 billion euros, according to the German Federal Statistical Office.²⁰³ This was partly due to tensions with China, Germany's long-standing largest trading partner. But in future, the tariffs threatened by the US, e.g., on steel and on products manufactured in Mexico, such as cars) could significantly impact German companies' business with the US. Most German automakers, like Mercedes, VW, Audi and BMW, have factories in Mexico – the majority of vehicles produced there are exported to the USA.

Given the high level of economic dependence on the US, it is hardly surprising that representatives of the new German government have, so far, held off on any tougher verbal responses to Trump's tariff announcements made on the ominous "Liberation Day" in April. Berlin still is hoping to reach some kind of agreement with Washington.²⁰⁴

200 Euronews. "Absolute Priorität" - Friedrich Merz für mehr Unabhängigkeit der EU von den USA. Euronews. 25 February 2025, <https://de.euronews.com/my-europe/2025/02/25/absolute-prioritat-friedrich-merz-fur-mehr-unabhangigkeit-der-eu-von-den-usa>. On Germany and the EU, see Merz' first government statement "Responsibility for Germany".¹⁴ May 2025. <https://www.bundesregierung.de/breg-en/news/first-government-statement-chancellor-merz-2347710>

201 M. Meister, M. Rutkowski. Das wäre eine starke Botschaft – Mit Merz kehrt das Thema europäische Atombombe zurück. Die Welt. 25 February 2025; <https://www.welt.de/politik/ausland/article255535118/Nukleare-Abschreckung-Das-waere-eine-starke-Botschaft-Mit-Merz-kehrt-das-Thema-europaeische-Atombombe-zurueck.html>

202 D. Brössler. Merz ist für die Ukraine ins Risiko gegangen – und vorerst an Trump gescheitert; Süddeutsche Zeitung. 20 May 2025. <https://www.sueddeutsche.de/meinung/ukraine-krieg-merz-trump-russland-kommentar-li.3255779?reduced=true>

203 Economic statistics presented in this chapter are based on information published by German institutions. Due to different calculation methods, figures may differ from those presented in the introduction chapter of this study; Statistisches Bundesamt (Federal Statistics Office). United States to become Germany's most important trading partner again in 2024 after nine years. 19 February 2025.

204 Merz was scheduled to visit the White House on June 6, 2025. At the time of writing, the results of the meeting were not yet available

Among German business leaders, however, there is significant uncertainty. VW CEO Oliver Blume²⁰⁵ announced that he intended to negotiate with Trump directly. Other leaders have responded to the looming risks posed by the protectionist measures by increasing their investments in the United States. According to media reports,²⁰⁶ the 40 DAX and 50 MDAX companies already spent nearly USD 43 billion (EUR 41 billion) on acquisitions and investments in US companies in 2024—an increase of almost USD 20 billion compared to 2023. BMW,²⁰⁷ for instance, announced investments of USD 1.7 billion in the US, among others into a pressing plant in the state of South Carolina.

While under the first Trump administration German–US economic ties remained relatively stable despite protectionist measures, German businesses now expect competitive disadvantages stemming from lower energy costs in the US, protectionist tariffs, and state subsidies for US companies. A recent survey also identified the indirect effects of a slowdown in global trade caused by US tariffs as a factor that could negatively impact German industry sales. Germany's economy has been stagnant for almost three years,²⁰⁸ the implementation of US tariffs would worsen the situation and very likely induce a deeper recession.

Given the Trump administration's anti-European stance, German politics now faces challenges it has long hoped to avoid:²⁰⁹ The potential long-term loss of the US as a security partner will necessitate that Germany and other European countries invest billions in their own security infrastructures. With the US potentially aligning with Russia on the Ukraine issue, Germany is under increasing pressure to quickly develop solutions with its European partners. This strategic reorientation of historic dimensions must be implemented in a challenging political environment, with right-wing extremist, anti-democratic parties on the rise both in Germany and elsewhere in the EU.

Trends in the relationship with China: More pragmatic approach, no pivot

With a view to the consequences of the Trump administration's protectionist economic policy—with its tariff threats and export controls for high-tech products – Chinese

205 VW-Chef: Wir reden mit der Regierung Trump. ZDF. 16 February 2025. <https://www.zdf.de/nachrichten/wirtschaft/unternehmen/vw-blume-interview-zoelle-autos-usa-100.html>

206 U. Sommer, H. Krolle. Deshalb kaufen deutsche Unternehmen massiv in den USA zu. Handelsblatt. 13 February 2025. <https://www.handelsblatt.com/unternehmen/management/firmen-deshalb-kaufen-deutsche-unternehmen-massiv-in-den-usa-zu/100105880.html>

207 Press information by BMW Group. 21 June 2024. <https://www.press.bmwgroup.com/deutschland/article/detail/T0443249DE/erstes-presswerk-in-nordamerika-bmw-group-baut-engagement-in-den-usa-weiter-aus?language=de>

208 Statistisches Bundesamt. Entwicklung des Bruttoinlandsprodukts. 23 May 2025. https://www.dashboard-deutschland.de/indicator/tile_1667811574092?origin=startpage

209 Statistisches Bundesamt. Entwicklung des Bruttoinlandsprodukts. 23 May 2025. https://www.dashboard-deutschland.de/indicator/tile_1667811574092?origin=startpage

diplomats have called on Germany²¹⁰ to join forces with China and pursue common interests. Both nations rely heavily on exports to sustain their economic growth. However, the relationship between Berlin and Beijing has grown more complicated during the years of the so-called “traffic light” coalition government (2021-2025), comprising Social Democrats, Greens, and Liberals. The new government that entered into office on May 6 pursues a more pragmatic but still risk-conscious approach and has put forward suggestions for nuanced approaches to de-risking.

The first German China strategy, published in the summer of 2023 and developed under the leadership of the Green-led Foreign Ministry,²¹¹ defines China as a “partner, competitor, and rival” and places strong emphasis on the necessity of de-risking the bilateral relationship. However, the China policy pursued by the SPD-led Chancellery was widely perceived in public debate as contradicting the strategy’s objectives. Notably, this included Chancellor Olaf Scholz’s decision in 2023 to allow the Chinese state-owned company COSCO to acquire a stake in a Hamburg port terminal—despite its status as critical infrastructure—and Germany’s vote against EU tariffs on electric vehicles from China. The frequency of mutual diplomatic visits reflects the complicated state of the Sino-German relationship: for instance, when Xi Jinping came to Europe in 2024, he avoided Germany. The German Chinese Dialogue Forum—an important civil society platform—had been on hold since the Covid-19 pandemic, with a meeting planned for 2024 ultimately cancelled by the Chinese side.

Although political contacts at the top level have become less frequent in recent years, at the subnational level requests for delegation visits have increased post-pandemic—primarily with an interest in touring the facilities of “hidden champions” in the regions, companies producing goods that China requires for its own industrial upgrading. Some Sino-German dialogue formats have also resumed, such as the one on scientific and technological cooperation held in June 2024 in Bonn. Since the beginning of 2025, there have reportedly been increased signs from China that it is willing to engage with German partners on challenging issues, such as mutual sanctions, and work toward a rapprochement. Since taking office, Merz and members of his cabinet also have been in touch with their respective Chinese counterparts, each side stressing an interest to continue the exchange and collaborate in dealing with “global challenges.”²¹²

210 D. Hongbo. Handels- und Zollkriege kennen keine Gewinner. Handelsblatt. 12 February 2025, <https://www.handelsblatt.com/meinung/gastbeitraege/handelsstreit-handels-und-zollkriege-kennen-keine-gewinner/100107047.html>

211 German Foreign Office. Strategy on China. 2023. <https://www.auswaertiges-amt.de/resource/blob/2608580/49d50fecc479304c3da2e2079c55e106/china-strategie-en-data.pdf>

212 German government spokesperson Stefan Kornelius. Bundeskanzler Merz telefoniert mit dem Staatspräsidenten der Volksrepublik China, Xi. bundesregierung.de. 23 May 2025. <https://www.bundesregierung.de/breg-de/aktuelles/bundeskanzler-merz-telefoniert-mit-dem-staatspraesidenten-der-volksrepublik-china-xi-2349810>

Economic cooperation between Germany and China remains robust, although several trends suggest that the situation may soon change²¹³. According to the German Federal Statistical Office (Destatis), exports to China in 2024 fell by 7.6% to a value of EUR 90 billion²¹⁴, while imports from the People's Republic decreased by 0.3% to EUR 156.3 billion. Combined, the total trade volume with China amounted to EUR 246.3 billion.

The decline in German exports can be attributed to Beijing's industrial policy, which is geared toward supporting its domestic innovative industries. Industries such as automotive, mechanical and plant engineering—as well as innovative sectors including green tech, medical technology, and ICT—are among those bolstered by Chinese state policies. Germany, traditionally strong in these sectors, is beginning to feel the pressure. There is growing recognition that recalibrating business strategies towards China is urgently necessary to safeguard domestic industries. "It is not five to twelve; it is twelve already," as one industry representative remarked.

German companies are employing various strategies to tackle the challenges of shrinking market share and increasing competition from China. While large companies—and even medium-sized firms that wish to tap into the still lucrative Chinese market—are focusing on localization ("In China for China"), others are attempting diversification ("China Plus One"), seeking alternative markets and investment opportunities in the Asia-Pacific region. However, diversification has proved challenging for many German companies, prompting industry representatives to call for increased political support, for instance by expediting the negotiation of free trade agreements with other countries and regions.²¹⁵

The German automotive industry, considered the backbone of the German economy, faces major disruptions in its China business due to growing competition from Chinese brands. The market share of German brands such as BMW, Mercedes, and VW has significantly dropped to 18.9% in 2024²¹⁶, compared to 26.2% in 2019. Chinese competition is increasingly extending to European and other third markets, as German carmakers have so far struggled to compete with moderately priced Chinese EV models.

213 For an in-depth analysis of the state of economic relations between the 2 countries, see: Mikko Huotari, Max J. Zenglein. Germany's dilemma over strategic recalibration with China. Mercator Institute for China Studies/Hinrichs Foundation. 13 May 2025. <https://merics.org/en/report/germanys-dilemma-over-strategic-recalibration-china>

214 C. Otte. China ist nicht mehr Deutschlands größter Handelspartner. Germany Trade and Invest (GTAI). 14 February 2025. <https://www.gtai.de/de/trade/china/wirtschaftsumfeld/china-ist-nicht-mehr-deutschlands-groesster-handelspartner-1072614#:~:text=Besonders%20auff%C3%A4llig%20ist%20der%20R%C3%BCckgang%20der%20Exporte,im%20Jahr%202024%20vom%20Statistischen%20Bundesamt%20zeigen>

215 For example, a study published on 6 May 2025 by the Bavarian Industry Association stresses the need for new free trade agreements. <https://www.vbw-bayern.de/vbw/Themen-und-Services/Au%C3%9Fenwirtschaft/Auslandsm%C3%A4rkte-Export/Studie-Neue-Weltwirtschaftsordnung.jsp>

216 German Automotive Association VDA. Pkw-Märkte in Asien, 2024. <https://www.vda.de/de/themen/Automobil-Insight-2024/Asien-Pkw-Markt-2024>

Thus far, the industry continues to rely on China. The country is seen not only as a lucrative market, but also as a “fitness center” – as some top managers have put it – and an innovation hub that helps German companies stay competitive, in China but also in third countries worldwide.

According to a report by the consultancy Rhodium Group,²¹⁷ it is still predominantly investments by German carmakers that are driving European foreign direct investment (FDI) in China. Consequently, some of the largest German companies might become even more dependent on China—contrary to the economic de-risking efforts pursued by Berlin and Brussels.

It is in particular the big German corporates view localization as a form of de-risking—a protective measure against geopolitical risks.²¹⁸ Similarly, the argument that innovation can only thrive through collaboration with China is frequently advanced within the German scientific community.²¹⁹ Nevertheless, the risks associated with such collaboration—for example, with scientific institutions linked to the Chinese military—are increasingly being discussed. The German government has also launched a series of initiatives aimed at improving China knowledge and risk awareness among scientists.²²⁰

In 2024, the dependence of German researchers on third-party funding from China became controversial when it was revealed that several professors at RWTH Aachen University had allegedly received substantial funds for research in collaboration with Chinese military institutions.²²¹ To date, the extent of third-party funding that German researchers and research institutions receive from China remains unknown, partly due to Germany’s federal structure and the far-reaching legal and financial autonomy of German universities.

217 A. Kratz et al. Don’t Stop Believin’: The Inexorable Rise of German FDI in China. Rhodium Group. 31 October 2024. <https://rhg.com/research/dont-stop-believin-the-inexorable-rise-of-german-fdi-in-china/>

218 The engagement of big companies is one reason why German investment in China remains considerable, even though the exact amounts seem hard to calculate. See, for instance: Deutsche Bundesbank. Internationale Verflechtung Deutschlands über Direktinvestitionen: aktuelle Entwicklungen. Monthly Report. October 2024. <https://publikationen.bundesbank.de/publikationen-de/berichte-studien/monatsberichte/monatsbericht-oktober-2024-935528?article=internationale-verflechtung-deutschlands-ueber-direktinvestitionen-aktuelle-entwicklungen-941662> and Sabine Gusbeth. Deutsche Direktinvestitionen schrumpfen seit 2022. Handelsblatt. 19 March 2025. <https://www.handelsblatt.com/politik/international/china-deutsche-direktinvestitionen-schrumpfen-seit-2022/100114610.html>

219 For example, the Max Planck Society ostentatiously initiated a new start of scientific cooperation with China in October 2024 to mark its 50th anniversary: <https://www.mpg.de/23669224/50-jahre-cas-mpg>

220 The 3-year project “Regio China”, funded by the Federal Ministry of Education and Research since 2023, aims at expanding China literacy in the science community: https://www.internationales-buero.de/de/regio_china_ausbau_der_china_kompetenz_in_der_wissenschaft.php

221 Correctiv. China science investigation. 18 June 2024. <https://correctiv.org/aktuelles/china-science-investigation/2024/06/18/die-bling-bling-professoren-aus-aachen/>

Germany navigating US–China frictions: Limited hopes for a Transatlantic approach

Not only do the frictions in the German Chinese relationship require strategic adjustments, but above all, the risk of a further deterioration in relations with the US will demand changes of historic proportions from German politics. China's response to the upheavals initiated by Trump has so far given the impression that it is better prepared than Europe. Beijing has already extended offers to Germany to deepen strategic partnerships;²²² an editorial in the party-state media China Daily even called for Merz to "build on past for the future", evoking the golden times of flourishing mutual (economic) relations.

Altogether, the wordings on China in the coalition treaty offer a rather realistic assessment. It states that "elements of systemic rivalry have moved to the fore by China's actions" and calls for a need for compliance with agreed rules and full reciprocity. It also emphasizes the integration of German China policy into the European context and the need for Europe to speak with one voice vis-à-vis China. Many formulations in the text are clearly aligned with relevant EU wordings. Furthermore, Germany now openly commits to working with partners to "counter Russian and Chinese influence" in Africa, to jointly pursue European security interests in the Indo-Pacific, and to establish new strategic partnerships with countries in the Global South.

As it stands, a German pivot to China as a result of the current disruption in relations with the US is highly unlikely, even if the ruling coalition wants to embark on a more pragmatic approach, particularly in economic cooperation. On the other hand, in its coalition treaty, the grand coalition also pledges to revise the China Strategy "according to the principle of de-risking". It wants to, for instance, expand research on security-related issues in defence, cyber security, infrastructure, technology risks (5G), hybrid threats and disinformation. It has announced the establishment of an expert commission in parliament, tasked with analysing risks, dependencies and vulnerabilities in economic relations and recommending measures for de-risking. Such audits are met with resistance from the German business community.

Since the publication of the China Strategy, the challenges have intensified. Some analysts even speak of an impending "China Shock 2.0", as an ambitious Chinese industrial policy supporting domestic champions threatens to squeeze key German industries—such as automotive, mechanical, and plant engineering—out of the Chinese market. Germany must brace for a further slump in exports to China, along with fierce competition from Chinese state-subsidized players in third markets.

In the realm of innovation, the power balance is shifting: German companies in sectors such as automotive, medical technology, and green tech are becoming increasingly dependent on innovative Chinese players. In the IT sector, both Germany and Europe risk being left behind by China and the US. Particularly in the field of AI technologies, the

²²² China Daily. Merz should look to build on past for the future. 7 May 2025. <https://www.chinadaily.com.cn/a/202505/07/WS681b5027a310a04af22bdf60.html>

US–China race for tech supremacy could result in a technological decoupling, leaving Europe caught in the middle. In such a scenario, a one-sided strategic rapprochement with China will not expand Germany’s maneuvering space.

However, many actors are now recognizing that German business strategies—such as further relocation to China and, increasingly, to the US—may ultimately run counter to the interests of the German economy, potentially leading to a crisis marked by declining exports and job losses. Thus, the slogan “derisking, but doing it right” could prove to be a challenging mandate for the new German government.

Germany and Europe face an enormous challenge of establishing a European security architecture. Friedrich Merz and his coalition will struggle to reshape relations with Germany’s traditional ally, the United States, while simultaneously developing a European approach to a common China policy—in an environment where many in the German business community remain reluctant to abandon their China success story.

GREECE: CLOSE TO
WASHINGTON, ON GOOD
TERMS WITH BEIJING



GREECE: CLOSE TO WASHINGTON, ON GOOD TERMS WITH BEIJING

Plamen Tonchev, *Head of Asia Unit, Institute of International Economic Relations*

A decade after Greece was seen by many as China's "Trojan horse" in the EU, the country has visibly prioritised its relationship with the US, while ties with Beijing have remained more or less stagnant. China is a major trade partner, but its foreign direct investment (FDI) in Greece is confined to only two projects as a legacy from the 2010s. In turn, lately there has been an influx of US investment in both infrastructure and high-tech sectors. Being unable to compete with the US as a security partner of Greece, China invests in performative diplomacy and an ostentatious charm offensive in the country. Yet, while Greece is much closer to Washington, it seeks to strike a delicate balance between the US and China, not least because of question marks over likely policies of the second Trump administration.

Pillars of US-Greece relationship

A geopolitical calculus and security considerations have been key drivers of increasingly close Greco-American relations. Since 2018, Greece and the US have held annual Strategic Dialogue meetings at ministerial level, with sessions devoted to defence and security issues. Former US Secretary of State Antony Blinken visited Greece in February 2023, as part of the fourth round of the US-Greece Strategic Dialogue.²²³

The Mutual Defence Cooperation Agreement (MDCA) between the two countries dating back to 1990 was updated in 2019 and again two years later, in the wake of a tense standoff between Greece and Turkey in 2020.²²⁴ The 2019 MDCA amendment envisages access to additional locations throughout the country for US military forces, such as air bases and related installations. At Souda Bay on the island of Crete, Greece ensures reliable US access to a large deep-water port, while the port of Alexandroupolis in northern Greece has become a major hub for NATO's eastern flank since 2020.²²⁵

Significant recent purchases of US military equipment include an upgrade of F-16V fighters, MH-60R Seahawk helicopters, and a modernisation package for the Greek navy's S-70B Aegean Hawk helicopters. In addition, Greece's 10-year defence procurement plan envisages the delivery of new F-35 fighter aircraft and Switchblade unmanned aerial vehicles. The Greek navy plans to upgrade its MEKO-class frigates and will soon be receiving US Coast Guard Island Class patrol boats.²²⁶

223 U.S. Embassy and Consulate in Greece. Secretary of State Antony J. Blinken travel to Greece, February 20-21, 2023. U.S. Embassy and Consulate in Greece. 22 February 2023. <https://gr.usembassy.gov/secretary-of-state-antony-j-blinken-travel-to-greece-february-20-21-2023/>

224 J. Papadimitriou. Greece, Turkey in border dispute. Deutsche Welle. 25 May 2025. <https://www.dw.com/en/greece-turkey-in-border-dispute-after-alleged-island-occupation/a-53564277>

225 A. Marghelis. The port of Alexandroupolis: a strategic and geopolitical assessment. Fondation pour la recherche stratégique. 1 August 2024. https://www.frstrategie.org/en/publications/notes/port-alexandroupolis-strategic-and-geopolitical-assessment-2024?utm_source

226 U.S. Department of State. U.S. Security Cooperation With Greece: Fact Sheet. 20 January 2025. <https://www.state.gov/u-s-security-cooperation-with-greece/>

The positive spirit of US-Greece relations was amply illustrated in May 2022, when Prime Minister Kyriakos Mitsotakis visited then president Joe Biden in Washington, and was accorded the honour of addressing a joint session of the US Congress.²²⁷ With Donald Trump back in the White House, it is reasonable to assume that Greece's foreign policy will remain steady in the foreseeable future. By and large, the defence cooperation between Athens and Washington is deemed 'unbreakable' and no substantial deterioration is expected in Greece-US ties in the foreseeable future.²²⁸

However, bilateral political relations will also be conditioned by the foreign policy of the second Trump administration. For instance, Athens will watch closely the relationship between the US and next-door Turkey. With regard to China, the US Department of Defence has placed COSCO on a sanctions list, together with more than 130 other Chinese companies, for their alleged ties to the People's Liberation Army.²²⁹ This move has raised concerns in Greece, which seeks to stay on good terms with Beijing and wishes away any US pressure in relation to COSCO's presence in the port of Piraeus.²³⁰ Furthermore, Greek shipping companies feel uneasy about the extra taxes to be levied on China-build ships docking at US ports.²³¹

The above considerations explain why the Greek government has hired a Republican-focused spin shop with close links to White House.²³² In addition, Athens relies on the Greek-American community, which has connections with leading figures in both political camps in the US. Last but not least, while the nominee for the position of the new US ambassador in Athens has raised eyebrows, Greek diplomats note that Kimberly Guilfoyle, a "close friend and ally" of Donald Trump,²³³ may facilitate access to the American president's inner circle.

In 2023, Greece recorded a trade surplus, as it imported from the US goods worth USD 1.8 billion, while its exports were worth USD 4.2 billion.²³⁴ In the wake of Russia's invasion of Ukraine, the import of liquefied natural gas (LNG) from the US has been steadily

227 K. Mitsotakis. Prime Minister Kyriakos Mitsotakis' address to the Joint Session of the U.S. Congress. 17 May 2022. <https://www.primeminister.gr/en/2022/05/17/29339>

228 Interview with a Greek state official, 4 December 2024.

229 C. Shen. Cosco and CIMC put on US Defence Department sanctions list. Lloyd's List. 7 January 2025. <https://www.lloydslist.com/LL1152134/Cosco-and-CIMC-put-on-US-Defense-Department-sanctions-list>

230 T. Kokkinidis. US Blacklists China's Cosco, Operator of Greece's Piraeus Port. Greek Reporter. 14 January 2025. <https://greekreporter.com/2025/01/14/us-blacklists-cosco-greece-piraeus-port/>

231 J. Partridge. US forges ahead with plans for steep port fees on China-built vessels. The Guardian. 18 April 2025. <https://www.theguardian.com/world/2025/apr/18/us-unveils-new-port-fees-on-beijing-linked-vessels-to-reverse-chinese-dominance>

232 B. Fox. Athens pays \$600,000 to Washington lobbyists to be 'Trump-whisperers'. EU Observer. 12 February 2025. <https://euobserver.com/EU%20&%20the%20World/arbd150faa>

233 S. Lambe. Kimberly Guilfoyle 'Very Happy' with Greece Appointment, Source Says 'Do Not Feel Sorry for Her'. People. 13 December 2024. <https://people.com/kimberly-guilfoyle-very-happy-with-greece-appointment-exclusive-8760758>

234 UN Comtrade. Data retrieved October-November 2024. <https://comtradeplus.un.org/>

growing. Meanwhile, a floating storage & regasification unit (FSRU) in Alexandroupolis became operational in October 2024, marking a transformative step for Central and Southeast Europe's energy landscape, thanks to the reduction of the region's reliance on Russian gas.

Investment is yet another area of intensifying cooperation. In 2022, the stock of US foreign direct investment (FDI) in Greece amounted to EUR 5.0 billion, while Greek FDI in the US reached EUR 5.3 billion.²³⁵ Over the past few years, a number of US giants, such as Pfizer, Google, Microsoft, Amazon, Cisco, Digital Realty, etc. have invested in high-tech research and development facilities, and data centres.²³⁶ In 2018, the Greek-American group ONEX took over the Neorion shipyards on the island of Syros. A year later, it undertook to invest in Greece's second largest shipyard in Elefsina, with the US International Development Finance Corporation (DFC) providing a USD125 million loan.

Substance vs optics in Sino-Greek relations

In 2023, Greece imported from China goods worth USD 8.4 billion and exported USD 760 million worth of goods²³⁷ which illustrates the ever-growing trade deficit of the country. Greece is heavily dependent on Chinese equipment for its green and digital transition, such as solar panels, electric vehicles (EVs) and electronic devices.

In 2021, an important development in Sino-Greek economic relations was COSCO's acquisition of an extra 16% of the stock of the Piraeus Port Authority, which raised the stake of the Chinese shipping giant to 67%. In November 2024, State Grid Corporation of China, a shareholder in Greece's high-voltage grid operator, purchased a 20% stake in Ariadne Interconnection, the entity in charge of the construction of an undersea link between continental Greece and the island of Crete. Overall, the stock of Chinese FDI in Greece amounted to USD 2.2 billion in 2022, while Greek outward investment was worth USD 40 million.²³⁸

Notably, there is considerably less enthusiasm about future Chinese FDI in Greece, as policy makers in Athens are now more clear-eyed about the downside of economic cooperation with the PRC. While official Sino-Greek contacts are invariably marked by diplomatic niceties, Greece has become more outspoken in its exchanges with Chinese officials. Thus, when the PRC top diplomat Wang Yi visited Greece in October 2021, he heard from his counterpart Nikos Dendias that Athens looked forward to new investment projects in Piraeus - a hint at COSCO's contractual obligation to improve the infrastructure

235 OECD Data Explorer (BMD4). Data retrieved October-November 2024. <https://data-explorer.oecd.org/>. The respective figure for US FDI in Greece in 2022 quoted by the Bank of Greece is EUR 2.4 billion.

236 Marine Chart. DATA CENTERS: the investments of Google, Microsoft, Amazon Web Services, Cisco and Digital Realty Company in Greece. 11 December 2022. <https://marine-charts.com/technology/data-centers-google-microsoft-amazon-web-services-cisco-greece>

237 UN Comtrade. Data retrieved October-November 2024. <https://comtradeplus.un.org/> The respective figure quoted by the Bank of Greece is USD 420 million.

238 OECD, Bank of Greece.

of the port.²³⁹ In November 2023, Prime Minister Kyriakos Mitsotakis visited Beijing and, given the yawning trade imbalance between the two countries, increasing Greek exports to China was a key talking point during his meetings with PRC officials.²⁴⁰ When Zhao Leji, chairman of the Standing Committee of the National People's Congress of China, visited Athens in November 2024, the Greek prime minister pointed out that Chinese investors would be welcome, as long as they respect the national and EU legal and regulatory framework. In his words, while COSCO's presence in Piraeus has revitalised the port, Greek authorities expect it to yield more economic and social benefits.²⁴¹

While Greece joined China's Belt and Road Initiative (BRI) in August 2018,²⁴² COSCO's investment in Piraeus is the only Chinese project in Greece that can be viewed as part of the BRI. In October 2023, Greece downgraded its representation to a ministerial level at the third Belt and Road Forum, which was attended by a small number of heads of state, including a handful of Europeans. The involvement of Greek participants in activities promoted by China through the controversial 17+1 (now 14+1) format is minimal, though Greece is unlikely to walk out altogether.

During Xi Jinping's state visit to Greece in November 2019, the two countries signed an extradition treaty, but it is unlikely to be ratified by the Greek parliament. In December 2024, the two ministers of interior signed a cooperation agreement on combating organised and financial crimes, drug trafficking and managing illegal migration.²⁴³ However, Sino-Greek relations are not expected to be effectively elevated to a much higher level²⁴⁴, as Greece has definitely got over its erstwhile "naive and somewhat romantic expectations" of China.²⁴⁵

Despite the increasingly cautious attitude of Athens, Beijing continues to seek as many high-profile contacts as possible, as part of its strategy to build a China-friendly constituency in the EU and to make this known to the rest of the world. The PRC has launched a massive soft power campaign which even includes military diplomacy. Thus,

239 E. Becatoros. Greece woos investments on Chinese foreign minister's visit. Associated Press. 27 October 2021. <https://apnews.com/article/business-china-greece-economy-athens-4dddac51d34096958582e337e6ed6f32>

240 S. Michalolopoulos. Greek PM visits Beijing amid fragile EU-China balances. Euractiv. 2 November 2023. <https://www.euractiv.com/section/politics/news/greek-pm-visits-beijing-amid-fragile-eu-china-balances/>

241 Lifo. Mitsotakis to the chairman of China's parliament: Invest in Greece. 28 November 2025. <https://www.lifo.gr/now/politics/mitsotakis-ston-proedro-boyliis-tis-kinas-ependyste-stin-ellada>

242 M. Jingxi. China, Greece ink BRI memorandum. China Daily. 28 August 2018. https://www.chinadaily.com.cn/cndy/2018-08/28/content_36831982.htm

243 Ekathimerini. Greece and China sign police collaboration agreement. 3 December 2024. <https://www.ekathimerini.com/politics/foreign-policy/1255251/greece-and-china-sign-police-collaboration-agreement/>

244 Interview with a member of the Greek parliament, 19 February 2025.

245 Interview with a Greek state official, 20 February 2025.

in March 2021, the then Minister of Defence of the PRC, Wei Fenghe, visited Athens,²⁴⁶ in the framework of a tour which also covered Budapest, Belgrade, and Skopje. The visit to Greece served no obvious purpose, apart from sending a signal that China was present in the region.²⁴⁷ In a similar vein, Sun Chunlan, Vice Premier of the PRC State Council at the time, visited Greece in February 2023 and attended the inauguration ceremony of a Centre of Chinese and Greek Ancient Civilizations.²⁴⁸

Cooperation in culture and education is a key element of China's public diplomacy toolkit in Greece. The number of Confucius Institutes in the country has risen to five and there is a long list of agreements between Greek and Chinese universities, translating into frequent exchanges and joint academic programmes.²⁴⁹ Close Sino-Greek cooperation in these areas has drawn Washington's attention and has elicited its response. In October 2022, representatives of 30 US universities visited Greece to establish cooperation with Greek counterparts²⁵⁰ and a Columbia University Global Centre has now opened in Athens.²⁵¹

There are two key narratives systematically projected through China's charm offensive in Greece. One of them portrays the PRC as a benign superpower, which is promoting a new set of harmonious international relations and "win-win cooperation", particularly in contrast to Trump's unilateralism. The second narrative pertains to Sino-Greek relations, with China's image carefully crafted as one of a true friend of Greece.²⁵²

Navigating frictions between Washington and Beijing

Greece has been walking a fine line between the US and China, as both powers have at times exerted pressure on Athens. In 2020, the US convinced Greece to join the so-called "Clean Network", though this was not officially announced by the Greek government, lest it irritated China. It was the US ambassador in Athens at the time who wrote about

246 Ekathimerini. Chinese Defense Minister in Athens to promote military cooperation. 29 March 2021. <https://www.ekathimerini.com/news/1158090/chinese-defense-minister-in-athens-to-promote-defence-cooperation/>

247 Greek City Times. What was the Chinese Defence Minister looking for in Athens? 31 March 2021. <https://greekcitytimes.com/2021/03/31/chinese-defence-minister-athens/>

248 I. Bellos. Greece, China underscore cultural values. Ekathimerini. 21 February 2023. <https://www.ekathimerini.com/news/1205146/greece-china-underscore-cultural-values/>

249 Study in Greece, <https://studyinggreece.edu.gr/?s=China>

250 Hellas Journal. The largest delegation of US universities in Athens early November: New collaborations with Greek public universities. 23 October 2022. <https://hellasjournal.com/2022/10/the-largest-delegation-of-us-universities-in-athens-early-november-new-collaborations-with-greek-public-universities/>

251 A. Lakassas. Columbia's Global Center in Athens extends mission. Ekathimerini. 6 October 2024. <https://www.ekathimerini.com/in-depth/interviews-in-depth/1250188/columbias-global-center-in-athens-extends-mission/>

252 P. Tonchev. Sino-Greek Relations in Greek and Chinese Media, 2020. Institute of International Economic Relations. March 2021. https://idos.gr/wp-content/uploads/2021/03/Sino-Greek-Relations_in_Media_18-3-2021.pdf

this development in an op-ed in a Greek media outlet.²⁵³ Shortly afterwards, Ericsson got the relevant contract for the construction of the 5G core infrastructure in the country, while Huawei was quietly eased out.

The summer of 2021 was marked by tense negotiations between Athens and Beijing, with the Chinese side threatening that it would consider an international arbitration process in case COSCO did not increase its stake in the port of Piraeus to 67%. Although the Chinese company had not met a set of contractual obligations and the Greek authorities had legal arguments to rebut its claim, in the end Athens took no chances and made a “political decision” to give in to Beijing’s pressure.²⁵⁴

In October 2023, China inquired whether Greece would be interested in hosting an assembly plant for Chinese electric buses, but the proposal was quietly rejected by the Greek government.²⁵⁵ According to well-informed sources, the rationale behind this decision was that the US would not be pleased with such a large-scale Chinese investment.²⁵⁶

Apart from zigzagging between the US and China, diversification is another feature of Greece’s approach to navigating between the two powers, with Athens actively seeking economic cooperation with other partners as well. Thus, the Greek prime minister travelled to Japan in January 2023 and India in February 2024, while his Indian counterpart Narendra Modi visited Greece in August 2023. Both New Delhi and Athens are interested in a prospective India-Middle East-Europe Corridor (IMEC) as an alternative to China’s BRI.²⁵⁷ Furthermore, in parallel to the purchases of military equipment from the US, Greece has a strong relationship with France, which is supplying Rafale fighters to and constructing Belharra frigates for the Greek armed forces.²⁵⁸

European autonomy has not been the subject-matter of a broad public debate in Greece. At the same time, the Greek prime minister has been vocal in advocating for joint European defence capabilities as well as the inclusion of security and defence in the European Investment Bank’s list of strategic priorities²⁵⁹, but this proposal relates primarily to Russia as a threat to Europe. As for economic security and de-risking, the

253 G. Pyatt. Clean Network: An investment in the future of high-tech in Greece. Kathimerini. 22 September 2020. <https://www.kathimerini.gr/economy/561084937/clean-network-mia-ependysi-sto-mellon-ypsilis-technologias-tis-elladas/>

254 Interview with a Greek expert in port economics, 20 February 2025.

255 Interview with a Greek state official, 8 December 2023.

256 Interview with a Greek public figure, 12 December 2024.

257 K. Radmanabhan. As India looks to bolster ties with Greece as part of Europe push, a Chinese wall stands in the way. The Print. 18 November 2024. <https://theprint.in/diplomacy/as-india-looks-to-bolster-ties-with-greece-as-part-of-europe-push-a-chinese-wall-stands-in-the-way/2358368/>

258 A. Karassava. Greece to Acquire Fourth Belharra Frigate from France. Iefimerida. 20 September 2024. <https://www.iefimerida.gr/english/greece-acquire-fourth-belharra-frigate-france>

259 K. Mitsotakis. Europe must spend more on its own defence. Financial Times. 3 February 2025. <https://www.ft.com/content/94d19837-996b-40f1-8a1b-30ba68724091>

Greek approach oscillates between silence, ambivalence, and half-hearted compliance with relevant EU policies.²⁶⁰ For instance, on the politically charged issue of additional EU tariffs on EVs imported from China, in October 2024 Greece was one of the 12 Member States that abstained in the vote.²⁶¹ In this way, while it was part of the bloc that helped the European Commission's proposal carry the day, Athens avoided directly confronting Beijing.

Notably, Greece was one of the last EU Member States to proceed to legislating an FDI screening mechanism,²⁶² and finally did so in May 2025.²⁶³ Greek authorities support a "narrow interpretation" of the requirements²⁶⁴ - i.e. a limited scope of obligations and restrictions - to be included in the updated Regulation 2019/452 of the EU. As for outward controls, Athens has been silent on this issue, not least because of the limited added value and technological sophistication of Greek exports to China.

Although the Greek shipping industry accounts for 61% of the EU-owned merchant fleet and has a global exposure,²⁶⁵ Greece has not devised an Indo-Pacific strategy. The absence of such a strategy does not relate directly to Sino-American competition. Rather, this can be attributed primarily to the fact that a large part of the political and diplomatic resources of Greece are committed to the standoff with Turkey as the top foreign policy priority of the country.

Athens has firmly supported Kyiv against Moscow, as a sign of strong commitment to international law and not least because of the brutal uprooting of the Greek community in Ukraine. Washington's radically new position on the war since the change of guard in the White House has caused a sense of bewilderment in Greece. At the same time, Athens has been conspicuously silent on China's alleged aid to the Russian military machine. Greece's presence in the UN Security Council as a non-permanent member in 2025-26, in the company of the US and the Sino-Russian tandem, also necessitates a delicate balancing act. While the bond between Athens and Washington is infinitely more substantive and institutionalised than ties with Beijing, Greece will continue to tread carefully in its relations with both the US and China.

260 ETNC. National Perspectives on Europe's De-risking from China. June 2024: 66–70. <https://kinacentrum.se/en/publications/national-perspectives-on-europes-de-risking-from-china/>

261 Reuters. How EU governments voted on Chinese EV tariffs. 4 October 2024. <https://www.reuters.com/business/autos-transportation/how-eu-governments-plan-vote-chinese-ev-tariffs-2024-10-04/>

262 European Commission. Cooperation on screening of foreign direct investments strengthens EU security. 17 October 2024. https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5327

263 V. Nedos. Draft law would curb "suspect" investments. Ekathimerini.com. 14 May 2025. <https://www.ekathimerini.com/economy/1269624/draft-law-would-curb-suspect-investments/>

264 Interview with a Greek state official, 16 December 2024.

265 N. Lowry. Better placed than ever? Greek shipowners leading from the front. Lloyd's List. 13 May 2024. <https://www.lloydslist.com/LL1149139/Better-placed-than-ever-Greek-shipowners-leading-from-the-front>

HUNGARY: THE BIG GAMBLE



HUNGARY: THE BIG GAMBLE

Tamas Matura, *Associate Professor, Corvinus University of Budapest*

Prime Minister Viktor Orbán sticks to his guns, attempting to repeat his success from the first Trump administration, where he managed to navigate between the US and China. Like eight years ago, he is forging strong ties with Make America Great Again (MAGA)-aligned Republicans while attracting increasing amounts of Chinese investment into Hungary. However, what appears to be a bold foreign policy strategy is, in reality, a necessity driven by path dependency, as the past decade of Hungary's foreign policy has left little room for alternatives but to cozy up to both Trump and Xi. The question now is whether Orbán can strike a deal with the US president, allowing him to have his cake and eat it too.

The US Factor: Make Orbán Great Again?

Relations between the US and Hungary seem to be repeating history. Similar to 2016, Hungarian Prime Minister Viktor Orbán boldly embraced Donald Trump during the US presidential campaign in 2024, amid his tense relationship with the Biden Administration. The US ambassador to Budapest, nominated by President Biden, actively criticised the Hungarian government during his tenure. In their final weeks in power, the Democrats went so far that Antal Rogán, a senior Hungarian government official and Chief of Staff to Prime Minister Viktor Orbán, was sanctioned by the US Department of the Treasury's Office of Foreign Assets Control (OFAC) under the Global Magnitsky Human Rights Accountability Act. Just like in 2016, many expected a swift turnaround in US-Hungarian relations following Trump's inauguration in early 2025, but so far there are no signs of a substantial preference in Washington for Budapest. Of course, this may change in the future, as right now the new US administration is still preoccupied with strengthening its grip domestically and laying out its new global agenda that leaves little room for dealing explicitly with Hungary.

What is for sure is that the second Trump administration embraces a different approach than its predecessor, and it is expected to stop criticising the domestic policies and ideology of the Hungarian government. Just like last time, the US government has cancelled funding designed by the Biden administration to financially support non-governmental organisations in Hungary. And just like in 2018, for the first time in four years, the Secretary of State, Marco Rubio, received the Hungarian minister of foreign affairs in Washington, D.C., in March 2025.

In the last four years, the Hungarian government has invested heavily in crafting a close relationship with MAGA-aligned Republicans. Budapest has hosted three Conservative Political Action Conference (CPAC) gatherings since 2022, and the fourth one is coming up next in May. Prime Minister Orbán paid three visits to Trump in Mar-a-Lago in March, July, and December 2024, while Hungarian government-affiliated organisations have built up extensive cooperation with MAGA think tanks in the US. Retrospectively, it seems

that Orbán's strategy has paid off, and he can once again present himself as a visionary foreign policy leader. Orbán gambled on Trump's return to the White House because all other scenarios would have hurt him. Orbán's strained relations with the Democrats, enhanced connections with Moscow and Beijing, and his enduring endorsement of Trump presented him with a singular logical course of action: to persist in supporting Trump and anticipate his triumph. However, this is more akin to path-dependent gambling than a true strategy. Meanwhile, his potential hopes for getting preferential treatment from Washington following Trump's return to the White House seem to be illusory so far. On the contrary, diplomatic sources suggest that the US now demands Budapest to fall in line even harder than before.

When it comes to the relative importance of the US and China to Hungary, the picture is a bit murky. With USD 2.8 billion, the US represented less than 2% of Hungarian imports, while 4.1% of Hungarian exports found their market in America in 2024. Meanwhile, 6.7% of imports and 1.2% of exports of Hungary were conducted with Chinese partners. While the US used to be a much larger investor than China in Hungary for decades, the situation has changed dramatically in the past couple of years. The stock of foreign direct investment (FDI) originating from the US has been hovering around 10% of the total, while China's share has skyrocketed from 5% to at least 15–20%.²⁶⁶ The million-dollar question is how PM Orbán would react to a situation where he had to choose between the US and China.

The China card: do not expect the US to Trump it

Once again, the history of Sino-Hungarian relations is being repeated. Compared with the ups and downs of US-Hungarian relations, cooperation between Budapest and Beijing has been smooth and politically successful since 2020. The economic dimension of bilateral relations has skyrocketed in recent years in the form of Chinese investment in Hungary. This latter development has the potential to significantly impact the situation. While the level of Chinese investment was modest—to say the least—before 2020, the total amount of fresh FDI flowing into Hungary from China has reached around USD 15 billion in the past three years.²⁶⁷ Combined with the previous stock figures, the current level of Chinese FDI in the country is making it the second largest investor after Germany. This development raises the question of whether China's influence in Hungary will get even bigger.

Prime Minister Orbán has been a staunch supporter of Chinese interests in the EU in the past decade. The use of Hungarian influence, primarily through vetoes to block

266 Ministry of National Economy. Hungary is a good investment destination, Hungarian-American economic relations flourish. <https://kormany.hu/hirek/nagy-marton-magyarorszag-jo-befektetesi-celpont-az-amerikai-magyar-gazdasagi-kapcsolatok-iragoznak>

267 A. Éltető, T. Peragovics. M. Sass, Á. Szunomár. China's European Bridgehead? The Chinese Economic Presence in Hungary. Friedrich Ebert Stiftung. 2024. <https://library.fes.de/pdf-files/bueros/budapest/21458.pdf>

EU statements accusing Beijing of cracking down on democracy in Hong Kong or criticising its human rights record in Xinjiang, was a crucial part of this endeavour to support Chinese interests within the EU. This foreign policy, based on hedging and a loud and aggressive communication strategy, worked surprisingly well in the peace and prosperity of the 2010s.²⁶⁸ One might expect that while Mr. Orbán was ready to help out China in EU affairs even when the level of Chinese investment was low in the country, his eagerness would only increase with the rise of Chinese FDI in Hungary. However, the situation could potentially be reversed. Since it is impossible for Hungary to keep absorbing similar levels of Chinese capital in the upcoming years, the stock of Chinese investment probably has reached a plateau, and therefore it would not make too much sense to court Beijing even more vehemently. This is not to say that Mr. Orbán would abandon his pro-China attitudes, but that his readiness to support China in the EU also plateaus. Likewise, the Orbán government will maintain its strong anti-tariffs position, even though the rising level of European protectionism has helped to increase the level of Chinese FDI in Hungary as companies like CATL and BYD rushed into the country to evade incoming EU tariffs. A potential escalation of an EU-China trade war could be devastating to the Hungarian economy if the EU decided to extend its tariffs to parts and raw materials of the electric vehicles (EVs) supply chain as well.

When it comes to public attitudes toward China, there was a major debate in late 2021 in the wake of national elections, when the Hungarian government was planning to use taxpayers' money to build a huge campus for Fudan University in Budapest. The scandal was used by the opposition to whip up anti-China and anti-government sentiments, but the topic faded swiftly, and China has not been a major target of domestic political debates since. While the issue of battery factories rapidly spawning around the country induced a second wave of public uproar, it was less about China and more about the environmental and social impact of these large facilities built in the suburbs of towns.

Parliamentary elections are coming up in the spring of 2026, and for the first time in over a decade, Mr. Orbán has to face an adept rival whose support is growing fast. According to many surveys, the newly formed Tisza Party is already leading ahead of the ruling party in polls.²⁶⁹ It is hard to tell, though, what the China policy of a post-Orbán government would look like. Due to its focus on domestic affairs, the Tisza Party does not communicate about its potential foreign policy. However, its leader has mentioned several times that they would do whatever they can to regain access to EU funds, which would require a higher level of alignment with the EU and would mean potentially less focus on China.

268 T. Matura. Hungary: China's last friend in the EU? in: From a China strategy to no strategy at all (eds.: Bernhard Bartsch, Claudia Wessling), European Think Tank Network on China, July 2023.

269 Publicus. Popularity of Parties. April 2025. <https://publicus.hu/blog/partok-tamogatottsaga-2025-aprilis/>

US-Chinese friction and Hungary: what to do about the pro-China policy?

Just like during the first Trump presidency, Mr. Orbán is still balancing between the US and China. It is still true that Orbán focuses more on opportunities and political manoeuvres than on threats and risks associated with the friction between Washington and Beijing. He may soon face a serious question: what if the US cracks down on all its partners with close ties to China? Given his cash-strapped situation, Mr. Orbán has limited options when it comes to China, and he has once again relied on the only viable option he had available.

The strengthening of Hungarian-Chinese political and commercial connections has led to significant Chinese investment in Hungary and elevated Orbán's international prominence. The consequence is the increased estrangement of allies in Brussels and Washington. While a Harris administration would have undoubtedly resulted in strained relations with the US, Trump's victory may present a chance for a deal.

A deterioration of relations with Beijing would likely result in a decline of flow of Chinese investment in Hungary, and the EU would not provide funding in response due to the rule-of-law debate. Likewise, the US under a democratic president would not have yielded, as additional causes of friction existed between Washington and Budapest. However, Trump's reemergence might alter the entire landscape, or at least this is what the Hungarian government was hoping for. Officials have been emphasising since last November that the second Trump presidency would bring peace and economic prosperity to Hungary.

In terms of traditional security, China is not perceived as a security threat, at least not openly. The *National Security Strategy of Hungary* only hints at some potential risks when it states that when exploiting the opportunities for economic cooperation, one must also take into account the factors arising from the exposure that arise from the investments of an emerging China in critical infrastructure, its emergence as a potential supplier of the most advanced information and communication technology, and the strengthening of its regional influence in general.²⁷⁰ The government has not implemented any publicly known regulations to limit China's presence in the Hungarian ITC sector. It has recommended telecommunication companies to employ a mix of hardware sourced from multiple vendors and according to some non-confirmed information the government does not recommend that public servants use Chinese made phones.

Defence cooperation with the US was very limited under the Biden administration, and given Mr. Orbán's obsession with absolute national sovereignty, it is unlikely this will change substantially anytime soon, apart from a new arms deal. However, recent news

270 163/2020. (IV. 21.) Korm. határozat Magyarország Nemzeti Biztonsági Stratégiájáról (163/2020 Government Decree on the National Security Strategy of Hungary) Paragraph No. 119. <https://net.jogtar.hu/jogszabaly?docid=A20H1163.KOR&txtreferer=00000001.txt>

suggests that President Trump is considering moving US troops from Germany to Hungary, which may change the current situation.²⁷¹

Likewise, the government does not perceive China as a threat to Hungary's economic security. On the contrary, Mr. Orbán has doubled down on attracting more Chinese investors in the EV sector. Therefore, de-risking is not on the table, and the level of FDI inflow actually creates new dependencies on China and its supply chains. Meanwhile, one might argue that Hungary's international supply chains are dominated by multinational companies, and the government does not have a major say in their de-risking policies. Meanwhile, the government sees an opportunity in attracting Western companies to the country that need to de-risk at home but still wish to partially maintain their links to China through intermediaries like Hungary. Hungary, a small and highly open economy, and would suffer greatly from any significant disruption or slowdown in international trade. Therefore, it should do whatever it can to mitigate the risks connected to its exposure to trade with China. However, recent developments suggest that the first blow may come from a very different direction, as President Trump's threats to the EU could have a serious impact on the Hungarian industry that has been struggling for some time.

The Hungarian government is not particularly interested in environmental issues or the green transition, but it uses the narrative that Chinese investment in the EV sector can help Hungary and the whole EU in its green transition. Despite strong public dissent, the government fails to address the enormous environmental impact of these factories in Hungary.²⁷²

In sum, there is a caveat. How to maintain Mr. Orbán's amicable relationship with Trump and China at the same time? We can only speculate that the Hungarian government is seeking a deal that would satisfy President Trump and allow him to overlook the extent of Chinese economic activity in Hungary. As Balázs Orbán, the political director of the Prime Minister's Office, has said in an interview: "The key to cooperation with the Republicans is that Donald Trump has advocated a foreign policy based on national interests, which accepts it if other countries also define their foreign policy based on national interests. From this foundation, we can forge mutually beneficial agreements. It was the same during Donald Trump's first presidential term, and we expect it to be again."²⁷³ As President Trump has already begun to backtrack on his trade war with China, the Hungarian government may hold out hope that it can weather the storm and avoid a major economic downturn before the general elections in early 2026.

271 C. Stringer. Trump considers pulling troops out of Germany. The Telegraph. 7 March 2025. <https://www.telegraph.co.uk/us/politics/2025/03/07/donald-trump-considers-pulling-troops-out-of-germany/>

272 L. Rutai. Hungarian families say area risks becoming a 'battery wasteland' in wake of Chinese lithium plant. Euronews. 8 September 2024. [https://www.euronews.com/green/2024/09/08/hungarian-families-say-area-risks-becoming-a-battery-wasteland-in-wake-of-chinese-lithium-](https://www.euronews.com/green/2024/09/08/hungarian-families-say-area-risks-becoming-a-battery-wasteland-in-wake-of-chinese-lithium-plant)

273 T. Nótin. Orbán Balázs: A magyar érdek az, hogy az unió és Kína erősítse meg a kapcsolatait. (Balázs Orbán: The Hungarian interest is for the union and China to strengthen their relations). index.hu. 14 May 2024. <https://index.hu/belfold/2024/05/14/orban-balazs-interju-kina-magyarorszag-konnektivitas-europai-unio-usa-gazdasag/?token=1045ef76ad9ded52d1f7fa5201c1bef4>

IRELAND BETWEEN
GIANTS: DUBLIN'S
STRATEGY FOR SURVIVING
US-CHINA TENSIONS



IRELAND BETWEEN GIANTS: DUBLIN'S STRATEGY FOR SURVIVING US-CHINA TENSIONS

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Ireland finds itself navigating a delicate balance between its deep economic alignment with the United States and the strategic necessity of maintaining open channels with China. Excessive US pressure could inadvertently push Ireland closer to China. It is therefore crucial that policymakers in Washington recognize the broader strategic consequences of their approach toward smaller partners like Ireland in the US-China rivalry.

The interwoven nature of Ireland's economic relationship with the US means that both US domestic and foreign policy could have substantial impact on Ireland's economy. How this relationship evolves during Donald Trump's second term will likely impact Ireland's relationship with China, given that US–China tensions are likely to deteriorate under a hawkish Trump administration. Examining Ireland's ties with the US and China reveals the limits of its claimed military neutrality and highlights how it might balance these relationships while preserving strategic autonomy.

The new trade war between the US and China may spill over into countries like Ireland where non-tariff retaliation could impact it. This matters because Ireland maintains broad-based economic relations with both China and the United States, encompassing bilateral trade in goods, cross-border trade in services, and reciprocal flows of inbound and outbound foreign direct investment.

Ireland–US relations: growing pressure from Trump's tariffs and reshoring agenda

Ireland's foreign direct investment (FDI)-driven economic model, heavily reliant on US multinationals, faces growing pressure from President Trump's tariffs and reshoring agenda – making a pivot toward China as a potential alternative increasingly attractive option.

Traditionally, Dublin has enjoyed warm relations with Washington, irrespective of whether the administration was Republican or Democrat. Especially under President Joe Biden's administration, the US and Ireland maintained close ties.

More recently, on 12 March 2025, the meeting between Taoiseach (Prime Minister) Micheál Martin and US President Donald Trump, highlighted Ireland's effort to balance transatlanticism with EU strategic autonomy. The Taoiseach went to great efforts to stress the mutually beneficial two-way economic relationship between the two countries, emphasising Irish investment in the US, including major business activity by Ryanair,

Glanbia, and others.²⁷⁴ The Irish side aimed to defend Ireland's economic interests in light of US criticism over trade imbalances and pharmaceutical sector reliance on US multinationals.²⁷⁵

Martin's underlining of the mutual benefits stood in stark contrast to Trump persistently portraying trade as a zero-sum scenario in which Ireland's gains were US losses. Trump repeatedly mentioned the US trade deficit with Ireland and how Ireland was "taking" US pharmaceutical companies. Equally, Trump's narrative positions the EU as unfairly exploiting the US economy, criticizing the EU's role in decisions such as Apple's tax dispute in Ireland, in which ironically the Irish government sided with the US multinational against the EU's position.²⁷⁶ At the time of writing, President Trump has implemented a 10% baseline tariff onto the EU that applies to most imports.

Ireland recorded a EUR 50 billion goods surplus with the US in 2024, drawing criticism from the Trump administration. A key contributor is the practice of 'phantom exports,' which benefits US firms. Officially termed 'goods for processing' or 'contract manufacturing,' these are goods produced abroad under contract by Irish-registered firms – mostly in pharma and tech – which are recorded as Irish exports despite never passing through Ireland, with Apple's iPhone being the most prominent example.²⁷⁷ While US firms benefit from Ireland's low corporation tax rates, Ireland gains in tax revenue. This arrangement also distorts trade data: in 2024, EUR 92 billion in phantom exports – over a quarter of total merchandise exports – were recorded.²⁷⁸

Royalties and licensing fees paid to US companies are the single biggest contributor to Ireland's service imports and are the primary reason Ireland runs such a large services trade deficit with the US. The overall trade balance (goods and services) with the US

274 The Irish Times. Micheál Martin Meets Donald Trump in Washington: How the Day Progressed. The Irish Times. 12 March 2025. <https://www.irishtimes.com/politics/2025/03/12/micheal-martin-donald-trump-meeting-live-updates-ireland-washington/>

275 C. Thomas. Micheál Martin Says 'Main Objective' in Meeting Trump Was to Protect Economic Interests. Business Post. 12 March 2025. <https://www.businesspost.ie/politics/micheal-martin-says-main-objective-in-meeting-trump-was-to-protect-economic-interests-after-us-pre/>

276 The Parliament Magazine. Q+A: Inside the Apple Ruling: €13 Billion and a 'Mess' for EU Tax Law. 17 September 2024. <https://www.theparliamentmagazine.eu/news/article/irelands-13-billion-windfall-has-the-eus-apple-ruling-unleashed-legal-chaos>

277 D. Murray. Phantom Exports Coming Back to Haunt Taoiseach Ahead of Trump Meeting. 9 March 2025. <https://www.businesspost.ie/news/phantom-exports-coming-back-to-haunt-taoiseach-ahead-of-trump-meeting/>; J. FitzGerald. A 145% US Tariff on China Will Hit Apple. and Ireland's Corporation Tax. The Irish Times. 11 April 2025. <https://www.irishtimes.com/business/economy/2025/04/11/a-125-us-tariff-on-china-will-hit-apple-and-irelands-corporation-tax/>

278 D. Murray. Here's How Ireland Is Even More Exposed to Trump's Trade War than You Think. Business Post. 2 April 2025. <https://www.businesspost.ie/analysis/ireland-may-be-more-exposed-to-trumps-trade-war-than-we-think/>

was a deficit of EUR 93 billion in 2024.²⁷⁹ When accounting for both goods and services, the substantial US services surplus with Ireland helps offset the Irish goods surplus with the US, resulting in a more balanced overall trade relationship.

Despite the overall relative balance in the trade relationship and benefit for US companies and interests, Trump's critical rhetoric is already influencing major pharmaceutical companies like Eli Lilly and Pfizer, who are considering shifting production back to the US, potentially reducing their Irish operations.

On the tech front, the EU imposed Digital Markets Act (DMA) fines for the first time against Apple and Meta for violating tech sector competition rules in April. Taoiseach Martin has expressed Ireland's opposition to proposals such as a new digital tax aimed at large US tech firms, which are heavily represented in Ireland and contribute significantly to the country's corporation tax revenue. The White House stated that the DMA "will face scrutiny from the Administration".²⁸⁰

Annual St. Patrick's Day diplomatic blitz

Every year the Irish government leverages its international soft power of Ireland's national day by sending the country's most senior government members around the world to meet foreign leaders. This year the emphasis was on the US: Taoiseach Martin met President Trump at the White House, seven senior ministers travelled to various cities in the US, while one minister of state and the attorney general also visited the land of opportunity. In contrast, Ireland's sole envoy to China was Minister for Housing, James Browne, showing a decreased level of prioritization compared to recent years. In previous years, the government sent higher-ranking ministers to Beijing during the annual diplomatic blitz.

Ireland–China relations: Chinese companies are doing well on the island

The Irish government is likely to test the waters with China, exploring potential opportunities ranging from increased agricultural exports to greater inbound Chinese investment.

²⁷⁹ The Irish Times. Ireland Has Large Trade Deficit with US, New CSO Figures Show. The Irish Times. March 6. 2025. <https://www.irishtimes.com/business/2025/03/06/irish-economy-grew-more-than-estimated-in-2024/>. The US-Ireland services trades surplus is directly related to the Ireland-US goods trade deficit; much of Ireland's export trade is with Europe, while the imports related to that is with the US, this gives Ireland an overall trade deficit with the US.

²⁸⁰ J. Keane. The EU Lobs €700m in Fines at Apple and Meta but Saves Most of Its Ammo, The Currency (blog). 23 April. 2025. <https://thecurrency.news/articles/187329/the-eu-lobb-e700m-in-fines-at-apple-and-meta-but-saves-most-of-its-ammo/>

China's Foreign Minister Wang Yi visited Ireland in mid-February 2025, shortly after its new government formed, following a stop in the UK. Amid tensions over Ireland having voted to impose tariffs on Chinese EVs entering the single market and Beijing's investigations into Irish dairy and EU pork sectors, visits from China's leaders have come at better times in the Ireland-China relationship. As a militarily neutral, non-NATO country with strong US economic ties, Ireland remains a strategically important stop for Beijing – especially under Trump-era policy shifts.

Previously, the treatment of Chinese businesses in Ireland were of interest to Wang Yi, who in 2023 asked then Foreign Minister (now Taoiseach) Martin for Ireland to treat Chinese companies fairly. Seeing as some Chinese companies are doing so well, Wang may have been especially conscious to check on their treatment now. Temu's Irish subsidiary, Whaleco Technology Limited, filed its first accounts in summer 2024, revealing EUR 693 million in revenue yielded by sales all over Europe from July 2022 to December 2023. The company reported pre-tax profits of approximately EUR 40 million in Ireland, paying just under EUR 5.5 million in corporation tax for the period.²⁸¹

Shein, a competitor of Temu, reported that its Ireland-based subsidiary made EUR 7.68 billion in sales and nearly EUR 100 million in after-tax profit in 2023, more than doubling its earnings from the year before. The company also expanded its local workforce.²⁸² Most EU-bound orders from Temu and Shein are shipped from China and avoid customs duties, contributing to a surge in low-value imports.²⁸³ However, both platforms are now facing increasing EU scrutiny – Shein over consumer protection standards and Temu under an ongoing Digital Services Act investigation – highlighting the regulatory risks that may accompany their rapid growth.²⁸⁴

Temu and Shein may soon face greater regulatory pressure in Europe, as signaled by the recent EUR 530 million fine imposed on TikTok by Irish regulators – an escalation in the EU's scrutiny of Chinese digital platforms. In May 2025, Ireland's Data Protection Commission (DPC) fined TikTok for violating EU data protection rules, citing unlawful transfers of user data to China and a lack of transparency. TikTok plans to appeal, arguing the decision overlooks major security reforms under its EUR 12 billion Project

281 J. Keane. A Handful of Employees. Hundreds of Millions in Revenue: Behind the Scenes at Temu and Shein's Dublin Face-Off. *The Currency*. 7 August 2024. <https://thecurrency.news/articles/157899/a-handful-of-employees-hundreds-of-millions-in-revenue-behind-the-scenes-at-temu-and-sheins-dublin-face-off/>

282 H. Reid. Shein's European Entity Reports 68% Sales Growth in 2023. *Reuters*. 4 November 2024. sec. Retail & Consumer. <https://www.reuters.com/business/retail-consumer/sheins-european-entity-reports-68-sales-growth-2023-2024-11-04/>

283 DW. Why China's Temu and Shein Are a Big Regulatory Headache. *dw.com*. 22 February 22 2025. <https://www.dw.com/en/temu-shein-chinas-low-price-platforms-are-a-big-headache-for-us-and-eu/a-71535422>

284 N. Lomas. Shein Hit with Consumer Protection Action in EU as Bloc Unboxes Strategy to Tackle Low-Cost e-Commerce Risks. *TechCrunch* (blog). 5. February 2025. <https://techcrunch.com/2025/02/05/shein-hit-with-consumer-protection-action-in-eu-as-bloc-unboxes-strategy-to-tackle-low-cost-e-commerce-risks/>; N. Lomas. Shein Gets More Questions from EU about DSA Compliance. *TechCrunch* (blog). 6 February 2025. <https://techcrunch.com/2025/02/06/shein-gets-more-questions-from-eu-about-dsa-compliance/> \uc0\u8221\} \i\}TechCrunch\} (blog

Clover, including independent oversight and data storage within Europe and the US. The DPC also noted some data had been stored in China, raising the possibility of further action and signaling broader challenges for Chinese tech firms in Europe.²⁸⁵

On the political side, Ireland has received a new PRC ambassador, Mr. Zhao Xiyuan, in November 2024. The new ambassador previously worked as a journalist and held diplomatic posts in several countries before his first ambassadorial role in Ireland.

In May, 2025, Chinese official Li Hongzhong visited Dublin on behalf of China's legislature to reaffirm bilateral relations. He emphasized his legislature's commitment to developing a legal framework for cooperation and called for deepened engagement in areas such as trade, science and technology.²⁸⁶ The visit comes as the US steps up efforts to pressure partners like Ireland to reduce economic ties with Beijing.

US–Ireland–China relations: lucrative trilateral relationship faced with risk of disruption

The new Irish government is seeking to maintain a balanced stance by avoiding the appearance of being too closely aligned with China while also engaging with the US administration under Donald Trump. But when it comes down to brass tacks, by 2022 US multinationals were responsible for around 75% of Ireland's corporation tax revenue, with just three American firms contributing nearly 40% – on FDI, it's clear on which side Ireland's bread is buttered.²⁸⁷

Ireland has acted as a hub facilitating trade between the US and China in certain economic sectors over the past number of years. Intel, Pfizer and Wuxi Biologics are among others that operate within this trilateral relationship. US company Intel has produced chips at its front-end fabrication plant in Ireland and exported them to China. Pfizer has imported active pharmaceutical ingredients from China to produce medication to be exported to the US. Wuxi Biologics has produced the active ingredients for major US pharmaceutical

285 Data Protection Commission. Irish Data Protection Commission Fines TikTok €530 Million and Orders Corrective Measures Following Inquiry into Transfers of EEA User Data to China. Data Protection Commission. 2 May 2025. <https://www.dataprotection.ie/news-media/latest-news/irish-data-protection-commission-fines-tiktok-eu530-million-and-orders-corrective-measures-following>; Christine Grahm. Our Response to the Irish Data Protection Commission Decision on Data Transfers. TikTok. May 2. 2025. <https://newsroom.tiktok.com>; TikTok Fined 530 Million Euros by EU Regulator over Data Protection. Reuters. 2 May 2025. <https://www.reuters.com/sustainability/boards-policy-regulation/tiktok-fined-530-million-euros-by-eu-regulator-over-data-protection-2025-05-02/>

286 People's Daily. Li Hongzhong Leads a Delegation of the National People's Congress to Visit Ireland [CN]. 19 May 2025. <http://cpc-app.people.cn/n1/2025/0519/c64094-40482478.html>

287 Reuters. What Is Ireland's Exposure to the US Economy and Trump's Plans?. Reuters. March 11. 2025. <https://www.reuters.com/en/what-is-irelands-exposure-us-economy-trumps-plans-2025-03-11/>; European Commission. Fourth Annual Report on the Screening of Foreign Direct Investments into the Union. REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL. 17 October 2024). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52024DC0464>

companies based in Ireland that export to the US. As Ireland imports more from China, the number of dependencies it has on goods from China has increased.²⁸⁸

In recent years, this trilateral relationship is being disrupted by both US and Chinese actions. The export of semiconductor chips from Ireland continues to decline due to Washington's and Beijing's respective policies amid growing tensions between the two.²⁸⁹ Recently, the Cybersecurity Association of China has called for Intel products sold in the country to undergo a security assessment.²⁹⁰ From 2022 to 2023, the total value of Ireland's exports to China and the percentage share of integrated circuits as a total of Ireland's exports to China dropped dramatically and has remained at a lower level since. Partly as a result, Intel is planning to cut 20% of its global workforce.

More recently, after investing heavily in Ireland over the past few years, Wuxi has sold its vaccine manufacturing facility to US-German company Merck & Co (MSD) for EUR 500 million,²⁹¹ an action potentially linked to the legislation of the Biosecure Act which explicitly mentions Wuxi Biologics.

Since courting Wuxi to Ireland's shores back in 2018, Ireland sought to de-risk its relations with China.²⁹² President Michael D. Higgins signed a foreign direct investment screening mechanism into law in October 2023.²⁹³ Originally introduced as a regulation by the EU in 2019, after repeated delays, the mechanism came into operation in early 2025.

An early test for the mechanism comes in the form of a Chinese mining and battery production company taking full control over a lithium mine in Ireland.²⁹⁴ Ganfeng Lithium's EUR 1.4 million transaction does not meet the minimum requirement for a notifiable transaction to the Irish government, however "ownership of, or influence over, sensitive businesses and assets" falls within the competency scope of Ireland's FDI screening mechanism.

288 Based on the MERICS Trade Dependency Database

289 A. Davey. Ireland: Searching for Autonomy amid US-China Rivalry | Merics. 1 July 2024. <https://merics.org/en/ireland-searching-autonomy-amid-us-china-rivalry>

290 Reuters. Intel Is a Security Risk for China. Says Influential Industry Group. CNN. 17 October 2024. <https://www.cnn.com/2024/10/16/tech/china-intel-security-review-intl-hnk/index.html>

291 MSD Ireland in Deal to Buy WuXi Vaccines. Dundalk Site. 6 January 2025. <https://www.rte.ie/news/business/2025/0106/1489298-msd-ireland-in-deal-to-buy-wuxi-vaccines-dundalk-site/>

292 M. Martin. RIA International Affairs Conference - Tánaiste's Keynote Address. 2 May 2023. <https://www.gov.ie/en/speech/c6bc3-ria-international-affairs-conference-tanaistes-keynote-address/>

293 Commencement of Screening of Third Country Transactions Act 2023. 18 December 2024. <https://enterprise.gov.ie/en/news-and-events/departments-news/2024/december/20241218.html>

294 J. Keane. Chinese Mining Giant Ganfeng Is Taking Full Control of Irish Lithium Project. The Currency (blog). 11 April 2025. <https://thecurrency.news/articles/185687/chinese-mining-giant-ganfeng-is-taking-full-control-of-irish-lithium-project/>

Three weeks after Ireland's FDI mechanism came into force, the European Commission published a proposal to revise said regulation to make the investment screening mechanisms of EU Member States more effective by further harmonizing them and closing loopholes such as indirect foreign investments.²⁹⁵

These revisions and the potential for the screening of greenfield investments²⁹⁶ appear to be next on the EU's agenda for the mechanism. This would have a major impact on the Irish FDI economic model and in particular on the IDA whose job is to lure foreign companies to set up shop on the Emerald Isle. It would also alter the barriers to entry, and the cost-benefit analysis may no longer add up for prospective investors.

Testing the bounds of Ireland's military neutrality amid US-China rivalry

Ireland's defence and security policy is undergoing its most substantial change in decades, as evidenced by the Defence Forces chief taking over as chair of the EU Military Committee, the selection of the country's first military radar system, and the government's planned acquisition of combat jets.²⁹⁷ All of this is accompanied by careful messaging that Ireland remains committed to military neutrality and a peace-centered foreign policy – yet the actions themselves increasingly call that narrative into question.

Russia's invasion of Ukraine, the Russia–China nexus and now the US–Russia rapprochement has jolted Ireland to act and the EU into a defence spending frenzy. Ireland's military neutrality is particularly sensitive amid EU militarization trends. Ireland traditionally maintains a militarily neutral status, anchored in the “triple lock” mechanism requiring UN approval, Irish parliamentary consent, and governmental decision before deploying military forces abroad. A principal argument for abolishing the “triple lock”

295 European Commission New Initiatives to Strengthen Economic Security. European Commission. 24 January 2025. https://ec.europa.eu/commission/presscorner/detail/en/ip_24_363; Revision of the EU FDI Screening Regulation: Is EU-Wide Investment Screening on the Way?. 29 January 2025. <https://www.noerr.com/en/insights/competition-outlook-2025-revision-of-the-eu-fdi-screening-regulation-is-eu-wide-investment-screening-on-the-way>

296 European Parliament. Revision of the Foreign Direct Investment (FDI) Screening Regulation | Legislative Train Schedule. European Parliament. 20 February 2025. <https://www.europarl.europa.eu/legislative-train/theme-an-economy-that-works-for-people/file-revision-of-the-fdi-screening-regulation>

297 M. Martin. Department of Defence and Defence Forces Strategy Statement 2023–2026. Department of Defence. 10 October 2023). <https://assets.gov.ie/static/documents/department-of-defence-and-defence-forces-strategy-statement-2023-2026.pdf>; N. O'Connor. As Defence Forces Chief Takes EU's Top Military Job, His Support Team Heads to Brussels. TheJournal.ie. March 9. 2025. <https://www.thejournal.ie/irish-eumc-european-union-military-sean-clancy-rossa-mulcahy-6641208-Mar2025/>; H. Fox. Procurement Talks on Irish Military Radar System to Begin. 29 April 2025. <https://amp.rte.ie/amp/1509969/>; Conor Gallagher. Plans to Base Combat Jets at Shannon Airport at Annual Cost of €100m. The Irish Times. 1 March 2025. <https://www.irishtimes.com/ireland/2025/03/01/plans-to-base-combat-jets-at-shannon-airport-at-annual-cost-of-100m/>

is that China and Russia – as permanent members of the UN Security Council (the ‘P-5’) – can block any Council resolution under Chapter VII that would authorize Ireland to deploy more than twelve peacekeepers abroad. Critics warn that P-5 vetoes pose an existential threat to significant Irish deployments, whereas proponents point out that General Assembly Emergency Special Sessions under Resolution 377 (V) (‘Uniting for Peace’) have in practice provided the de facto authorization to send peacekeepers when the Security Council is deadlocked²⁹⁸

The current government is considering a bill to move outside of UN authorisation, whereby any mission involving the Irish Defence Forces is organised by a regional organization, such as the EU, in accordance with the aims and spirit of the UN Charter.²⁹⁹ In a poll on Ireland’s military neutrality published in January 2025, 75% of respondents supported maintaining the current militarily neutral policy, while 17% opposed it and 7% were unsure.³⁰⁰ Some fear that increased EU militarization could pressure Ireland into weakening or abandoning neutrality, compromising its independent foreign policy stance and undermining public support for neutrality.³⁰¹

While the EU is not a defence union,³⁰² its call – alongside that of the US³⁰³ – for increased defence spending carries weight, particularly in areas such as the protection of subsea cables. However, this pressure could push Ireland to divert more funds toward military budgets. That, in turn, might reduce the resources available for social infrastructure, public services, and welfare programs – issues that resonate strongly within Irish public discourse. Ireland needs to be able to protect its air, land, sea and cyber domains, yet this potential trade-off between military and social expenditures could exacerbate socioeconomic inequalities,³⁰⁴ a security risk in and of itself.

298 T. McNally. US Military Flights Landing at Shannon ‘seriously Undermining’ Irish Neutrality, Says TD. Irish Examiner. 2 September 2024. <https://www.irishexaminer.com/news/munster/arid-41467891.html>

299 How Did the ‘Triple Lock’ on Irish Troop Deployments Come into Being - and Why Is It Ending?. The Irish Times. 3 March 2025. <https://www.irishtimes.com/ireland/2025/03/03/how-did-the-triple-lock-on-irish-troop-deployments-come-into-being-and-why-is-it-ending/>

300 N. Michael. Poll Shows Extensive Support for Ireland’s Neutrality. Irish Examiner. January 14. 2025. <https://www.irishexaminer.com/news/arid-41553730.html>

301 L. Cullen. Ireland’s Neutrality under Threat: Why We Must Oppose EU Militarisation - Liz Cullen. DiEM25. 5 March 2025. <https://diem25.org/irelands-neutrality-under-threat-why-we-must-oppose-eu-militarisation/>

302 European External Action Service. Article 42(7) TEU -The EU’s Mutual Assistance Clause. European External Action Service. October 2022. <https://www.eeas.europa.eu/sites/default/files/documents/Article%2042%287%29%20TEU%20-The%20EU%27s%20mutual%20assistance%20clause.pdf>; Article 42.7 of the Lisbon treaty (the so-called Irish clause) allows neutral member states to refrain from providing military assistance to their partners.

303 J. Fox. US Senator Calls on Ireland to Increase Defence Spending. 19 February 2025. <https://www.rte.ie/news/ireland/2025/0219/1497521-us-senator-defence/>

304 G. Duval. Europe’s Military Build-Up: Will Social Spending Be Sacrificed?. 14 March 2025. <https://www.socialeurope.eu/europes-military-build-up-will-social-spending-be-sacrifice>

Conclusion: Hooked on the US, hedging on China

Ireland's overwhelming economic reliance on the US implies two things: first, it is clearly more aligned with Washington than with Beijing; second, that very dependence also compels caution, as Ireland cannot afford to disengage from China.

For Ireland, which is debating its military neutrality and facing pressure to increase defence spending, balancing relations with both Washington and Beijing is becoming more difficult – especially amid domestic challenges like a severe housing crisis, cost-of-living concerns and rising anti-immigrant sentiment. At the same time, excessive US pressure or punitive measures could inadvertently push Ireland closer to China.

The US has competing objectives towards Ireland. On the one hand, it wants to reshore US pharmaceutical companies' operations to improve its own economy, while on the other it wants Ireland to reduce its ties with China, part of a broader geopolitical strategy. Implementing one goal has an adverse impact on the other. It doesn't work both ways.

ITALY AND THE US- CHINA GREAT POWER COMPETITION



ITALY AND THE US-CHINA GREAT POWER COMPETITION

Aurelio Insisa, Senior Research Fellow, and **Francesca Maremonti**, Research Fellow, Istituto Affari Internazionali (IAI)

In December 2023, Italy became the first country to withdraw from the Belt and Road Initiative (BRI). The withdrawal was the result of a domestic backlash against the unrealistic expectations surrounding the transformative impact of the Memorandum of Understanding (MoU) on the structurally unbalanced Sino-Italian relation. It was also the product of wider trends: the deterioration of the relations between the EU and China, and growing US-China antagonism under the first Trump administration and the Biden administration. After withdrawing from the BRI, the Meloni government signed in 2024 a new bilateral Action Plan with Beijing to start a new phase of the bilateral relation. Rome avoided to further raising tensions with Beijing, resisting US pressure to join freedom of operation navigations in the South China Sea and in the Taiwan Strait during the Indo-Pacific campaigns of the Italian Navy in 2024 – even though transatlantic alignment on Beijing in itself was one of the factors leading to these very same deployments. Yet Italy voted in favour of the European Commission’s decision to impose countervailing duties on made-in-China EVs. Trump’s return to the White House in January 2025, notwithstanding a marked ideological affinity with the Meloni government, has added a further degree of uncertainty, forcing Italy to manage its China policy against the backdrop of fraying transatlantic ties over trade and European security.

The Belt and Road MoU turning point and Its aftermath

Italy became the first G7 Member State to join China’s Belt and Road Initiative in 2019. The first Conte government had pursued BRI membership from a transactional perspective. Rome provided Beijing the prestige and legitimation of a G7 country joining the BRI at a moment of international contestation and backlash against the initiative. In return, the Italian government expected a rise of tourist flows and of Chinese foreign direct investments (FDI).³⁰⁵ Yet, the outbreak of the Covid-19 pandemic in Italy in early 2020 inflicted an irreparable damage to the prospects of its adhesion to the BRI, as existing and projected trade and investment patterns were upended. At a deeper level, the MoU was built on faulty foundations. There was a mismatch between the aggrandizing rhetoric and unrealistic expectations about the impact of BRI membership on one side, and the reality of the Sino-Italian trade relation. Beijing’s continuing prioritisation of export-led and manufacturing-driven growth,³⁰⁶ left little space for rebalancing the trade relation with Italy. Indeed, between 2018 and 2023, Italy’s exports towards China

305 G. Pugliese, F. Ghiretti and A. Insisa. Italy’s Embrace of the Belt and Road Initiative: Populist Foreign Policy and Political Marketing. *International Affairs*, vol. 98, no. 3 (2022): 1033–1051.

306 D. H. Rosen. The Age of Slow Growth in China. *Foreign Affairs*. 15 April 2022. L. Wright. China’s Economy Has Peaked. Can Beijing Redefine Its Goals?. *China Leadership Monitor*. 2024.

grew steadily, although marginally, from 2.82% to 3.06%. This trend stands in contrast with most of the other EU countries, whose exports towards China shrank from 10.69% to 8.65% in the same period.³⁰⁷ Furthermore, the international environment in which Italian diplomacy operated rapidly shifted. On one side, relations between the US and China had rapidly deteriorated by the second half of the first Trump administration. On the other side, the European Union and its institutions had started a process of careful re-evaluation of ties with Beijing, just as the first Conte government planned to leverage its relations with China in the context of a broader contestation over the union's fiscal rules, thus leaving Italy exposed to harsh criticism for joining the BRI.³⁰⁸

Growth figures for Italy remained underwhelming. Despite the mild growth of trade volumes between the two countries (with an average growth rate of 5.6% between 2018 and 2023), trade balance remained drastically in favour of China, peaking at a trade deficit of -6.14% for Italy in 2022. On a different note, Italy's trade balance with the US favoured the former, with Italian exports into the US constituting 10.70% of the total, while imports remaining at 4.30%. Italy's investment position with China follows a similar trend, showing promising signs at a first glance, only to be downsized once compared to Italy's financial ties with the US. Indeed, Italy's FDI stock in China grew from 2.73% of total Italian overseas investment in 2017 to 3.34% in 2022. However, Italy's outward FDI stock in the US rose considerably between 2017 and 2022, from 7.02% to 11.14%. Crucially, this shift was driven by market opportunities in sectors like clean energy, green technologies, electric vehicles and components, semiconductors that had emerged under the Biden administration. Italy's stock position with China remains a fraction compared to the US, while China's investments into Italy slightly eroded over the years, with Chinese FDIs in stock decreasing from 1.35% in 2017 to 1.22% in 2022.³⁰⁹

The second Conte government, emerging after the junior partner in the ruling coalition, the League for Salvini Premier, failed to force a snap election, while still invested in the MoU, was mostly committed to the management of the first devastating outbreak of the Covid-19 pandemic. Facing pressure at home and abroad, it was eventually substituted in February 2021 by a new government sustained by a *grosse Koalition* including all parties in the Parliament – except for Giorgia Meloni's Brothers of Italy (Fratelli d'Italia, FDI) – under the technocratic lead of Mario Draghi. The new prime minister, with solid transatlantic and international credentials, in turn, enjoyed a close collaboration with the then-newly elected Biden administration.³¹⁰ The Draghi government paved the way for Italy to eventually leave the BRI, with the Prime Minister himself stating that the

307 UN Comtrade. Data retrieved October-November 2024. <https://comtradeplus.un.org/>

308 D. H. Rosen. The Age of Slow Growth in China. Foreign Affairs. 15 April 2022.

309 OECD Data Explorer (BMD4). Data retrieved October-November 2024. <https://data-explorer.oecd.org/>

310 R. Alcaro. Le relazioni con gli Stati Uniti. In Il governo Draghi e il nuovo protagonismo internazionale dell'Italia: Rapporto sulla politica estera italiana. Edizione 2021, edited by A. Dessì and F. Nelli Feroci. IAI. 2022: 29–37.

MoU would be “examined carefully”.³¹¹ The Draghi government repeatedly exercised its “golden power”, a mechanism to screen Chinese investments, in order to veto Beijing’s investments in Italy’s strategic sectors – a factor arguably contributing to shape Italy’s gradual detachment from the BRI.³¹² This shift occurred against the backdrop of a deteriorating EU-China relations and strengthening transatlantic relations. The former frayed over Beijing’s handling of the Hong Kong protests and ethnic policies targeting the Uyghur people in Xinjiang, a consequent cycle of sanctions and countersanctions by both sides, and the European Parliament’s failure to ratify the *Comprehensive Agreement on Investment* signed by Brussels and Beijing. The latter were strengthened by the return to power of a Democratic administration in Washington and Russia’s full-scale invasion of Ukraine in February 2022.

The fall of the Draghi government in July 2022, and the following rise to power of Meloni as the leader of a coalition including the League and Berlusconi’s party Forza Italia after having won the general election in September, sealed the end of Italy’s participation to the BRI. Meloni had been critical of the MoU when it was signed, stating that it ignored Italy’s “national interest” and leading her party to vote against the agreement in the Parliament.³¹³ Italy’s withdrawal from the BRI under the Meloni government was informed by several dynamics, such as the earlier transatlantic alignment in the context of the War in Ukraine, the Biden administration’s efforts to cajole its allies in containing China, and the EU’s own shift towards de-risking its economic ties with Beijing. The withdrawal from the BRI, completed with a diplomatic note informing Beijing that Rome would not renew the MoU after its completion in December 2023, was arguably a diplomatic success. Rome avoided any feared backlash from Beijing – a risk to be carefully evaluated given the economic weakness of Italy. China’s tactical shift away from the confrontational wolf warrior diplomacy that had intensified during the Covid-19 pandemic and the need to leave room for manoeuvre to open wedges in the transatlantic relation explain this outcome, together with the deftness of Italian diplomacy in avoiding to openly politicize the withdrawal and embarrassing Beijing.

A narrow path between Washington and Beijing

Italy’s withdrawal from the BRI at the end of 2023 charted a narrow path for relations with China. Rome had to balance its relationship with a Biden administration focused on the China challenge on one side, with the necessity to establish a new *modus vivendi* for the critical economic relations with Beijing. As a result, the theme at the centre of the

311 Government of Italy. G7 Summit: PM Draghi’s Press Conference. 13 June 2021. <https://www.sitiarcheologici.palazzochigi.it/www.governo.it/ottobre2022/www.governo.it/en/node/17346.html>

312 G. Fonte and E. Cao. Italy’s PM Draghi Vetoes Technology Transfer to China. Reuters. 7 June 2022; M. Cocco. Quinto ‘golden power’ di Draghi contro Pechino: I brevetti di Robox non andranno in Cina. Domani. 9 June 2022

313 Sky TG24. Presidente cinese Xi Jinping a Roma. Mattarella: ‘Via della Seta è a doppio senso’. 22 March 2019.

bilateral relation with China in 2024 was the signature of a post-BRI agreement between the two countries. In the months leading up to Meloni's visit to Beijing, intense bilateral dialogues took place at ministerial level, involving the Ministry of Foreign Affairs, the Ministry of Education, the Ministry of University and Research, and the Ministry of "Enterprises and Made in Italy". These dialogues prepared the ground for the drafting of the *Action Plan for Strengthening the Italy-China Global Strategic Partnership (2024-27)* – the document that replaced the BRI MoU, published as Prime Minister Giorgia Meloni finally visited China in July meeting both Xi Jinping (in his function as President of the PRC) and the Prime Minister Li Qiang. Beyond the ritual support for the UN and the guiding principles of multilateralism expressed by both sides, the Action Plan identifies six sectors of strategic value for the development of relations: 1) trade and investment; 2) financial; 3) scientific and technological innovation, education; 4) green and sustainable development; 5) medical-health; 6) cultural relations and people-to-people exchange.³¹⁴ Noticeably, the Action Plan lacked references to the core topics of the 2019 BRI MoU – infrastructure, connectivity, logistics, technical and regulatory standards.

The shared aspirations of the two foreign policy executives to continue deepening the bilateral relations, notwithstanding Rome's withdrawal from the BRI, clashed with the broader geo-economic context. The automotive sector and its green transition, in particular, brought to light a fundamental divergence between the two sides. In October 2024, Italy was one of the ten EU Member States that voted in favour of the introduction of countervailing duties (commonly but erroneously described as "tariffs") on electric vehicle (EV) made in China. These countervailing duties were aimed at offsetting the market distortion produced by EVs produced in China at a lower cost, through vast subsidies from the Chinese government, entering the EU's market.³¹⁵ Prior to the vote in Brussels, representatives of the Italian government had begun talks with the top management of the automotive company Dongfeng – a Chinese state-owned enterprise – on the creation of a new plant to produce electric vehicles in Italy. These talks occurred against the backdrop of Meloni government's clash with Stellantis (the owner of Fiat, and other five Italy-based brands) over diminishing automotive manufacturing in the country.³¹⁶ However, as revealed by *Corriere della Sera* in September 2024, China's conditions for the investment were deemed unacceptable by Rome, as they included a vote *against* countervailing duties in the EU and providing new access to Italy's telecommunications infrastructure to Huawei.³¹⁷ Another signal of the continuing divergence between Italy and China was the launch of a "government

314 Government of Italy. Piano d'azione per il rafforzamento del Partenariato Strategico Globale Cina-Italia (2024–2027). July 2024: 3. https://www.governo.it/sites/governo.it/files/Piano_Azione_Italia-Cina_2024-2027_0.pdf

315 A. Garcia Herrero. European Union Duties on Electric Vehicles Point to New Era of EU-China Relations. Bruegel. 9 October 2024.

316 F. Greco. Stellantis anticipa la 500 ibrida, duro scontro alla Camera con Tavares sugli impegni del Gruppo in Italia. Il Sole 24 Ore. 11 October 2024.

317 F. Fubini. Dongfeng, ecco le (pesanti) richieste cinesi in cambio dell'investimento in Italia. Corriere della Sera. 27 September 2024.

action plan to protect Italian universities and research from foreign interference". Announced in November 2024, the plan followed warnings about the interference of state actors in university research made public by the Parliamentary Committee for the Security of the Republic in 2022, and a direct accusation towards China's penetration of Italian universities by the outgoing head of the Italian domestic security agency (AISI) in February 2024.³¹⁸

Another test for Rome's China policy emerged by 2023 when Italy launched its first Navy deployment in the "Indo-Pacific" since 2017. The Italian Navy sent the multi-purpose offshore patrol vessel *Francesco Morosini* to ports in India, six South-East Asian countries, the Republic of Korea and Japan. The *Morosini* also participated in the Indonesian-led exercise Komodo 23, develop "training synergies" with the navies of Japan, Australia, the UK and the US, and was present at two major international defence industry exhibitions held in Malaysia and Singapore. The following year, the Italian Navy dispatched instead a carrier strike group led by the air carrier *Cavour* for a six-month long campaign across the Indo-Pacific during the second half of 2024. The Italian carrier strike group participated for the first time to the US-led Rim of the Pacific (RIMPAC) exercise, and to the Australian-led Pitch Black exercise. The campaign made stops in Djibouti, the US military base of Diego Garcia (US armed forces base in the British Indian Ocean Territory), Darwin, Guam, Yokosuka, Manila, Singapore, Goa, Muscat, Karachi, and Jeddah, before returning to Italy. A separate Indo-Pacific campaign by the Air Force with its Lockheed Martin F-35 multi-role fighter aircrafts joined the carrier strike group during Pitch Black, as well as in the Rising Sun exercise in Japan.

These two campaigns were arguably designed as an exercise in maritime diplomacy aiming at two objectives. First, to signal Rome's commitment primarily to its main ally (the US), but also to strategic partners (Japan, India), and like-minded countries (South Korea and Australia), in sustaining the mega region's maritime "rules-based order", a narrative implicitly constructed to deny China's expansive maritime and territorial claims. In doing so, Rome showed cautiousness in refusing lobbying from the Biden administration to conduct "freedom of navigation operations" (FONOPs) in areas subject to maritime and territorial claims by Beijing, such as within China's so-called "nine-dash line" in the South China Sea, and in the Taiwan Strait.³¹⁹ Second, and arguably as equally important, the 2023 and 2024 campaigns were also informed by a marketing logic, as a tool to publicise the products of the Italian defence industry and, more broadly, what is known as the "country-system" (*sistema paese* – namely the system of political

318 Il Sole 24 Ore. Università, la ricerca teme il rischio di ingerenze cinesi. Oggi il piano d'azione a Palazzo Chigi. 7 November 2024; G. Carrer. Ingerenze cinesi nell'università italiana. Il governo prepara il piano. Formiche. 6 November 2024.

319 G. Pugliese. The European Union and an 'Indo-Pacific' Alignment. *Asia-Pacific Review*, vol. 31, no. 1 (2024): 26. Beyond the widely known Chinese claims on nine-dash line, PRC officials explicitly denied the international waters status of the Taiwan Strait in 2022. On the "nine-dash line", see: B. Hayton. The South China Sea: Historical and Legal Background. Explainer no. 2024/27. Council on Geostrategy. 2024. On the international waters status of the Taiwan Strait, see: A. Insisa. Taiwan 2022: Cross-Strait Security Spirals Further Down. *Asia Major*, vol. 33 (2022): 135–136.

and economic institutions, including private business, which work together to promote national interests and competitiveness on the global stage). In short, the second, key aim of the campaign was to showcase maritime weapon systems in a mega-region.³²⁰ As a result, the two Indo-Pacific campaigns can be understood as a nuanced diplomatic exercise, aiming at reassuring allies and partners without damaging bilateral relations with China as Italy completed the withdrawal with the BRI and worked on their new Plan of Action – while at the same time attempting to seize new market shares in the Asian defence market.

(Re)entering the Trump world

Throughout the Biden administration's term, the Meloni government carefully managed Italy's position in the context of US-China great power competition. The withdrawal from the BRI did not result in a major rupture of relations with China, with the Action Plan signed in July 2024 establishing a new compass for the bilateral relationship. This outcome was possible also because of Beijing's own interests in maintaining an opening for a wedge in transatlantic relations. Yet, the major challenges in the relationship remain unsolved: the structural trade imbalance in favour of China, the sensitivity of Chinese investments in strategic sectors of Italy's industry, and the need to balance a transactional relationship with Beijing while maintaining solid ties with Italy's most important ally, Washington. The return of Donald Trump to the White House in January 2025 has further complicated Italy's position.

On the one hand, the government led by Prime Minister Meloni, who touts her personal relationship with the US President and an ideological affinity to the MAGA (Make America Great Again) movement,³²¹ has been careful to avoid criticizing the Trump administration's foreign policy pivot over America's role within NATO, over the war in Ukraine, and over relations with Russia.³²² Furthermore, she has expressed only muted criticism about the imposition of new tariffs against EU economies.³²³ In short, the Meloni government has sought to present itself as the closest interlocutor to the new US administration within the EU. On the other hand, Italy has quietly hedged its bets, joining Spain in an attempt to reorient EU policy towards Beijing to a less confrontational stance, although Madrid has been at the forefront of this rebalancing act.³²⁴ Conversations with Chinese diplomats by the authors of this chapter, however, suggest that Italy's most

320 As of the time of writing, Italy's flagship maritime weapon systems producer, Fincantieri, scored a USD 1,8 bn contract with the Indonesian Navy for two offshore patrol vessels. R. Rahmat. Fincantieri Announces Indonesian Contract for Two PPAs amid Funding Uncertainties. *Janes Insights*. 29 March 2024.

321 R. Alcaro and N. Tocci. The Janus Face of Italy's Far Right. *Survival*, vol. 66, no. 5 (2024): 15.

322 ANSA. Ucraina, Meloni a Parigi: 'No a un formato anti-Trump, l'Ue con gli Usa'. 17 February 2025.

323 "Euronews. Dazi Usa, Meloni: 'Sbagliati ma non sono catastrofe, rispondere con altri dazi non è scelta giusta'. 3 April 2025.

324 N. Barkin. Watching China in Europe – March 2025. *German Marshall Fund*. 7 March 2025; H. Foy et al. Spain Calls for EU to Forge China Policy Without US. *Financial Times*. 24 February 2025.

recent attempts at hedging have not particularly elevated Rome's standing in Beijing – especially vis-à-vis the *new darling*, Spain – in light of the BRI withdrawal and continuing, extensive investment screening.³²⁵ Against the erratic unfolding of the second Trump administration's trade policy in its first months in power and the absence of any meaningful breakthrough in the relation with Beijing, the Meloni government appears to walk an increasingly narrow path as it faces an evolving Sino-American competition.

325 Conversation with Chinese diplomats based in Europe, March 2025.

LATVIAN VIEWS ON THE DETERIORATING US-CHINA RELATIONSHIP



LATVIAN VIEWS ON THE DETERIORATING US-CHINA RELATIONSHIP

Raina Nelson, *Student, Stanford University*

Latvia's foreign policy and national security strategy are shaped largely by its membership in the EU and NATO. It has not pursued—and is unlikely to pursue—any major foreign policy position that deviates significantly from the EU's policy platform. This suggests that, in the ongoing US-China strategic competition, Latvia will prioritise transatlantic ties through NATO and follow the EU's lead. Official statements from the Latvian government support this view. While Latvia has broadly aligned with the US, it has also sought to avoid becoming too directly entangled in confrontation with China. As a result, it has not publicly taken a principled side in the escalating US-China rivalry. Nonetheless, Latvia appears willing to risk substantial portions of its economic relationship with China to preserve deep political, economic, and military ties with the US—its primary security guarantor. This strategic posture has hardened as China's military and diplomatic backing for Russia's war in Ukraine has been exposed.

Relations between the United States and China have been in near-continuous decline for over five years. Disagreements spanning economic, technological, and military domains have led US policymakers to grow increasingly wary of China's assertive foreign policy. The US-China trade war, launched by US President Donald Trump in 2018, eased somewhat under the Biden administration but has escalated sharply in President Trump's second term.³²⁶ Rising assertiveness of the Chinese People's Liberation Army (PLA) and Navy (PLAN) in the South China Sea and Taiwan Strait³²⁷ has heightened fears about a potential conflict involving China and Taiwan or American allies in the Pacific.³²⁸ The US has also condemned and sanctioned China's domestic policies, particularly its treatment of the Uyghur minority in Xinjiang.³²⁹ Despite former President Biden's efforts to establish guardrails in the strategic competition,³³⁰ tensions appear likely to deepen under President Trump's second term.

326 A. Swanson and B. Casselman. A Devastating Trade Spat with China Shows Few Signs of Abating. New York Times. 13 April 2025. <https://www.nytimes.com/2025/04/13/us/politics/trump-tariffs-trade-war-china.html>. J. Czin. Trump's second trade war will put US-China relations to the test. East Asia Forum. 19 January 2025. <https://eastasiaforum.org/2025/01/19/trumps-second-trade-war-will-put-us-china-relations-to-the-test/>

327 C. Bodeen. China Sends Dozens of Warplanes and Ships near Taiwan to Show Its Anger over Island's New Leaders. AP News. 24 May 2024. <https://apnews.com/article/taiwan-china-military-exercises-b7ebf10c18a40417b8017510b833224d>

328 R. Hass. Avoiding War in the South China Sea. Foreign Affairs. 9 July 2024. <https://www.foreignaffairs.com/united-states/avoiding-war-south-china-sea>

329 China (Includes Hong Kong, Macau, and Tibet). United States Department of State. 9 July 2024. <https://www.state.gov/reports/2023-country-reports-on-human-rights-practices/china/>

330 C. Subramanian. Review of Biden and Xi, Meeting in Silicon Valley, Promise to Work to Avoid U.S.-China Conflict. Los Angeles Times. 15 November 2023. <https://www.latimes.com/world-nation/story/2023-11-15/biden-xi-california-meeting-avoid-conflict-war>

Latvia's foreign policy is firmly anchored in its EU and NATO membership. Accordingly, it is worth examining the EU and NATO approach to China—this lays the foundation for the ways Latvia understands China and the US. Historically, the EU and China have maintained strong trade ties, but this relationship has grown tenser as US-China relations deteriorated. The EU now actively pursues “de-risking,” acknowledging inherent vulnerabilities in close economic interdependence with China.³³¹ In the security sphere, EU concerns have intensified over China's support for Russia's war of aggression against Ukraine, with some Member States pushing reduced strategic dependencies on China.³³² Beijing has helped Moscow in rebuilding and strengthening its military-industrial base³³³ and has even supplied dual-use technologies aiding Russia's war effort.³³⁴ These actions have contributed to growing concerns about the EU's relationship with China, and has made China an increasingly unpopular partner in Latvia and other EU nations.

NATO, though historically concerned almost exclusively on issues of European security, has also become increasingly apprehensive about China's global ambitions. The 2022 *NATO Strategic Concept*, adopted in Madrid, marked the first formal recognition of the challenges posed by China's “stated ambitions and coercive policies.”³³⁵ Since then, NATO has expanded its focus on Indo-Pacific issues, recognizing China as a systemic threat to the alliance. The 2024 NATO Summit in Washington again included Australia, New Zealand, the Republic of Korea, and Japan³³⁶—highlighting NATO's broadened strategic perspective to include China-related challenges, a position Latvia supports.³³⁷

Latvia's approach to both China and the US aligns with EU policy without significant deviation. It has not developed a distinct China policy, due largely to “unremarkable economic cooperation and limited political bilateral engagement,” preferring instead

331 A. Brinza, U. Bērziņa-Čerenkova, P. Le Corre, J. Seaman, R. Turcsányi, and S. Vladislavjev. EU-China Relations: De-Risking or De-Coupling – the Future of the EU Strategy towards China. March 2024. [https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU\(2024\)754446_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU(2024)754446_EN.pdf)

332 K. Archick. Russia's War Against Ukraine: European Union Responses and U.S.-EU Relations. Congressional Research Service. 15 January 2025. <https://www.congress.gov/crs-product/IN11897>

333 C. Balmer. Blinken Says China Is Russia's Primary Military Complex Supplier. Reuters. 19 April 2024. <https://www.reuters.com/world/blinken-says-china-is-russias-primary-military-complex-supplier-2024-04-19/>

334 A. Shalal. EU Sees Signs China Supplying Dual-Use Components to Russia, Dombrovskis Says. Reuters. 18 April 2024. <https://www.reuters.com/world/eu-sees-signs-china-supplying-dual-use-components-russia-dombrovskis-says-2024-04-18/>

335 NATO. Strategic Concept Adopted by Heads of State and Government at the NATO Summit in Madrid. NATO. 29 June 2022. https://www.nato.int/nato_static_fl2014/assets/pdf/2022/6/pdf/290622-strategic-concept.pdf, 6.

336 NATO Summit 2024 – a Preview of Events with Ambassador Michael Carpenter, Senior Advisor for Europe at the National Security Council. United States Department of State. 9 July 2024. <https://www.state.gov/briefings-foreign-press-centers/fpc-nato-series/nato-summit-2024-preview>

337 I. Nagla. Review of NATO Nobažījusies, Ka Ķīna Varētu Palīdzēt Krievijai Ar Ieročiem. LSM.lv. 5 April 2023. <https://www.lsm.lv/raksts/zinas/arzemes/05.04.2023-nato-nobazijusies-ka-kina-varetu-palidzet-krievijai-ar-ierociem.a503848/>

to operate through the EU framework.³³⁸ This position was reaffirmed in May 2023 following a meeting between Latvian State Secretary of the Ministry of Foreign Affairs Andris Pelšs and the former Vice Minister of Foreign Affairs of the People's Republic of China Deng Li. In a subsequent press release, Latvia reiterated its agreement with the EU's common position, "according to which China is regarded as a cooperation partner in dealing with global issues, an economic competitor and a systemic rival."³³⁹

Latvia-US Relations: An essential strategic partnership

It is clear that Latvia's policy vis-a-vis the United States is also in line with the EU and other NATO allies. However, notably, as a small nation that borders Russia, Latvia perceives the Russian threat more acutely than some of its fellow EU and NATO Member States. For Latvia, a strong, steadfast strategic partnership with the United States holds even greater significance than it does for most other EU nations. Following Russia's 2022 full-scale invasion of Ukraine, Latvia has consistently advocated for strengthening transatlantic ties—even as the Trump administration has criticised European allies for underinvesting in their own defence.³⁴⁰ At Latvia's request, the US and NATO partners have increased military presence in the country. Canada now maintains over 2,000 troops in Latvia as part of NATO's Enhanced Forward Presence mission.³⁴¹ The US has strengthened Latvian defence capabilities through rotating troop deployments and the sale of high-value weapons systems including HIMARS.³⁴²

In January 2024, then-Foreign Minister Krišjānis Kariņš explicitly thanked the United States for its ongoing support, highlighting the continuous American military presence in Latvia: "Not only do we have the Canadian-led forces, Denmark and our main strategic partner, the United States of America, have also sent their troops to our country. The US combat teams in which some troops practice, work together with us, then leave, to be immediately replaced by others. Their permanent presence is not theoretical or on paper, it is actually happening here."³⁴³

338 P. Andersson and F. Lindberg. National Perspectives on Europe's De-Risking from China. European Think-Tank Network on China. June 2024. https://www.aies.at/download/2024/etnc-2024_national-perspectives-on-europes-de-risking-from-china.pdf, 86.

339 Second political consultations between Latvia and China concluded. Ministry of Foreign Affairs, Republic of Latvia. 24 May 2023. <https://www.mfa.gov.lv/en/article/second-political-consultations-between-latvia-and-china-concluded>

340 Latvia's Foreign Minister Baiba Braže speak to Bianna Golodryga of CNN. Latvian Ministry of Foreign Affairs. 25 March 2025. <https://www.youtube.com/watch?v=kNghglcYZUI>

341 Boosting NATO's Presence in the East and Southeast. NATO. 8 December 2023. https://www.nato.int/cps/en/natohq/topics_136388.htm

342 Annual Report to the Foreign Minister, 9. 2023.

343 Speech by Foreign Minister Krišjānis Kariņš at the Annual Foreign Policy Debate in the Latvian Parliament (Saeima) 25 January 2024 | Ārlietu Ministrija. <https://www.mfa.gov.lv>. 25 January 2024. <https://www.mfa.gov.lv/en/speech-foreign-minister-krisjanis-karins-annual-foreign-policy-debate-latvian-parliament-saeima-25-january-2024>

A year later, in her January 2025 speech to the Saeima, Foreign Minister Baiba Braže reaffirmed the importance of the transatlantic alliance, stating: “We count on and believe in American leadership,” and called on Latvia to “significantly deepen... cooperation with existing allies, such as the United States...”³⁴⁴ Echoing the “peace through strength” doctrine championed by President Trump and his administration, Braže outlined Latvia’s strategic priorities: “Implementing the ‘Peace through strength’ concept, enhancing defence and security cooperation... and supporting Ukraine.”³⁴⁵ These remarks reflect Latvia’s firm dedication to preserving a robust and cooperative relationship with the United States.

For Latvia, its relationship with NATO and especially with the US is of existential importance. The country’s sovereignty and territorial integrity depend on it. While Latvia may harbor concerns about President Trump’s transactional approach to foreign policy, it has no viable alternative to NATO and US security guarantees. As part of its effort to address US criticism of European defence spending, Latvia has announced plans to raise its defence budget to 5% of GDP.³⁴⁶ According to a Latvian foreign policy official, the deteriorating US-China relationship poses no strategic dilemma for Latvia: its bond with the US is multifaceted, existential, and unshakeable, while its relationship with China is purely economic and ultimately expendable.³⁴⁷

Latvia-China relations: Limited engagement with growing concerns

Latvia has a far deeper relationship with the US than it does with China. In addition to strong cultural, political, and economic ties, Latvia refers to the US as its “main strategic partner,” and relies on NATO—underpinned by US military power—for its defence. By contrast, Latvia’s relationship with China is largely confined to bilateral trade. In 2023, Latvian imports of Chinese and American goods were of comparable value (around \$1 billion USD), while exports to the US exceeded exports to China at a ratio of around 2.5 to 1.³⁴⁸ Moreover, trade with China represented only a small fraction of Latvia’s overall international trade (under 4% of imports and under 1% of exports in 2023). Thus, Latvia’s economic ties with China are not a major factor in its assessment of the US-China rivalry.

344 Address by Latvian Foreign Minister Baiba Braže to the Saeima (Parliament) at the Annual Foreign Policy Debate. Ministry of Foreign Affairs, Republic of Latvia.

345 Address by Latvian Foreign Minister Baiba Braže to the Saeima (Parliament) at the Annual Foreign Policy Debate. Ministry of Foreign Affairs, Republic of Latvia.

346 Latvian government agrees to move toward 5% of GDP for defence. Latvian Public Media. 14 May 2025. <https://eng.lsm.lv/article/society/defense/14.05.2025-latvian-government-agrees-to-move-toward-5-of-gdp-for-defence.a598937/>

347 Paraphrased from an interview conducted with a Latvian foreign policy official. The interview was conducted off-the-record, and they have been anonymized.

348 UN Comtrade. Data retrieved October-November 2024. <https://comtradeplus.un.org/>

Latvia, like many of its EU partners, has grown increasingly concerned about the deepening China-Russia “no-limits” partnership, particularly in the wake of Russia’s full-scale invasion of Ukraine. Latvia has expressed alarm over China’s financial and technological support for Russia’s war efforts, as well as its covert diplomatic backing, exemplified by China’s attempt to sabotage the June 2024 Ukraine Peace Summit, by dissuading nations from attending.³⁴⁹

In 2023, Latvia’s former foreign minister expressed specific concerns about China’s domestic and international conduct, including its increased military activities in the South China Sea and Taiwan Strait, as well as its poor human rights record.³⁵⁰ Even with these concerns, however, Latvia’s foreign minister emphasised that Latvia’s policy towards China is formulated within the broader EU framework: “Latvia is taking part in the formation of the EU’s policy for China, including by standing up for the importance of the geopolitical background and respect for economic reciprocity.”³⁵¹ In her annual speech to the Saeima in January 2025, Foreign Minister Baiba Braže stressed that Latvia considers it “imperative that China cease providing support to the aggressor state Russia in its war of aggression against Ukraine.”³⁵²

In that spirit, Latvia has officially supported the EU’s “de-risking” strategy, which seeks to reduce critical dependencies on China and strengthen supply chain resilience. Latvia engages with China almost exclusively through EU mechanisms and avoids pursuing a distinct bilateral agenda. This preference for EU consensus—especially in light of the diplomatic backlash faced by neighboring Lithuania after its confrontations with Beijing—guides Latvia’s cautious approach.³⁵³

Tensions between Latvia and China escalated following inflammatory statements by Lu Shaye, the former Chinese Ambassador to France, who questioned the legal sovereignty of ex-Soviet states.³⁵⁴ In response, the Latvian Ministry of Foreign Affairs summoned the Chargé d’Affaires ad interim of the Chinese Embassy in Latvia, for an explanation. This incident further illustrates the deterioration of China’s image in Europe, particularly

349 Zelenskyy Accuses China of Helping Russia Sabotage Peace Summit. POLITICO. 2 June 2024. <https://www.politico.eu/article/zelenskyy-accuses-certain-states-of-helping-russia-sabotage-peace-summit/>

350 Annual Report of the Foreign Minister. Ministry of Foreign Affairs, Republic of Latvia. 2023. <https://www.mfa.gov.lv/en/media/11913/download?attachment>, 3, 27.

351 Annual Report of the Foreign Minister, 27.

352 Address by Latvian Foreign Minister Baiba Braže to the Saeima (Parliament) at the Annual Foreign Policy Debate. Ministry of Foreign Affairs, Republic of Latvia. 31 January 2025. <https://www.mfa.gov.lv/en/article/address-latvian-foreign-minister-baiba-braze-saeima-parliament-annual-foreign-policy-debate>

353 P. Andersson, et al. National Perspectives on Europe’s De-risking from China. European Think-tank Network on China (ETNC). June 2024. https://www.ui.se/globalassets/ui.se-eng/publications/other-publications/etnc-2024_national-perspectives-on-europes-de-risking-from-china.pdf, 86-89.

354 S. McCarthy. Chinese Ambassador Sparks European Outrage over Suggestion Former Soviet States Don’t Exist. CNN. 24 April 2023. <https://edition.cnn.com/2023/04/24/china/china-ambassador-lu-shaye-baltic-soviet-states-europe-intl-hnk/index.html>

among frontline states like Latvia, where Beijing's alignment with Moscow is viewed as a direct threat to regional security.³⁵⁵

Managing US-China tensions: Latvia's approach

Latvia's willingness to prioritise liberal Western values and its strategic partnership with the US over segments of its economic relationship with China is evident in an EU vote on tariffs on Chinese electric vehicles. Latvia was one of ten EU nations to vote in favour of the duties, which aim to counter perceived unfair subsidies granted to Chinese Electric Vehicles (EVs).³⁵⁶ The vote was not public, and it is not yet clear the precise reasons for Latvia's vote in favour.

Overall, Latvia adheres to EU policy towards China—maintaining a non-confrontational approach based on economic relations while pursuing “de-risking” strategies to avoid economic dependence or risk. At the same time, Latvia places exceptional value on its relationship with the US and consistently avoids actions that could undermine this vital alliance.

As such, Latvia is unlikely to overtly “take sides” in the US-China strategic competition and will continue to follow the EU's collective approach to China. However, Latvia's official foreign policy documents make clear that its ties to the US are far deeper and more consequential than those with China. This position is expected to remain consistent through administrative changes in Latvia. Thus, even if the Trump administration continues to pursue a critical, or even adversarial relationship with the EU, Latvia will likely remain aligned with US policy. For Latvia, maintaining strong US engagement and ensuring continued American support for NATO—and thus for Latvia's sovereignty and defence—is a core national interest.

355 Concerning the meeting of a representative of the Ministry of Foreign Affairs with the Chargé d'Affaires of the Embassy of China in relation to statements by the Ambassador of China to France. Ministry of Foreign Affairs, Republic of Latvia. 24 April 2023. <https://www.mfa.gov.lv/en/article/concerning-meeting-representative-ministry-foreign-affairs-charge-daffaires-ai-embassy-china-relation-statements-ambassador-china-france>

356 P. Blenkinsop. EU countries divided on Chinese EV tariffs in vote, sources say. Reuters. 16 July 2024. <https://www.reuters.com/business/autos-transportation/eu-members-give-mixed-view-vote-chinese-ev-tariffs-sources-say-2024-07-16/>

LITHUANIA: THE PITFALLS OF LEANING FULLY ON ONE SIDE?



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Consistently among the most pro-American societies in Europe, Lithuania expected that the review of its relationship with China initiated by the previous government would provide a small and geo-strategically exposed country with tangible security and economic benefits from the US. As it remains unique in the world for having no ambassadorial relations with either Russia or China, Lithuania's expectations for the US may easily fall victim to the crisis in transatlantic relations, leaving the country in a particularly awkward position if the EU would decide to make a comprehensive outreach to Beijing. It will be a challenging task for Lithuania to navigate the Union's hardly avoidable movement towards strategic autonomy, something that Vilnius has long been sceptical of.

Lithuania's current relations with the US and China: at the two extremes?

The October 2024 parliamentary elections in Lithuania ended the tenure of the centre-right coalition government associated with the country's ambitious "values-based foreign policy" in general and its review of the bilateral relationship with China in particular. Partly as a result of this policy, at the time of this writing in April 2025 the southernmost Baltic state remains unique worldwide for having no ambassadorial relations with either Russia or China and also hosting the Taiwanese Representative Office in Vilnius. Having begun its term in late 2020, Lithuania's previous government presided over a particularly difficult period of poly-crisis when the country's relations with the US and China diverged to different extremes.

Consistently being among the most pro-US countries in Europe on both the elite and societal levels,³⁵⁷ Lithuanians put a lot of faith into George W. Bush's pledge that "Anyone who would choose Lithuania as an enemy has also made an enemy of the United States of America" voiced while being the first American president to visit the country in 2002, two years ahead of its dual EU/NATO accession.³⁵⁸ This stance has sometimes put Lithuania at odds with its Western European partners³⁵⁹ and contributed to its initial

357 R. Wike et al. U.S. image generally favorable around the world but mixed in some countries. Pew Research Survey. 8 January 2020. <https://www.pewresearch.org/global/2020/01/08/u-s-image-generally-favorable-around-the-world-but-mixed-in-some-countries/>

358 G. W. Bush. Remarks to the citizens of Vilnius. Archive of the U.S. Department of State. 23 November 2002. <https://2001-2009.state.gov/p/eur/rls/rm/2002/15452.htm>

359 G. Edwards. The New Member States and the Making of EU Foreign Policy. *European Foreign Affairs Review*, 11, 2006, pp. 143–162, 147.

scepticism regarding the EU's strategic autonomy and the role of China. Russia's full-scale invasion of Ukraine two decades later was perceived in Lithuania as a moment of truth that would solidify the Euro-Atlantic political and security community and upgrade its own vindicated position there. Granting Vilnius the right to host the mid-2023 NATO summit was seen as a clear recognition of these hopes. Yet, aside from the attendance by Joe Biden and leaders of the alliance's four closest Indo-Pacific partners among others, the event's modest results, especially regarding Ukraine's membership prospects, strengthened Lithuania's muted disappointment in the US resolve. That feeling would augment further throughout the rest of both governments' largely coinciding tenure and reach an alert level when Donald Trump began his second presidential term.

On the other hand, having already been apparent in 2019, the downward trend in Lithuania's bilateral relationship with China escalated two years later when the newly elected government in Vilnius initiated its comprehensive review that, among other things, led to the country becoming the first to leave the Beijing-led "17+1" platform of regional cooperation and the engineering of an unofficial outreach to Taiwan, including the establishment of a representative office in Lithuania under the uniquely bold Taiwanese name instead of that of Taipei as is customary for all countries that have no official diplomatic relations with the island.³⁶⁰ While the former decision clearly addressed concerns of both the EU and the US about China's growing clout in the eastern part of the continent, the latter triggered a genuine crisis in relations between Vilnius and Beijing that quickly enmeshed broader European and even American economic and security interests (see below), much to the tacit displeasure of Lithuania's partners.

In retrospect, the former Lithuanian government's values-based foreign policy and its fundamental China-sceptic component should be interpreted as a proactive attempt to bridge normative and security agendas of the EU and the US in general and across the latter's bi-partisan spectrum in particular. It therefore was designed to serve the ultimate aim of augmenting security of an objectively small and geo-strategically exposed country in an era of increasing great power competition. The policy, however, had failed to produce widespread popular support mostly due to Lithuanians' scepticism about their country's overreach and unnecessarily provocative behaviour towards Beijing.³⁶¹ Although China's resultant actions against Lithuania could be objectively treated as perhaps the most serious and diverse non-military pressure campaign used against any Western country to date, most of its key measures, including economic and informational, have been quietly dropped since the apex of the crisis in late 2021 and early 2022. However, the need to "normalise" the diplomatic relationship, at least to the point of re-opening Lithuania's mission in Beijing to level the playing field (China's

360 Ministry of Foreign Affairs of the Republic of China (Taiwan). ROC embassies and missions abroad. Accessed on 30 March 2025. https://www.roc-taiwan.org/portalOfDiplomaticMission_en.html#Europe

361 S. Merkinaitė et al. *Classic Cleavages in a New Light: Chinese Informational Influence in the Baltics*. Eastern Europe Studies Centre. 2024. <https://www.gssc.lt/wp-content/uploads/2024/02/Classic-Cleavages-in-a-New-Light.pdf>

mission in Vilnius never closed), remains wanting, as recognised by former³⁶² and current³⁶³ foreign ministers of Lithuania.

All eggs in the American basket?

An objectively small country, Lithuania finds itself in a very precarious geo-strategic position providing the only terrestrial connection between the Baltic States' trio and Poland through the so-called Suwałki gap. It is only natural that in these circumstances traditional security has always been the country's political priority. Its National Security Strategy explicitly states that, aside from its membership of NATO and the EU, Lithuania is strengthened by the military and political presence of the US in Europe and the region. One of the document's principal stated objectives is to have American boots stationed on a permanent basis in the country, leading towards strengthening of Washington's recognised role as a "key guarantor" of Lithuanian security.³⁶⁴

In practice, although Lithuania contributed in modest numbers to American military campaigns in Afghanistan and Iraq,³⁶⁵ it took the 2014 outbreak of the Russo-Ukrainian conflict for the country to become more serious about its own defence. Having rather consistently risen over the last decade, Lithuania's military expenditures are projected to exceed 3% of its GDP or EUR 2.5 billion in 2025, and an agreement to channel between 5% and 6% to defence in the period of 2026 to 2030 was reached in mid-January 2025, just three days ahead of Trump's inauguration.³⁶⁶ Most of that spending will be dedicated to the establishment of a fully capable, operational Lithuanian division by the end of the decade, with Germany and the US being by far the most important providers of required weaponry. The planned American share in these acquisitions is estimated in the mid-term at some 20% (worth USD 1.3 billion) and to include multi-role combat vehicles, multiple rocket launchers, military helicopters and various types of

362 A. Stankevičius. Vilnius and Beijing are in talks on normalising relations – Lithuanian FM. LRT English. 10 November 2023. <https://www.lrt.lt/en/news-in-english/19/2122075/vilnius-and-beijing-are-in-talks-on-normalising-relations-lithuanian-fm>

363 P. Perminas. Lithuania needs a functioning embassy in Beijing, says foreign minister. LRT English. 10 January 2025. <https://www.lrt.lt/en/news-in-english/19/2457374/lithuania-needs-functioning-embassy-in-beijing-says-foreign-minister>

364 Seimas of the Republic of Lithuania. National Security Strategy of the Republic of Lithuania. 16 December 2021. <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/3ec6a2027a9a11ecb2fe9975f8a9e52e?jfwid=rivwzvpvg>

365 Ministry of Defence of the Republic of Lithuania. Lithuania's Participation in International Operations, 22 August 1994 – 23 August 2016. Accessed on 20 February 2025. https://kam.lt/wp-content/uploads/2022/03/lithuanias_participation_in_international_missions.pdf

366 L. Dapkus. Lithuania vows to boost defense spending to 5-6% of GDP, citing the threat of Russian aggression. AP News. 17 January 2025. <https://apnews.com/article/lithuania-defense-spending-nato-trump-nauseda-baltic-b1328b37e85fd755f25ce647deed6bf1>

munitions.³⁶⁷ Having convinced Germany to begin gradual deployment of a brigade on its soil, the first ever abroad since the Second World War, Lithuania aims to persuade the US to transform its officially rotational military presence into something more sizeable and permanent. Therefore, recent frictions between Berlin and Washington are followed with utmost concern in Vilnius.

On the other hand, in mid-2017, the same year that Lithuania and the US signed an Agreement on Defence Cooperation³⁶⁸ further upgrading bilateral security ties, Chinese navy vessels, for the first time ever, entered the Baltic Sea for joint military drills with Russia,³⁶⁹ highlighting deepening bilateral security ties and foreshadowing the two partners' suspected collusion in the 2024 submarine cable disruptions there.³⁷⁰ In mid-2024, Chinese troops conducted their first joint drills in Belarus at its border with Poland.³⁷¹

Since 2019, Lithuania's intelligence agencies have therefore consistently named China as a threat to the country's national security along with Russia and Belarus, citing cyber, informational or economic domains in general and Beijing–Moscow nexus in particular as topics of specific concern. Lithuania's National Security Strategy updated in late 2021 added China to Russia as the two main authoritarian countries that pose new challenges to Western democracies, and specifically pointed out that Chinese "communist ideology" contradicts Lithuanian values and national interests, while also indicating "economic and technological dependence" on Beijing as especially threatening.³⁷² Just days ahead of the NATO's 2023 Vilnius Summit, Lithuania issued its first ever Indo-Pacific Strategy (in fact more akin to broader strategic guidelines as far as its content was concerned),³⁷³ tellingly subtitled "for a *secure*, resilient and prosperous future" (emphasis by the authors), where it cited the EU Strategy for Cooperation in the Indo-Pacific and its own bilateral strategic partnerships with the US and Japan (2022) among the sources for this document. The text outlined China's recent "economic blackmail" against Lithuania as an experience to be shared with the countries in the Indo-Pacific and beyond.

367 Ministry of National Defence of the Republic of Lithuania. Lithuania acquires small UAS and radios from the US. 6 January 2025. <https://kam.lt/en/lithuania-acquires-small-uas-and-radios-from-the-u-s/>

368 Embassy of the United States of America in the Republic of Lithuania. United States and Lithuania signed Defense Cooperation Agreement. 17 January 2017. <https://lt.usembassy.gov/united-states-lithuania-signed-defense-cooperation-agreement/>

369 D. Martin. Chinese warships en route to Baltic Sea. Deutsche Welle. 18 July 2017. <https://www.dw.com/en/chinese-warships-en-route-to-baltic-sea/a-39735964>

370 M. Bryant. Sweden says China denied request for prosecutors to board ship linked to severed cable. The Guardian. 23 December 2024. <https://www.theguardian.com/world/2024/dec/23/china-refused-investigation-into-ship-linked-to-severed-baltic-cables-says-sweden>

371 Y. Karmanou. Belarus and China join forces in a military drill near the Polish border. AP News. 9 July 2024. <https://apnews.com/article/belarus-china-military-drill-poland-8558b0e413351caa89cfbb3c4441f016>

372 Seimas of the Republic of Lithuania, *ibid*.

373 Ministry of Foreign Affairs of the Republic of Lithuania. Lithuania's Indo-Pacific Strategy: For a Secure, Resilient and Prosperous Future. Vilnius, 2023. <https://www.urm.lt/storage/main/public/uploads/2024/02/eng-strategy.pdf>

It was indeed the domain of economic security that particularly exposed the threat of China to Lithuania. As we argued elsewhere,³⁷⁴ at the late 2021–early 2022 apex of their bilateral crisis, Beijing unleashed unprecedented economic coercion measures against its small and distant target, including a brief embargo on almost all bilateral trade and, most importantly, pressure on Western multinational corporations operating in both countries under dispute with the aim of using them as indirect proxies against the government in Vilnius. Although the latter measure was revealed by German companies,³⁷⁵ the largest American investor in Lithuania had allegedly also been approached by the Chinese with the same demand.³⁷⁶ Given that such weaponisation of supply chains marked a dangerous precedent with implications for global trade order and also an economic offense against the EU's single market, both Brussels and Washington eventually expressed support for Vilnius, including practical initiatives such as economic relief measures, the early 2022 launch of a case against Beijing at the World Trade Organisation (WTO), and the late 2023 adoption of the EU's Anti-Coercion Instrument (ACI).³⁷⁷ Ironically, the ACI was originally proposed to counter potential American measures during Trump's first presidential tenure and potentially its first use could be against none other than the US under his second term.³⁷⁸

In general, Lithuania has quite diligently followed America's position regarding economic security from China. While Vilnius appeared to have joined Beijing's connectivity-based Belt and Road Initiative (BRI) by signing a bilateral memorandum of understanding on such cooperation in late 2017, the crisis in bilateral relations stopped any pretence about the agreement's practical extension five years later. In the meantime, Lithuania became part of the US-led and 5G-focused Clean Network framework of cooperation in 2020,³⁷⁹ and doubled down on its participation in the EU and US-supported Three Seas Initiative of upgrading connectivity in Central and Eastern Europe, having hosted the latter's summit meeting in spring 2024.³⁸⁰ Following the apex of its crisis in bilateral relations with China, Lithuania also strengthened its foreign investment screening mechanism

374 K. Andrijauskas and R. Boruta. China's Economic Pressure Campaign against Lithuania: The Novelties and Limits of Chinese Economic Statecraft and Coercion. *The International Spectator*, 2025, pp. 1–18.

375 A. Sytas and J. O'Donnell. German Big Business Piles Pressure on Lithuania in China Row. Reuters. 21 January 2022. <https://www.reuters.com/world/europe/german-big-business-piles-pressure-lithuania-china-row-2022-01-21/>

376 E. Lucas. Showdown in Vilnius. Center for European Policy Analysis. 21 August 2021. <https://cepa.org/article/showdown-in-vilnius/>

377 A. Stankevičius. EU adopts legislation to resist economic coercion following China–Lithuania dispute. LRT English. 8 December 2023. <https://www.lrt.lt/en/news-in-english/19/2145566/eu-adopts-legislation-to-resist-economic-coercion-following-china-lithuania-dispute>

378 C. Gijs. The EU's strategy to counter Trump's tariffs: An iron fist in a velvet glove. POLITICO. 14 February 2025. <https://www.politico.eu/article/eu-strategy-donald-trump-tariffs-trade/>

379 A. Rakštytė. How Can the Baltic States Support 5G Security through Transatlantic Cooperation? Center for European Policy Analysis. 26 August 2021. <https://cepa.org/comprehensive-reports/how-can-the-baltic-states-support-5g-security-through-transatlantic-cooperation/>

380 Three Seas Summit Vilnius 2024. 11 April 2024. <https://3seas.eu/>

and intensified efforts to pursue economy-focused “strategic diversification” to normatively closer countries of the Indo-Pacific,³⁸¹ another key component of its values-based foreign policy there that runs in parallel to the review of the bilateral relationship with Beijing.

Similar trends occurred in a more specific area of green transition, primarily understood in Lithuania as a key means of ensuring its comprehensive energy security, a widely recognised threat due to Russia’s decades-long pressure in this domain. While prominent Lithuanian representatives of the greentech sector have been consistently critical of Europe’s loss of competitiveness to China,³⁸² their country strengthened cooperation with the US on clean energy in autumn 2022,³⁸³ and two years later voted for the EU’s countervailing duties on Chinese electric vehicles (EVs)³⁸⁴ as well as blocked Chinese firms from gaining remote access to Lithuania’s larger solar and wind farm systems.³⁸⁵

Policy continuity despite governmental changes

The results of the latest, partly coinciding electoral seasons in Lithuania and the US have respectively put into doubt the consistency of the China-related policy in Vilnius and the decades-old security commitment extended by Washington to a small and geo-strategically exposed country. While the Lithuanian political transition provided a convenient opportunity to re-evaluate the values-based foreign policy, the new government’s late 2024 Programme³⁸⁶ made an explicit pledge to seek a united transatlantic position on China, defined as challenging and threatening to Lithuania due to Beijing’s deepening partnerships with Russia and Belarus. A mid-January 2025 resolution by the Seimas, Lithuania’s parliament, on the continuity of the country’s foreign

381 R. Boruta and E. Pinelytė. Sino-Lithuanian Relationship: Cautious Engagement, Ties and Its Impact on the EU De-Risking Policy. Geopolitics and Security Studies Center. 29 December 2023. <https://www.gssc.lt/en/publication/sino-lithuanian-relationship-cautious-engagement-ties-and-its-impact-on-the-eu-de-risking-policy/>

382 Lithuanian Confederation of Industrialists. The President of the LPK: Mistakes that were made in the industrial competition with China should not repeat. 9 October 2023. <https://lpk.lt/en/the-president-of-the-lpk-it-is-time-to-stop-admiring-chinas-strengths/>

383 Ministry of Energy of the Republic of Lithuania. Lithuania and the United States strengthen cooperation on clean energy. 14 September 2022. <https://enmin.lrv.lt/en/news/lithuania-and-the-united-states-strengthen-cooperation-on-clean-energy/>

384 R. Featherston. Slamming the Brakes: The EU Votes to Impose Tariffs on Chinese EVs. Center of Strategic and International Studies. 16 December 2024. <https://www.csis.org/blogs/trustee-china-hand/slamming-brakes-eu-votes-impose-tariffs-chinese-evs>

385 BNS. Lithuania passes law to block Chinese access to solar and wind farm systems. LRT English. 12 November 2024. <https://www.lrt.lt/en/news-in-english/19/2411602/lithuania-passes-law-to-block-chinese-access-to-solar-and-wind-farm-systems>

386 Lietuvos Respublikos Seimas. Devynioliktosios Lietuvos Respublikos Vyriausybės programa. 12 December 2024. <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/d4b57910b89711efbb3fe9794b4a33e2?jfwid=wdjtcrz3j>

and security policy called China a “key enabler of Russia’s aggression against Ukraine” and at the same time committed itself to further strengthening strategic relations with the US.³⁸⁷

Notably, the new heads of Lithuania’s foreign and defence ministries could be respectively considered China-sceptic and China-hawkish, with the latter, Dovilė Šakalienė, being sanctioned by Beijing in 2021.³⁸⁸ It is no wonder then that Lithuania barely noticed an op-ed allegedly authored by the Counsellor of the Chinese Mission to the EU in late January 2025 that, in an unusually conciliatory and positive tone, expressed China’s readiness to solve the diplomatic dispute.³⁸⁹ This attempt may also be interpreted in the context of Beijing’s coinciding efforts to create more space while dealing with Brussels and in terms of its more specific reaction to the European Commission’s deliberation on whether to prolong the original 2022 WTO case against China in defence of Lithuania, which has ultimately been suspended again.³⁹⁰

The authors of Lithuania’s review of the relationship with China expected that this policy would strengthen their country’s status and visibility in the US. However, in mid-January 2025 the outgoing Biden administration announced its decision to exclude Lithuania from the list of its AI chip partners restricting access to the most advanced semiconductors without any proper public explanation for this policy shift.³⁹¹ It moreover seems naïve to expect that Lithuania’s bilateral dialogue with the US on the Indo-Pacific,³⁹² a touted achievement of the previous government, would continue under Trump 2.0. As if that were not enough, an accident on a Lithuanian military training ground in March 2025 led to the death of four US soldiers, marking one of the largest collective losses of American troops abroad since their 2021 withdrawal from Afghanistan and contributing

387 Seimas of the Republic of Lithuania. Resolution on the Continuity of Foreign and Security Policy of the Republic of Lithuania. 14 January 2025. <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/c44f21a2d40511efb d239e318cbd5b26?jfwid=-bcp632nui>

388 Reuters. China Hits back at EU with Sanctions on 10 People, Four Entities over Xinjiang. 22 March 2021. <https://www.reuters.com/business/aerospace-defense/china-hits-back-eu-with-sanctions-10-people-four-entities-over-xinjiang-2021-03-22/>

389 The Office of the Chargé d’Affaires of the People’s Republic of China in the Republic of Lithuania. Kinijos ir Lietuvos santykių praeitis, dabartis ir ateitis. 24 January 2025. http://lt.china-office.gov.cn/eng/en/202501/t20250124_11544482.htm

390 A. Stankevičius. EU once again asks to suspend WTO case over China’s trade with Lithuania. LRT English. 31 January 2025. <https://www.lrt.lt/en/news-in-english/19/2474709/eu-once-again-asks-to-suspend-wto-case-over-china-s-trade-with-lithuania>

391 LRT.lt. US excludes Lithuania from AI chip partners, imposes export controls. LRT English. 15 January 2025. <https://www.lrt.lt/en/news-in-english/19/2460889/us-excludes-lithuania-from-ai-chip-partners-imposes-export-controls>

392 United States Department of State. Joint Statement on the 4th U.S.-Lithuania Strategic Dialogue on the Indo-Pacific. 12 September 2024. <https://2021-2025.state.gov/joint-statement-on-the-4th-u-s-lithuania-strategic-dialogue-on-the-indo-pacific/>

to local fears about US abandonment.³⁹³ The new American administration has already signalled the pitfalls of Lithuania's habitual, firmly pro-US approach and is expected to unintentionally force Lithuania to reconsider its previously sceptical position on the EU's strategic autonomy. It is an interesting coincidence that two Lithuanians, the Commissioner for Defence and Space Andrius Kubilius and the EU's ambassador to the US Jovita Neliupšienė, will probably have an outsized role in this extremely difficult era for transatlantic relations.

Interim assessment of Lithuania's risky response to US-China tensions

Since at least 2017, Lithuania has navigated the Sino-American strategic rivalry by firmly siding with the US, which was not surprising given its historical record and both popular and elite attitudes. As part of its values-based foreign policy, the former centre-right Lithuanian government went as far as initiating a radical review of its relationship with China that eventually led the country to by far the worst bilateral crisis with Beijing among Europeans. However, it is the new centre-left government of Lithuania that has faced the real pitfalls of such leaning on one side, with Trump's return to the White House largely coinciding with the governmental shift in Vilnius. Lithuania may therefore find itself in a particularly awkward position of having spent so much of its energy and political capital on a divisive dispute with China without gaining tangible security and economic benefits from the US at precisely the time when the EU begins, albeit cautiously, to reach out to Beijing as part of its drive towards strategic autonomy. In the meantime, however, the current government appears to be in a "wait and see" mode, hoping to escape the worst-case scenario of isolation and to eventually get to the point where its recent China policy would be considered an asset in Washington or Brussels, but ideally in both.

393 BNS. Lithuania recovers US army vehicle from swamp. LRT English. 31 March 2025. <https://www.lrt.lt/en/news-in-english/19/2525052/lithuania-recovers-us-army-vehicle-from-swamp>

THE NETHERLANDS:
OPEN BUT PROTECTIVE
IN MANAGING US-PRC
COMPETITION



THE NETHERLANDS: OPEN BUT PROTECTIVE IN MANAGING US-PRC COMPETITION

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The Netherlands is strongly affected by US-China competition. It relies on the US security umbrella, but uncertainties under the second Trump administration led to increasing unease in the Netherlands. As a highly open economy that relies heavily on trade, the Netherlands has deeply integrated trade relations with both the US and China. To illustrate this economic openness: the ratio of exports and imports over GDP in the Netherlands was 177% in 2023, one of the highest in the world.³⁹⁴ As such, it feels the geopolitical pressure that comes with strategic dependencies on both China and the US, particularly in key areas such as advanced semiconductor manufacturing equipment. Here, it has faced pressure from the US to restrict exports to the PRC, and pressure from China to maintain exports.

In recent years, the Netherlands has tried to balance its transatlantic commitments with pragmatic engagement with Beijing. Despite government changes in 2022 and 2024, Dutch policy toward China has remained consistent over the last five years. It is guided by the official principle of 'open where possible, protect where necessary'. The Netherlands sees the EU as the most important forum for effective China policy and seeks to collaborate with other likeminded countries where relevant. Overall, the shifting geopolitical climate has led to a greater emphasis on security and strategic autonomy vis-à-vis both China and the US.

US-Dutch relations: increasing friction in trade, technology and security

US-Dutch relations are rooted in historical ties dating back to the American revolution. The relationship has transformed over the centuries, adapting to shifting geopolitical realities and emerging global challenges. Under the first Trump administration, particularly from the 2018 Sino-American trade war onwards, PRC-relations became a topic of priority in the transatlantic relationship. In the Netherlands, many of the same China-related issues were at play during the first Trump and Biden administrations, for now seemingly extending into the second Trump administration: trade, semiconductor export controls, security (NATO, the war in Ukraine and Dutch defence spending), and Big Tech. However, the Trump administration's standpoint has been markedly more confrontational and transactional regarding each issue. While the Biden administration used more values-based rhetoric, with a focus on cooperation and maintaining friendly

³⁹⁴ De Nederlandsche Bank (DNB). Dutch economy is sensitive to fragmentation of the international trading system. De Nederlandsche Bank (DNB). 8 December 2023. <https://www.dnb.nl/en/general-news/news-2023/dutch-economy-is-sensitive-to-fragmentation-of-the-international-trading-system/>

relations, relations under the second Trump term have become more openly hostile and strained. This has damaged US-Dutch relations and led to a marked decrease in government interaction.

Transatlantic trade: uncertain future despite trade surplus

The Netherlands occupies a central position in transatlantic trade, underpinned by the Port of Rotterdam—the largest seaport in Europe—and Schiphol Airport, which ranks among the continent’s foremost hubs for air cargo and passenger traffic.³⁹⁵ The US was the Netherlands’ second largest import origin in 2024, as well as the second largest export destination outside of the EU – ranking higher than China.³⁹⁶ The US trade surplus of goods and services with the Netherlands, which rose to USD 70 billion in 2024, contrasts sharply with the US’ typical trade deficits—deficits that have historically served as lightning rods for tariffs, including those announced on 2 April 2025.³⁹⁷ This current surplus is largely driven by a sharp rise in imports of mineral fuels such as crude oil and natural gas following the war in Ukraine. Furthermore, the US is the Netherlands’ largest direct investor.³⁹⁸

The second Trump administration’s trade tariffs have made the future of US-Dutch trade uncertain. In April 2025, the Port of Rotterdam warned that the instability in the world economy will have a negative impact on its operations.³⁹⁹ Moreover, the Netherlands is concerned about the influx of low-cost Chinese products into the European market as a result of the trade war.

Semiconductors: bargaining chips

Semiconductors are another key issue in the Netherlands’ relations with the US, also impacting relations with China. In 2024, almost a quarter of Dutch export to the US

395 Centraal Bureau voor de Statistiek (CBS). Internationaliseringsmonitor 2025, eerste editie. Centraal Bureau voor de Statistiek (CBS). 30 April 2025. <https://www.cbs.nl/nl-nl/publicatie/2025/18/internationaliseringsmonitor-2025-eerste-editie>

396 Ibid.

397 Rijksoverheid. Economic Ties – United States. Netherlands and You. 2024. <https://www.netherlandsandyou.nl/web/united-states/about-us/economic-ties>

398 De Nederlandsche Bank (DNB). Import surplus in goods trade with US shrinks. De Nederlandsche Bank (DNB). 24 December 2024. <https://www.dnb.nl/en/general-news/statistical-news/2024/import-surplus-in-goods-trade-with-us-shrinks/>

399 BNR Webredactie. Rotterdamse haven vreest ‘indirecte effecten’ van handelsoorlog: ‘Hebben we mee te dealen’. BNR Nieuwsradio. 7 April 2025. <https://www.bnr.nl/nieuws/economie/10570985/rotterdamse-haven-vreest-indirecte-effecten-van-handelsoorlog-hebben-we-mee-te-dealen>

consisted of semiconductor chip machines.⁴⁰⁰ The predicament of Dutch company ASML, a manufacturer of complex lithography systems and self-proclaimed ‘world’s supplier to the semiconductor industry’, illustrates the strategic squeeze on the Netherlands. The semiconductor sector has become incredibly politicized over the past years, with the US, China, and the EU recognising it as a strategic sector. Already in 2019, under great pressure from the first Trump administration, the Dutch government stopped the export of ASML’s most advanced technology to China by not renewing ASML’s export license.

In the following years, the US introduced more export controls on semiconductor technology and continued to put pressure on the Netherlands to further limit export to China. The Dutch government slowly expanded its export control measures for advanced semiconductor manufacturing equipment, citing security and technological sensitivity as key reason.⁴⁰¹ It emphasised its measures are country agnostic—avoiding singling out China—in an effort to mitigate diplomatic tensions. The Dutch government also stated the measures were as ‘surgical’ and limited as possible.

Still, as the measures mainly impacted ASML exports to China, the Chinese government expressed its dissatisfaction with these developments and warned the Netherlands that it should not succumb to American pressure.⁴⁰² However, the Chinese reaction has not yet included strong countermeasures against the Netherlands so far, as China still hopes to prevent further export restrictions.

Tensions surrounding these Dutch high-tech machines have extended beyond the bilateral sphere, becoming key points of discussion in Washington and Brussels. As a result, export controls and strategic concerns are increasingly shaped by broader geopolitical dynamics rather than purely national policy. In April 2025, ASML announced that its orders for the first quarter of 2025 were almost a billion euros less than predicted.⁴⁰³ It warned that the tariffs ‘dynamic is creating a new uncertainty’, with

400 Centraal Bureau voor de Statistiek (CBS). Internationaliseringsmonitor 2025, eerste editie. Centraal Bureau voor de Statistiek (CBS). 30 April 2025. <https://www.cbs.nl/nl-nl/publicatie/2025/18/internationaliseringsmonitor-2025-eerste-editie>

401 Government of the Netherlands. Klever: export controls on advanced semiconductor manufacturing equipment to be tightened. Rijksoverheid. 15 January 2025. <https://www.government.nl/latest/news/2025/01/15/klever-export-controls-on-advanced-semiconductor-manufacturing-equipment-to-be-tightened>; Rijksoverheid. Kabinet publiceert aanvullende exportmaatregelen geavanceerde productieapparatuur voor halfgeleiders. Rijksoverheid. 30 June 2023. <https://www.rijksoverheid.nl/onderwerpen/exportcontrole-strategische-goederen/nieuws/2023/06/30/aanvullende-exportmaatregelen-kabinet-voor-geavanceerde-productieapparatuur-halfgeleiders>; Government of the Netherlands. The Netherlands expands export control measure for advanced semiconductor manufacturing equipment. Rijksoverheid. 6 September 2024. <https://www.government.nl/latest/news/2024/09/06/the-netherlands-expands-export-control-measure-advanced-semiconductor-manufacturing-equipment>

402 E. Baptista. China says “dissatisfied” with new Dutch export controls on ASML chipmaking tools. Reuters. 8 September 2024. <https://www.reuters.com/technology/china-says-dissatisfied-with-new-dutch-export-controls-asml-chipmaking-tools-2024-09-08/>

403 ASML Holding N.V. Q1 2025 financial results. ASML Holding N.V. 16 April 2025. <https://www.asml.com/en/news/press-releases/2025/q1-2025-financial-results>

negative direct and indirect effects for the semiconductor industry.⁴⁰⁴ Like transatlantic trade, the Netherlands' most important bargaining chip faces an uncertain future.

Technology and security dependencies: growing unease

Two other key issues in the US-Dutch relationship, are, one, American technological dominance, and two, Dutch dependence on American security guarantees. Under the second Trump administration, the Netherlands is increasingly uneasy with these dependencies.

Concerns regarding overreliance on American technology have come to the fore in various domains of society such as the Dutch parliament,⁴⁰⁵ the healthcare sector,⁴⁰⁶ academia,⁴⁰⁷ and the general public. These worries increased as the second Trump administration took office and include American Big Tech companies like Meta and X, American cloud services, and ICT-infrastructure. The Dutch Parliament has urged the government to stimulate Dutch and European alternatives, and the topic is often discussed in Dutch media.⁴⁰⁸

A second issue of unease lies in the security domain. The US has long urged the Netherlands to increase support for the US and NATO objectives, including increased

404 C. Fouquet, R. Dassen. Q1 2025 Investor Call Transcript. ASML Holding N.V. 16 April 2025. <https://ourbrand.asml.com/m/77efabb190347295/original/ASML-Transcript-Q1-2025.pdf>

405 J.P.S. Six Dijkstra, B. Kathmann, M. Koekkoek, H. van der Werf, M. van Nispen, D. Ceder. Motie van het lid Six Dijkstra c.s. over de doelstelling hanteren dat de continuïteit van de Nederlandse digitale overheid niet rechtstreeks afhankelijk is van partijen vanuit de VS. Tweede Kamer der Staten-Generaal. 13 March 2025. <https://www.tweedekamer.nl/kamerstukken/moties/detail?id=2025Z04723&did=2025D10899>; H. van der Werf, J.P.S. Six Dijkstra, B. Kathmann, M. Koekkoek. Motie van het lid Van der Werf c.s. over alternatieven ontwikkelen voor de grote Amerikaanse techbedrijven voor de ICT-infrastructuur van de overheid. Tweede Kamer der Staten-Generaal. 13 March 2025. <https://www.tweedekamer.nl/kamerstukken/moties/detail?id=2025Z04726&did=2025D10902>;

B. Kathmann. Motie van het lid Kathmann over een aanbesteding voor een rijkscloud in volledig Nederlands beheer. Tweede Kamer der Staten-Generaal. 13 March 2025. <https://www.tweedekamer.nl/kamerstukken/moties/detail?id=2025Z04719&did=2025D10895>

406 E. Bouma-Gelle, G. Bogaerts. *Opinie | Zorgsector, maak je niet afhankelijk van de big tech-bedrijven*. Zorgvisie. 5 February 2025. <https://www.zorgvisie.nl/blog/opinie-zorgsector-maak-je-niet-afhankelijk-van-de-big-tech-bedrijven/>

407 Radboud University. Radboud University shares concerns about Big Tech and is working on strategy. Radboud University. 28 March 2025. <https://www.ru.nl/en/about-us/news/radboud-university-shares-concerns-about-big-tech-and-is-working-on-strategy>

408 J. Schellevis. Overheid leunt veel meer op Amerikaanse clouds dan bekend: 'Meelezen is makkelijk'. NOS. 31 May 2025. <https://nos.nl/artikel/2569392-overheid-leunt-veel-meer-op-amerikaanse-clouds-dan-bekend-meelezen-is-makkelijk>

defence spending.⁴⁰⁹ In 2022, the Dutch government raised its defence budget by 40% due to the war in Ukraine and increased security challenges on European soil.⁴¹⁰ By 2024, the US supported former Dutch Prime Minister Mark Rutte's candidacy for NATO Secretary General, and both countries cooperated closely on Ukraine.

However, the security relationship with the US is increasingly strained under the second Trump administration, with growing uncertainty about the US stance on NATO and the war in Ukraine. This has prompted the Netherlands and other EU Member States to invest more heavily in their military capabilities. The Dutch government has stated that, though it counts on the American presence and nuclear umbrella, it is also preparing for scenarios in which US military support falters.⁴¹¹

The Netherlands-PRC relations: Balancing Openness and Protection

The Dutch government states that relations with China are of great importance to the Netherlands.⁴¹² In a 2019 policy paper, the Dutch government characterised its approach towards China as: "open where possible, protect where necessary."⁴¹³ The Netherlands closely aligns with EU policy, and seeks a balance between China as partner, competitor, and systemic rival. Since 2019, the Dutch government acknowledges this balance has shifted towards protection, competition, and rivalry. In response, it is increasingly emphasising strategic autonomy and (economic) security.⁴¹⁴ Major factors driving this shift include the growing China-Russia partnership, China's military modernisation, and China's growing opposition to the existing world order. Nevertheless, during his diplomatic visit to Beijing in May 2025, Foreign Affairs Minister Caspar Veldkamp still

409 U.S. Department of State. Integrated Country Strategy: The Netherlands. U.S. Department of State. October 2022. https://www.state.gov/wp-content/uploads/2022/10/ICS_EUR_The-Netherlands_Public.pdf

410 Ministerie van Defensie. Structureel € 5 miljard extra voor Defensie. Ministerie van Defensie. 20 May 2022. [Structureel € 5 miljard extra voor Defensie | Nieuwsbericht | Defensie.nl](https://www.defensie.nl/nieuws/structureel-5-miljard-extra-voor-defensie)

411 ANP/RTL Nieuws. Premier Schoof: we denken na over wegvallen alliantie met Verenigde Staten. RTL Nieuws. 5 March 2025. <https://www.rtl.nl/nieuws/politiek/artikel/5497749/premier-schoof-we-denken-na-over-wegvallen-alliantie-vs>

412 W. Hoekstra, L. Schereinemacher, M. Adriaansens. Kamerbrief inzake ontwikkelingen Chinabeleid: een verschuiving van de balans. Ministerie van Buitenlandse Zaken, Ministerie van Buitenlandse Handel en Ontwikkelingssamenwerking, Ministerie van Economische Zaken en Klimaat. 13 January 2023. <https://www.rijksoverheid.nl/documenten/kamerstukken/2023/01/13/kamerbrief-inzake-ontwikkelingen-chinabeleid-een-verschuiving-van-de-balans>

413 Ministry of Foreign Affairs. China Strategy: The Netherlands–China, A New Balance. Ministry of Foreign Affairs. 15 May 2019. <https://www.government.nl/documents/policy-notes/2019/05/15/china-strategy-the-netherlands-china-a-new-balance>

414 W. Hoekstra, L. Schereinemacher, M. Adriaansens. Kamerbrief inzake ontwikkelingen Chinabeleid: een verschuiving van de balans. Ministerie van Buitenlandse Zaken, Ministerie van Buitenlandse Handel en Ontwikkelingssamenwerking, Ministerie van Economische Zaken en Klimaat. 13 January 2023. <https://www.rijksoverheid.nl/documenten/kamerstukken/2023/01/13/kamerbrief-inzake-ontwikkelingen-chinabeleid-een-verschuiving-van-de-balans>

underscored the importance maintaining close exchanges and deepening practical collaboration in fields such as economy, trade, science and technology, agriculture and water conservancy.⁴¹⁵

Open where possible...

- a. Diplomatic and economic engagement

Dutch government policy supports the EU position to 'de-risk, not decouple' from China. As such, it pursues continued diplomatic engagements with China. During these high-level meetings, the Dutch government typically tends to discuss sensitive topics like Taiwan and human rights behind closed doors, while emphasising cooperation on topics like climate, health, and trade.⁴¹⁶

As the second-largest EU investor in China, and trading nation that positions itself as the gateway to Europe, stable Sino-Dutch relations are key to the Netherlands. In 2024, the Netherlands exported EUR 23.8 billion of goods to China, especially equipment to produce semiconductors.⁴¹⁷ In 2023, China accounted for 8.4% of Dutch imported goods, though it is expected that this percentage is lower for 2024.⁴¹⁸

The Netherlands has several worries about its economic relationship with China: Dutch import dependencies on China, economic coercion, unfair competition, as well as concerns about unwanted foreign influence through Chinese investments and use of Chinese technology.

An example of the benefits and concerns regarding Chinese economic engagement, can be found in the Port of Rotterdam and related logistics. On the one hand, the port has profited from investment by and presence of mainland Chinese and Hong Kong companies in its terminals. In recent years however, the Port of Rotterdam, and the Dutch government sought to reduce Chinese influence in Rotterdam as well as other European ports.⁴¹⁹ There are concerns about the level of Chinese investment, as well as

415 Ministerie van Buitenlandse Zaken. Consensus tussen Nederland en China. Ministerie van Buitenlandse Zaken. 23 May 2025. <https://www.government.nl/documents/diplomatic-statements/2025/05/23/consensus-between-the-netherlands-and-china>

416 *ibid.*

417 Statistics Netherlands (CBS). Dutch exports to China up again while Germany's have fallen. Statistics Netherlands (CBS). 18 February 2025. <https://www.cbs.nl/en-gb/news/2025/08/dutch-exports-to-china-up-again-while-germany-s-have-fallen>

418 P. Ramaekers, M. Houben-van Hertten. Major developments in 2023 and 2024. Statistics Netherlands (CBS). 31 October 2024. <https://longreads.cbs.nl/dutch-trade-in-facts-and-figures-2024/major-developments-in-2023-and-2024/>

419 X. Martin, F. van der Putten, B. Kuipers. Port politics: Strategic autonomy and European ports. Clingendael Institute. 20 September 2024. <https://www.clingendael.org/publication/port-politics-strategic-autonomy-and-european-ports>; X. Martin, F. van der Putten, B. Kuipers. China's strategic relevance to the port of Rotterdam. Clingendael Institute. 11 December 2023. <https://www.clingendael.org/publication/chinas-strategic-relevance-port-rotterdam>

the use of Chinese technology, including scanning equipment from Nuctech and ZPMC cranes.

This issue remains hot. At the EU level, a European Port Strategy is currently in the making. Moreover, in March, Hong Kong giant CK Hutchison announced that it would sell 80% of its global ports portfolio to an American-European consortium. This would include port investments in Panama, but also in the Netherlands. Consequently, the deal came under intense scrutiny of both the American and Chinese government, and it is unclear whether the sale will happen

- b. Climate and Science, Technology and Innovation cooperation

Even as geopolitical competition persists, Dutch officials stress that engagement with China on climate and energy remains crucial in tackling global problems. As such, these topics are high on the agenda during diplomatic meetings. The Dutch government has framed climate as a shared interest that should be insulated from other areas of friction. However, green technologies, including Chinese electric vehicles, are themselves also an area of friction. In 2024, the Netherlands voted in favour of EU tariffs on electric vehicles due to concerns of unfair competition.

Furthermore, the Dutch government sought to continue cooperation in science, technology and innovation where possible. In 2023, China and the Netherlands signed an Memorandum of Understanding (MoU) with a renewed framework for Science, Technology, and Innovation (STI).⁴²⁰ This agreement reaffirmed and formalised existing partnerships in key sectors such as healthcare technology, agriculture, water management and public health—areas where Dutch expertise aligns with China's strategic development goals such as the green transition. The Dutch government emphasised that this collaboration should take place within a framework that safeguards academic freedom, institutional autonomy and the integrity of research.

- c. Culture and people-to-people exchanges

The Dutch government also sought to strengthen and promote cultural collaboration with China, signing an MoU on the topic in April 2025 in The Hague. According to the government, such exchanges help keep communication channels open, including for addressing more sensitive issues in the relationship.⁴²¹ The Chinese diaspora in the Netherlands are an important part of people-to-people ties with China, representing

420 F.K. Tuentje. The Netherlands signs Memorandum of Understanding with Chinese Ministry of Science and Technology. Netherlands Innovation Network. 11 October 2023. <https://netherlandsinnovation.nl/life-sciences-health/the-netherlands-signs-memorandum-of-understanding-with-chinese-ministry-of-science-and-technology/>

421 W. Hoekstra, L. Schereinemacher, M. Adriaansens, Micky Adriaansens. Kamerbrief inzake ontwikkelingen Chinabeleid: een verschuiving van de balans. Ministerie van Buitenlandse Zaken, Ministerie van Buitenlandse Handel en Ontwikkelingssamenwerking, Ministerie van Economische Zaken en Klimaat. 13 January 2023. <https://www.rijksoverheid.nl/documenten/kamerstukken/2023/01/13/kamerbrief-inzake-ontwikkelingen-chinabeleid-een-verschuiving-van-de-balans>

one of the largest overseas Chinese communities in Europe.⁴²² There is also ample academic cooperation between China and the Netherlands. However, as the next section discusses, there are also worries of Chinese foreign interference and transnational repression of China-related communities in the Netherlands.⁴²³

...Protective where necessary

Despite the need to engage with China, the Netherlands also noted that concerns about China as competitor and systemic rival increased sharply in recent years.

- a. Knowledge security, cyber threats, espionage, and foreign interference

Dutch intelligence services consistently warn that China poses one of the greatest cyber threats to the Netherlands, and the largest threat for Dutch knowledge security.⁴²⁴ In addition, intelligence services warn of Chinese foreign interference targeting the diaspora, stating that “Dutch people who have a Chinese background may be asked or forced to gather information for the authorities”. In response to growing concerns, the Dutch government tightened policy with mechanisms like the National Contact Point for Knowledge Security (2021) and the Economic Security Contact Point (2023). It also established the Dutch China Knowledge Network (2021) to enhance understanding of China more broadly.⁴²⁵

- b. Security concerns: the China-Russia partnership, and growing Chinese assertiveness in the Indo-Pacific including against Taiwan

The Dutch government also expressed its security concerns about the intensifying China-Russia partnership, as well as what it sees as Chinese destabilising actions towards Taiwan and the South China Sea. The government primarily seeks to partner within the EU and with likeminded countries to tackle these issues. It has explicitly built Indo-Pacific engagement into its agenda in recognition of the strategic importance of the region. In November 2020 the government issued the *Indo-Pacific Guidelines* calling

422 Statistics Netherlands (CBS). Chinezen in Nederland, 1 januari 2022. Statistics Netherlands (CBS). 15 February 2023. <https://www.cbs.nl/nl-nl/maatwerk/2023/07/chinezen-in-nederland-1-januari-2022>

423 C. van Kampenhout. Netherlands passes law targeting digital and diaspora espionage. Reuters. 18 March 2025. <https://www.reuters.com/world/europe/netherlands-passes-law-targeting-digital-diaspora-espionage-2025-03-18/>

424 AIVD, MIVD, NCTV. Dreigingsbeeld Statelijke Actoren 2. Loket Kennisveiligheid. 17 January 2023. <https://www.loketkennisveiligheid.nl/actueel/nieuws/2023/01/17/dreigingsbeeld-statelijke-actoren-2-gepubliceerd>; General Intelligence and Security Service (AIVD). AIVD Annual Report 2023. Ministry of the Interior and Kingdom Relations. 26 June 2024. <https://english.aivd.nl/publications/annual-report/2024/06/26/aivd-annual-report-2023>

425 China Knowledge Network. 2025. <https://www.chinakennisnetwerk.nl/>

for a distinctive Dutch (and EU) vision of the region.⁴²⁶ The key message is one of *'inclusive but not value-neutral'* engagement: the Netherlands seeks closer cooperation with like-minded democracies (Australia, Japan, South Korea, India, ASEAN partners, etc.) while continuing trade and diplomacy with all regional states.

The Dutch government has also committed to deploying a ship to the Indo-Pacific every two years. During patrols in the East China Sea in June 2024, the frigate HNLMS *Tromp* was approached by two Chinese fighter jets and helicopters in the East China Sea, resulting in what Dutch authorities described as an unsafe and provocative encounter.⁴²⁷ In May 2024, the Royal Netherlands Navy conducted a transit through the Taiwan Strait.

- c. Human rights

Finally, a major issue of contention in Dutch-Chinese relations are human rights in China, as well as Chinese suppression of human rights abroad, including in the Netherlands. Here too, the Netherlands addresses these concerns in its diplomatic engagements with China and prefers to operate within a coalition of likeminded countries.⁴²⁸

Parliamentary pressure

One major trend in Netherlands-China relations is the increased parliamentary pressure on the Dutch government to have stricter China policy. In February 2021, the Dutch parliament passed a non-binding motion declaring that China's treatment of Uyghurs 'amounts to genocide', being the first European country to do so.⁴²⁹ Shortly after EU sanctions on China for human rights abuses in Xinjiang, China announced a sanction list including Dutch MP Sjoerd Sjoerdsma and nine other Europeans for spreading 'lies and disinformation'.⁴³⁰ In addition, issues regarding Tibet, Hong Kong, Chinese influence and interference abroad, freedom of religion and the LGBTQ community within China

426 Ministerie van Buitenlandse Zaken. Indo-Pacific: een leidraad voor versterking van de Nederlandse en EU-samenwerking met partners in Azië. Ministerie van Buitenlandse Zaken. 13 November 2020. <https://www.rijksoverheid.nl/documenten/publicaties/2020/11/13/indo-pacific-een-leidraad-voor-versterking-van-de-nederlandse-en-eu-samenwerking-met-partners-in-azie>

427 Dutch Ministry of Defence. Warship approached by Chinese helicopter and fighter jets. Dutch Ministry of Defence. 7 June 2024. <https://english.defensie.nl/latest/news/2024/06/07/warship-approached-by-chinese-helicopter-and-fighter-jets>

428 W. Hoekstra, L. Schereinemacher, M. Adriaansens, Micky Adriaansens. Kamerbrief inzake ontwikkelingen Chinabeleid: een verschuiving van de balans. Ministerie van Buitenlandse Zaken, Ministerie van Buitenlandse Handel en Ontwikkelingssamenwerking, Ministerie van Economische Zaken en Klimaat. 13 January 2023. <https://www.rijksoverheid.nl/documenten/kamerstukken/2023/01/13/kamerbrief-inzake-ontwikkelingen-chinabeleid-een-verschuiving-van-de-balans>

429 E. Schaart. Dutch parliament declares Chinese treatment of Uighurs a 'genocide'. Politico. 25 February 2021. <https://www.politico.eu/article/dutch-parliament-declares-chinese-treatment-of-uighurs-as-genocide/>

430 Chinese Embassy in the Netherlands. Spokesperson's Remarks. Chinese Embassy in the Netherlands. 22 March 2021. https://nl.china-embassy.gov.cn/eng/wjbfyrth/202103/t20210322_9015227.htm

are consistently raised within parliament.⁴³¹ In 2025, the Dutch Parliament urged the government to publish a new China strategy, focusing primarily on China as a systemic rival, with special attention to economic resilience, Taiwan and regional security, and human rights.⁴³² At the time of writing, the Dutch government has yet to formally respond to this request.

De-risking, not Decoupling: Managing US-PRC China tensions in the Netherlands

Thus, the Netherlands has been and will continue to be strongly affected by US-China competition. With its open economy, the Netherlands is vulnerable to global economic fragmentation and protectionism.⁴³³ The Dutch government has sought to manage the geopolitical tensions through “de-risking,” avoiding decoupling from either Beijing or Washington.

Moreover, US-PRC competition has driven the Netherlands to work more closely within the EU concerning China issues. The Dutch government considers the EU as the most important forum for effective China policy, citing the EU’s collective economic weight, regulatory tools, and the strength of the internal market.⁴³⁴ By advocating for greater European unity and capacity concerning China issues, the Dutch government seeks to bolster the EU’s strategic autonomy and reduce critical dependencies.⁴³⁵ In addition, the Dutch government increasingly seeks to coordinate its actions with likeminded (EU and non-EU) countries.

431 C. Veldkamp, R. Klever, D. Beljaarts, R. Brekelmans. https://www.eerstekamer.nl/behandeling/20241213/brief_regering_ontwikkelingen/document3/f=/vmjuh1328owq.pdf. China. Tweede Kamer. 13 December 2024. [Eerste Kamer der Staten-Generaal](https://www.eerstekamer.nl/behandeling/20241213/brief_regering_ontwikkelingen/document3/f=/vmjuh1328owq.pdf)

432 J. Paternotte, D. Boswijk. Initiatiefnota van de leden Paternotte en Boswijk over een Nieuwe China-Strategie: voor realistische bescherming van onze vrijheid, veiligheid en economie. Tweede Kamer. 12 February 2025 <https://www.tweedekamer.nl/kamerstukken/detail?id=2025Z02621&did=2025D05969>

433 De Nederlandsche Bank (DNB). Dutch economy is sensitive to fragmentation of the international trading system. De Nederlandsche Bank (DNB). 8 December 2023. <https://www.dnb.nl/en/general-news/news-2023/dutch-economy-is-sensitive-to-fragmentation-of-the-international-trading-system/>

434 C.C.J. Veldkamp, Minister of Foreign Affairs; D.S. Beljaarts, Minister of Economic Affairs; R.P. Brekelmans, Minister of Defence; R.J. Klever, Minister for Foreign Trade and Development Cooperation. Brief van de regering inzake ontwikkelingen in de betrekkingen met China. Tweede Kamer der Staten-Generaal. 13 December 2024. https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2024D49861&did=2024D49861

435 R.J. Klever, minister voor Buitenlandse Handel en Ontwikkelingshulp; D.S. Beljaarts, minister van Economische Zaken; Y.J. van Hijum, minister van Sociale Zaken en Werkgelegenheid; E. Heinen, minister van Financiën. Antwoord op vragen van de leden Timmermans, Hirsch, Van der Lee, Thijssen, Patijn, Haage en Kathmann over de gevolgen van Trumps handelsoorlog voor Nederland. Tweede Kamer der Staten-Generaal. 14 April 2025. <https://www.tweedekamer.nl/kamerstukken/kamervragen/detail?id=2025D16927&did=2025D16927>

While the Dutch government actively tries to maintain a balance between its transatlantic relations and its ties with China, it is increasingly focusing on strategic autonomy and resilience vis-à-vis both Washington and Beijing. The evolving geopolitical landscape, including shifting security dynamics, the semiconductor industry's politicization, and the growing pressure to de-risk dependencies, demands that the Netherlands reinforce its policy through multilateral engagement, particularly within EU-frameworks. As such, Sino-Dutch competition is not only changing the Netherlands' bilateral relationship with the US and China respectively, but also the Dutch relationship to the EU.

POLAND: CLOSER (YET)
TO THE US AND FURTHER
FROM CHINA



POLAND: CLOSER (YET) TO THE US AND FURTHER FROM CHINA

Justyna Szczudlik, *Deputy Head of Research, Polish Institute of International Affairs (PISM)*

Over the past five years, Poland has stepped up its cooperation with the US, with a particular focus on security. At the same time, its scepticism towards China has deepened. The main reasons are Russia's invasion of Ukraine, China's pro-Russian stance and growing concerns about the security of NATO's eastern flank. Since the US-China rivalry is not perceived as an external reality in which Poland is a bystander, the Polish authorities side with the US and choose to maintain communication with China. The reason for the latter is to provide the PRC with the Polish narrative on Russia from the perspective of European security and to try to loosen the Sino-Russian partnership. However, Trump 2.0 has already introduced uncertainty into Polish-US relations.

Since the beginning of the US administration led by President Joe Biden (January 2021), Poland has significantly increased its cooperation with the United States and deepened its scepticism towards China. The main reasons for, in fact, the continuation of Poland's foreign policy approaches were the PRC's international and domestic behaviour during the Covid-19 pandemic, then Russia's aggression against Ukraine and Beijing's support for Putin. Under these circumstances, the role of the US as the main guarantor of Poland's security has increased significantly. Therefore, Poland's goals were to strengthen security cooperation with the US, reaffirm NATO commitments, provide Ukraine with a wide range of assistance, including military equipment, and signal to China that its pro-Russian stance is detrimental to its cooperation with Poland and the European Union as a whole.

However, Trump's second term and his attempts to thaw relations with Russia – thus deteriorating ties with Europe – are factors that have already changed the status quo. So far, Poland has not signalled any changes in its US or China policy. For the time being, the focus is on security issues in Europe as an urgent priority, as fears grow of possible Russian provocations or even an attack on NATO's eastern flank due to US policy on Russia.

Enhanced cooperation with the US

The pillars of Poland's US policy have remained unchanged – the focus is on security. Poland has sought frequent and regular high-level political dialogue with the US to confirm the US and NATO security commitments, to strengthen the US military presence in Poland and NATO's eastern flank. The overarching goal is to strengthen NATO's deterrence against Russia.

The level of (hard) security cooperation between Poland and the US can be viewed in two ways: the number of US troops stationed in Poland; and the purchase of US military equipment. In 2021, about 4,500-4,700 US troops were stationed on Polish territory on a rotational basis. Currently, Poland hosts about 10,000 US troops. Of these, 5,000 are deployed as part of the deterrence effort against Russia. They are part of the 82nd Airborne Division and an additional Armoured Brigade Combat Group, which has secured the logistics centre in Rzeszów and reinforced garrisons on Poland's eastern border. The remaining 5,000 troops are units of the US-led multinational NATO Battle Group in Orzysz, deployed as part of a permanent rotational presence, including an Armoured Brigade Combat Group and elements of the Army Aviation Brigade, and the US V Corps Forward Command in Poznań.⁴³⁶

In addition, the missile defence site in Redzikowo, was commissioned by the US Navy in December 2023. The Aegis Ashore site is designed to protect NATO members and US bases on the continent from ballistic missile attacks from the Middle East. On 13 November 2024, the Redzikowo missile defence site was officially handed over to NATO and is now formally under NATO command and control. This was the final phase of a project launched under the Obama administration in 2009 and by NATO in 2010.⁴³⁷

When it comes to the second dimension, the purchase of US military equipment has increased significantly in recent years. Poland has signed agreements with the US or announced its intention to purchase, among other things, Abrams tanks, HIMARS rocket artillery launchers, ATACMS and GMLRS missiles, additional batteries of the Patriot air defence system, AH-64 Apache attack helicopters, Hellfire, JAGM and Stinger missiles, etc.⁴³⁸

In addition, Poland's policy also included the need for cooperation on economic and energy security, in particular increasing the supply of US liquefied natural gas (LNG) to Poland (i.e. building the necessary infrastructure) and cooperation on nuclear energy. The energy security has become more important following Russia's aggression and the sanctions Europe has imposed on Putin's regime. For now, about 2/3 of all seaborne LNG supplies to Poland come from the US. In 2023, Poland also signed an agreement with US companies Westinghouse and Bechtel to design Poland's first nuclear power plant⁴³⁹.

When it comes to economic security, one of the most important US investments in Poland was Intel's announcement that it would build its semiconductor integration and testing plant there - a supposed reason being US-China rivalry. However, Intel has suspended its investments in Europe for two years, including the construction of a

436 M. Piotrowski. *Polityka Polski wobec Stanów Zjednoczonych*. Rocznik Polskiej Polityki Zagranicznej 2021, 2022, 2023 (to be published soon); Increased the US military presence in Poland. [Increasing the US military presence in Poland - Ministry of National Defence - Gov.pl website](#)

437 M. A. Piotrowski. Missile defense site in Poland accepted into service by the U.S. Navy. PISM Spotlight, 15 December 2023. [PISM](#); M. A. Piotrowski. U.S. Missile defense base in Poland now officially in NATO's structures. PISM Spotlight. 14 November 2024. [PISM](#)

438 M. Piotrowski, *ibidem*.

439 M. Piotrowski, *op. cit.*

factory in Poland, due to the company's global financial problems.⁴⁴⁰ Moreover, at the end of Biden's term, on 15 January 2025, the US Department of Commerce announced restrictions on the export of the most advanced integrated circuits (GPUs) used to train artificial intelligence models. The main goal of the US is to make it impossible for China to obtain GPUs. Poland is in the second group of countries⁴⁴¹ with restrictions on GPUs, along with all EU members that have joined since 2004⁴⁴². However, the reason for including Poland and Central Europe in the second group is unclear.

Deepening scepticism on China

Since the Covid-19 pandemic, which led to a growing awareness of economic security due to the disruption of supply chains, but also China's weaponisation of trade, with Lithuania as the best example, Poland has hardened its stance towards the PRC. The turning point, however, was Russia's invasion of Ukraine and China's support for Russia. While for years one of the main goals of Polish policy towards China was to reduce the trade deficit and follow the EU's approach of focusing on economic security, since the invasion, hard security has appeared on the China agenda.

Poland has tried to convey a message to China about its own position on Russia, to explain that the war in Ukraine has an impact on Poland's security, to appeal to China for open support for Ukraine, and to act according to the PRC's own principles, such as non-interference, respect for territorial integrity, adherence to the UN Charter, etc. The idea was to confront China with its own principles. Since the Polish government was aware that it would not be possible to convince China to change its policy towards Russia, the aim was to constantly raise the issue of Russia and Ukraine at political meetings. There was, and still is, a belief in the EU, and also in Poland, that it is worth meeting Xi Jinping in person to convey the message in a face-to-face conversation.

Recently, there have been several examples of Poland's hardening stance towards China. In April and May 2022, the Chinese envoy to Central Europe, Huo Yuzhen, came to the region to - according to the Chinese side - dispel doubts and misunderstandings about China's attitude towards Russia and to revive the 16+1. She was denied a meeting at the Polish Foreign Ministry (MFA). Finally, her successor, Jiang Yu, was received at the MFA in November 2022, but at a low level - by the director of the Asia-Pacific Department.

The readouts published by the Polish Foreign Ministry after two visits by Chinese envoy Li Hui are a good example of Poland's assessment of China's position on the war in Ukraine. Li visited Poland (as well as Russia and Ukraine) in April 2023 and March 2024.

440 Minister K. Gawkowski's post on X.

441 The package of restrictions divides countries into three tiers: first - no restrictions (e.g. France, Germany, the Netherlands, Australia, Japan, Canada, Taiwan); second - restrictions (all EU members since 2004 - effectively Central Europe); third - a total ban (e.g. China).

442 A. Wójtowicz, S. Zaręba. U.S. imposes export restrictions on advanced integrated circuits. PISM Spotlight. 17 January 2025. [PISM](#)

On both occasions he met with Polish deputy foreign ministers - Wojciech Gerwel and then Władysław T. Bartoszewski - whose portfolio included Asia-Pacific region. Both Polish communiqués are very straightforward. The ministers focused on the need for the withdrawal of Russian troops from Ukraine and the return of territory illegally seized by Russia as the only acceptable solution to achieve a just peace. Any attempt to equate the status of Russia - the aggressor in this conflict - and Ukraine - the victim - was deemed unacceptable. The foreign ministers expressed the hope that China, as a supporter of the Five Principles of Peaceful Coexistence, would condemn Russia's aggression and put pressure on Russia to return to the principles of international law.⁴⁴³

A similar message was sent by the current Minister of Foreign Affairs, Radosław Sikorski. In his speech on Polish foreign policy tasks for 2025, delivered on 23 April 2025, he said that Russian-Chinese cooperation is alarming. Over the last three years, China has exported to Russia copious amounts of dual-use goods. (...) Without this support, the aggression would have wreaked less havoc, claimed fewer lives, and could have already led to a total collapse of Russia's economy. (...) However, we believe that China would create new value in the global order if, and it is in a position to do so, it put an end to Putin's colonial war in Ukraine. Instead of a "wolf warrior," we would rather see China as a peace envoy"⁴⁴⁴.

Since 2022, Poland has also hardened its stance on the 16+1 format (called 14+1 since August 2022, following the withdrawal of Latvia and Estonia. Lithuania left in 2021). Poland declined to participate in the format's 10th anniversary celebrations, arguing that the platform's results for Poland are minimal and that has other priorities due to the war in Ukraine. Although Poland has no plans to formally withdraw from the format yet, the government is not interested in any political activities under the 14+1 banner. Poland's involvement is restricted to basic working-level activities, with no political element.

Despite the fact that Poland's approach to China has hardened, the Polish authorities still see the PRC as a economic partner. A good example of this was President Duda's visit to China in June 2024. Although the visit was announced as an attempt to discuss security in Europe with Xi in the context of the war in Ukraine, the length of Duda's stay in China (5 days), the places he visited (Beijing, Dalian, Shanghai) and the Memorandum of Understanding (MoUs) and/or agreements signed by both sides suggest that economic cooperation⁴⁴⁵ was rather high on the agenda.

No US or China dilemma

443 Deputy Minister Wojciech Gerwel met the special envoy of the Chinese government for Eurasian Affairs, 19 May 2023. <https://maritime-executive.com/article/hutchison-sells-panama-and-other-ports-in-22-8b-deal-to-blackrock-and-msc> Deputy Minister Władysław Bartoszewski met special envoy of the Chinese government for Eurasian Affairs. 6 March 2024. <https://www.gov.pl/web/diplomacy/deputy-minister-wladyslaw-bartoszewski-met-the-special-envoy-of-the-chinese-government-for-eurasian-affairs>

444 Information of the Minister of Foreign Affairs on Polish foreign policy tasks in 2025. 23 April 2025. <https://www.gov.pl/web/diplomacy/information-of-minister-of-foreign-affairs-on-polish-foreign-policy-tasks-in-2025>

445 See for example: Action Plan on Strengthening the Comprehensive Strategic Partnership Between the Republic of Poland and the People's Republic of China (2024-2027). 25 June 2024. www.president.pl

US-China frictions, while important, are not the main point of reference for Poland. Rather than being forced to choose the US over China, Poland has been steadily increasing its cooperation with the US for decades, seeing it as an investment in its own security and prosperity. On key security issues, Poland does not face the dilemma of the US or China.

Since the EU's approach to China (especially when it comes to the European Commission led by Ursula von der Leyen) has been hardening so far, Poland's idea of navigating US-China frictions is to stay within the current EU mainstream. A good illustration of this stance is the fact that Poland has supported all the EU Commission's initiatives to set up defensive measures that are officially country-agnostic but in practice China-focused. Poland has also supported the idea of a European economic security strategy and voted in favour of the Commission's proposal to impose tariffs on electric vehicles imported from China. In recent years, Poland has also consistently supported the idea of strategic autonomy, understood as economic diversification with close hard security cooperation with the US.

When it comes to public pressure from the US and/or China on Poland, there have been few examples in recent years. What it comes to China there has been a kind of lobbying, some PR and indirect activities rather than very open direct pressure and visible to the public. Moreover, the target of these Chinese activities was unclear – a good example was China's general threats towards countries that supported the idea of tariffs on Chinese electric vehicles.

In the case of the US, the most recent example is the Chinese company Hutchison Ports, which operates ports adjacent to the Panama Canal. The same company operates a part of the Polish port of Gdynia. And the part of the port controlled by the Chinese company is adjacent to the part operated by the American company. In early 2024, there was an incident there when the Chinese operator did not agree to unload a large ship (part of which overlapped in the waterline with a part of the port controlled by the Chinese company) carrying weapons for Ukraine.⁴⁴⁶ When Trump's agenda towards the Panama Canal and the Chinese company Hutchison Ports was revealed, it turned out that US capital is eager to take over shares, including those in the port of Gdynia, from Chinese investors. The preliminary agreement has been signed between Hutchinson Ports and the US investment group BlackRock ⁴⁴⁷.

446 Alarm bells in Poland over Chinese control strategic Gdynia port terminal. 4 April 2024. <https://www.polskieradio.pl/395/7784/Artykul/3359556,alarm-bells-in-poland-over-chinese-control-of-strategic-gdynia-port-terminal>

447 Hutchison sells Panama and other ports to BlackRock and MSC in \$22.8b deal. 4 March 2025. <https://maritime-executive.com/article/hutchison-sells-panama-and-other-ports-in-22-8b-deal-to-blackrock-and-msc>

Political consensus on US and China

Overall, there is a political consensus on Polish policy towards both the US and China. There are some slight differences between governments or between the government and the president, but they are not very significant. In the case of the US, the right-wing government (in power 2015-2023) found it easier to work with the Republican US administration, while the current centre-left government (in power since mid-December 2023) prefers to work with the Democrats. During the recent US presidential campaign in 2024, the current right-wing opposition openly supported Trump, while the government, although officially neutral, hinted that it favoured Kamala Harris.

There are more differences in the case of China. Although President Andrzej Duda (who will finish his second and final term in August this year) comes from the same political camp as the previous right-wing government, which was sceptical towards China (the previous government started to change its policy towards China in mid-2017, hardening its stance), there were some differences between his and the government's agenda towards China. In short, Duda was presented as having a softer stance on China than the right-wing government. The president and his advisers argue that Duda and Xi are close friends. Since 2020, President Duda has visited China twice, and in both cases the media and the public criticised him for these visits. The first was in February 2022, when Duda attended the opening ceremony of the Winter Olympics in Beijing.

The second visit took place in June 2024. Despite the fact that the President focused on the war in Ukraine and also raised the issue of Belarusian pressure to destabilise the situation on the Polish-Belarusian border⁴⁴⁸, there were some doubts as to whether the economic agenda was not de facto number one. Doubts were also raised following the President's remarks that he hoped the two countries would share similar ideas and that the war in Ukraine was complicating Polish-Chinese economic cooperation⁴⁴⁹.

Close to the US and further from China – to be continued

A very clear focus on the US as Poland's main security ally, a negative assessment of China's position on Russia and the war in Ukraine, and an awareness of the security challenges (both economic and 'hard') posed by the PRC have all influenced Poland's approach to the US and China. In a nutshell: closer to the US and further from China. However, the US-China rivalry is not seen as a relevant reference point for Poland. A

448 The Polish position was that if Lukashenka's (and probably Putin's) hybrid warfare of forcing migrants to cross the Belarusian-Polish border continued, the Polish authorities warned that they would consider closing the border, which could lead to the blocking of Chinese cargo trains to Europe that pass through Poland. This was a message to Xi Jinping to put pressure on Lukashenka to stop the hybrid war with Poland as it was detrimental to Chinese interests.

449 Rozmowy polityczne Andrzeja Dudy w Pekinie. 24 June 2024. [Rozmowy polityczne Andrzeja Dudy w Pekinie \ Aktualności \ Wizyty zagraniczne \ Oficjalna strona Prezydenta Rzeczypospolitej Polskiej](#)

good example is the fact that representatives of the Polish administration quite openly admit that Poland is not interested in emulating Lithuania's hawkish China policy.

Since Trump 2.0, Poland's perception of the US - its policies, its engagement in Europe and its security commitments - has changed. His idea of ending Russia's political isolation and the suspension of US military and intelligence assistance to Ukraine have undermined trust in the US. So far, there have been no concrete changes in the Polish government's policy towards the US, but there seems to be a growing awareness that no matter who is in the White House, a return to "business as usual" is unlikely and that the transatlantic alliance will have to change. It is too early to say what direction this will take. In the case of Poland, however, a softer stance towards China is unlikely, given the awareness that the PRC is supporting Russia and that this support is enabling Putin to wage war.

PORTUGAL: PRAGMATISM IN UNCERTAIN TIMES



PORTUGAL: PRAGMATISM IN UNCERTAIN TIMES

Carlos Rodrigues, Associate Professor, University of Aveiro

Portugal balances US-China rivalry through a 'universalistic' foreign policy philosophy, avoiding bandwagoning while pragmatically maintaining strong ties with both powers. It consistently seeks to maintain friendly relations with both China and the US, refraining, to the fullest extent possible, from taking sides. Despite this steady approach, a reshaped and escalated US-China rivalry, as well as global fragmentation, create increasing uncertainty, especially for small economies like Portugal. The new confrontational backdrop risks economic harm and might force a re-evaluation of traditional alliances. Maybe this will ease Portugal's task to keep the balance and effectively manage its relations with adversarial nations. One can speculate whether Portugal will find new strategic flexibility by taking advantage of an eventual reduction of the pressure to take sides.

'Universalism' within uncertainty

Portugal maintains stable and pragmatic relations with both China and the US. Its self-perception as a multilateral actor in the global arena, - deeply rooted in the 'universalistic' philosophical principles that have guided Portuguese foreign policy for decades-, has provided sound foundations for smooth interactions with diverse, often antagonistic geopolitical and economic powers, as well as a consistent governmental stance, regardless of the ruling political party. Consistency, however, does not come without nuances. In fact, while the overall picture of a generally positive relationship with both powers held steadily despite changes in government (as in 2024), shifts can be observed, triggered by evolving global politics and circumstances, including the state of the United States-China rivalry. It seems clear, however, that this consistency may not withstand the winds of chaotic global political and economic transformation driven by Donald Trump. The overall idea of the US as an old and trusted ally, one with whom Portugal shares values and typically converging visions of the world, is now at risk of being undermined. China, by contrast, is likely to retain its status as a strategic partner, with whom Portugal has a peaceful and largely cooperative five-century-old relationship. Hence, the picture taken in 2020 to Portugal's positioning vis-à-vis US-China tensions, - "A 'universalistic' and multilateral approach to international relations is nurturing Portugal's capacity to dodge major diplomatic crossroads without bringing into question its commitment to political frames of reference and values shared within the EU and NATO"⁴⁵⁰-, is losing sharpness and colour.

450 C. Rodrigues and J. Tavares da Silva. China and the US: an 'universalistic' approach to get along with both powers. In M. Esteban and M. Otero-Iglesias (eds.), Europe in Face of US-China Rivalry. ETNC – European Think Tank Network on China. 2020.

Portugal-United States: strong links with sporadic caveats...

Portugal was one of the first nations to establish diplomatic relations with the US, just a few years after the American Revolution. This early recognition is often used to emphasize the strength of bilateral relations between the two countries. Yet, it was only during World War II that the relationship acquired a strategic nature, primarily due to the significance of the Azores Islands' Lajes Airfield in supporting American military operations in Europe. The relationship grew stronger over the years, not only through military cooperation, but also through social and economic exchanges.

Nevertheless, ups and downs do occur, often coinciding with changes in the White House's occupants. For instance, Rodrigues and Tavares da Silva⁴⁵¹ report some degree of turbulence in US-Portugal relations during Trump's first term, stemming from harsh American pressure on Portugal to keep Chinese investment far from sensitive sectors, with particular emphasis on 5G technology. Several US government officers, including then Under Secretary of State Keith Krach and Federal Communications Commission Chairman Ajit Pai, travelled to Lisbon to join the US Ambassador George Glass in an effort to pressure the Portuguese government to prevent Chinese companies, particularly Huawei, from participating in any 5G-related development. In a rude and unpolished way, the message was clear: Portugal has to choose between the US and NATO allies, on the one hand, and China on the other. The Portuguese government did not hide the discomfort and strongly rebuffed the interference in its domestic matters, as clearly evidenced by the words of Augusto Santos Silva, the then-head of Portuguese diplomacy: "We decide based on our own options. We are the ones who choose, and we have chosen for a long time. We are part of the EU, NATO, the West, we have a privileged relationship with Africa, with Latin America, with different regions in Asia and all of this is known to our allies. And they know that we are allies at all times, not on occasion. We are reliable and credible allies"⁴⁵².

When Biden took office in 2021, the pressure remained strong, but the tone shifted, which ultimately helped to reduce the friction. In fact, Portugal, often accused of being the best friend of China in the EU⁴⁵³, announced in May 2023 that it would ban Chinese suppliers from providing any 5G-related equipment and services⁴⁵⁴. In addition, NATO's revival in the aftermath of the war in Ukraine brought a fresh direction to the transatlantic alliance, leading Portugal to fully align with the "Western" bloc. This alignment implied

451 C. Rodrigues and J. Tavares da Silva. China and the US: an 'universalistic' approach to get along with both powers. In M. Esteban and M. Otero-Iglesias (eds.), *Europe in Face of US-China Rivalry*. ETNC – European Think Tank Network on China. 2020.

452 China-Lusophone Briefing. Portugal Rejects U.S. Meddling in its Relations with China. 28 September 2020. <https://www.clbrief.com/portugal-rejects-u-s-meddling-in-china-its-relations/>

453 J. Faget. Portugal: a China-friendly EU Nation Driven by Need. DW. 3 December 2019. <https://www.dw.com/en/portugal-a-china-friendly-eu-nation-driven-by-need/a-47872582>

454 Conselho Superior de Segurança do Ciberespaço. Deliberação nº 1/2023. 2023. <https://www.gns.gov.pt/docs/cas-deliberacao-1-2023.pdf>

recognition of the central role of the US in European security and defence strategy, as well as, to say the least, an attentive stance towards Washington's will, which would lead to a cooling-down of Portugal's relationship with China.

Unaffected by political fluctuations, at least until now, bilateral trade and investment have steadily increased since 2020. In 2023, the US market accounted for approximately 7% of Portugal's total exports, making it the fourth largest export market outside the EU. Although less significant, Portuguese imports from the US have also shown a positive trend, representing 2% of total imports. The US is the 6th largest source of foreign direct investment (FDI), amounting EUR 4.3 billion in 2024 (a 44% growth in relation to 2019).

Happy with the decisions taken by the Portuguese government on 5G core technologies (in October 2024, then Under Secretary of State for Economic Growth, Energy and the Environment, José Fernandez, noted: "We applaud Portugal's efforts, which set an example for the rest of the EU"⁴⁵⁵...), the US has recentred its pressure point on critical minerals, essential for the 'green' transition, and the role Portugal can play as a lithium supplier⁴⁵⁶. Although in a softer tone, the Biden's administration also maintained pressure on Portugal to move away from Chinese influence. The visit José Fernandez paid to Lisbon in 2024, evidenced the American interest in finding partners and financing ongoing projects directed at lithium exploitation in Portugal, while warning against the "risks to collective security"⁴⁵⁷ imposed by the Chinese dominance of the global critical minerals market.

The former US Ambassador to Portugal, Randi Charno Levine, a few days before Trump's inauguration, highlighted the "great progress"⁴⁵⁸ Portugal and the US made together in a variety of fields, namely renewable energy and defence cooperation, as well as the "very solid foundation for future bilateral relations". The Portuguese counterpart swiftly responded by presenting an optimistic view of the US as "a political partner, a military ally, and an increasingly relevant economic partner",⁴⁵⁹ as uttered by the Portuguese Prime Minister Luis Montenegro, who, in a more concrete vein, identified "a strong interest in attracting American investment and continuing to grow the number of tourists, who are the third-largest group but the most significant in terms of per capita spending here". The situation has evidently changed due to the disruptive nature of Donald Trump's political agenda.

455 J. Viana. Comércio entre EUA e Portugal à sombra de Pequim: "Não estamos a desvincular-nos da China, estamos a reduzir os riscos". CNN Portugal. 12 October 2024.

456 Portugal is already the biggest producer of lithium in Europe, hitherto mostly mined for the ceramics industry.

457 J. Viana. Comércio entre EUA e Portugal à sombra de Pequim: "Não estamos a desvincular-nos da China, estamos a reduzir os riscos". CNN Portugal. 12 October 2024.

458 LUSA. Portugal: Relations with America 'flourishing' – US ambassador. 15 January 2025.

459 LUSA. Portugal "muito interessado" em atrair investimento norte-americano. 11 December 2024.

Portugal-China: reinforcing ties amid political headwinds

An evolutionary analysis of Portugal-China relations over the past six years would yield a seemingly contradictory conclusion: that friendly and productive bilateral relations have flourished despite a cooling-down of the political framework. President Xi's visit to Lisbon in December 2018 marked the culmination of a period of great official enthusiasm and high expectations toward China in Portugal. This period was characterized by numerous official negotiations in a wide range of issues and visits of Portuguese top-level politicians to China. At that point, Portugal signed the Memorandum of Understanding (MoU) for the Belt and Road Initiative (BRI). The following years were marked by a notable cooling-down in enthusiasm, influenced by the 2019 EU shifting strategic outlook on China, the Covid-19 crisis, US interference, as well as China's position on the war in Ukraine. However, the cooling-down, including the waning of the BRI and more contentious events such as the Portuguese authorities' decision to ban Chinese companies from the 5G market in May 2023, did not relegate China to the category of rival. The high value of a 500-years history of close and (mostly) friendly contact and exchange between the two countries, including landmark events such as the smooth handover of Macao in 1999, plays a significant role in sustaining the strength of the relationship. To this symbolic dimension, the more prosaic realm of trade and investment adds further supportive ground, managed by both sides with pragmatism and a high degree of independence from adverse political headwinds.

In 2023, China was the fifth largest supplier of goods to Portugal, accounting for 5% of Portugal's total imports, and the 16th largest destination for Portuguese exports (ca. 1.2% of the total export value). China has consistently held the fifth position as source of FDI in recent years, following Spain, France, the UK and the Netherlands. Chinese investment in Portugal grew by 24% between 2019 (EUR 3.94 billion) and 2024 (EUR 4.88 billion).

Despite the trade and investment numbers, the business sector is not highly optimistic in relation to the effects of the overall political evolution described above, mainly due to the way the Portuguese government handled the 5G issue. For instance, on the eve of the last American election, Bernardo Mendia, secretary-general of the Portugal-China Chamber of Commerce and Industry, said that "whether the victory goes to Kamala Harris or Donald Trump, Portugal has already made its choice, and the alignment – described as almost 'follower-like' – favours the Atlantic ally"⁴⁶⁰. Mendia, elsewhere⁴⁶¹, expressed "serious doubts on the wisdom" of the 5G decision, "made in a context of external pressures and without any convincing technical justification", and highlighted the Portuguese "divestment from a centuries-old relationship, based on mere conjecture and external pressures" as a "strategic mistake that will have detrimental consequences for the country's technological and economic future". However, several sources point

460 V. Ferreira and A. Brito. *Ganhe Harris ou ganhe Trump, Portugal continuará mais perto dos EUA do que da China*. Público. 25 October 2024.

461 B. Mendia. *De um diálogo centenário a um monólogo injustificado*. Jornal de Negócios. 23 October 2024.

to a revival of the tradition of economic diplomacy led by the Portuguese Ministry of Economy, Pedro Reis⁴⁶². In fact, since he took office in early April 2024, he has been promoting the idea that multilateral economic relations and reduced protectionism are “powerful tools for conducting effective diplomacy”⁴⁶³. Within this framework, Pedro Reis has been paying significant attention to China, as evidenced by the contacts he has established with the Chinese government, particularly during the Ministerial Conference of Forum Macao, in late April 2024 and the visit of Wang Wentao, the Chinese minister of commerce, to Lisbon two months later. A visible outcome of this engagement, highly welcomed by the business community, was the elimination of the visa requirement to enter China.

The interest of the Chinese counterpart in strengthening relations with Portugal is further evidenced by the visit of Zhao Leji, President of the Standing Committee of the National People’s Congress, who chose Lisbon as the starting point of his first official goodwill visit to EU countries (including Portugal, Spain and Greece) in November 2024. During his visit, Zhao met with the country’s top three authorities: the president of the Republic, the prime minister and the president of the Parliament. While reaffirming the strong and friendly relationship between the two countries rooted in a centuries-old history, a clear message was conveyed: “China wants to expand its bilateral relations with Portugal and hopes to have in Portugal a partner to work with China in injecting positive energy in the development of EU-China relationships”⁴⁶⁴.

A prominent signal of a strong relationship emerged in February 2025, when CALB (China Aviation Lithium Batteries), one of the largest Chinese manufacturers of Electric Vehicles (EVs) batteries, announced plans to begin construction of a gigafactory in Sines, located 160 km south of Lisbon, in the second quarter of 2025. The new production unit, representing an investment of EUR 2 billion, is expected to start operations in 2028. It is noteworthy that the project is designated by the Portuguese government as being of national strategic interest and is eligible to receive support up to EUR 350 million from EU reindustrialization funds.

Balancing relations with rival powers in times of uncertainty

Both China and the US are critical partners in the global arena, particularly for smaller countries like Portugal. Avoiding direct confrontations with each of these competing big powers has been a consistent hallmark of successive Portuguese governments, driven

462 AICEP. Pedro Reis recupera diplomacia económica. 15 April 2024. <https://portugalglobal.pt/pt/noticias/2024/abril/pedro-reis-recupera-diplomacia-economica/>

463 Secretaria-geral da Economia. Reunião no Ministério da Economia com o Ministro do Comércio da R.P. da China. 7 June 2024. <https://www.sgeconomia.gov.pt/noticias/reuniao-no-ministerio-da-economia-com-o-ministro-do-comercio-da-rp-da-china.aspx>

464 Xinhua. Chefe do Legislativo da China demonstra esperança de uma cooperação prática mais estreita com Portugal durante sua visita oficial. 24 November 2024. <https://portuguese.xinhuanet.com/20241124/60676a5cab07477180c249e619afd6e2/c.html>

by a 'universalistic' philosophy. In this context, it is highly likely that Portugal will strive, to the utmost degree, to avoid any sort of bandwagoning. In simple terms, the aim is to dodge complex diplomatic problems in ways that preserve long-standing, friendly and productive relations with China without compromising Portugal's commitment to what remains of the political values and security settlements of a teetering Western bloc.

This approach was highlighted in the chapter on Portugal published in the 2020 ETNC's report⁴⁶⁵ and could be expected to prevail in the future as overall guiding frame, even in the face of Trump's shockwaves. Nevertheless, the new status quo in global geopolitics, in which alliances previously taken for granted seemed to suddenly fall apart, is giving rise to a highly uncertain context. Amidst uncertainty, US-China trade and technological confrontation is escalating, making a negative impact on the global economy, - and, particularly, on small economies like Portugal's-, inevitable. Also likely is an increased fragmentation of the world driven by competing interests, which, in turn, implies a reconfiguration of global rivalries. The final sentence of the aforementioned chapter raised a fundamental interrogation: what would Portugal's positioning be vis-à-vis China and the US if Mark Leonard's prediction that "neutrality is not really an option for Europeans"⁴⁶⁶ materialises? Five years on, perhaps Portugal's chapter can conclude with the following interrogation: as the Western bloc fragments and the transatlantic coordination vanishes, will Portugal find expanded strategic ground to reduce the pressure to take sides in a context of US-China rivalry and thereby mitigate the need for hedging?

465 C. Rodrigues and J. Tavares da Silva. China and the US: an 'universalistic' approach to get along with both powers. In M. Esteban and M. Otero-Iglesias (eds.), *Europe in Face of US-China Rivalry*. ETNC – European Think Tank Network on China. 2020

466 M. Leonard. The end of "Chimerica". Project Syndicate. 2019. <https://www.project-syndicate.org/commentary/end-of-chimerica-and-future-of-europe-by-mark-leonard-2019-06>

ROMANIA: EMBRACING THE US AND GHOSTING CHINA



ROMANIA: EMBRACING THE US AND GHOSTING CHINA

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Starting with 2019, Romania has been one of the first EU countries that came in contact with China-US competition and had to make tough choices. From banning Huawei from its 5G network, to cancelling the involvement of a Chinese company in the Cernavodă Nuclear Power Plant, or minimizing diplomatic and political relations with China, Romania did anything it could to show its commitment to the US and the EU in their competition with China, as these two entities are Romania's main allies. These endeavours were the result of US or EU recommendations, many of them taking place in 2019-2021, when the Trump Administration put a lot of emphasis on US-China competition in third countries, but also as a direct response to Beijing's lack of economic involvement and Romania's increasing disillusion regarding unfulfilled Chinese promises. Moreover, Russia's invasion of Ukraine and China's tacit support for Moscow, determined Romania to focus even more on the US and the EU.

As close as the relations between Romania and China were during Romania's communist era, as distant they are today. While even after the fall of communism, in the 1990s and 2000s, Romania tried to maintain closer relations with China, after 2019, Romania took a clear path in distancing itself from China and showing its indisputable support for the US, after the emergence of Sino-American competition.

Post-communist Romania has always maintained a pro-European and pro-transatlantic direction, combined with support for democracy and democratic values, while its once warm relations with China were mostly prompted by economic interests. This is the reason why Romania joined the then-16+1 mechanism and the Belt and Road Initiative (BRI). But the combination of Romania's economic disillusion regarding China, the emergence of US-China tensions and, later, Russia's invasion of Ukraine, tacitly supported by China, determined Romania to tilt more to the US's side.

The US factor in Romania-China relations

For decades, Romania has been a staunch ally of the US, which it has seen as arguably its most important strategic partner in the past 30 years. Romania's post-communist foreign policy has been focused on strengthening relations with the US, joining NATO and the EU and later being a responsible member of the two.

Romania's commitment to its strategic partnership with the US has been shown by joining it in different wars like the ones in Afghanistan and Iraq, but also in other US initiatives. For example, Romania was among the first countries that joined Trump's Clean Network,⁴⁶⁷ an initiative that aimed for signing partners to use only trustworthy

⁴⁶⁷ US Department of State. The Clean Network, US Department of State. <https://2017-2021.state.gov/the-clean-network/>

technology. Romania also made efforts to fulfil Trump's request to raise its military spending to at least 2% of its GDP. Thus, in 2025, Romania's military budget is estimated at 2.24% of its GDP,⁴⁶⁸ while in 2024 Romania's defence spending reached 2.26% of its GDP.⁴⁶⁹ Romania has also been keen to increase the number of US troops on its territory, as a deterrent against possible Russian aggression.

China-US frictions had a considerable impact on Romania's relations with China. In 2019, in the context of Washington's campaign against Huawei, Romania and the US signed a 5G memorandum⁴⁷⁰ through which Romania committed to banning Huawei from participating in its 5G network, though without explicitly mentioning the Chinese company. Later that year, Romania and the US signed an MoU regarding strategic civil nuclear cooperation.⁴⁷¹ While, back then, these two Memoranda of Understanding (MoUs) could have been perceived through the lens of political interests,⁴⁷² later on, they were used to restrict Chinese companies from taking part in Romanian projects. The 5G MoU was transposed into law in 2021, allowing Romania to ban Huawei from building its 5G network, in 2024.⁴⁷³ Despite this ban, according to a European study, in 2022, Chinese gear accounted for 76% of its 5G network.⁴⁷⁴ This percentage was so high mainly because Romania had a small 5G network in 2022 and also because Huawei was not officially banned back then.⁴⁷⁵ Only in 2024 was Huawei officially banned by Romania's Supreme Council of National Defence, but without a public motivation for this decision.⁴⁷⁶

While the 5G network is somehow shielded from Chinese companies, the 2G, 3G and 4G are still dominated by Chinese companies. In this context, the Supreme Council of

468 Romania's Ministry of Defence. Proiectul de buget al MAPN pentru 2025, avizat favorabil în comisiile reunite de apărare ale Parlamentului. 2025. https://www.mapn.ro/cpresa/18748_proiectul-de-buget-al-mapn-pentru-2025-avizat-favorabil-in-comisiile-reunite-de-aparare-ale-parlamentului

469 I. Ernst. Romania's defence spending reached 2.26% of GDP in 2024. Romania Insider. 2025. <https://www.romania-insider.com/romania-defence-spending-2024>

470 Romania Insider. Romania, US sign memorandum on 5G technologies "in line with rule of law principles". Romania Insider. 2019. <https://www.romania-insider.com/romania-us-5g-memorandum>

471 US Embassy in Romania. U.S. and Romania Sign Nuclear Cooperation Memorandum of Understanding, US Embassy in Romania. 2019. <https://ro.usembassy.gov/u-s-and-romania-sign-nuclear-cooperation-memorandum-of-understanding/>

472 2019 was an election year in Romania and the 5G MoU was signed during the US visit of the President, while the nuclear MoU was signed during the visit of the Prime Minister, who were the main candidates in the 2019 presidential elections.

473 AFP. Romania has approved a bill that aims to exclude Chinese group Huawei from the country's future 5G mobile network. Euronews. 2021. <https://www.euronews.com/2021/04/16/romania-approves-law-to-potentially-exclude-huawei-from-future-5g-network>

474 L. Celurus. Germany is (still) a Huawei hotspot in Europe, Politico Europe. 2022. <https://www.politico.eu/article/germany-is-still-a-huawei-hotspot-in-europe-5g-telecoms-network/>

475 I. Benea. Ce înseamnă și de ce Bucureștiul a decis abia acum interzicerea Huawei în rețelele 5G din România. Radio Europa Libera Romania. 2024. <https://romania.europalibera.org/a/huawei-5g-romania/32844090.html>

476 Ibidem.

National Defence required telecommunication companies to take out Huawei gear from their networks in the next 5-7 years. Nonetheless, other Chinese companies like ZTE, Hikvision and Dahua are deeply rooted in Romania's civil telecommunication and IT systems and even military ones. For example, surveillance cameras from Hikvision and Dahua are used even in Romania's Intelligence Services' headquarters or in Deveselu,⁴⁷⁷ a Romanian military base that hosts an US Aegis anti-ballistic missile shield.

The other 2019 MoU was used to cancel China General Nuclear Power's (CGN) involvement in the Cernavodă Nuclear Power Plant, in 2020, after almost seven years of negotiations.⁴⁷⁸ The then-US ambassador to Romania, Adrian Zuckerman, seemed very interested in cancelling China's involvement in Cernavodă, because in a public speech he declared that in 2019, soon after arriving in Bucharest, he was working with the US Department of Energy on removing CGN from the Cernavodă project.⁴⁷⁹ And the Romanian government followed through, ending negotiations and the agreements with CGN,⁴⁸⁰ though it cited negotiation disagreements regarding the provision of state aid.⁴⁸¹ The US promised to fill the gap left by the Chinese company, but 5 years later, the two reactors at the Cernavodă Nuclear Power Plant are still only a project on paper, while the American project of building NuScale small modular reactors⁴⁸² is nowhere to even being started.

One year later, following EU recommendations, Romania took other steps in regard to China, which were probably good news to the US. Romania banned Chinese companies from participating in public tenders, a decision touted by then-minister of transport, Cătălin Drulă, as "a strategic choice. Romania's strategic choice in the last year has been quite clear, if we look at [building the reactors at] Cernavodă, if we look at the discussions about 5G. And then, in the interest of the geo-strategic options of this continent that is on a transatlantic security axis, we have to make some choices that

477 I. Benea. Ochi chinezești la Deveselu. Sistemele de supraveghere din China, interzise în SUA și UK, veghează unitățile Armatei Române. Radio Europa Libera Romania. 2024 <https://romania.europalibera.org/a/tara-in-service-camere-de-supraveghere-chinezesti-armata/32821111.html>

478 A. Brinza. How Cernavodă Made Romania a Key Geopolitical Battleground in Europe. China Observers. 2020. <https://chinaobservers.eu/how-cernavoda-made-romania-a-key-us-china-geopolitical-battleground-in-europe/>

479 US Embassy in Romania. Ambassador Adrian Zuckerman at the DOE Intergovernmental Agreement Signing Event. US Embassy in Romania. 9 October 2020. <https://ro.usembassy.gov/ambassador-adrian-zuckerman-at-the-doe-intergovernmental-agreement-signing-event/>

480 A. Brinza. How Cernavodă Made Romania a Key Geopolitical Battleground in Europe. China Observers. 2020. <https://chinaobservers.eu/how-cernavoda-made-romania-a-key-us-china-geopolitical-battleground-in-europe/>

481 C. Pantazi. DOCUMENT Statul român rupe controversatul acord cu compania chineză care urma să construiască reactoarele 3 și 4 de la Centrala nucleară Cernavodă. G4Media. 2020. <https://www.g4media.ro/breaking-statul-roman-rupe-acordul-cu-compania-chineza-care-urma-sa-construiasca-reactoarele-3-si-4-de-la-centrala-nucleara-cernavoda.html>

482 World Nuclear News. Romania's NuScale SMR plan gets USD275 million boost. World Nuclear News. 2023. <https://world-nuclear-news.org/Articles/NuScale-s-Romanian-SMR-plan-gets-USD275-million-bo>

are made in other states of the European Union and choose European companies”.⁴⁸³ Also urged by the EU, Romania implemented a stricter foreign direct investment (FDI) screening mechanism.⁴⁸⁴ But this screening mechanism, combined with the 5G law, also created more red tape. For example, the 5G law was extended to cover all technologies, equipment and software used in IT and communication systems of national importance, so any company looking to sell IT systems to the Romanian government had to gain prior approval as a trusted supplier. This is why Lenovo, which does not sell 5G gear in Romania, but was interested in selling other products to local or central governmental institutions, applied to be designated as a trusted IT supplier. When Romania’s Supreme Council of National Defence granted Lenovo this status, there was some misunderstanding of the decision, especially its connection with 5G.⁴⁸⁵ But this approval did not signal any rapprochement towards China, as Huawei was later denied this status, thus being banned from the 5G network.

Yet, despite being very active between 2019 and 2021 in implementing various restrictions aimed against China, some of them following US requests, since then, Romania did not engage in any new significant steps regarding its China’s policies. For example, on the occasion of the EU vote regarding the imposition of tariffs on electric vehicles (EVs) from China, Romania abstained, yet apparently not because of economic interests, but because a lack of information about the EU investigation and the Chinese subsidies, which Romania supposedly did not receive from the EU.⁴⁸⁶

Thus, relations with China have been rather quiet over the past 3 years, not just in the absence of confrontational moves, but also regarding the absence of any notable diplomatic or political contact with China.

The economic vector in Romania-China relations

Both China and the US have relatively underdeveloped economic links with Romania. While Romania-China trade flows (imports and exports) stood at around EUR 8.3 billion in 2023, US-Romania trade flows were far less developed, reaching just around EUR 3.8

483 A. Brinza. Romania is closing the door to public tenders for Chinese companies. RISAP. 2021. <https://risap.eu/romania-is-closing-the-door-to-public-tenders-for-chinese-companies/>

484 B. Bartsch and C. Wessling (eds). From a China strategy to no strategy at all Exploring the diversity of European approaches. ETNC.2023. https://meric.org/sites/default/files/2023-08/ETNC_Report_2023_final.pdf p. 131.

485 S. Carlucea. Chinezii de la LENOVO au primit undă verde pentru tehnologia 5G, cu avizul CSAT și semnătura premierului Ciolacu. Radio Europa Libera Romania. 2023. <https://romania.europalibera.org/a/chinezii-de-la-lenovo-unda-verde-tehnologia-5g-cu-avizul-csat-si-semnatura-premierului/32537417.html>; D. Kochis. China’s Backdoor into Romania. The National Interest. 2023. <https://nationalinterest.org/feature/chinas-backdoor-romania-206887>

486 Vlad Barză. De ce România a ales să se abțină la votul pentru taxarea mașinilor electrice produse în China. HotNews. 2024. <https://hotnews.ro/de-ce-romania-a-ales-sa-se-abtina-la-votul-pentru-taxarea-masinelor-electrice-produse-in-china-1808733>

billion.⁴⁸⁷ Despite the fact that the trade flows have increased since 2018 in both cases (from EUR 5.2 billion with China and EUR 2.2 billion with the US),⁴⁸⁸ they play a marginal role in Romania's total trade. In 2023, imports from China represented 5.5% of Romania's total imports and China accounted for only 0.9% of Romania's total exports.⁴⁸⁹ With the US, trade relations are even weaker than with China, representing 2.3% of Romania's total exports and 1.1% of Romania's total imports.⁴⁹⁰ Even if the number of Chinese companies in Romania increased from 13,320 (2020) to 13,981 (2024) and the amount of the Chinese FDI also increased from EUR 285 million (2020) to EUR 359 million (2024), China fell from the 19th place in 2020 to the 20th place in 2024 in the ranking of the largest foreign investors in Romania.⁴⁹¹ On the other hand, there were 8,912 companies with American capital in Romania in 2024, accounting for EUR 912 million in FDI.⁴⁹² Despite the fact that the US maintained its 13th place between 2020 and 2024, American FDI represents only 1.83% of the total FDI in Romania.⁴⁹³ Both for China and the US, the official figures underestimate the real amount of investments, as some companies have invested in Romania through subsidiaries in other countries – like Huawei, though the Netherlands.

Romania is a member of the 14+1 mechanism, even though it downgraded its participation to the last summit, in 2021, to that of minister, instead of president or prime minister. Despite the fact that Romania signed a BRI MoU with China in 2015, it is not involved in any BRI project or even 14+1 projects. On the contrary, over the past years, Romania has developed a very reluctant approach towards both the 14+1 mechanism and the BRI, which it exited in 2020 after the five-year MoU expired without renewal⁴⁹⁴. This is highlighted even by Romania's participation in the Belt and Road Forums (BRF): Romania sent representatives only to the first Forum in 2017, and then only the Deputy Prime Minister and Minister of Environment Gratiela Gavrilescu.⁴⁹⁵ Economic interests were the main factor in Romania's previous attempts to woo China, as the Romanian government hoped China could help with its underdeveloped infrastructure and with more manufacturing FDI. While this was the motivation for the early eager embrace of

487 UN Comtrade. Data retrieved October-November 2024. <https://comtradeplus.un.org/>

488 M. Esteban and M. Otero-Iglesias (eds). Europe in the Face of US-China Rivalry. ETNC. 2020. <https://media.realinstitutoelcano.org/wp-content/uploads/2021/11/etnc-europe-in-the-face-of-us-china-rivalry-1.pdf>, p.141.

489 UN Comtrade. Data retrieved October-November 2024. <https://comtradeplus.un.org/>

490 UN Comtrade. Data retrieved October-November 2024. <https://comtradeplus.un.org/>

491 Oficiul National al Registrului Comertului. Societăți cu participare străină la capital. Ministerul Justiției. December 2020 and December 2024, <https://www.onrc.ro/index.php/ro/statistici?id=254>

492 Oficiul National al Registrului Comertului. Societăți cu participare străină la capital. Ministerul Justiției. December 2024. <https://www.onrc.ro/index.php/ro/statistici?id=254>

493 Oficiul National al Registrului Comertului. Societăți cu participare străină la capital. Ministerul Justiției. December 2020 and December 2024. <https://www.onrc.ro/index.php/ro/statistici?id=254>

494 According to a Romanian government official.

495 The Diplomat. Belt and Road Attendees List. The Diplomat. 2017. <https://thediplomat.com/2017/05/belt-and-road-attendees-list/>

the then 16+1 mechanism and the BRI, reality soon set it, as Chinese investments and projects failed to materialize. Thus, when the conflict between the US and China began, with the US exerting pressure regarding Huawei and later Cernavodă, Romania quickly decided to side with Washington and distance itself from China, abandoning any attempt at strengthening economic relations. Over the past five years, economic relations have developed only in a slow rhythm, mostly focused on commerce and with just a handful of private, relatively small Chinese investments.

Four years of calm and chilly relations

Since the inauguration of the Biden administration, with the exception of the public tender exclusion and the FDI screening mechanism, Romania has not taken any other action against China. A former member of parliament had proposed a bill aiming to ban Confucius Institutes, by threatening to defund the public universities hosting them⁴⁹⁶, but it never advanced. It is unclear whether this lack of action happened because there were no other issues left to address, because of a lack of pressure from the Biden administration – which focused on high-tech chips and other actions that did not concern Romania – or because Bucharest felt that it no longer had to display its firm commitment, once a pro-European administration had returned to Washington.

Thus, relations with China have remained on standby, with no noticeable development in any direction. Since 2019, there has been no high-level engagement and Romania remains one of the only two countries among the 10 largest EU Member States (by Purchasing Power Parity GDP)⁴⁹⁷ which had no head of state or head of government engagement with China since 2020.

But, despite adopting one of the strictest measures targeting China in Europe, Romania kept a low profile in talking or explaining these actions, avoiding rhetorical conflicts. On the other side, surprisingly enough, in a period when the “wolf warrior diplomacy” was trending, the Chinese embassy in Romania did not engage in harsh criticism of Romania and its government, even when China’s economic interests were affected, as in the case of Huawei, Cernavodă or public tenders.

While maybe China has been waiting for Romania to return to a warmer approach towards it, it continued its pressure of Romania on issues related to Taiwan, despite

496 M. Roman. Universitățile din România care colaborează cu Institutele Confucius din China vor pierde finanțarea pentru cercetare – proiect de lege. G4Media. 2022. <https://www.g4media.ro/universitatile-din-romania-care-colaboreaza-cu-institutele-confucius-din-china-vor-pierde-finantarea-pentru-cercetare-proiect-de-lege.html>

497 The other one is Sweden. The World Factbook, Real GDP (purchasing power parity). CIA. <https://www.cia.gov/the-world-factbook/field/real-gdp-purchasing-power-parity/country-comparison/>

that fact that Romania has one of the harshest positions on Taiwan from the region.⁴⁹⁸ From criticising members of the Romanian parliament who visited Taiwan,⁴⁹⁹ to requests and complaints sent to the Romanian Ministry of Foreign Affairs (MAE) regarding politicians' "misdeeds" in relations with Taiwan,⁵⁰⁰ China puts a lot of focus on Taiwan issues.

Romania's relations with the United States have continued to remain strong, as Romania was a firm ally of Ukraine – though, as in the case of its China actions, keeping a low profile and avoiding much public communication regarding its efforts. In the EU, Romania has also been a responsible Member State, going along with Commission proposals, though mostly as a loyal follower⁵⁰¹. Over the past two years, its attention has been focused on gaining Schengen membership, which it finally achieved this year. On other subjects, such as strategic autonomy and de-risking, there have been no public debates and no apparent government interest for these topics. Nonetheless, in the context of doubts about the future of the US involvement in Europe's security, it is likely that Romania will support efforts to develop the EU's strategic autonomy and defence capabilities, as worries about Russia have been a defining factor in post-communist Romania politics and diplomacy.

Conclusions

Starting with 2019, Romania was among the first EU countries that really experienced the influence of US-China competition, as Romania had to take firm measures regarding China in order to signal its commitment to its alliance with the US. Romania thus distanced itself from Beijing and even though the past few years brought no new actions regarding China, Sino-Romanian relations remain cool and distant, though with the potential to rekindle, based on their "traditional friendship", as the two avoided any open conflict. The future direction of Romania-China relations remains uncertain, not so much because of domestic politics, as because of external uncertainty, as they will be shaped by the evolution of US-China, US-EU and EU-China relations, all in the context of the new Trump administration.

498 M. Šimalčík, A. Gerstl and D. Remžová (eds). *Beyond the Dumpling Alliance, Tracking Taiwan's relations with Central and Eastern Europe*. CEIAS. 2023. https://ceias.eu/wp-content/uploads/2023/03/CEEtaiwan_paper_final_PRINT.pdf

499 A. Leonte. *Romania's Strategic Puzzle: Navigating Taiwan Relations Amid Chinese Pressure*. China Observers. 2024. <https://chinaobservers.eu/romania-strategic-puzzle-navigating-taiwan-relations-amid-chinese-pressure/>

500 Based on discussions with a Romanian governmental official.

501 P. Andersson and F. Lindberg (eds). *National Perspectives on Europe's De-risking from China*. ETNC. 2024. https://www.ui.se/globalassets/ui.se-eng/publications/other-publications/etnc-2024_national-perspectives-on-europes-de-risking-from-china.pdf p. 113.

SLOVAKIA: DOMESTIC TURMOIL MEETS GEOPOLITICAL CLASH



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Since 2020, Slovak foreign policy has become increasingly polarized, with governments shifting between strong pro-Western alignment and a more pragmatic, multi-vector approach. The 2020–2023 administrations deepened ties with the US and EU while remaining cautious on China. In contrast, the Fico-led government since 2023 has pursued closer relations with China, criticized the EU, and maintained pragmatic ties with the US, especially under the Trump administration. While US-China rivalry has had limited direct political impact, its effects are growing in key sectors like cybersecurity and the automotive industry, exposing Slovakia to potential economic risks.

The “two lines struggle” in Slovak foreign policy

The growing polarization in Slovak domestic politics has, since 2020, also led to increasing division on foreign policy issues. The general consensus of the post-late-90s Slovak foreign policy strategy was that Slovakia had to prioritize its integration into the Western integration structures, primarily the EU and NATO. This has changed since 2020 with the opposing political camps increasingly also representing differing foreign policy credos, which also manifested in important differences in how the 2020-2023 and post-2023 governments approached foreign policy and ties with the US and China. Turbulences caused by the US policies under President Trump are further catalyzing this change. However, the main geopolitical imaginary in Slovak politics has remained that of the “West” versus Russia, with China playing a secondary, although increasingly important role.⁵⁰²

Support for Ukraine deepens US ties

Liberal and right-of-center parties in Slovakia have maintained their pro-EU and pro-US orientation. Between 2020 and 2023, the coalition government of these parties—OL'ANO, SaS, Za ľudí and Sme rodina under prime ministers Igor Matovič (OL'ANO, later renamed to Slovensko) and Eduard Heger (then OL'ANO, now Demokrati)—followed by a caretaker government of Ľudovít Ódor, positioned Slovakia as an important security ally of the US. New security and defence strategies were adopted in 2021, underlining the firm transatlantic commitment.

502 For comparison see the previous ETNC report. R. Turcsányi, G. Pleschová. Slovakia: A country between East and West. In M. Esteban, M. Otero-Iglesias, A. Bērziņa-Čerenkova. Europe in the Face of US-China Rivalry. January 2020. <https://ceias.eu/wp-content/uploads/2020/01/Final-ETNC-report-1.pdf>

The 2021 Security Strategy calls the US “strategic transatlantic ally of the Slovak Republic in NATO”, arguing it is Slovakia’s “security interest ... to maintain the military presence of the USA in Europe.” Slovakia signed a Defence Cooperation Agreement (DCA) with the US in January 2022, regulating the presence of US soldiers in the country, giving the US military the right to use two Slovak air force bases to be modernized using USD 100 million in US military assistance to Slovakia.⁵⁰³

In February 2022, Slovakia was quick to react to Russia’s full-scale invasion of Ukraine, unequivocally condemning it and providing humanitarian and also direct military support to Kyiv. The war has led to strengthening of the overall US-Slovak cooperation in defence matters across different domains, with Slovakia receiving financial compensation and equipment for its military aid to Ukraine.⁵⁰⁴ In March 2022, NATO troops, including from the US, were for the first time permanently deployed to Slovakia, as part of a wider effort by the Alliance to bolster the Eastern flank. US troops were also temporarily deployed in Slovakia to man the Patriot anti-air system, provided by the US to Slovakia to replace the S-300 system which Slovakia donated to Ukraine.⁵⁰⁵

Cautious towards China but open to investment

The 2020-2023 governments have strengthened Slovakia’s pro-Western orientation. The policy towards China, on the other hand, has strayed from the cautious approach that used to characterize it before. One sign was the more direct articulation of the view of China as a security and value challenge, when the 2021 Security Strategy echoed the official EU definition of China policy, arguing that “China was an important actor and partner in addressing global challenges, but also an economic and technological competitor and systemic rival of the EU”.

The document also noted that China is “increasing its power potential and political influence, backed by rapidly growing military capabilities, which in combination with its economic strength and strategic investment it is using assertively to advance its interests” and that China “promotes its own model of governance and a different understanding of human rights and freedoms”.⁵⁰⁶ The Slovak Information Service (SIS), the country’s civilian intelligence agency, has become much more vocal in pointing to

503 US troops set to use military bases in Slovakia after MPs approve controversial treaty. Euronews. 2 September 2022. <https://www.euronews.com/2022/02/09/us-troops-set-to-use-military-bases-in-slovakia-after-mps-approve-controversial-treaty>

504 U.S. Congress passes a grant of more than \$200m for Slovakia to help modernise the Slovak Armed Forces. Ministry of Defense of the Slovak Republic. 28 September 2022. <https://www.mosr.sk/52014-en/kongres-spojenych-statov-schvalil-grant-pre-slovensko-vo-vyske-viac-ako-200-mil-dolarov-pouzite-budu-na-modernizaciu-os-sr/>

505 U.S. Patriot battery completes transfer of authority to NATO in Slovakia. September 13, 2022. https://www.army.mil/article/260215/u_s_patriot_battery_completes_transfer_of_authority_to_nato_in_slovakia

506 Security Strategy of the Slovak Republic. Government of the Slovak Republic. 7 January 2021. <https://www.mzv.sk/documents/30297/4638226/security-strategy-of-the-slovak-republic.pdf>

security challenges related to China, such as those related to the interest of Chinese actors to gain influence in academic and business sectors, including specifically the 5G domain.⁵⁰⁷

Notably, between 2020 and 2023, the Slovak governments significantly deepened engagement with Taiwan. This manifested itself in reciprocal donation of medical equipment and vaccines during the pandemic, signing of several key agreements with Taiwan, such as on cooperation in judicial matters (including extraditions), or in exchanges of political delegations. The Slovak parliament also passed several resolutions to support Taiwan's international engagement.⁵⁰⁸ In contrast to other countries in the region, Slovakia has, however, managed to avoid its relations with Taiwan burdening bilateral relations with China, as these ties have still remained relatively low profile.

Meanwhile, bilateral ties with China have remained stagnant between 2020 and 2023, without meaningful developments but also no significant deterioration. Prime Minister Igor Matovič initially criticized the 17+1 cooperation format with China and was expected to miss an online summit of the grouping with Xi Jinping in February 2021. However, he eventually did participate, a decision likely linked to an agreement with China to sign a protocol on exports of Slovak lamb meat.⁵⁰⁹ Slovakia at the same time also remained open to Chinese investment: it negotiated the investment of Volvo (EUR 1.2 billion),⁵¹⁰ owned by China's Geely, into building an electric vehicle manufacturing plant in Eastern Slovakia and also engaged in negotiations with Chinese battery maker Gotion (EUR 1.2 billion).⁵¹¹ The investment was finalized under the Fico government in 2023.

Anti-Western turn under Fico

On the other side of the spectrum, the new government formed in October 2023 by populist SMER-SD and Hlas parties and their far-right partner, SNS, has been increasingly contesting Slovakia's pro-Western orientation. The Fico government announced it would lead an "all azimuth foreign policy", marked by reengagement with Russia, strengthened cooperation with China, and overall more focus on non-Western powers with a priority

507 2019 activity report of the Slovak Information Service. Slovak Information Service. September 2020. <https://www.sis.gov.sk/pre-vas/sprava-o-cinnosti-2019.html>

508 K. Kirska. Slovakia-Taiwan Relations: Slovakia's Pragmatic Approach as a Model of Engagement with Taiwan. Central European Journal of International and Security Studies, Vol. 18, No.4. 2024. <https://www.cejiss.org/slovakia-taiwan-relations-slovakia-s-pragmatic-approach-as-a-model-of-engagement-with-taiwan>

509 M. Šimalčík. Summit 17 + 1: Debakel pre Peking?. Pravda. 22 February 2021. <https://nazory.pravda.sk/analyzy-a-postrehy/clanok/578798-summit-17-1-debakel-pre-peking/>

510 CEIAS. Central Europe-East Asia EV Nexus Tracker. March 2025. <https://evnexustracker.ceias.eu/map/86>

511 CEIAS. Central Europe-East Asia EV Nexus Tracker. March 2025. <https://evnexustracker.ceias.eu/map/68>

of promoting economic interests of Slovakia abroad, while downplaying the security and human-rights aspects. Already during the time in opposition between 2020 and 2023, SMER-SD under Fico had adjusted its foreign policy stance, doubling down on an anti-Western rhetoric that has always been a feature, but not a mainstream within the party.

Remarkably, SMER-SD was part of the large public campaign against the conclusion of the DCA with the US, although the party itself had started the negotiations whilst previously in government in 2017. The new rhetoric portrayed the DCA as a violation of Slovak sovereignty. SMER-SD even went so far as to call its proponents “traitors” and claimed that passing the agreement could lead to the deployment of nuclear weapons in Slovakia.

In one of its first foreign policy actions, Fico’s government announced a stop to all official military aid (but not commercial sales) to Ukraine and has gradually engaged in open disputes with Kyiv. The Fico government has declared its continuous support for EU and NATO membership, committing to it in the government manifesto. However, it has been increasingly deviating from these commitments in both rhetoric and practice. Fico’s government wants Slovakia to lead its own independent and “sovereign” foreign policy, that is not beholden to ideological concerns and wishes of Western partners. On the EU level, Fico has joined Hungarian Prime Minister Viktor Orbán as a significant spoiler of joint action on foreign policy issues.⁵¹²

Slovak relations with the US have, meanwhile, been less affected, despite continued anti-US rhetoric by government figures, especially regarding the Biden administration’s Ukraine policy. In spite of promises to renegotiate the DCA treaty with the US, the Fico government has so far left it untouched and sticks to a pragmatic course.

Fico’s overtures to China

On the issue of China, the Fico government has made moves to significantly improve relations. In October 2024, Fico led the largest-ever delegation to China on an official visit (the first by a PM since 2007), signing a Strategic Partnership.⁵¹³ In the agreement, Slovakia notably reiterated its restrictive interpretation of the One China Policy and also noted that the two sides “firmly oppose the politicization and instrumentalization of human rights issues, and any country interfering in the internal affairs of other countries under the pretext of democracy and human rights.”

512 Hungary, Slovakia Block EU Sanctions Against Georgian Leaders. Radio Free Europe, Radio Liberty. December 16 2024. <https://www.rferl.org/a/georgia-hungary-orban-slovakia-fico-eu-sanctions-visa/33241932.html>

513 M. Šimalčík, Filip Šebok. Does China Have a New European Ally in Slovakia’s Prime Minister? The Diplomat. 15 November 2024. <https://thediplomat.com/2024/11/does-china-have-a-new-european-ally-in-slovakias-prime-minister/>

Fico also supports China's views on Ukraine; he repeatedly stated his support for peace proposals put forward by China (or China and Brazil). The relationship with China has thus gained a new (geo)political aspect, apart from the long-standing focus on economic ties.

In both words and action, Fico's government has denied the relevance of any security concerns or values considerations in dealing with China in contrast to the still valid strategic documents passed under the previous government.⁵¹⁴ The Fico government remains interested in cooperating with China across several areas, with a key focus on infrastructure, such as on the (re)construction of roads and railways in Slovakia. The most concrete example where Chinese involvement is discussed is the planned highway tunnel through the Malé Karpaty mountains near Bratislava.⁵¹⁵

The Trump factor: Disturbance and re-alignment

The election of Donald Trump for his second presidential term had a notable effect on traditional political divides within Slovak politics when it comes to relations with the US and China. While the polarization over foreign policy issues is not likely to disappear, the positions around which different parts of the spectrum coalesce appear to be shifting.

Similarly to Orbán, Fico has not hidden his preference for Trump in the US political contest. Shortly after the elections, Fico held a phone conversation with Trump, during which he attempted to trauma-bond with the incoming President over their shared victimhood of politically-motivated assassination attempts.⁵¹⁶

Fico has found points of convergence with the new administration in Washington, both on foreign policy and ideological issues, which in turn can be used to bolster his own political position in Slovakia, where he has tried to delegitimize the opposition and civil society as serving foreign interests. In February 2025, after returning from Washington, where he spoke at the Conservative Political Action Conference (CPAC) and met with Elon Musk, Fico called for a review of all government and EU-funded NGO grants, clearly inspired by his US counterparts.

Meanwhile, the Slovak mainstream opposition, since the 2023 elections led by Progressive Slovakia party, has been faced with pressure to reconsider its pro-US stance,

514 M. Šimalčík, F. Šebok. Slovakia's China pivot: Economic pragmatism or political subservience? A briefing on Robert Fico's visit to China in November 2024. Cntral European Institute of Asian Studies. 20 December 2024. <https://ceias.eu/slovakias-china-pivot-economic-pragmatism-or-political-subservience-a-briefing-on-robert-ficos-visit-to-china-in-november-2024/>

515 R.Fico: Posúdiť možnosti spolupráce na tuneli pod Karpatmi prídu čínski experti. Trend. 6 November 2024. <https://www.trend.sk/spravy/robert-fico-posudit-moznosti-spoluprace-tuneli-karpatmi-pridu-cinski-experti>

516 In May 2024, Fico was shot and critically injured after a government meeting in central Slovakia. Fico has sought to directly connect the assassin to the opposition parties without evidence.

showing a split between liberal and conservative parties in the opposition camp. Ivan Korčok, a Progressive Slovakia foreign policy expert, former presidential candidate and former minister of foreign affairs, has argued the EU should seek to improve ties with China to react to the changes in US policy.⁵¹⁷ This was despite his party criticizing Fico's policies as leading Slovakia away from the EU and NATO and "dragging the country to the East". Korčok, however, also clarified that he still sees China as a systemic rival, "unfair" competitor, and "potential" partner (in this order). He also said he believed that any cooperation with China should be used as a bargaining chip by the EU in negotiations with the Trump administration.⁵¹⁸

At the same time Miriam Lexmann, a KDH (Christian Democrats) MEP with a China policy focus (Inter-Parliamentary Alliance on China co-chair), has criticised proposals to improve ties with China to offset tensions with Washington, and has instead argued that the EU should continue to strive for deepened cooperation with the US, a longtime ally, including on protecting shared economic and security interests vis-à-vis China.⁵¹⁹

Sectoral impacts of the US-China rivalry in Slovakia

The competition between China and the US continues to be relatively irrelevant for Slovak domestic politics and foreign policy, with the struggle between the West and Russia playing a much more significant role.⁵²⁰ The bilateral relations with China and the US have rarely been directly juxtaposed.

The first signs of an impact of the US-China competition were seen in the cybersecurity of 5G networks, dating back to Trump's first administration: In 2020, Slovakia committed to the US-led Clean Networks initiative. By signing the memorandum, Slovakia pledged to exclude from its 5G networks risky vendors linked to foreign adversaries, chiefly among them China. As a result, Slovakia upgraded its domestic cyber security laws and engaged in policy advocacy dialogue with the private sector.⁵²¹ Consequently, the share

517 P. Hanák. I. Korčok: Ak Trump nanovo kreslí mapu sveta, Európa sa musí zariadiť. Mali by sme viac spolupracovať s Čínou (rozhovor). Aktuality. 16 February 2025. <https://www.aktuality.sk/clanok/N85o67z/ivan-korcok-ak-trump-nanovo-kresli-mapu-sveta-europa-sa-musi-zariadit-mali-by-sme-viac-spolupracovat-s-cinou-rozhovor/>

518 D. Mikušovič. Dzurinda od Merkelovej počul, že Fico sedáva na samite v kúte. Korčok hovorí, že s Lavrovom hovoril ináč ako Blanár. Denník N. 21 February 2025. <https://dennikn.sk/4481193/dzurinda-od-merkelovej-pocul-ze-fico-sedava-na-samite-v-kute-korcok-hovori-ze-s-lavrovom-treba-hovorit-priamo/>

519 M. Lexmann. SPOJENECTVO S ČÍNOU NIE JE ANI UMIERNENÉ, ANI KONZERVATÍVNE A ANI LIBERÁLNE. JE TO KROK SMEROM SO SMEROM. Facebook. 18 February 2025. <https://www.facebook.com/miriamlexmann.sk/posts/1014512937157698?rdid=DgsUkxdZNgbFvUjU#>

520 R. Turcsányi, G. Pleschová. Slovakia: A country between East and West. In M. Esteban, M. Otero-Iglesias, A. Bērziņa-Čerenkova. Europe in the Face of US-China Rivalry. January 2020.

521 R. Gramer. Trump Turning More Countries in Europe Against Huawei. Foreign Policy. 27 October 2020. <https://foreignpolicy.com/2020/10/27/trump-europe-huawei-china-us-competition-geopolitics-5g-slovakia/>

of Chinese components in Slovak 5G networks remains low, estimated at 15% as of 2024,⁵²² despite China's lobbying efforts.⁵²³

While these developments were achieved during the tenure of Matovič and Heger governments, Fico's administration since 2023 has left them untouched for now, and the cybersecurity regulator has managed to keep an independent view on potential cybersecurity risks from China (as evidenced by the 2025 warning against DeepSeek). Nevertheless, this could change, as one outcome of Fico's trip to China in November 2024 was a pledge to deepen cooperation in the digital sector, including on 5G, cloud computing, satellite navigation, data centers, AI, the Internet of Things, and others.⁵²⁴

At the same time, while the Fico government is maintaining a pro-China policy, the US continues to be a key supplier of defence equipment. Already in 2018, under Prime Minister Peter Pellegrini (then-SMER-SD, currently President of Slovakia), Slovakia ordered 14 F16 fighter jets from the US, with the first delivered under the SMER-SD administration in 2024. More recently, Slovakia also decided to procure new helicopters,⁵²⁵ as well as light armored vehicles, from the US.⁵²⁶

One of the major economic linkages between Slovakia and the US is the steel mill in Košice, owned by the US Steel corporation. The steel mill, one of the largest employers in the country, is in need of investment (between 1 – 2 billion EUR) to upgrade its production facilities to meet environmental criteria.

In 2017, Chinese Hesteel was looking into purchasing the factory but ultimately pulled out of the deal.⁵²⁷ New questions arose after Japan's Nippon Steel announced its bid to purchase US Steel in its entirety. Given that Nippon Steel's primary objective was to enter the US market, it became questionable whether it might not want to divest from

522 Share of 4G and 5G RAN in Europe. Strand Consults. 10 January 2025. <https://strandconsult.dk/get-your-free-copy-of-strand-consults-new-study-the-market-for-5g-ran-in-2024-share-of-chinese-and-non-chinese-vendors-in-europe/>

523 2020 activity report of the Slovak Information Service. Slovak Information Service. December 2021. <https://sis.gov.sk/pre-vas/sprava-o-cinnosti-2020.html>

524 M. Šimalčík, F. Šebok. Slovakia's China pivot: Economic pragmatism or political subservience? A briefing on Robert Fico's visit to China in November 2024. Cntral European Institute of Asian Studies. 20 December 2024. <https://ceias.eu/slovakias-china-pivot-economic-pragmatism-or-political-subservience-a-briefing-on-robert-ficos-visit-to-china-in-november-2024/>

525 J. Adamowski. Slovakia buys Black Hawk helicopters, leaving Vipers up for grabs. Defense News. 18 December 2024. <https://www.defensenews.com/global/europe/2024/12/18/slovakia-buys-black-hawk-helicopters-leaving-vipers-up-for-grabs/>

526 Slovensko môže v USA nakúpiť ľahké obrnené vozidlá a iné zbrane za 250 miliónov dolárov. SME. 10 May 2023. <https://www.sme.sk/minuta/23166703/slovensko-moze-v-usa-nakupit-lahke-obrnene-vozidla-a-ine-zbrane-za-250-milionov-dolarov>

527 Hesteel Company Limited cancelled the acquisition of U. S. Steel Kosice, s.r.o. from U. S. Steel Global Holdings I, B.V. Market Screener. 27 January 2018. <https://in.marketscreener.com/quote/stock/HBIS-COMPANY-LIMITED-6496784/news/Hesteel-Company-Limited-cancelled-the-acquisition-of-U-S-Steel-Kosice-s-r-o-from-U-S-Steel-Glo-34842940/>

the Slovak steel mill.⁵²⁸ The details of the deal have not been finalized as of May 2025, therefore the impact on Slovakia remains unknown.⁵²⁹

With the presence of five major vehicle manufacturers, the car industry forms the backbone of the Slovak economy. Among non-EU markets, the US and China are the two largest (as of 2022, 7.9% and 7.6%, respectively).⁵³⁰ Any political turbulences could therefore cause major disturbances in the Slovak economy.

Fico's government opposed the adoption of EU countervailing duties on imports of Chinese Electric Vehicles (EVs), citing fears of China's retaliation against car exports to China. According to Fico, the tariffs were part of a "nonsensical trade war pursued by the European Commission" with "devastating effects for the European economy."⁵³¹

As mentioned above, Slovakia has been open to Chinese EV investments regardless of the government in power (Volvo/Geely, Gotion).⁵³² Furthermore, several Chinese companies have invested in Slovakia within the supply chains of legacy ICE car producers (e.g. Yanfeng). This open stance on Chinese automotive investments has been reiterated by Fico's government during his 2024 state visit to China.

The dependence on the US market also means that Slovakia will have to bear the brunt of the impacts of the 25% US car tariffs by the Trump administration.⁵³³ The losses for the Slovak economy could be as high as EUR 300 million per year.⁵³⁴ Impacts would be felt both in direct exports to the US, as well as in exports of intermediary products to other EU countries, which in turn export cars to the US. Beyond the car industry, further escalation of the trade war by the US is expected to have impacts also on the machinery, logistics, and construction sectors. By 2027, the trade war with the US might result in

528 M. Šebeňa. Američania brali bývalé VSŽ ako bankomat. Aký plán pre Košice majú Japonci? (názor Martina Šebeňa). Aktuality. 21 December 2023. <https://www.aktuality.sk/clanok/uEPXwr8/americania-brali-byvale-vsaz-ako-bankomat-aky-plan-pre-kosice-maju-japonci-nazor-martina-sebenu/>

529 C. Isidore, A. Saenz, K. Tausche. Biden blocks Japan's Nippon from taking over US Steel. 4 January 2025. <https://edition.cnn.com/2025/01/03/business/biden-blocks-us-nippon-steel-takeover/index.html>

530 Slovakia. The Atlas of Economic Complexity. <https://atlas.hks.harvard.edu/explore/treemap?exporter=country-703&view=markets&product=product-HS92-185>

531 M. Šimalčík. Fico's Stance on EU Tariffs: Why He's Wrong on Chinese EVs. Visegrad Insight. 29 October 2024. <https://visegradinsight.eu/ficos-stance-on-eu-tariffs-why-hes-wrong-on-chinese-evs/>

532 The Chinese investment in EV and battery supply chain are tracked in the Central Europe-East Asia EV Nexus Tracker. CEIAS. <https://evnexustracker.ceias.eu/map>; See also: Šebeňa, Martin et al. Central Europe-East Asia EV nexus: Tracking Chinese, South Korean and Japanese electric vehicle and battery investment in the V4 countries. CEIAS. May 2025. <https://ceias.eu/central-europe-east-asia-ev-nexus/>

533 N. Wallace. EU was formed to 'screw' US, Trump says in promising tariffs on cars. Euractiv. 26 February 2025. <https://www.euractiv.com/section/politics/news/eu-was-formed-to-screw-us-trump-says-in-promising-tariffs-on-cars/>

534 If introduced, US tariffs would hit Slovakia significantly. The Slovak Spectator. 5 February 2025. <https://spectator.sme.sk/business/c/if-introduced-us-tariffs-would-hit-slovakia-significantly>

the loss of 20,000 jobs, of EUR 5 billion in export volume, and cost the economy almost a 3% drop in GDP (the second highest impact in the EU, following Czechia).⁵³⁵

Related to the car industry are also impacts of the US-China rivalry on the upstream battery industry, a crucial component in electromobility transition. So far, Slovakia is banking on cooperation with the Chinese company Gotion, which has formed a joint-venture with the Slovak battery startup InoBat, and is constructing a 20 GWh factory (to be increased to 60 GWh at a later stage) in Western Slovakia,⁵³⁶ despite local popular opposition and suspicion of corruption.⁵³⁷

Meanwhile, several of Gotion's Chinese suppliers have been sanctioned by the US and the EU over allegations of forced labor in Xinjiang.⁵³⁸ Should Gotion/InoBat rely on the same suppliers within their Slovakia-based production, there is a risk that EVs produced in Slovakia or elsewhere in Europe and equipped with Gotion's batteries could be affected by US (and EU sanctions).

Divergent futures of Slovak China policy

While the US-China rivalry has so far not directly affected Slovakia, more upheavals are on the horizon. Similar to Orbán, Fico might find himself in a difficult position to maintain both pro-US (or, more specifically, pro-Trump) and pro-China positions going forward. This will hinge upon the development of the Trump administration's China policy.

Moreover, the position of the Slovak government is rather tenuous, built on a slim majority in the parliament. If the government loses support and snap elections are called, Slovakia might undergo a dramatic change in foreign policy again, with implications for its stance vis-à-vis the US and China.

535 Ekonomický a menový vývoj, jar 2025. National Bank of Slovakia. 25 March 2025. <https://nbs.sk/dokument/34d8daac-b0cf-4d51-a9bc-bef474df9f3a/stiahnut?force=false>

536 GIB to build an Advanced Gigafactory in Slovakia. Inobat. 20 June 2024. <https://www.inobat.eu/newsroom/gib-to-build-an-advanced-gigafactory-in-slovakia/>

537 E. Mihočková. Cez čiaru: Dôverná správa z Budapešti demaskovala čínske investície, po ktorých túži Fico. Sme. 24 February 2025. <https://video.sme.sk/c/23454755/cez-ciaru-fico-obdivuje-cinu-jej-investicie-zivia-madarsku-a-srbsku-korupciu.html>

538 Department of Homeland Security. DHS Will Now Restrict Goods from Over 100 PRC-Based Companies from Entering the United States Due to Forced Labor Practices. 22 November 2024. <https://www.dhs.gov/archive/news/2024/11/22/dhs-will-now-restrict-goods-over-100-prc-based-companies-entering-united-states-due>; COUNCIL IMPLEMENTING REGULATION (EU) 2021/478 of 22 March 2021 implementing Regulation (EU) 2020/1998 concerning restrictive measures against serious human rights violations and abuses. 22 March 2021. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2021:0991:FULL&from=EN>

SLOVENIA: WITHIN EUROPE, BENEATH THE RADAR



SLOVENIA: WITHIN EUROPE, BENEATH THE RADAR

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Amid escalating US-China tensions in Trump's second term, Slovenia maintains a low-profile strategic posture, simultaneously aligned with EU norms and attentive to its own structural realities. Despite domestic political oscillations, a policy of pragmatic but cautious engagement persists. Deeply embedded in European value chains and increasingly reliant on Chinese imports, Slovenia faces growing exposure to decoupling risks. In response, it pursues a measured approach rooted in a tradition of sober, quiet statecraft.

Slovenia's self-conception as an international player is complex: it sees itself as a small country with limited capabilities, yet one anchored in strong values. Different ruling coalitions have pursued different normative visions: the centre-left has stood for a 'small-state normative power' approach rooted in social-liberal values and closely aligned with the EU,⁵³⁹ whereas the right-wing has pursued a more conservative, at times Eurocritical and populist approach, generally sympathetic to Donald Trump's agenda.⁵⁴⁰ In practice, however, Slovenia has mainly directed its foreign policy resources towards its neighbours in the former Yugoslav space.⁵⁴¹ This, however, does not render the relations with the US and China, marginal.

Relations with the US: Atlantic commitments, European sentiments

Slovenia has pursued "strong, cooperative" relations with the United States.⁵⁴² Successive Slovenian governments in the last five years (and long before that) have been deeply committed to adhering to the prerogatives of Slovenia's NATO membership and considered the US a key security and strategic partner, and to lesser extent an economic partner. Beyond the political elite, however, the Slovenian public is more supportive of the EU than NATO. Slovenians remain some of the most critical voices on the alliance and the involvement of the US.⁵⁴³ Slovenian media and public debate have

539 R. Zupančič, "Normative Power as a Means of a Small State in International Relations: The Role of Slovenia within 'the EU Concert' of Normative Power in the Western Balkans," *Lithuanian Foreign Policy Review*, 2011; R. Zupančič and M. Hribnik, "Small States as 'Contributing Nations' to the EU's Normative Power: The Case of Slovenia," *Romanian Journal of Political Science* 13, no. 2 (2011), <https://papers.ssrn.com/abstract=1975316>

540 M. Lovec, F. Kočan, and M. Mahmutović, "The 'Brussels Bubble': Populism in Slovenian The EU Crises Context," *Teorija in praksa*, July 14, 2022, 509–28, <https://doi.org/10.51936/tip.59.2.509-528>.

541 M. Svetličič, "Slovenia(ns) in the European Union: Reflecting on Missed Opportunities and Lessons Learned Two Decades Later," in ed. M. Kaeding and B. Udovič, *Slovenia and the EU* (Cham: Springer Nature Switzerland, 2024), 109–15, https://doi.org/10.1007/978-3-031-61605-1_14

542 <https://www.state.gov/u-s-relations-with-slovenia/>

543 B. Pahor, "Foreword," in ed. M. Kaeding and B. Udovič, *Slovenia and the EU* (Cham: Springer Nature Switzerland, 2024), <https://doi.org/10.1007/978-3-031-61605-1>

criticized American tendencies toward unipolar dominance.⁵⁴⁴ The rise of Trumpism has added new layers of complexity on how Slovenians think about global and domestic politics.

The first presidency of Donald Trump (2017-2021), whose wife, Melania, is Slovenian, coincided with a positive climax of mutual relations – the visit by then Secretary of State Mike Pompeo in August 2020. He was the highest-ranking US official to visit Slovenia in more than a decade. Pompeo's visit led to Slovenia joining the 5G Clean Network Initiative (leading to the exclusion of untrusted, i.e., Chinese vendors) and also concerned collaboration on the future development of the Krško nuclear power plant, which runs on American technology.⁵⁴⁵ These policies have been upheld by the government of Robert Golob, that has been in office since 2022.

Since 2022, in line with the US-EU consensus, Slovenia's government has strongly supported Ukraine against the Russian invasion. Then Prime Minister Janša was among the first European leaders to visit Ukraine. His successor Golob has continued the same pro-Ukraine stance. Thus, as many in Europe, Slovenian policymakers are struggling to come to terms with the shifts in US policy under the second Trump administration. Slovenian officials have criticised American attempts to directly negotiate with Russia that excluded Europeans and Ukrainians.⁵⁴⁶ Opposition leader Janša, despite supporting Trump on issues such as migration or "anti-wokeness," has been also vocally anti-Putin and pro-Ukraine, warning against "exchanging the positions of aggressor and victim". He has, nevertheless, welcomed Trump's push to end the war even if that implied "a less than ideal solution."⁵⁴⁷

Slovenia has one of the lowest defence expenditures of all European countries. After several years of budget increase, it managed to reach 1.3% of GDP in 2024, and aims to meet the 2% NATO obligation in 2030. Slovenia is likely to oppose any requirements for further defence spending made by Trump.⁵⁴⁸ However, the country has been warming

544 D. Purcell and B. Rogelj, "Constructing the U.S. in Slovenian News Media," *GeoJournal* 90, no. 1 (2024): 17, <https://doi.org/10.1007/s10708-024-11269-2>

545 "5G and Nuclear Energy in Centre of Pompeo's Visit to Slovenia," *The Slovenia Times*, August 14, 2020, <https://sloveniatimes.com/16415/5g-and-nuclear-energy-in-centre-of-pompeos-visit-to-slovenia>

546 S. N., "Fajon: Če ne bomo v Evropi enotni, bomo glavna jed na mizi," *N1*, February 17, 2025, <https://n1info.si/novice/slovenija/pred-vrhom-v-parizu-se-bo-oglasila-se-tanja-fajon/>

547 Planet 18, "Pred novo hladno vojno. Pogovor z Janezom Janšo, ki je bil leta 2022 prvi politik v Ukrajini. To pa je povedal o Trumpovih obtožbah Zelenskega," *Planet TV*, 02 2025, <https://www.planet-tv.si/clanek/pred-novo-hladno-vojno-pogovor-z-janezom-janso-ki-je-bil-leta-2022-prvi-politik-v-ukrajini-to-pa-je-povedal-o-trumpovih-obtozbah-zelenskega/>

548 Radio Slovenija, "Golob: Slovenija vztraja pri zvišanju obrambnih izdatkov na dva odstotka BDP-ja do leta 2030 - RTV SLO," February 3, 2025, <https://www.rtvlo.si/evropska-unija/golob-slovenija-vztraja-pri-zvisanju-obrambnih-izdatkov-na-dva-odstotka-bdp-ja-do-leta-2030/735366>

to the idea of increasing its defence spending as a commitment not to NATO, but to Europe's own collective defence.⁵⁴⁹

Relations with China: strategic caution, economic pragmatism

The high point of relations with the US in 2020 was followed by a low point of Slovenia's relationship with China. In the aftermath of US Secretary of State Mike Pompeo's 2020 visit, Huawei was barred from supplying 5G equipment, while Slovenia turned down Chinese offers to cooperate in development of Slovenian infrastructure (e.g., the port of Koper, the Koper-Divača high-speed railway route⁵⁵⁰).

However, the most significant blow for Sino-Slovenian relations came independently from the US. Talking to an Indian TV station, former PM Janša in 2022 argued for self-determination rights for Taiwan, prompting a strong reaction by China.⁵⁵¹ Other members of the government tried to downplay Janša's comments, but to no avail.⁵⁵² Under Janša, moreover, in 2021, Slovenia had adopted a foreign policy strategy that labeled China an "ever-stronger systemic and strategic rival," a rather hawkish wording compared to other European states.⁵⁵³ Contrary to previous strategies that considered China a relatively important global partner, the 2021 strategy referred to it only as a regional partner in Asia, listed after India and Japan.

The succeeding government led by Golob restored a more balanced political relationship with China, not least because Slovenia needed Beijing's support in getting selected for a non-permanent membership in the UN Security Council in 2024 – 25.⁵⁵⁴

549 G.C., Volk: Če Evropa ne bo okrepila svoje obrambe, bo ostala ekonomski velikan, ki je geopolitični palček, RTV SLO, February 20, 2025, <https://www.rtvlo.si/slovenija/volk-ce-evropa-ne-bo-okrepila-svoje-obrambe-bo-ostala-ekonomski-velikan-ki-je-geopolitichni-palcek/737131>

550 K. Glešič. ZDA odganjajo kitajskega zmaja, ki je priletel v Trst in bi gradil drugi tir, Primorske Novice, 09 2020, <https://primorske.svet24.si/primorska/pri-sosedih/zda-odganjajo-kitajskega-zmaja-ki-je-priletel-v-tr>

551 Associated Press. China Condemns Plans by Slovenia to Upgrade Taiwan Ties, AP News, January 19, 2022, <https://apnews.com/article/business-taiwan-europe-janez-jansa-china-d625504c3af82e6b245a49bc778e5912>

552 L. D., Zaradi Janševih izjav o Tajvanu v skrbih nekatera podjetja, rtvslo.si, January 21, 2022, <https://www.rtvlo.si/gospodarstvo/zaradi-jansevih-izjav-o-tajvanu-v-skrbeh-nekatera-podjetja/609528>

553 MFA Slovenia, Slovenia: Safe, Successful, Globally Respected. Foreign Policy Strategy of the Republic of Slovenia (Ministry of Foreign Affairs of the Republic of Slovenia, October 2021), <https://www.gov.si/assets/ministrstva/MZZ/Dokumenti/stiki-z-javnostmi/Foreign-Policy-Strategy-of-the-Republic-of-Slovenia.pdf>

554 Tradicionalno prijateljski odnosi dobra podlaga za slovensko-kitajsko sodelovanje v VS OZN, GOV. SI, Winter 2024, <https://www.gov.si/novice/2024-04-17-tradicionalno-prijateljski-odnosi-dobra-podlaga-za-slovensko-kitajsko-sodelovanje-v-vs-ozn/>

Officially today, Slovenia closely follows the EU on China. However, in the latest foreign policy strategy of December 2024, the country has labeled China as a partner and competitor, but not systemic rival. Not only has the current government moved away from the EU's "partner-competitor-rival" approach,⁵⁵⁵ it has also reversed the antagonistic wordings adopted by the Janša government. The 2024 strategy defines China as a global partner, and not just part of Slovenia's interest in Asia. The strategy, however, also points to the need of establishing a more balanced economic exchange and "ensure greater resilience to the security and cyber challenges coming from China."⁵⁵⁶

Some observers have pointed out that Slovenia lacks a coherent and clear strategy on China, because policies are often driven by the impulses provided by actors pursuing differing interests.⁵⁵⁷ For instance, Golob's cabinet has maintained a cautious tone on China, particularly in light of Trump's re-election in the US. Golob has also favoured a unified European approach, while his advisors have emphasized Slovenia's effort to make the trade relationship with China more balanced.⁵⁵⁸

On the other hand, the Minister of Foreign and European Affairs, Tanja Fajon, a Social Democrat, has adopted an ambitious cooperative approach. In spring 2024, she led a delegation of more than 50 companies on a trip to China in a move to reinstate the "traditional" relationship between China and Slovenia⁵⁵⁹. During that trip, she reiterated Slovenia's adherence to the One China Policy,⁵⁶⁰ thereby ending the mini-crisis in relations triggered by Janša's 2021 statement. Further agricultural and economic delegations travelled to China's International Import Expo in fall 2024. These visits signify renewed, albeit uneven interest in economic cooperation with China.

In October 2024, Slovenia (alongside Germany, Hungary, Slovakia and Malta) voted against EU anti-subsidy duties on Chinese made Electric Vehicles (EVs). The Minister of Economy, Matjaž Han (also from SD) elaborated that the vote against was motivated by the strategic interests of Slovenia's automotive industry.⁵⁶¹ Slovenia is deeply integrated in European automotive value chains, and its automotive industry contributes up to 10%

555 MFA Slovenia, Strategija zunanje politike Republike Slovenije (Ministry of Foreign Affairs of the Republic of Slovenia, December 18, 2024), <https://www.gov.si/assets/ministrstva/MZEZ/Dokumenti/strateski-in-programski-dokumenti/SLO-Strategija-zunanje-politike-Republike-Slovenija-FINAL.pdf>

556 MFA Slovenia, "Strategija zunanje politike Republike Slovenije."

557 Interviews with a diplomat (14.02.2025) and an expert (20.02.2025)

558 <https://n1info.si/novice/slovenija/vojko-volk-kam-naj-se-obrne-slovenija-h-kitajski-zagotovo-ne/>

559 Ministry of Foreign and European Affairs and Embassy of the Republic of Slovenia in Beijing, "Traditional Friendly Relations a Good Basis for Slovenian-Chinese Cooperation in the UN Security Council," Republic of Slovenia/ Gov.si, Winter 2024, <https://www.gov.si/en/news/2024-04-17-traditional-friendly-relations-a-good-basis-for-slovenian-chinese-cooperation-in-the-un-security-council/>

560 STA, Fajonova na Kitajskem: Slovenija sledi politiki ene Kitajske, 24ur, 04 2024, <https://www.24ur.com/novice/tujina/fajonova-na-kitajskem-slovenija-sledi-politiki-ene-kitajske.html>

561 Slovenia Times, "Car Industry Suppliers Looking for Opportunities in China," The Slovenia Times, October 8, 2024, <https://sloveniatimes.com/41016/car-industry-suppliers-looking-for-opportunities-in-china>

of national GDP. However, the struggles of leading European automakers have prompted Slovenian automotive companies to seek diversification of their partnerships beyond European internal market.⁵⁶²

In November 2024, President Nataša Pirc Musar, independently from the policy of the government and MFA, renewed the invitation to China's President Xi Jinping to visit Slovenia. The President's cabinet framed this move as being aligned with Slovenia's UN diplomacy – the PRC President remains the only head of state of a UNSC permanent Member State who has not visited the country since its independence. However, since the (re)invitation was not coordinated with Prime Minister Golob's cabinet, it prompted public controversy.⁵⁶³

Navigating US-China tensions: decoupling risks, embedded realities

The Slovenian public views both the US and China predominantly negatively in terms of their contribution to global security, with the US perceived slightly worse than China, but both trailing far behind the EU and the UN.⁵⁶⁴ However, trying to maximize its benefits from both of its relationships with the US and China, Slovenia has, with the exception of the Janša's third government (2020-2022), for the most part adopted a balancing position.⁵⁶⁵ Altogether, Slovenia closely aligns with the EU's agenda on "open strategic autonomy," primarily seeing it in economic terms. Despite the public mood of strategic unease amid growing global tensions, the Slovenian establishment appears relatively calm and pragmatic, showing little sign of panic or overreaction. Such strategic orientation and sensibility are mirrored in Slovenia's Industrial Strategy for the years from 2021 to 2030, which is currently under review and aims at enhancing economic competitiveness through the balanced promotion of social, environmental, and economic pillars of sustainable development.

Looking to the future, Slovenia faces an overarching economic uncertainty, partially stemming from its deep embeddedness in global value chains, with supply-chain trade

562 Ministrstvo za gospodarstvo, turizem in šport, Razvoj slovenskih visoko tehnoloških podjetij v sodelovanju z industrijo kitajskih električnih vozil, Portal GOV.SI, October 8, 2024, <https://www.gov.si/novice/2024-10-08-razvoj-slovenskih-visoko-tehnoloskih-podjetij-v-sodelovanju-z-industrijo-kitajskih-elektricnih-vozil/>

563 M. Gregorc, Pirc Musarjeva v Slovenijo povabila Ši Džinpinga, v kabinetu premierja nejevolja, *24ur*, November 8, 2024, <https://www.24ur.com/novice/slovenija/pirc-musarjeva-v-slovenijo-povabila-si-dzinpina-v-kabinetu-premierja-nejevolja.html>

564 M. Hafer-Fink et al, Slovensko javno mnenje 2023/2 (Slovenian public opinion 2023/2) (The Public Opinion and Mass Communication Research Centre, University of Ljubljana, Faculty of Social Sciences, 2024).

565 V. Vengust, Slovenia's Dance with the Superpowers | Merics, Comment (Berlin: Mercator Institute for China Studies, December 2, 2020), <https://merics.org/en/comment/slovenias-dance-superpowers>

accounting for 56.7% of Slovenia's gross exports in 2018.⁵⁶⁶ Both the US and China have limited significance here as direct export partners.⁵⁶⁷ On the import side, the situation is different. Slovenia has seen a sharp rise in Chinese imports, surging from 6.2% in 2018 to 15.7% in 2023, particularly post-2021. Meanwhile, imports from the US nearly halved over the same period, dropping from 3% to 1.7% (See Figure 2 in the Introduction). The result has been a growing trade deficit with China, marked by import dependence, while trade with the US remains modest and relatively balanced.⁵⁶⁸

However, due to strong supply-chain connections with European partners, Slovenia's exposure to China and the US in terms of both market and input reliance extends beyond direct trade links.⁵⁶⁹ In 2020, despite not being among Slovenia's top ten direct export destinations, China was its fourth-largest market in terms of export exposure, due to strong indirect dependence through trade linkages with other partners (e.g. companies from other European countries importing intermediate inputs from Slovenia that are later embedded in final goods exported to China). China followed Slovenia's three primary European trade partners – Germany, Italy, and Austria – while the US ranked eighth. On the import side, Slovenia's dependence on China was even more pronounced, ranking China as the third-most significant country for Slovenia's input dependence.

Industries such as textiles, electronics, and electrical equipment were particularly reliant on Chinese materials. By contrast, US inputs matter more in chemicals and transport. Overall, Slovenia's reliance on US inputs was considerably lower. Thus, Slovenia's reliance on China (and Russia) in key sectors raises deeper concerns. Policymakers aim to strengthen resilience by helping businesses diversify suppliers and reduce exposure to disruptions.

Overall, this deep integration and reliance on overseas suppliers make Slovenia's economy susceptible to supply chain shocks and shortages, as well as to the intensification of geopolitically driven value chain decoupling, which has a lot to do with Sino-US relations. These vulnerabilities became particularly evident during the Covid-19 pandemic and the war in Ukraine, both of which exposed some fundamental structural weaknesses. As European (and in particular, German) economy falters, Slovenia is further affected.

566 WTO. Trade in value added and global value chains. Slovenia. https://www.wto.org/english/res_e/statis_e/miwi_e/SI_e.pdf

567 Slovenia's direct exports to China and the U.S. remain among the lowest among the ETNC countries, with shares declining since 2021. By 2023, exports to the U.S. accounted for just 1.4% of gross exports - the lowest among the ETNC countries - while exports to China, second-lowest, stood at 0.47%.

568 Importantly, there is a significant discrepancy across different data sources, primarily due to how processing trade is accounted for. When using the principles of monetary transactions and changes in ownership – as applied in the statistics of the Bank of Slovenia – rather than relying on physical border-crossing data, imports from China account for slightly less than 5%. This is more than 10 percentage points lower than the figures reported by UN Comtrade data, suggesting that a substantial portion of Slovenia's trade deficit with China is linked to processing trade, particularly the logistical operations of multinational chemical and pharmaceutical companies operating in Slovenia, who import intermediary goods from China that are later embedded in final products which these companies export elsewhere.

569 OECD. Gross output flows in global value chains. <https://www.oecd.org/en/data/datasets/gross-output-flows-in-global-value-chains.html>

The tariffs-oriented second Trump presidency will inevitably add to this uncertainty. Given Slovenia's relatively limited direct exports to the US, the immediate effects of Trump's tariffs remain moderate for the time being. However, if the exemptions from the 25% tariffs on imported automotive parts were to be revoked, and the announced tariffs on pharmaceuticals implemented, the impact could prove significantly more damaging for some of Slovenia's key exporters. In this context, Slovenia supports a more measured European response—marked by cautious and calibrated retaliatory measures and a willingness to engage in negotiations. The Ministry of the Economy, Tourism, and Sport believes the EU should approach American protectionism with composure⁵⁷⁰, while Minister of Finance Boštjančič stresses EU unity advocates for a resolute stance.⁵⁷¹

Slovenia is under pressure to hedge its bets, within the limits of the possible in a situation of increasingly tense geopolitical and geoeconomics context. External pressures, however, will restrict the space for hedging. So far, aside from the direct messaging during Pompeo's 2020 trip, most of the pressure coming from the US towards Slovenia on China has come through setting the agenda in NATO and in the bilateral relations.⁵⁷² There are only anecdotal accounts of Chinese pressure, according to which 'explanations' had been requested in response to Slovenian measures to securitize business relations. However, Slovenia has been spared from "wolf warrior" diplomacy or any explicit form of pressure or arm-twisting. Yet, the future may not be so benign.

As adherents to international norms and multilateralism, Slovenian policymakers are likely to find Trump's brinkmanship difficult to digest, especially when aimed towards Europe. A hard Trumpian push could have unintended consequences on Slovenian policy on the US, and potentially lead to Washington losing leverage, making it easier for Ljubljana to justify a pragmatic relationship with China – although, measures such as the decoupling-oriented "America First Investment Policy" indicate that not only policymakers, but also Slovenian companies, especially in advanced technology, will likely have tough choices to make.

During its remaining term in power, geopolitics notwithstanding, the incumbent government is likely to be open for closer economic relations with China, within the limits of what can be considered as not breaking ranks in the EU. This means clearly outlining which sectors are critical, and which are still open to doing business with China. However, whether this will translate to palpable outcomes, remains to be seen.

There is no indication whether Xi Jinping will accept the invitation to visit Slovenia in

570 U. Červek, Kako naj se Evropa odzove na carine? Frangež: Ne bi hitel na cesto norosti!, Bloomberg Adria, April 4, 2025, <https://si.bloombergadria.com/politika/politika/76958/kako-naj-se-evropa-odzove-na-carine/news>

571 MMC RTV SLO, Boštjančič: Evropa se mora odzvati obratno – pokazati mora enotnost in odločnost, April 9, 2025, <https://www.rtvsllo.si/gospodarstvo/bostjancic-evropa-se-mora-odzvati-obratno-pokazati-mora-enotnost-in-odlocnost/742267>

572 Interview with a Slovenian diplomat, 14.02.2025

the foreseeable future, or not. If the visit takes place, it will be a major symbolic event, while presenting opportunities for quick and visible economic impacts. Yet, the delicate situation caused by the lack of communication between Slovenia's president and prime minister that surrounded the invitation, already make the context of a potential visit complicated. Considering a potential visit, Beijing would likely consult public opinion polls, which suggest that a government change in 2026 may be in store for Slovenia. If Janša returns for a fourth term, it is then likely that the country may revert back to a stance more critical of China.

SPAIN'S PRAGMATIC DIPLOMACY IN THE US-CHINA RIVALRY



SPAIN'S PRAGMATIC DIPLOMACY IN THE US-CHINA RIVALRY

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Spain holds a strong economic and security partnership with the US, whose importance has heightened since the beginning of the war in Ukraine. Although bilateral ties improved under President Biden, the Spanish government anticipates growing friction with the US under the new Trump administration, particularly over its trade policy and Spain's defence spending. In its relationship with China, Spain strives to uphold constructive cooperation while protecting its national interests and seeking a more balanced bilateral relationship. Spain also sees China as a key global player and an important economic partner but acknowledges the challenge that China poses to its national security and economic competitiveness. In response to worsening US-China tensions, Spanish authorities continue to advocate for mutual understanding among nations and a unified European position to navigate relations with both powers.

Spain's views of the US alliance: essential but troubled

The US is a key security ally of Spain, with the Bilateral Defence Agreement and NATO membership as the cornerstones of bilateral security cooperation. The war in Ukraine has further underscored the importance of the US and NATO for European security in the eyes of Spanish officials.⁵⁷³ Following the deterioration of Spain-US diplomatic relations during the first Trump administration, outlined in the 2020 ETNC report, the arrival of Biden at the White House ushered in a more constructive phase in bilateral relations. The deepening of Spain-US engagement has been driven by the normative alignment and shared interests between the Biden administration in the US and Sánchez's government in Spain. This became evident when, on the sidelines of the 2022 NATO summit in Madrid, Spain and the US issued a joint declaration for the first time in over two decades. The declaration agreed to amend the bilateral defence agreement, allowing the docking of two more US destroyers at the Rota naval base. Their political affinity was further underscored in President Sánchez's visit to Washington in 2023, which emphasized their commitment to address their shared priorities, most notably the war in Ukraine.

Spain-US economic relations have also continued on an upward trajectory since the publication of the 2020 ETNC report. Spanish imports from the US reached USD 35.54

573 La Moncloa. Pedro Sánchez highlights NATO's "powerful message of unity and cohesion" at the Summit. La Moncloa. 11 July 2024. <https://www.lamoncloa.gob.es/lang/en/presidente/news/paginas/2024/20240711-sanchez-nato-summit-results.aspx>; A. Parra and C. Giles. The AP Interview: Spanish PM says NATO summit to show unity. AP News. 29 June 2024. <https://apnews.com/article/russia-ukraine-nato-madrid-1fff2b2f57068157d7c8ea9ed2a453bb>

billion in 2022, more than double the 2018 level of USD 15.57 billion, before declining to USD 30.50 billion in 2023. Overall, the share of imports from the US has risen from 4.0% in 2018 to 6.5% in 2023. The share of exports to the US has remained relatively stable, growing from 4.4% in 2018 to 4.7% in 2023. As of 2024, the US is the first destination and origin of Spanish foreign direct investment.⁵⁷⁴ US investment in Spain has increased in absolute terms by USD 38,784.91 million (USD 88,201.01 to USD 126,985.92), and in the share of the total from 12.28% to 14.63%. The gap between China and US foreign direct investment (FDI) (both inward and outward) remained consistent between the publication of the 2020 ETNC and now, with the US way ahead of China.

The Spanish government anticipates that the inauguration of the new Trump administration will lead to increased friction with the US, particularly on two fronts: defence spending and trade. On the day of his inauguration, Trump singled out Spain for its underinvestment in defence, a long-standing issue in transatlantic relations.⁵⁷⁵ This episode confirmed Spain's fears regarding Trump's confrontational stance on burden-sharing within NATO. The Spanish government had committed to reaching 2% of GDP investment by 2029, although it has recently pledged that the target will be met "way ahead" of schedule.⁵⁷⁶ It also reiterates the 70% increase in the total defence expenditure of Spain over the past decade and its overall contribution to the Alliance.⁵⁷⁷ This argument is supported by a report published by RAND in 2024, which developed a burden-sharing index, taking into account dozens of factors and over 100 metrics. According to this more comprehensive assessment, Spain ranks among the top contributors within the Alliance.⁵⁷⁸ However, these arguments are unlikely to convince Trump, who argues that NATO members should allocate 5% of GDP to defence,⁵⁷⁹ a demand that, if actively pursued, will generate further tension in US-Spain relations.

574 Ministerio de Asuntos Exteriores. Ficha País: Estados Unidos. Ministerio de Asuntos Exteriores. 2024. https://www.exteriores.gob.es/documents/fichaspais/estadosunidos_ficha_pais.pdf

575 M. Jiménez. Trump confunde a España con un "país de los BRICS" y amenaza con "aranceles del 100%". El País. 21 January 2025. <https://elpais.com/internacional/2025-01-21/trump-agita-el-fantasma-de-aranceles-del-100-a-espana-por-gastar-poco-en-defensa.html>

576 T. Constenla. Margarita Robles dice que España llegará al 2% del gasto militar "muy anticipadamente" al 2029. El País. 1 April 2025. <https://elpais.com/espana/2025-04-01/margarita-robles-dice-que-espana-llegara-al-2-del-gasto-militar-muy-anticipadamente-al-2029.html>

577 Europa Press Nacional. Albares: Albares, ante el regreso de Trump: la UE defenderá sus valores frente a quien sea, "se llame como se llame". Europa Press. 20 January 2025. <https://www.europapress.es/nacional/noticia-albares-regreso-trump-ue-defendera-valores-frente-quien-sea-llame-llame-20250120101152.html>; H. Ellyatt. Trade war is a 'zero-sum game,' Spain's PM warns, as Trump threatens EU with tariffs. CNBC. 22 January 2025. <https://www.cnbc.com/2025/01/22/trade-war-is-a-zero-sum-game-spains-pm-warns-as-trump-threatens-eu-with-tariffs.html>

578 K. Mallory, G. Germanovich, J. Welburn, T. Smith; Burdensharing and Its Discontents Understanding and Optimizing Allied Contributions to the Collective Defense. RAND. 7 May 2024. https://www.rand.org/pubs/research_reports/RR4189z1.html; K. Mallory. What Do U.S. Allies Really Contribute to the Costs of Global Security?. RAND. 9 January 2025. <https://www.rand.org/pubs/commentary/2025/01/what-do-us-allies-really-contribute-to-the-costs-of.html>

579 Euractiv and Reuters. Trump says NATO members should spend 5% of GDP on defence. Euractiv. 8 January 2025. <https://www.euractiv.com/section/politics/news/trump-says-nato-members-should-spend-5-of-gdp-on-defence/>

Spanish politicians are also concerned about the economic toll of US tariffs.⁵⁸⁰ On his inauguration day, Trump threatened to impose 100% tariffs on Spain, after mistaking the country as a member of the BRICS.⁵⁸¹ While this is no more than an anecdote, it was an early sign of Trump's erratic behavior and its potential impact on Spain. The imposition of sweeping tariffs, including the tariffs on steel and aluminium and the 20% duty on imports from the EU, has confirmed these fears. The Spanish Chamber of Commerce estimates that US tariffs on steel and aluminium could mean a reduction of 10.4% in the total value of Spanish exports of these products.⁵⁸² The same institution also anticipates that the imposition of 20% tariffs could reduce Spain's goods exports to the country by approximately 14.3%.⁵⁸³ The overall exposure of Spanish trade is relatively low (around 5% of total exports), Spain runs a trade deficit with the US, and its imports from the country have almost doubled in the period from 2018 to 2023. However, Spain could also suffer the indirect impact of tariffs on reduced demand for the intermediate goods and services and economic growth of its important trading partners, as well as from the overall climate of uncertainty for foreign investments.⁵⁸⁴

More broadly, Spain sees Trump and Elon Musk as potentially disruptive actors for European democracy and security. Spain is wary of Trump's intentions in Greenland and Musk's explicit support for far-right movements in Europe.⁵⁸⁵ Similarly, Trump's approach to the war in Ukraine was received with scepticism by the Spanish government, which fears that Trump may prioritize a swift end to the war, at the expense of the interests of Ukraine and Europe, sidelining them in the negotiation process.⁵⁸⁶ More

580 H. Ellyatt. Trade war is a 'zero-sum game,' Spain's PM warns, as Trump threatens EU with tariffs. CNBC. 22 January 2025. <https://www.cnbc.com/2025/01/22/trade-war-is-a-zero-sum-game-spains-pm-warns-as-trump-threatens-eu-with-tariffs.html>

581 M. Jiménez; Trump confunde a España con un "país de los BRICS" y amenaza con "aranceles del 100%". El País. 21 January 2025. <https://elpais.com/internacional/2025-01-21/trump-agita-el-fantasma-de-aranceles-del-100-a-espana-por-gastar-poco-en-defensa.html>

582 Camara de Comercio. Los aranceles al aluminio y al acero podrían reducir un 10,4% las exportaciones españolas de estos productos. 11 February 2025. <https://www.camara.es/aranceles-aluminio-acero-podrian-reducir-104-exportaciones-espanolas>

583 Camara de Comercio de España. Los aranceles impuestos por Trump podrían reducir un 14% las exportaciones de España a Estados Unidos. Nota Informativa. <https://www.camara.es/aranceles-impuestos-trump-podrian-reducir-14-exportaciones-espana-estados-unidos>

584 BBVA Research. Spain-US trade relations and possible tariffs. BBVA Research. 21 January 2025. <https://www.bbva.com/en/publicaciones/spain-us-trade-relations-in-the-face-of-possible-tariff-increases/>

585 Associated Press. Presidente del gobierno español se une a líderes preocupados por interés de Musk en política europea. Voz de América. 8 January 2025. <https://www.vozdeamerica.com/a/presidente-del-gobierno-espanol-se-une-a-lideres-preocupados-por-interes-de-musk-en-politica-europea-/7930009.html>; Europa Press Nacional. Albares supedita la respuesta de la UE a que "Trump dé los primeros pasos" y esgrime que hay instrumentos frente a Musk. Europa Press. 13 January 2025. <https://www.europapress.es/nacional/noticia-albares-supedita-respuesta-ue-trump-primeros-pasos-esgrime-hay-instrumentos-frente-musk-20250113115435.html>

586 D. Verdú. Los grandes países de la UE exigen tener voz en las negociaciones de paz entre Rusia y Ucrania. El País. 12 February 2025. https://elpais.com/internacional/2025-02-12/los-grandes-paises-de-la-ue-exigen-tener-voz-en-las-negociaciones-de-paz-entre-rusia-y-ucrania.html?event_log=oklogin

broadly, the Spanish government has positioned itself as an ideological counterbalance to the Trump administration, promoting a discourse on democracy and rules-based multilateralism.⁵⁸⁷ On the day of Trump's inauguration, Sánchez lashed out against the "omnipotent" power of the "Silicon Valley tech caste,"⁵⁸⁸ and at Davos, he cautioned against the growing political power of these billionaires.⁵⁸⁹

Despite the lack of political affinity between the two governments and occasional veiled criticisms of the new US administration, Spanish leaders remain cautious not to antagonize the US. Since Trump's inauguration, there have been frequent calls to strengthen Madrid's relations with Washington,⁵⁹⁰ which Sánchez described as "more important than ever."⁵⁹¹ In this context, Spain's values-based foreign policy does not signal a realignment away from the US but rather complements a pragmatic approach aimed at preserving strategic cooperation. The US is still regarded as an "indispensable ally,"⁵⁹² with whom Spain intends to maintain the "best relations possible."⁵⁹³ This message was echoed by Sánchez during a press conference in Beijing in April 2025,

587 World Economic Forum. Davos 2025: Special Address by Pedro Sánchez, Prime Minister of Spain; World Economic Forum. 22 January 2025. <https://www.weforum.org/stories/2025/01/davos-2025-special-address-pedro-sanchez-prime-minister-spain/>; Europa Press Nacional. Albares: Albares, ante el regreso de Trump: la UE defenderá sus valores frente a quien sea, "se llame como se llame". Europa Press. 20 January 2025. <https://www.europapress.es/nacional/noticia-albares-regreso-trump-ue-defendera-valores-frente-quien-sea-llame-llame-20250120101152.html>

588 C. Cué. Sánchez clama contra la "tecnocasta" en el primer día de Trump y llama a la UE a "plantar cara y defender la democracia". El País. 20 January 2025. <https://elpais.com/espana/2025-01-20/sanchez-clama-contra-la-tecnocasta-en-el-primer-dia-de-trump-y-llama-a-la-ue-a-plantar-cara-y-defender-la-democracia.html>

589 World Economic Forum. Davos 2025: Special Address by Pedro Sánchez, Prime Minister of Spain. World Economic Forum. 22 January 2025. <https://www.weforum.org/stories/2025/01/davos-2025-special-address-pedro-sanchez-prime-minister-spain/>

590 RTVE. Sánchez llama por teléfono a Trump para felicitarle por el resultado en las elecciones estadounidenses. RTVE. 12 November 2024. <https://www.rtve.es/noticias/20241112/sanchez-llama-por-telefono-a-trump-para-felicitarle-por-resultado-elecciones-estadounidenses/16327739.shtml>; H. Ellyatt. Trade war is a 'zero-sum game,' Spain's PM warns, as Trump threatens EU with tariffs. CNBC. 22 January 2025. <https://www.cnbc.com/2025/01/22/trade-war-is-a-zero-sum-game-spains-pm-warns-as-trump-threatens-eu-with-tariffs.html>

591 H. Ellyatt. Trade war is a 'zero-sum game,' Spain's PM warns, as Trump threatens EU with tariffs. CNBC. 22 January 2025. <https://www.cnbc.com/2025/01/22/trade-war-is-a-zero-sum-game-spains-pm-warns-as-trump-threatens-eu-with-tariffs.html>

592 M. González. Sánchez tiende la mano a Trump pero defiende un orden internacional contrapuesto al del nuevo inquilino de la Casa Blanca. El País. 14 January 2025. <https://elpais.com/espana/2025-01-14/sanchez-tiende-la-mano-a-trump-pero-defiende-un-orden-internacional-contrapuesto-al-del-nuevo-inquilino-de-la-casa-blanca.html>

593 L. Noguerales; Albares sobre relación Gobierno-Trump. Onda Cero. 20 January 2025. https://www.ondacero.es/programas/mas-de-uno/audios-podcast/entrevistas/albares-relacion-gobierno-administracion-trump-hay-inconveniente-tener-mejor-posible_20250120678e0ff16b777a000179adff.html

where he emphasized Spain's role as "an active player in building the transatlantic relationship" and in strengthening EU-US ties.⁵⁹⁴

Spain-China relations: engagement without naivety

Spain-China relations have evolved in a manner consistent with the main trends identified in the 2020 ETNC report. The Spanish government regards Beijing as a necessary partner to tackle global challenges.⁵⁹⁵ In this line, the *2021-2024 Foreign Action Strategy* identified China as a priority country in its engagement with the Asia-Pacific.⁵⁹⁶ Following the resumption of contacts after Covid-19, Madrid has sought to increase exchanges with China at the highest level and set the bases for the promotion of sectoral cooperation. The Spanish President has visited China in 2023, 2024, and 2025, and the upcoming visit by the King and Queen in Fall 2025, marking the 20th anniversary of the bilateral comprehensive strategic partnership.

This continuity in high-level visits to China is unprecedented for Spanish diplomacy, and is leading to greater institutionalization of the relationship, reflected, for example, in the holding of new meetings of the Spain-China Forum and the China-Spain Business Advisory Council, as well as the upgrading of the Miguel de Cervantes Cervantes Library in Shanghai to Instituto Cervantes, during Sánchez's 2024 visit to China. The Spain-China Forum is the main bilateral public diplomacy meeting, and after eight editions held between 2003 and 2015, it had gone nine years without convening. Following the ninth edition, both parties have expressed their commitment to holding a tenth edition in Spain soon. Sustaining this political momentum was the central objective of the Spanish government during Sánchez's subsequent visit to China in April 2025.⁵⁹⁷

594 P. Sánchez. Comparecencia ante los medios de comunicación del presidente del Gobierno, Pedro Sánchez, tras su viaje a Vietnam y China. 11 April 2025. <https://www.lamoncloa.gob.es/presidente/intervenciones/Paginas/2025/20250411-sanchez-rueda-de-prensa-en-pekín.aspx>

595 Congreso de los Diputados. Diario De Sesiones Del Congreso De Los Diputados, Año 2024 Xv Legislatura Núm. 48, Asuntos Exteriores. Congreso de los Diputados. 2024 https://www.congreso.es/publicaciones-organo?p_p_id=publicaciones&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&publicaciones_mode=mostrarTextoIntegro&publicaciones_legislatura=XV&publicaciones_texto=&publicaciones_id_texto=DSCD-15-CO-48.CODI.#1; La Moncloa. El presidente del Gobierno recibe al ministro de Asuntos Exteriores de China. La Moncloa. 19 February 2024. <https://www.lamoncloa.gob.es/presidente/actividades/Paginas/2024/190224-sanchez-ministro-exteriores-chino.aspx> La Moncloa. Comparecencia ante los medios de comunicación del presidente del Gobierno, Pedro Sánchez, en el último día de su viaje oficial a la República Popular China. La Moncloa. 11 September 2024. <https://www.lamoncloa.gob.es/presidente/intervenciones/Paginas/2024/20240911-sanchez-ultima-comparecencia-china.aspx>

596 Gobierno de España. 2021-2024 Foreign Action Strategy. La Moncloa. 2021. https://www.lamoncloa.gob.es/consejodeministros/resumenes/Documents/2021/270421-foreign_action_strategy_2021-2024.pdf

597 P. Sánchez. Comparecencia ante los medios de comunicación del presidente del Gobierno, Pedro Sánchez, tras su viaje a Vietnam y China. La Moncloa. 11 April 2025. <https://www.lamoncloa.gob.es/presidente/intervenciones/Paginas/2025/20250411-sanchez-rueda-de-prensa-en-pekín.aspx>

The Spanish government recognizes that China poses challenges for its national security and economic competitiveness. This concern is reflected in its repeated calls for a balanced relationship with Beijing and its emphasis on addressing the asymmetries that shape current bilateral ties. While cautious about the risks of overdependence in strategic areas, Spain sees room to strengthen cooperation with China, a position consistent with Spain's relatively low level of dependence compared to other major EU economies. This pragmatic approach was underscored during Sánchez's recent visit to China, which yielded agreements to boost Spanish exports and to expand collaboration in science and technology.⁵⁹⁸

China's position on the war in Ukraine has emerged as a main source of geopolitical tensions. This set the tone of Sánchez's visit to China in 2023, from where the President urged China to support Ukraine's territorial integrity and play a more constructive role in facilitating peace. The other point of contention relates to China's unfair economic practices and the debate over economic security. Expanding the presence of Spanish companies in China, promoting free trade, and ensuring the security of investments are top priorities for Spain.⁵⁹⁹ Spain is also concerned over the economic security dimension of its relations with China. Since the publication of the 2020 ETNC report as Spain has adopted tighter regulations to guarantee the security of 5G networks, as detailed in the 2024 ETNC report. As of 2025, the three leading telecommunications providers in Spain have effectively eliminated Huawei from their 5G core networks. However, Huawei equipment remains significantly present in their Radio Access Network (RAN), the more peripheral layer of the 5G infrastructure.⁶⁰⁰

Spain sees keeping a positive agenda for cooperation with China and protecting national interests as mutually compatible goals. This view has materialized, for instance, in the Plan of Action 2025-2028, in which both parties committed to further articulate to renew their comprehensive strategic partnership.⁶⁰¹ At the EU level, Spain has tried to play a more proactive role in EU policy on China, seeking to avoid that EU-China relations shift excessively towards competition. The Spanish government's decision to abstain

598 La Moncloa. España y China acuerdan facilitar la exportación de productos españoles y refuerzan la cooperación en ciencia, educación y cultura. La Moncloa. 11 April 2025. <https://www.lamoncloa.gob.es/presidente/actividades/Paginas/2025/110425-sanchez-viaje-china.aspx>

599 Gobierno de España. 2021-2024 Foreign Action Strategy. La Moncloa. 2021. https://www.lamoncloa.gob.es/consejodeministros/resumenes/Documents/2021/270421-foreign_action_strategy_2021-2024.pdf

600 I.delCastillo. Telefónica España asigna a Nokiasu 'core' 5G y elimina a la China Huawei. Expansión. 23 January 2025. <https://www.expansion.com/empresas/tecnologia/2025/01/23/67917dcf468aeb951f8b459c.html>

601 La Moncloa. Proyecto de Plan De Acción (2025-2028) Para Fortalecer la Asociación Estratégica Integral entre la República Popular China y el Reino De España. 11 April 2025. <https://www.lamoncloa.gob.es/presidente/actividades/Documents/2025/110425-Plan-Accion-Espa%C3%B1a-China.pdf>. The content of this action plan is quite similar to the plan signed by the Meloni administration with China. See M. Esteban. China and Southern Europe: neither a strategic shift nor a Spanish exception. Elcano Royal Institute. 7 May 2025. <https://www.realinstitutoelcano.org/en/commentaries/china-and-southern-europe-neither-a-strategic-shift-nor-a-spanish-exception/>

on Electric Vehicles (EVs) tariffs following Sánchez's visit to China may be understood in this light. The decision was consistent with the government's stance on negotiating with China in order to prevent economic tensions from spiralling, create a framework for a more balanced relationship with Beijing, and favor mutually beneficial economic links that can help build European strategic capacities.

Hence, the view that cooperation with China can deliver positive outcomes continues to be the mainstream view in Spain, as the country pushes for cooperation with China in science and technology.⁶⁰² Spain sees China as an efficient partner for the green and digital transitions and wants to attract investments across the entire EV value chain, as well as in renewable energy, healthcare, and biotechnology. There have been recent developments in this regard: Chery and Ebro signed the first agreement between a Spanish and a Chinese company to manufacture vehicles on Spanish soil.⁶⁰³ Stellantis and CATL agreed to invest up to EUR 4.1 billion in a joint venture for a large-scale LFP (lithium ferrophosphate) battery plant in Spain.⁶⁰⁴ Similarly, Envision Energy signed a memorandum of understanding with the Spanish Ministry for Industry for the construction of an electrolyser production plant in Spain, a project involving USD 1 billion investment and the generation of over 1,000 jobs.⁶⁰⁵

Despite the emphasis placed on economic relations, Spain-China relations have remained modest compared to the US. As stated in the ETNC 2020 report, the only area in which Spain's economic links are significantly more substantial with China than with the US continues to be the import of goods. Since 2018, Spain's imports from China have increased at a higher pace than its exports, widening the trade imbalance. While exports to China have increased by 8.38% between 2018 and 2023, imports surged by 49.56%. China's investment in Spain was modest and, although it slightly increased from USD 4,084.91 in 2017 to USD 5,678.33 in 2022, it remains only 0.65% of the total inward FDI. Spanish investment in China has remained stable, although it slightly increased since the publication of the 2020 ETNC report.

602 Ministerio de Ciencia, Innovación y Universidades. España y China firman un acuerdo para impulsar la cooperación científica. Ministerio de Ciencia, Innovación y Universidades. 9 September 2024. <https://www.ciencia.gob.es/Noticias/2024/Septiembre/espana-china-cooperacion-cientifica.html>; E. Sereno. Industria se abre a apoyar más inversiones chinas en España. El Economista. 17 January 2025. <https://www.eleconomista.es/industria/noticias/13176558/01/25/industria-se-abre-a-apoyar-mas-inversiones-chinas-en-espana.html>

603 A. Gil. Ebro-EV Motores renace de la mano de la china Chery para fabricar coches eléctricos en España. El País Motor. 17 April 2024. <https://motor.elpais.com/actualidad/ebro-ev-motores-renace-china-chery-fabricar-coches-electricos-en-espana/>

604 Stellantis. Stellantis and CATL to Invest Up to €4.1 Billion in Joint Venture for Large-Scale LFP Battery Plant in Spain. Stellantis. 10 December 2024. <https://www.stellantis.com/en/news/press-releases/2024/december/stellantis-and-catl-to-invest-up-to-4-1-billion-in-joint-venture-for-large-scale-lfp-battery-plant-in-spain>

605 ICEX. Envision to build electrolyser production plant in Spain. ICEX Invest in Spain. 20 September 2024. <https://www.investinspain.org/content/icex-invest/en/noticias-main/2024/envision.html>

Managing US-China tensions in Spain

The 2021 Foreign Action Strategy referred to the growing rivalry between China and the US as the central issue shaping international relations, with a special impact on the technology field.⁶⁰⁶ As the 2020 ETNC report noted, the direct impact of the trade war between the US and China on the Spanish economy is relatively modest. However, Spain could suffer the indirect economic consequences of supply chain disruptions and technological decoupling. More broadly, Spain is a supporter of the multilateral order, increasingly under strain as geopolitical competition undermines the climate for cooperation.

Despite adjustments in its relations with both partners, Spain's approach remains consistent with the position outlined in the 2020 ETNC report: the US is a key ally, but Spain seeks to keep constructive relations with China. Striking this balance is not without challenges, as illustrated by a recent episode in which US Treasury Secretary Scott Bessent criticised Sanchez's trip to China, saying that moving closer to Beijing would be "cutting your own throat."⁶⁰⁷ The Spanish government chose to avoid confrontation, instead reinforcing its commitment to protect relations with the US through a follow-up visit to Washington by the minister for economic affairs.⁶⁰⁸

More broadly, Spain has consistently advocated the development of a joint EU approach to manage its complex relations with both powers. This position was explicit in the 2021 *Foreign Action Strategy* and will be a key pillar in the 2025-2028 strategy, which will be approved this year.⁶⁰⁹ In this line, Spain supports the EU's economic security strategy by developing measures consistent with the EU's country-agnostic approach. It has adopted a national control list imposing new export controls on emerging technologies for reasons of public security⁶¹⁰, and new FDI screening regulations were approved in 2023.⁶¹¹

606 Gobierno de España. 2021-2024 Foreign Action Strategy. La Moncloa. 2021. https://www.lamoncloa.gob.es/consejodeministros/resumenes/Documents/2021/270421-foreign_action_strategy_2021-2024.pdf

607 Euronews. Spain's Pedro Sánchez aims for closer trade ties with China amid US tariffs uncertainty. Euronews. 10 April 2025. <https://www.euronews.com/my-europe/2025/04/11/spains-pedro-sanchez-aims-for-closer-trade-ties-with-china-amid-us-tariffs-uncertainty>

608 D. López. Carlos Cuerpo viaja a Washington para reunirse con el secretario del Tesoro en plena guerra comercial. 14 April 2025. <https://elpais.com/economia/2025-04-14/carlos-cuerpo-viaja-a-washington-para-reunirse-con-el-secretario-del-tesoro-en-plena-guerra-comercial.html>

609 Ministerio de Asuntos Exteriores, Unión Europea y Cooperación. Estrategia de Acción Exterior. 2 April 2025. <https://www.exteriores.gob.es/es/Comunicacion/Noticias/Paginas/Noticias/El-Consejo-de-Ministros-ha-acordado-iniciar-la-tramitacion-de-la-Estrategia-de-Accion-Exterior-2025-2028.aspx>

610 EU Commission. White Paper on Export Controls. 24 January 2024. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A52024DC0025#footnoteref22>

611 Uría Menéndez. New Spanish Foreign-Direct-Investment Regulations. Uría Menéndez. 6 July 2023. <https://www.uria.com/documentos/circulares/1703/documento/13349/UM-Newsletter.pdf>

The Spanish government has not adopted an Indo-Pacific strategy, as it is perceived that such a move may generate tension with China over an issue that is not seen as a priority. Yet, in recent years, Spain has increased its activity in the region. The Spanish Air Force was deployed in the Indo-Pacific in 2024 as part of the Pacific Skies exercise with France and Germany.⁶¹² In 2025, Spain deployed a frigate to the region, as part of the British operation Highmast,⁶¹³ after the Indo-Pacific was identified as an area of interest in the 2024 Spanish National Strategy for Maritime Security.

The Spanish government's position towards China and the United States, as outlined in this chapter, reflects a long-standing bipartisan consensus. Both major parties—the conservative Partido Popular (PP) and the left-wing Partido Socialista Obrero Español (PSOE)—broadly agree on Spain's commitment to NATO and the importance of maintaining a constructive relationship with China. While the PP has traditionally leaned more towards Atlanticism, this has not resulted in significant divergences in Spain's position vis-à-vis the US and China.

However, Prime Minister Sánchez's recent visit to China exposed emerging political fissures, with the PP accusing him of jeopardising relations with Washington.⁶¹⁴ This episode illustrates the growing politicisation of Spain's positioning between the two global powers, though it remains unclear whether such tensions will translate into any substantial change in foreign policy. Even if the far-right party Vox - openly badwagoning with Trump and more confrontational towards China- would enter as a minor partner in the government, it is far from certain that it could have a significant influence on Spain's foreign policy. Ultimately, the continuity of Spain's stance vis-à-vis the US depends not only on domestic politics but also on the trajectory of US foreign policy. A substantial drift in the US attitude towards the underlying principles of transatlantic cooperation would likely accelerate a policy of de-risking from the US and increased support for European strategic autonomy.

612 J. Pons. Spain, Germany and France demonstrate their ability to project an Air Force over the Indo-Pacific. Atalayar. 9 September 2024. <https://www.atalayar.com/en/articulo/politics/spain-germany-and-france-demonstrate-their-ability-to-project-an-air-force-over-the-indo-pacific/20240909151304204962.html>

613 M. González, B. Domínguez. España envía por vez primera una fragata con un grupo de combate europeo al Indo-Pacífico. El País. 25 January 2025. <https://elpais.com/espana/2025-01-25/espana-envia-por-vez-primera-una-fragata-con-un-grupo-de-combate-europeo-al-indo-pacifico.html>

614 V. Martínez. El PP sostiene que el viaje de Sánchez a China obedece a los "intereses personales" de Zapatero. El País. 13 April 2025. <https://elpais.com/espana/2025-04-13/el-pp-sostiene-que-el-viaje-de-sanchez-a-china-obedece-a-los-intereses-personales-de-zapatero.html>

SWEDEN'S PREFERENCE:
MEETING THE CHINA
CHALLENGE WITH THE EU
AND THE US



SWEDEN'S PREFERENCE: MEETING THE CHINA CHALLENGE WITH THE EU AND THE US

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Sweden's accession to NATO in 2024 marked a significant shift in its foreign policy, strengthening its security ties with the United States and aligning more closely with US defence priorities. Sweden views the US as an indispensable partner, but the second Trump administration presents considerable uncertainties for the future. At the same time, Sweden's relationship with China remains strained due to concerns over human rights violations, political pressure, and China's support of Russia. Economic ties between the two countries are significant, but Sweden has important dependencies on China, especially within green technology. There is tension between the ambition to limit this dependency and maintaining Sweden's traditional commitment to free trade. Domestically, there is broad political consensus on strong transatlantic ties and a cautious stance toward China, but future US policy shifts, especially an increased use of trade instruments, could prompt Sweden to reevaluate its positions in the evolving US-China rivalry.

Sweden and the United States: Closer security ties

Sweden's accession to NATO in 2024 marked a new era in its relationship with the United States, solidifying the two countries' strategic partnership and strengthening transatlantic security cooperation. The application to join NATO was made in May 2022 in the aftermath of Russia's full-scale invasion of Ukraine. Membership aligns security policy more closely with US defence priorities. The government's Foreign Policy Statements since 2023 describe the transatlantic link as "indispensable"⁶¹⁵ or "critical"⁶¹⁶ for Swedish and European security, but also that it "must never be taken for granted".

The United States remains Sweden's largest trade partner outside of the EU. Trade with US contributes significantly to job creation in Sweden as well as to research and innovation.⁶¹⁷ However, as an export dependent economy, Sweden is vulnerable to potential shifts in US trade policy. Looking ahead, a second Trump administration introduces notable uncertainties. Swedish industry could be hit hard by US tariffs and regulations. Trump's favouring of the tariff instrument contrasts sharply with Sweden's strong belief in open and free trade, a cornerstone of its economic model.

615 Utrikesdeklarationen 2024. Regeringskansliet. 14 February 2024. <https://www.regeringen.se/tal/2024/02/utrikesdeklarationen-2024/>

616 Utrikesdeklarationen 2024. Regeringskansliet. 14 February 2024. <https://www.regeringen.se/tal/2024/02/utrikesdeklarationen-2024/>

617 Sverige och USA – starka band i en orolig tid: En kartläggning av Sveriges och Stockholms ekonomiska relationer med USA. Stockholms Handelskammare. 10 September 2024. <https://stockholmshandelskammare.se/wp-content/uploads/2024/09/sverige-och-usa-starka-band-i-en-orolig-tid.pdf>

But the government has also expressed an understanding for US wishes that European countries shoulder more of the burden for European security. The Swedish government has criticized Trump's tariff policies,⁶¹⁸ but has not tied this criticism to a modified stance on European strategic autonomy.

Sweden and China: Few signs of a thaw in relations

Sweden-China relations took a decisive turn for the worse around 2018. Overall, they have not improved. Official Chinese messaging in Sweden has been more discreet since the disastrous public diplomacy campaign of 2018-2020,⁶¹⁹ but according to Pew Research Center, Sweden in 2024 remained the European country with the least favourable views on China (82% unfavourable, 11% favourable views).⁶²⁰ Further, according to a 2023 study, 26% of Swedish respondents viewed China as "an adversary – with which we are in conflict" – the highest number of all countries surveyed.⁶²¹

Much of this negative sentiment stems from China's disregard for human rights and the Chinese Communist Party's tightening control over society. But Sweden has also experienced direct political pressure from the Chinese side. In 2021, Swedish fashion retailer H&M experienced a major state-sponsored consumer boycott in China for voicing concerns about human rights in Xinjiang.⁶²² Also in 2021, the Chinese embassy sent threatening letters to Swedish MEPs in connection with Swedish MEP Charlie Weimers' successful parliamentary initiative for deepening the EU's relations with Taiwan.⁶²³ Since Russia's invasion of Ukraine in 2022, China is also increasingly seen as an enabler of Russia's war of aggression against Ukraine.⁶²⁴

618 Statsministerns uttalande med anledning av de amerikanska tullarna. Regeringskansliet. 2 April 2025. <https://www.regeringen.se/uttalanden/2025/04/statsministerns-uttalande-med-anledning-av-de-amerikanska-tullarna/>

619 B. Jerdén, V. Bohman. China's propaganda campaign in Sweden, 2018-2019. Swedish Institute of International Affairs. April 2019. <https://www.ui.se/globalassets/ui.se-eng/publications/ui-publications/2019/ui-brief-no.-4-2019.pdf>

620 L. Silver et al. Views of China and Xi Jinping. Pew Research Center. 9 July 2024. <https://www.pewresearch.org/global/2024/07/09/views-of-china-and-xi-jinping/>

621 J. Puglierin, P. Zerka. Keeping America close, Russia down, and China far away: How Europeans navigate a competitive world. European Council on Foreign Relations. 7 June 2023. <https://ecfr.eu/publication/keeping-america-close-russia-down-and-china-far-away-how-europeans-navigate-a-competitive-world/>

622 V. Bohman, H. Pårup. Purchasing with the Party: Chinese consumer boycotts of foreign companies, 2008-2021. Swedish National China Centre. 11 July 2022. <https://kinacentrum.se/en/publications/chinese-consumer-boycotts-of-foreign-companies/>

623 E. Lindvall. Kina hotar svenska EU-politiker med konsekvenser. Nyhetssajten europaportalen. 8 September 2021. <https://www.europaportalen.se/2021/09/kina-hotar-svenska-eu-politiker-med-konsekvenser>

624 N. Olczak. Asian Barometer 2024: Trends in Swedish views of China, India, and Japan. The Swedish Institute of International Affairs. June 2024. <https://www.ui.se/globalassets/ui.se-eng/publications/ui-publications/2024/ui-report-no.1-2024.pdf>

Nevertheless, China remains Sweden's biggest trading partner in Asia as well as an important partner for scientific research. Exposure to China is the greatest in Western Sweden, where Chinese-owned Volvo Cars is a major employer.⁶²⁵ Successive foreign policy statements underline that "Sweden's relation to China should be anchored in a European strategy and close transatlantic cooperation".⁶²⁶ In November 2024, Minister of Foreign Trade Benjamin Dousa visited Beijing, the first minister-level exchange since 2018. So far, Sweden has defined its challenge as finding a balance between reducing dependencies on China and upholding the principle of free and open trade. However, if US-China rivalry continues to intensify, and at the same time challenges the economic and physical security of Europe, that could fundamentally change the terms of this dilemma.

Active Swedish measures to integrate in NATO

Sweden's security policy entered a new era with its accession to NATO in 2024. Sweden has been increasing its defence spending in accordance with NATO requirements since Russia's invasion of Ukraine in 2022, reaching 2.4% of GDP in 2025.⁶²⁷ In August 2024, Sweden entered into a new Defence Cooperation Agreement (DCA) with the United States, which, according to the government is "creating conditions for American military support".⁶²⁸ The decision to join NATO was a direct response to the rapidly deteriorating security situation in Europe, and thus arguably unrelated to the issue of increasing US-China tension. But with the membership comes an increased alignment with NATO's priorities. NATO has progressively incorporated China more in its assessment of the international situation. In particular, NATO has called China a "decisive enabler of Russia's war against Ukraine".⁶²⁹ In this regard, Sweden has already demonstrated a willingness to see the European and Asian security theatres as connected.

Prime Minister Ulf Kristersson has expressed the viewpoint that Sweden should pay close attention to American security concerns in the Indo-Pacific.⁶³⁰ The Defence Commission's 2024 report includes a chapter on China that describes Beijing's geopolitical ambitions

625 Kontaktytor mellan Sverige och Kina. Nationellt kunskapscentrum om Kina. 2024. https://kinacentrum.se/kontaktytor/?filter=map_location_taxonomy%3Dkommunsamarbeten

626 Utrikesdeklarationen 2025. Regeringskansliet. 12 February 2025. <https://regeringen.se/tal/2025/02/utrikesdeklarationen-2025/>

627 Försvarsbudget. Regeringskansliet. No date. <https://www.regeringen.se/regeringens-politik/forsvarsbudget/>

628 Avtal om försvarssamarbete med USA. Regeringskansliet. 15 August 2024. <https://www.regeringen.se/regeringens-politik/militart-forsvar/avtal-om-forsvarssamarbete-med-usa-dca/>

629 Washington Summit Declaration. NATO. 10 July 2024. https://www.nato.int/cps/en/natohq/official_texts_227678.htm

630 S. Lau. Sweden's PM: Europe needs to talk China, defense spending to keep US support on Ukraine. Politico. 11 March 2024. <https://www.politico.eu/article/sweden-prime-minister-ulf-kristersson-nato-europe-china-defense-spending-support-ukraine/>

as a long-term challenge to global security.⁶³¹ The report calls for adapting security policy to countering China's claims and ambitions. Sweden's recent policy paper on defence cooperation with Indo-Pacific countries also recognises US-China competition as a "strategic rivalry" and underlines that China's increasing authoritarianism and its cooperation with Russia affects security in the Euro-Atlantic region and in Sweden. According to the paper, Sweden aims to further its Indo-Pacific cooperations within defence relations (military presence, and cooperation on defence material), innovation and technology. This strategy aligns with NATO's and US Indo-Pacific strategies. As China is wary about possible NATO involvement in the Indo-Pacific, as a NATO member Sweden's relationship with China could be affected by the development of China-US tensions in the Indo-Pacific.⁶³² On the other hand, if the transatlantic alliance weakens, it will also weaken Sweden's incentives to adapt to US strategic exigencies in the Indo-Pacific.

Economic security, yes please – Tariffs, no thank you

Sweden identifies a strategic interest in countering the ongoing reversal of globalisation by protecting free trade and ensuring that Swedish businesses retain access to global markets. The government has called for proactive steps to safeguard its economic security. As states increasingly restrict access to innovations, value chains, and market opportunities, Sweden must strengthen its position to secure long-term economic resilience.⁶³³ The prospect of increasing US-China tensions is an important part of this strategic picture.

In 2023, exports accounted for approximately 55% of Sweden's GDP.⁶³⁴ Increasing geopolitical frictions are already disrupting trade flows and supply chains. Further decoupling threatens to impact those Swedish industries that rely on Chinese components, such as the automotive and telecom sectors. Dependencies on Chinese pharmaceutical and medical supplies also expose Sweden to vulnerabilities.⁶³⁵

631 Stärkt försvarsförmåga-Sverige som allierad. Regeringskansliet. 26 April 2024. <https://www.regeringen.se/contentassets/79646ada8654492993fe7108d95ac6d5/starkt-forsvarsformaga-sverige-som-allierads-20246.pdf>

632 L. Zhang. New developments in NATO-China relations and their potential impact on Sweden's future relations with China. Swedish National China Centre. 4 April 2024. <https://kinacentrum.se/publikationer/new-developments-in-nato-china-relations-and-their-potential-impact-on-swedens-future-relations-with-china/>

633 National security strategy. Government Offices of Sweden. 8 July 2024. <https://www.government.se/globalassets/government/national-security-strategy.pdf>

634 Export och import. ekonomifakta. Last updated 28 February 2025. https://www.ekonomifakta.se/sakomraden/makroekonomi/handel/export-och-import_1208839.html

635 H. Pårup, V. Bohman (forthcoming).

Sweden aims to maintain trade with China, but wants to reduce strategic dependencies and exposure to geopolitical risk. The present strategy is to achieve this through policies aligned with the EU and by strengthening transatlantic cooperation.⁶³⁶

Uncertain US-China relations have prompted Swedish companies to diversify supply chains and enhance risk management strategies. Data reveals a significantly decreasing interest in China as an import market among Swedish companies, particularly smaller ones⁶³⁷. However, there is a fear that escalating US-China tensions could lead to even stricter restrictions on trade and investments with both great powers. For example, a particular concern for Sweden is that recent unilateral US regulatory crackdowns on Chinese vehicle components could exclude Chinese-owned Volvo Cars (Sweden's largest private employer) from the US market.⁶³⁸ Another example of the risks for business entailed by China-related political decisions was the decision in 2020 to ban Chinese vendors Huawei and ZTE from Sweden's 5G networks, which led to significant decreases in the Swedish telecom giant Ericsson's market shares in China.⁶³⁹

Chinese foreign direct investment (FDI) stock in Sweden remains relatively high compared to other European countries, accounting for 1.45% of GDP⁶⁴⁰ (US FDI stock in Sweden is close to 10% of Sweden's GDP⁶⁴¹). However, despite continued Chinese investment, several Chinese-owned companies in Sweden have been sold or bankrupted, and the total number of Chinese-owned companies has not increased in recent years.⁶⁴² At the same time, government scrutiny has intensified. Swedish security services have highlighted China's involvement in both strategic investments and acquisitions, and underlined vulnerabilities for Sweden in connection with the risk of political and economic pressure.⁶⁴³

636 National security strategy. Government Offices of Sweden. 8 July 2024. <https://www.government.se/globalassets/government/national-security-strategy.pdf>

637 A. Rennéus Guthrie. Minskad import från Kina väntar- "Många företag tar det säkra före det osäkra". Svenskt Näringsliv. 23 January 2023. https://www.svensktnaringsliv.se/sakomraden/internationell-handel/minskad-import-fran-kina-vantar-manga-foretag-tar-det-sakra-fore_1194590.html

638 A. von Sydow. Security concerns regarding Chinese connected cars: A short overview. Swedish National China Centre. 11 December 2024. <https://kinacentrum.se/publikationer/security-concerns-regarding-chinese-connected-cars-a-short-overview/>

639 H. Lee-Makiyama. US Sanctions Against Chinese 5G: Inconsistencies and Paradoxical Outcomes. European Centre for International Political Economy. October 2021. <https://ecipe.org/blog/us-sanctions-against-chinese-5g/>

640 G. Stec, H. Legarda. The Europe-China resilience audit: Insights for advancing European resilience. Mercator Institute for China Studies. 31 October 2024. https://merics.org/sites/default/files/2025-01/MERICS%20Report%20The%20Europe-China%20Resilience%20Audit_October%202024.pdf

641 Foreign Direct Investment (FDI): Sweden. Select USA. August 2024. <https://www.trade.gov/sites/default/files/2024-09/Sweden-508.pdf>

642 O. Almén. Kinesiska investeringar i Sverige: En kartläggning. Totalförsvarets forskningsinstitut. 6 June 2023. <https://www.foi.se/rapportsammanfattning?reportNo=FOI-R--5474--SE>

643 Säkerhetspolisen årsbok 2023-2024. Säkerhetspolisen. No date. <https://www.sakerhetspolisen.se/download/18.5cb30b118d1e95affec37/1708502268494/L%C3%A4gesbild%202023-2024.pdf>

In December 2023, Sweden introduced an investment screening mechanism. Although this mechanism is country-agnostic in principle, security concerns associated with Chinese FDI played a significant role in shaping the legislation.⁶⁴⁴ In December 2024, an investment by the Chinese company Putailai (PTL), worth over one billion euros, to build an anode factory in the northern municipality of Timrå was stopped in accordance with the new mechanism.⁶⁴⁵ In order to be able to proceed with the investment, the regulator stipulated that PTL would have to find a local majority investor and keep a workforce of 90% EU citizens⁶⁴⁶ – essentially a joint venture model and possibly an important precedent for future strategic investments. The requirements were rejected by PTL as impossible to meet.

The government's growing focus on the risks linked to economic cooperation with China aligns with Swedish public sentiment. A public opinion survey conducted in 2023 revealed that a majority of respondents were opposed to expanding Swedish cooperation with China or increasing Chinese investments in the country.⁶⁴⁷ However, regarding the question on tariffs, issues of economic security arising from increasing US-China rivalry seem so far to have only reinforced Sweden's basic attitude of scepticism. Sweden abstained in the vote on EU tariffs on Chinese electric vehicles in 2024, and Minister for Foreign Trade Benjamin Dousa explained that Sweden would have voted against, were it not that the EU Commission had signalled possible exemptions for Volvo Cars.⁶⁴⁸

Dependencies and setbacks in the green transition

While firmly committed to the green transition, Sweden struggles with a heavy dependence on China for green tech. The National Security Strategy underlines the need to reduce "undesirable strategic dependencies, particularly in relation to authoritarian states". This includes enhancing access to metals and minerals, as well as streamlining permitting processes for sustainable resource extraction.⁶⁴⁹ Recent finds of rare-earth elements in Sweden have been portrayed as a way to limit dependencies on China. However, the

644 In Sweden, the security risks linked to Chinese FDI have directly shaped the process of drafting a legislative proposal.

645 Besked till oss idag- ISP har tagit beslut. Torsboda Industrial Park Sweden. 19 December 2024. <https://www.mynewsdesk.com/se/torsboda-industrial-park/pressreleases/besked-till-oss-idag-isp-har-tagit-beslut-3361689>

646 F. Israelsson. Här är kraven på kinesiska företaget PTL för jättesatsningen i Timrå: "Omöjligt". SVT Nyheter. 16 January 2025. <https://www.svt.se/nyheter/lokalt/vasternorrland/omojligt-nu-berattar-kinesiska-ptl-om-de-krav-som-stallts-pa-foretaget-for-en-etablering-i-timra>

647 N. Olczak. Asian Barometer 2024: Trends in Swedish views of China, India, and Japan. Swedish Institute of International Affairs. January 2024. <https://www.ui.se/globalassets/ui.se-eng/publications/ui-publications/2024/ui-report-no.1-2024.pdf>

648 A. Hansson. Oro för Kina svar: "Dåligt för Sverige". SvD Näringsliv. 12 October 2024. <https://www.svd.se/a/lw9Ody/oro-for-kinas-svar-daligt-for-sverige>

649 National security strategy. Government Offices of Sweden. 8 July 2024. <https://www.government.se/globalassets/government/national-security-strategy.pdf>

present dependencies are foreseen to remain for a long time.⁶⁵⁰ Dependence on Chinese supply chains have also been noted in the rapidly expanding wind energy sector.⁶⁵¹

Sweden's ambitions to compete with global Chinese dominance in the battery sector was dealt a blow when battery developer and manufacturer Northvolt, which has received large state subsidies, filed for bankruptcy in March 2025. Among other things, it was found that Northvolt had been highly dependent on China for both machinery and labour.⁶⁵² Other reports have mentioned that China has informally banned exports of graphite to Sweden since 2020.⁶⁵³ There is a substantial risk that US-China trade conflict could lead to further Chinese restrictions on minerals exports which could disrupt these supply chains, endangering Sweden's green transition.

Domestic agreement on the way ahead – but the Trump factor causes uncertainty

The present Swedish government, a centre-right coalition under Prime Minister Ulf Kristersson, came to power in 2022, replacing the previous Social Democratic government led by Magdalena Andersson. There is a high degree of unanimity between Swedish political parties on policies toward China. None of the major political parties can be described as pro-Chinese. The China policy of the present government harmonises in large part with the policy paper on China produced in 2019 by the previous government.

There is also broad agreement on the importance of transatlantic ties. The differences of opinion that exist on this matter, like the Left Party's anti-NATO stance,⁶⁵⁴ are not expected to translate into a markedly different orientation in case of a change in political leadership. The basic issues which create a degree of Swedish ambivalence around de-risking and strategic autonomy (opposition to protectionism, support of free trade and a rules-based liberal order) are not strongly partisan either. In sum, a change of government is not expected to lead to major changes in Sweden's position on US-China rivalry. However, the entire political spectrum might react against actions from the US administration considered adversarial to Swedish or European interests. Such US actions could lead to a broader revaluation of the transatlantic relation, which could imply an adjustment of China policy.

650 P. Andersson. Kinas kontroll över sällsynta jordartsmetaller och vad den innebär för Sverige. Swedish National China Centre. 5 December 2023. <https://www.ui.se/globalassets/ui.se-eng/publications/other-publications/kinas-kontroll-over-sallsynta-jordartsmetaller-och-vad-den-innebar-for-sverige.pdf>

651 H. Wachtmeister. Chinese presence in Swedish wind energy sector: Vulnerabilities and risks. Swedish National China Centre. 11 October 2024. <https://kinacentrum.se/publikationer/chinese-presence-in-the-swedish-wind-energy-sector-vulnerabilities-and-risks/>

652 E. Hardy, D. Helmeçi. The North Star of Europe's Industrial Policy Goes South. Internationale Politik Quarterly. 8 January. <https://ip-quarterly.com/en/north-star-europes-industrial-policy-goes-south>

653 Why is China blocking graphite exports to Sweden?. The Economist. 24 June 2023. <https://www.economist.com/business/2023/06/22/why-is-china-blocking-graphite-exports-to-sweden>

654 Nato. Vänsterpartiet. 21 January 2025. <https://www.vansterpartiet.se/var-politik/politik-a-o/nato/>

UK: STILL LOOKING ACROSS THE ATLANTIC



UK: STILL LOOKING ACROSS THE ATLANTIC

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China, the US, and their increasingly confrontational relationship have been major factors in British foreign policy over recent years. The UK has a much deeper and more institutionalised relationship with the US, and this is likely to remain a cornerstone of British foreign policy, in spite of the uncertainties generated by the new Trump administration. At the same time, the Labour government which took office in July 2024 has indicated that it intends to rebalance the approach to China to place more emphasis on cooperation for economic growth and the green transition. But domestic pressure on security issues and from Washington will continue, limiting the space for shifts in the UK's approach to China.

The US and China in British foreign policy

This chapter examines the impact of the US-China strategic competition on British policy towards China. The new Labour government which took office in July 2024 has promised shifts in foreign policy, including in relation to China and the European Union. But prospects are unclear at a time of significant uncertainty and flux in international politics in the early months of the second Trump presidency in the US.

Looking back over the five years since the last ETNC report addressed this topic,⁶⁵⁵ the US-China relationship and the US and China separately have been major issues in British foreign policy. This was seen in the two post-Brexit 'integrated reviews' of security, development and foreign policy published in 2021 and 2023 by the previous Conservative government.⁶⁵⁶ Both documents attached priority to relations with the US, and spelt out a shift in approach to China from an earlier period which had focused primarily on engagement. This was summarised in the 2023 review with the keywords 'protect, align and engage', with a clear emphasis on 'protect' as a growing number of China-related issues were securitised by the UK policy community.⁶⁵⁷

The current Labour government's way of describing its approach to China - 'compete, challenge and cooperate' - reflects a similar trilogy. But in rhetoric and practice, the emphasis has been different, with a greater priority given to engagement and cooperation. This has been seen symbolically in high-level meetings and visits: foreign Secretary David Lammy went to Beijing in October 2024, Prime Minister Keir Starmer

655 T. Summers. Better the devil you know? US-China strategic rivalry and the UK's China policy. In *Europe in the Face of US-China Rivalry*, European think-tank network on China. 2020. <https://www.realinstitutoelcano.org/monografias/europe-in-the-face-of-us-china-rivalry/>

656 Cabinet Office. The Integrated Review 2021. <https://www.gov.uk/government/collections/the-integrated-review-2021>. Cabinet Office. Integrated review refresh 2023: Responding to a more contested and volatile world. 2023. <https://www.gov.uk/government/publications/integrated-review-refresh-2023-responding-to-a-more-contested-and-volatile-world>

657 T. Summers. UK-China Academic Relations in a World of Strategic Rivalry. In Wong Suk Ying et al. (eds), *Reimagining the Humanities: Chinese and Western Perspectives*. 2023. Beijing: Commercial Press, 579-608.

met Xi Jinping at the G20 in November 2024,⁶⁵⁸ and Chancellor (Finance Minister) Rachel Reeves traveled to Beijing in January 2025 for the first bilateral Economic and Financial Dialogue since before Covid-19. Chinese Foreign Minister Wang Yi visited the UK in February 2025, with his talks billed as a resumption of a Strategic Dialogue between the two governments.

While the government has been keen to emphasise this is not a return to the 'golden era' of Sino-British relations declared during David Cameron's premiership (2010-2016), underlying the approach is the idea that economic growth should be central to the government's agenda, and that the UK's interests and economic security are best served by exploring opportunities for increased trade and investment, including with China.

However, this greater emphasis on engagement has not (yet) enjoyed broad political support in the UK, and been treated cautiously by UK allies. There are reports of tensions within government between 'securocrats' and those pushing for economic growth and green transition.⁶⁵⁹ Numerous opposition Conservative Party politicians have been critical, a number of parliamentarians have initiated debates challenging aspects of China policy, and lobby groups and some media have questioned the government's engagement with China before its planned 'audit' of the relationship is complete.

Particular issues cited as being of concern relate to the nature of the Chinese regime, worries about national security, questions over the actual benefits from engaging China, and Hong Kong. These were largely the issues which drove the previous Conservative government's hawkish turn under pressure from the US and its own backbench parliamentarians, but Labour currently enjoys a substantial parliamentary majority which gives the government more domestic political space to pursue a policy shift in the face of criticism.

However, the attitude of the new US administration remains a key unresolved question. Trump 2.0 is continuing an approach to China built around 'strategic competition', with a more confrontational tone than that of the UK. How much pressure Washington puts on London with respect to China policy remains to be seen, but it should be recalled that it was ultimately concerted pressure from the first Trump administration that led to the UK's decision in 2020 to strip Huawei equipment from the 5G network by 2027, a step which cemented the UK's China policy shift from engagement to suspicion.

Looking beyond the immediate politics, the last five years have seen some changes in the relative levels of influence and engagement the UK has with the US and China. Underlying structural relationships have shifted with China's rise, but not enough to tilt the balance. Overall, the relationship with the US remains thicker and more deeply institutionalised, as would be expected for the UK's major strategic partner since the

658 UK Government. PM meeting with President Xi Jinping of China: 18 November 2024. <https://www.gov.uk/government/news/pm-meeting-with-president-xi-jinping-of-china-18-november-2024>

659 See for example, the Security Service's review of Chinese involvement in the UK's green transition. Financial Times. *MI5 investigates use of Chinese green technology in UK*. 15 February 2025. <https://on.ft.com/4gGIE5K>

middle of the 20th century.⁶⁶⁰ These dynamics are at play across economics, security and the environment.

Economic ties: more US than China

US investment in the UK has grown significantly since Brexit, and accounted for 31.6% of total inward investment stocks in 2021, up from 23.6% in 2017. In comparison, investment from mainland China is minimal, at 0.25% of the total in 2021, though Hong Kong separately accounted for 0.96% of the total (also 2021).⁶⁶¹ Since 2020, significant Chinese investment projects have been reversed, as the previous government bought out China General Nuclear's stake in the Sizewell C nuclear power project,⁶⁶² and an earlier government decision has required telecoms companies to strip Chinese-made Huawei equipment from their 5G networks. As a result, Huawei's UK business has reduced in scale some six times.⁶⁶³ In terms of outward British investment, China has accounted for a consistent proportion of around 5% to 6% over recent years (most of which goes to or via Hong Kong), while the US's share has grown from 22% in 2017 to 29% in 2021.

While investment flows are clearly much greater with the US, and growing, the picture in relation to trade is slightly more nuanced. The US remains the UK's biggest single country trading partner by some way (the EU as a bloc is still much larger, though its proportion has declined since Brexit), accounting for 13.8% of exports and 12.0% of imports in 2023. Trade with China has however grown consistently to account for 6.6% of exports and 12.5% of imports in 2023; these figures include Hong Kong, which is a significant export market in its own right. When Hong Kong is included, China was the UK's fourth largest trading partner in 2023.⁶⁶⁴

In terms of prominent economic initiatives, the UK joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership at the end of 2024, and the Labour government is likely to continue its predecessor's efforts to enhance economic ties

660 R. Xu. Institutionalization, path dependence and the persistence of the Anglo-American special relationship. *International Affairs* 92(5), 2016, 1207–1228. <https://doi.org/10.1111/1468-2346.12705>

661 OECD Data Explorer (BMD4). Data retrieved October–November 2024. <https://data-explorer.oecd.org/>

662 UK Government. UK government takes major steps forward to secure Britain's energy independence. 29 November 2022. <https://www.gov.uk/government/news/uk-government-takes-major-steps-forward-to-secure-britains-energy-independence>

663 CityAM. Huawei: Chinese firm reduced to a shadow of former size as UK restrictions bite. 25 September 2024. <https://www.cityam.com/huawei-chinese-firm-reduced-to-a-shadow-of-former-size-as-uk-restrictions-bite/>

664 2023 data for UK trade shows that when mainland China and Hong Kong are taken together, exports were GBP47.2bn, fifth largest ahead of France, and imports were GBP68.6bn, third largest ahead of the Netherlands. The total of GBP115.8bn was fourth largest, slightly less than trade with the Netherlands and more than that with France.

across the Indo-Pacific, including through free-trade agreements.⁶⁶⁵ This is in effect a diversification of economic ties, though China remains the biggest Asian economy by a long way. This broader regional engagement has superseded the Belt and Road Initiative (BRI) in policy statements, and there is currently little appetite for proactive government engagement with the BRI or other broad, symbolic Chinese government initiatives.

Security relationships: the US remains dominant

In terms of security, the traditional relationship with the US is long-standing and heavily institutionalised. The UK hosts a number of US military bases,⁶⁶⁶ is a member of NATO, and has been active in its opposition to the Russian invasion of Ukraine and critical of China's continued engagement with Russia after February 2022. It is possible that the evolving approach of the Trump administration might lead some in the UK to rethink aspects of the country's security alignment, but that is unlikely to involve any tilt towards China. Instead, it would probably take the form of closer relationships with European defence partners (bilaterally or plurilaterally),⁶⁶⁷ and the continued deepening of ties with other Asian countries, such as Japan (and possibly India),⁶⁶⁸ building on the strengthening of these defence ties under the previous government. The concept of 'strategic autonomy' (popular in other European circles) is not significant in mainstream British debates at the moment.

In contrast, China is likely to remain a strained relationship from a security perspective (though the UK Chief of Defence Staff visited Beijing in April 2025).⁶⁶⁹ As noted above, many elements of British ties with China have been securitised over recent years, and the institutions within the British state that have led these processes are likely to continue to press their case privately and publicly. There is no suggestion that the Labour government will remove security measures put in place by its predecessor, such as investment screening or national security legislation, though it delayed the introduction

665 T. Summers, C. Li and C. Miao. British economic strategy and regional institutions in Asia, 2016–2024. *Asia Europe Journal* 22, 2024, 403–421. <https://doi.org/10.1007/s10308-024-00711-2>. A trade agreement with India was finalised in May 2025.

666 The exact US military footprint in the UK is not readily obtainable from public sources, but there are at least a dozen bases.

667 A. Sundar. Transatlantic drift: UK-EU defence cooperation in the second Trump era. European Council on Foreign Relations. 4 December 2024. <https://ecfr.eu/article/transatlantic-drift-uk-eu-defence-cooperation-in-the-second-trump-era/>. For commentary on defence industrial cooperation, see A. van Rij. To defend Europe, the UK–EU reset should prioritize defence industrial cooperation. Chatham House. 5 February 2025. <https://www.chathamhouse.org/2025/02/defend-europe-uk-eu-reset-should-prioritize-defence-industrial-cooperation>

668 On India, see post by UK Defence in India, 10 Feb. 2025, at <https://x.com/UKDefenceIndia/status/188893434305094057>

669 Financial Times. Head of British military makes first Beijing visit in 10 years. 10 April 2025. <https://www.ft.com/content/2deb7089-5575-4b1e-8efc-2cb893c90e46>

of a registration scheme for lobbyists for foreign powers, a decision which met with opposition from those lobbying for a tougher approach to China.⁶⁷⁰

Environment, climate and green transition: space for cooperation with China

Another element of the Labour government's agenda is a green transition and faster progress towards net zero carbon emissions. Given China's dominant position in green industries such as wind, solar, EVs and batteries, the UK probably has 'little choice but to take advantage of low-cost Chinese wind and solar [and other] technologies'.⁶⁷¹

One indication of the government's approach is that it has not followed the US and EU in placing tariffs on Chinese electric vehicles (EVs), and there have been reports of seeking Chinese EV-related investment in the UK. As an commentary by the European Council on Foreign Relations noted, 'Having recently upgraded its climate targets and seeking to become a "clean-energy superpower" by 2030, Britain also aims to expand clean-energy partnerships with China'.⁶⁷² Climate and green tech were part of the January 2025 Economic and Financial Dialogue with Beijing, and have been consistent features of earlier phases of the bilateral relationship.

In addressing climate change, the UK's direct impact will be limited by the relatively small size of its economy and emissions compared to the big two emitters, China and the US. But there have been calls for more collaboration and strategic dialogue on climate change, including in a detailed Chatham House report, which likely reflects the tenor of thinking in the relevant parts of the British government and was issued shortly before Secretary of State for Energy Security and Net Zero, Ed Miliband, visited China.⁶⁷³ Mitigating against this are the securitising critics of engaging China in green sectors (noted above), and criticism - for example from the Conservative *Daily Telegraph* - of China's continued investment in coal (even as the proportion of its energy coming from renewables continues to rise).⁶⁷⁴ In this, as in other areas, the space for politically-acceptable cooperation with China is less than it was before 2020

670 T. Yip. Covert Interference and the UK Foreign Influence Registration Scheme. *The RUSI Journal* 169(7), 2024, 44–54. <https://doi.org/10.1080/03071847.2024.2434134>

671 Financial Times. China is winning the race for green supremacy. 12 January 2025. <https://www.ft.com/content/d3650b44-0313-44c9-a7aa-495549b158b5>

672 B. Tsang. Britain's risky re-engagement: Why its China policy could strain the EU-UK reset. ECFR. 15 January 2025. <https://ecfr.eu/article/britains-risky-re-engagement-why-its-china-policy-could-strain-the-eu-uk-reset/>

673 C. Aylett, A. Froggatt, J. Guo. An agenda for UK–China climate cooperation. Chatham House. 16 January 2025. <https://www.chathamhouse.org/2025/01/agenda-uk-china-climate-cooperation>

674 Daily Telegraph. The coal-burning country killing the case for net zero: Miliband's green energy ambitions are only helping to stoke Beijing's chimneys. 1 February 2025. <https://www.telegraph.co.uk/business/2025/02/01/xi-jinpings-coal-burning-blitz-is-making-the-dream-net-zero/>

Conclusion: Still Tilting Across the Atlantic

Some commentators have suggested the UK might benefit from 'geopolitical promiscuity'.⁶⁷⁵ Others might call that pragmatic diplomacy, based on a hard-headed assessment of the national interest and what is achievable given the constraints. But for the UK, whatever the proclivities of the Trump administration and its impact on Europe or the wider world, the US is still the partner which is known best and with the deeper and more institutionalised relationships. The UK has rarely departed far from the US in foreign and security policy, and this broad alignment is likely to remain, even with the potential shocks to international politics under the new Trump administration.

On China, the moment around 2015 when British approaches appeared as if they might depart more significantly from Washington's has passed. Although the new government will look to engage more with China in economics and on the green transition, the US's evolving approach to China - particularly expressed through security concerns - will continue to shape and constrain London's approach.

675 S. Bush. Financial Times Inside Politics newsletter. 12 February 2025. <https://ep.ft.com/permalink/emails/eyJlbWFpbCI6ImRlNTgwZjhkNzZlbnJlU1ZTRhYzcyZjM3MzgxNzkwMDU3Zjg4MDU0ODU0YjliNTA-5YiIsICJ0cmFuc2FjdGlhbnklkljoiZjE1YzI5OGMtN2VmMi00MGU5LTlhODQtMTUzNjUyYzFiODNliiwglmJhdG-NoSWQioiXjODYxN2E1Ny1mNDRlLTRmM2UtYiQ3Yi1hNWw4NiY1NWYwOTgqfQ==>

