



European Business in China

POSITION PAPER 2025/2026

November 2025 |
Belgium-Chinese Chamber of Commerce

Adam Dunnett, Secretary General

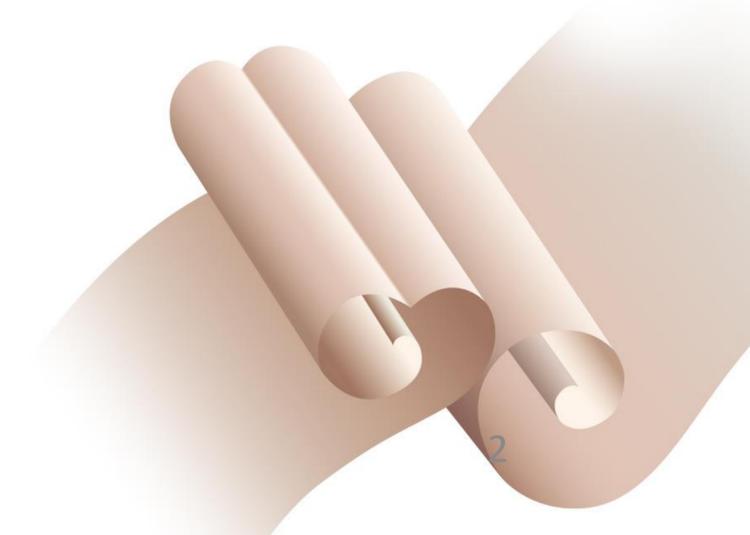
Antoine Bruneel, National Representative for Belgium

Introduction



European Business in China Position Paper 2025/2026

- The Chamber's annual advocacy plan.
- Detailed and constructive recommendations to Chinese policymakers.
- Developed by 1,600+ members in 51 working groups, sub-working groups, industry desks and forums.



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Review of the 14FYP

Some 14FYP core principles will likely influence policy direction for the next half decade



Goal: increase level of self-reliance and enhance tech leadership in key sectors

‘Coordinate development and security’

Top-level policy priority aimed at balancing economic growth against national security concerns

‘Dual circulation’

Now part of the CPC constitution

- Reduce dependencies on third markets in critical areas (food, energy, technology)
- Increase resilience by boosting domestic innovation, high-tech manufacturing capabilities and domestic consumption

Internal circulation

- Focus on domestic market
- Increase self-reliance / technological capabilities

External circulation

- Define China’s role in global markets
- Carefully manage the role global markets can play in China’s domestic economy

Some 14FYP core principles will likely influence policy direction for the next half decade



Continued emphasis on **self-reliance**, technological advancement and the role of manufacturing in China's economy.

*"We must continue to do a good **job in the manufacturing industry, adhere to self-reliance, master key core technologies, promote the integration of industry, education and research, and cultivate a large number of high-quality talent, so that Chinese-style modernisation can be truly realised.**"*

"[...] the manufacturing industry is an important pillar of the national economy, and [it] must maintain a reasonable proportion [in China's economic makeup] to advance Chinese-style modernisation."

"I often emphasise two imperatives: China must hold fast to its rice bowl, and it must fortify its manufacturing base. A nation of over 1.4 billion people must resolve these matters on its own. We cannot rely on a single trick to get by; should either falter, no international market will safeguard us."

Xi Jinping, 19th May 2025, on an inspection tour in Luoyang, Henan

'Internal circulation': industrial policies, self-reliance and domestic consumption



Upgrading of China's manufacturing base

China's share of global manufacturing more than Germany + US + Japan + South Korea combined

Technological innovation

Increased focus on basic research

Resource misallocation, market inefficiencies

Heavy reliance on government subsidies

Disproportionate focus on supply-side support

Slower consumption growth relative to increase in production capacity

Unhealthy competition (involution)

Decrease in FDI

As playing field tilted in favour of domestic players (A&C guidelines, 'buy China' policies)

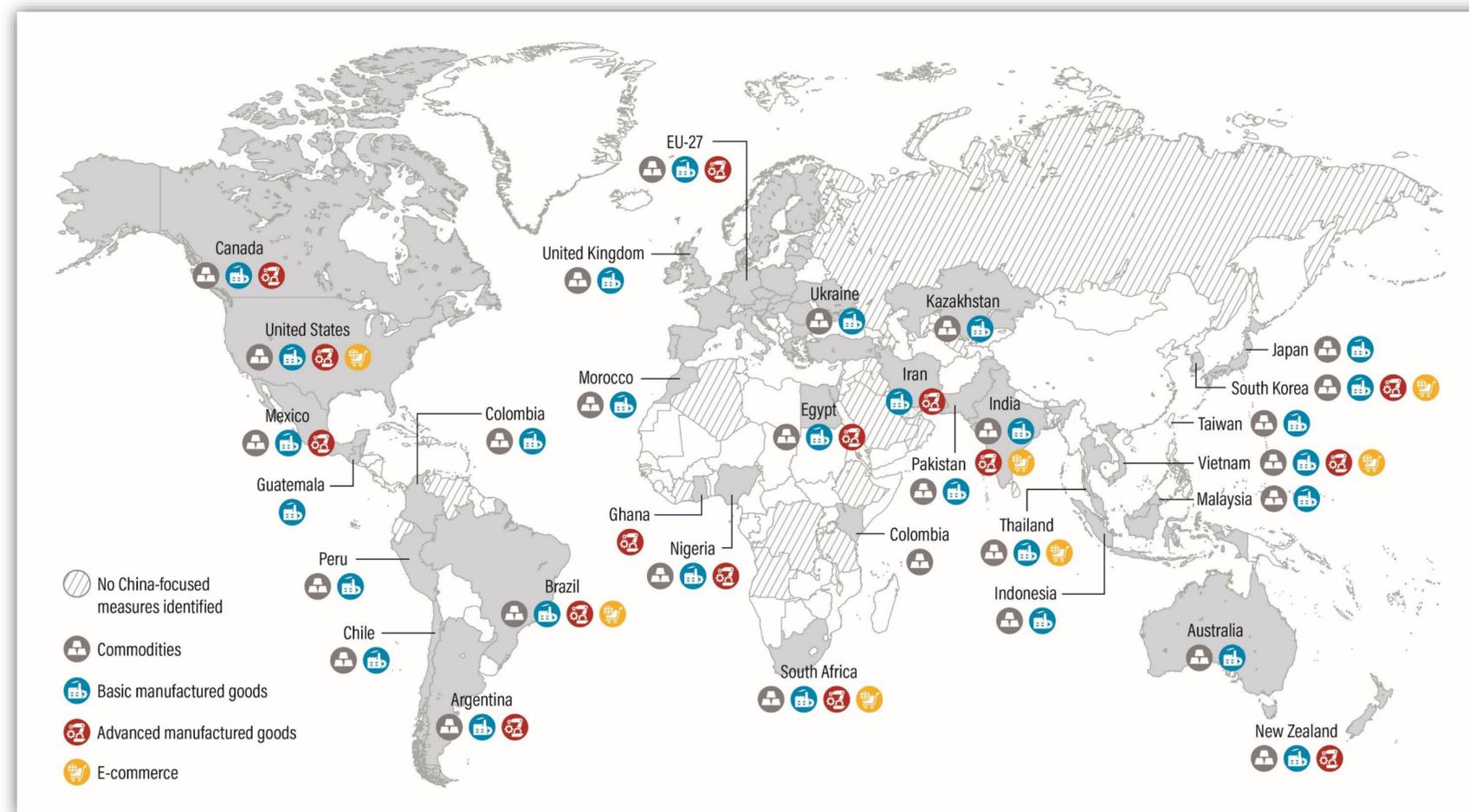


'External circulation': a catalyst for trade imbalances

A growing number of markets are imposing trade defence instruments against China's exports of various products



Cementing China's role in global supply chains
China's share of global container exports rose from 32% in 2019 to 36% in 2024



Data sources: MERICS, China's Ministry of Commerce Trade Remedies Information



Trade imbalances
Corrective action being taken by a growing number of third markets
Increased trade frictions and uncertainty



Recommendations for the 15FYP: Towards a New Productive Development Model



1. Fix the root causes of involution



2. Provide a bigger role for the market to boost efficiency and eliminate waste



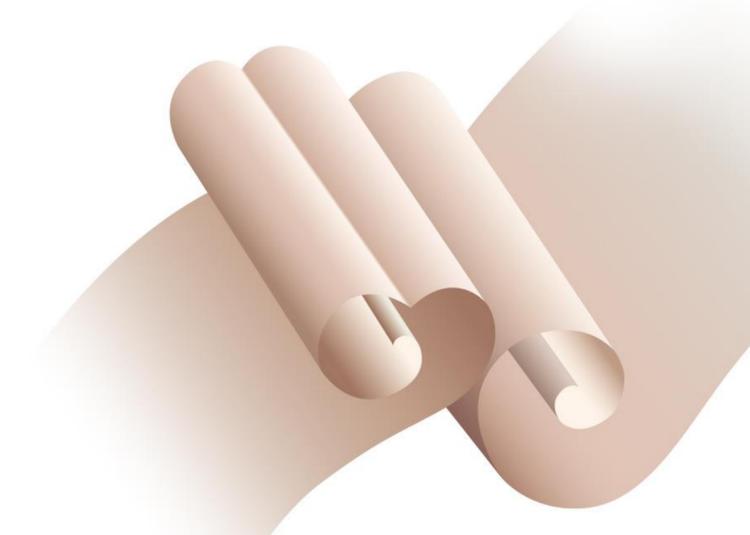
3. Make trade make sense for key trade partners



4. Capitalise on your strength in green leadership



5. Ensure an open and inclusive digital transition



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Recommendations for the 15FYP: Towards a
New Productive Development Model

1. Fix the root causes of involution

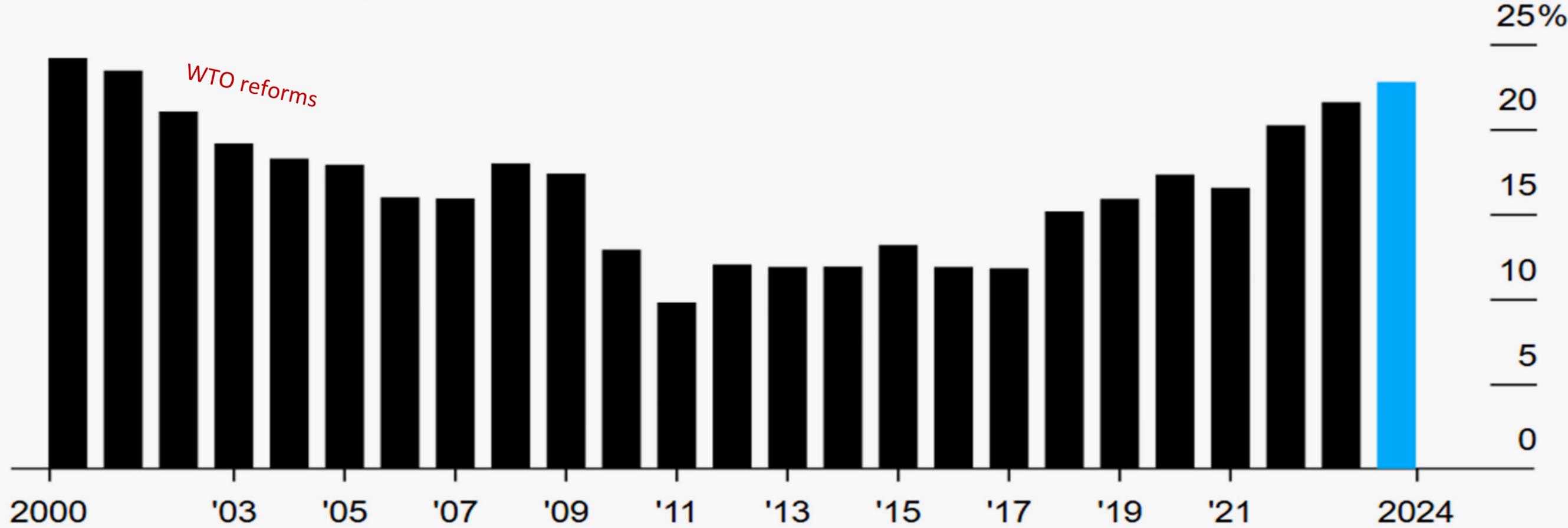
Concerns about China's economic slowdown shared across the board



China's Industrial Sector Plagued by Worsening Profitability

Share of loss-making firms at the highest level since 2001

■ Share of loss-making industrial firms



Source: National Bureau of Statistics, Bloomberg

Key structural issues that require urgent action

Consumption growth lagging growth in manufacturing output

Unhealthy, unsustainable competition ('involution')

- Expanding inventories
- Pressure on profit margins
- Decreasing asset utilisation
- Pressure to export

Inadequate social safety net

High costs for housing, child- and elderly care

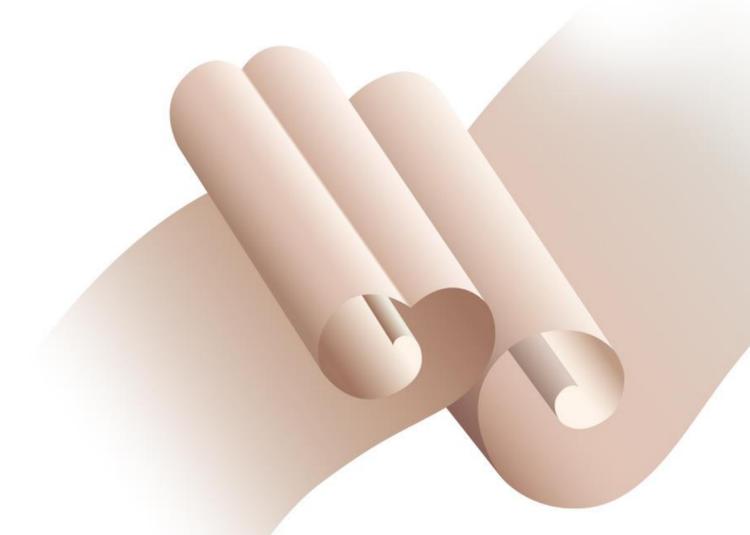
Dampening consumer confidence

Local governments' 'prisoner's dilemma'

Local governments incentivised to support local champions in key sectors in the hope that they can become market leaders nationwide/globally

Targeted segments become saturated, further precipitating unsustainable competition

Many of the Chamber's recommendations are aimed at addressing these key issues.



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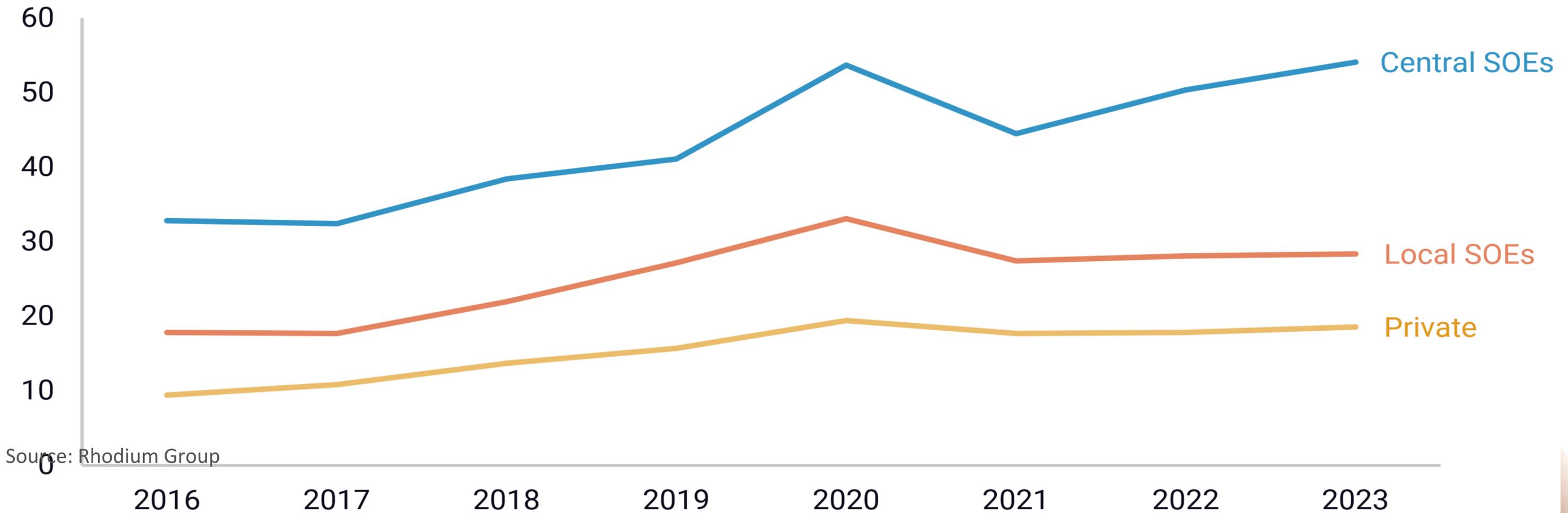
**2. Provide a bigger role
for the market to boost
efficiency and eliminate
waste**

Disproportionately large support for SOEs disadvantages private firms



Median grant received by company type, 2016 - 2023

RMB millions

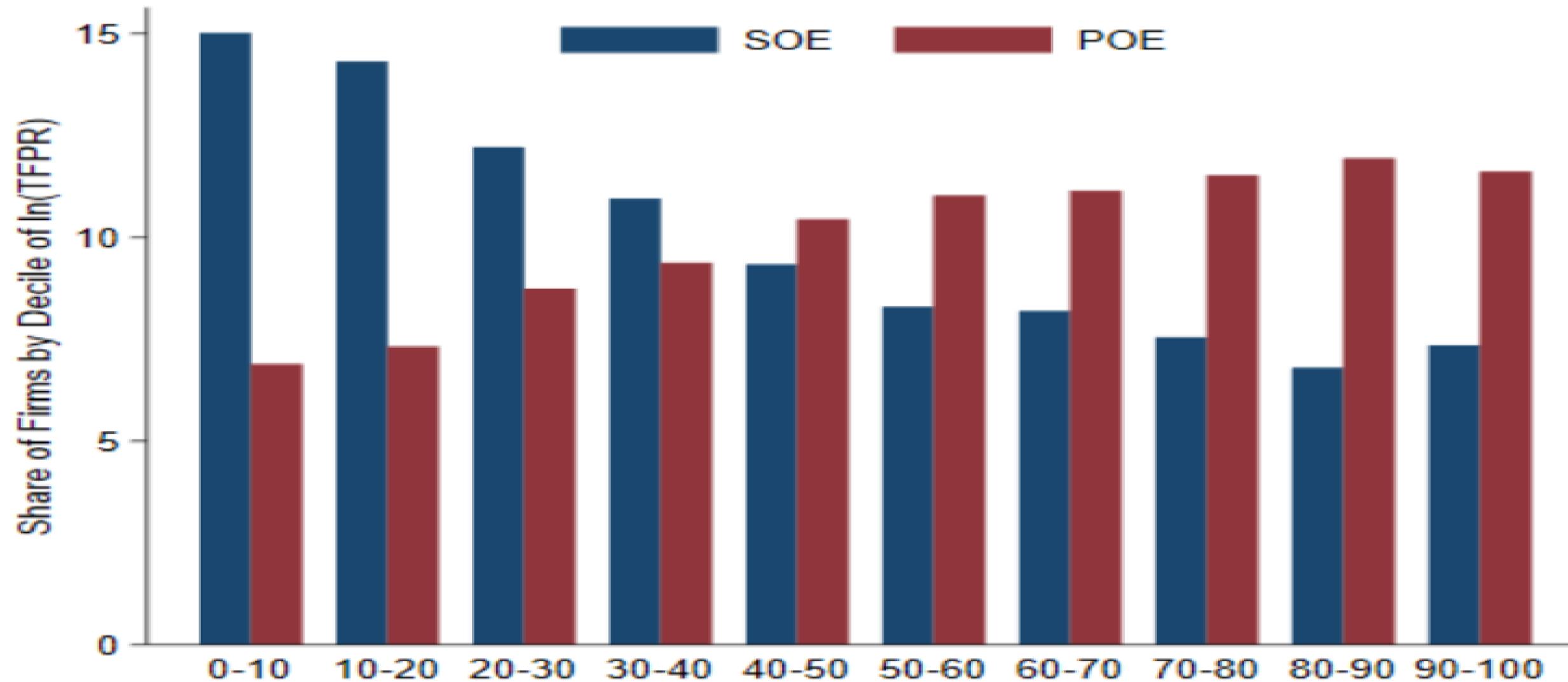


Source: Rhodium Group

Source: Listed companies' financial disclosures. Only companies with data for all years between 2016-2023 are counted. N=3,141 companies.

Preference for SOEs has resulted in lower overall productivity

Share of SOEs and private firms by decile of revenue productivity (2003-2019)



Some broader issues already acknowledged, further steps needed

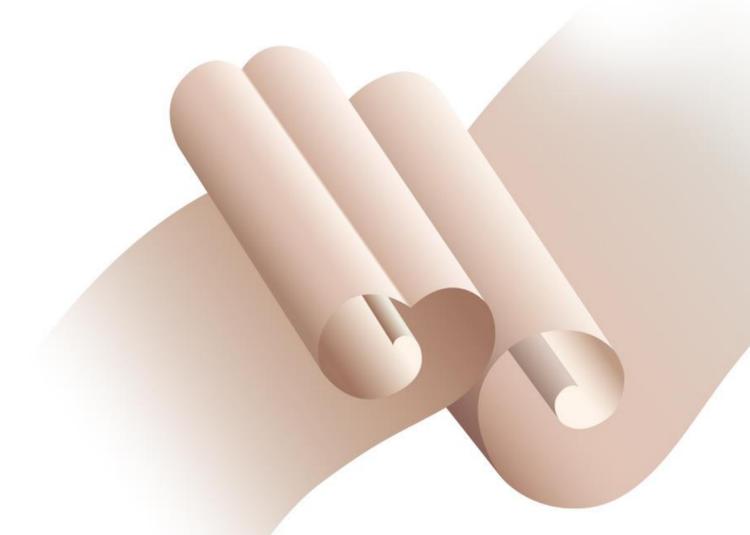


Calls for state capital to be steered towards the development of emerging and future industries

- Challenge: targeted segments become saturated
- 14th July 2025: **President Xi criticised local governments** for focussing their efforts on the same emerging industries (e.g., AI, computing power, NEVs)

Excessive focus on supply-side support gives rise to unhealthy competition, overcapacity

- 1st July 2025: **President Xi called for managing “disorderly competition at low prices”** and for promoting the orderly withdrawal of backward production capacity
- 16th July 2025: State Council executive meeting chaired by Premier Li Qiang – pledge to curb **“irrational competition”** in the EV sector



A key area where market forces should be allowed to play a decisive role: healthcare



Government procurement has a significant influence

Leaving it to be driven by market forces can ensure:

- Patients' access to the highest quality care available
- Technological innovation through healthy competition

Scope of 'domestic product' unclear

Limitations based on ownership, brand and nationality

→ Hindering purchase of imported equipment/products manufactured in China by FIEs

Volume-based procurement (VBP) comes with unintended consequences

Undermines product quality assurance, supply chain stability, industry innovation

Trade tensions further complicate the situation

Tariff adjustments inflating import costs for high-value medical devices and crucial raw materials

Maintaining original bid prices risks accusations of dumping, while price hikes breach procurement contracts



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3. Make trade make sense for key trade partners

Trade increasingly becoming a one-way street: China's partly involution-driven export growth fuelling trade tensions

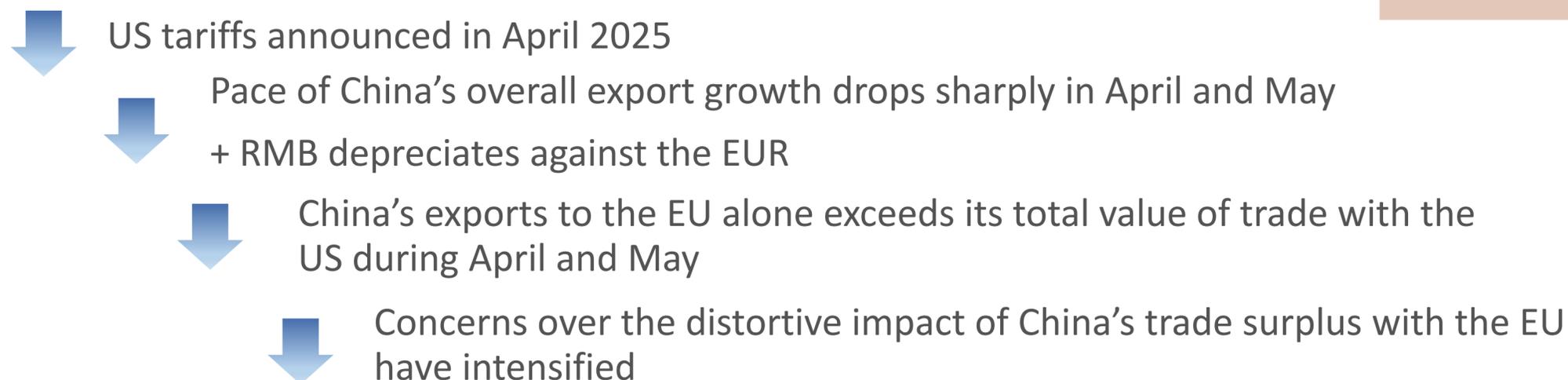


“Foreign trade reached a record high, and the global market share of China’s exports increased steadily [...] We actively fostered new growth drivers for foreign trade and steadily improved the import and export mix. These efforts enabled exports to contribute more to China’s economic growth.”

Government Work Report 2025

Rapid growth in exports has exacerbated trade imbalances with key partners

H1 2025: net exports contributed nearly a third of China’s GDP growth



“Today, the EU accounts for an impressive 14.5% of China's total exports. Yet China only represents 8% of our exports. These numbers [...] expose a growing imbalance. This is mostly due to an increasing number of trade distortions and market access barriers. Unlike other major markets, Europe keeps its market open to Chinese goods. This reflects our longstanding commitment to rules-based trade. However, this openness is not matched by China. The EU's trade deficit with China has doubled in the last decade reaching more than EUR 300 billion. So we have reached a clear inflection point.”

European Commission President Ursula von der Leyen at the 2025 EU-China Summit (July 2025)

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Recommendations for the 15FYP: Towards a
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4. Capitalise on your strength in green leadership

Rapid progress in green energy transition



Energy transition investment

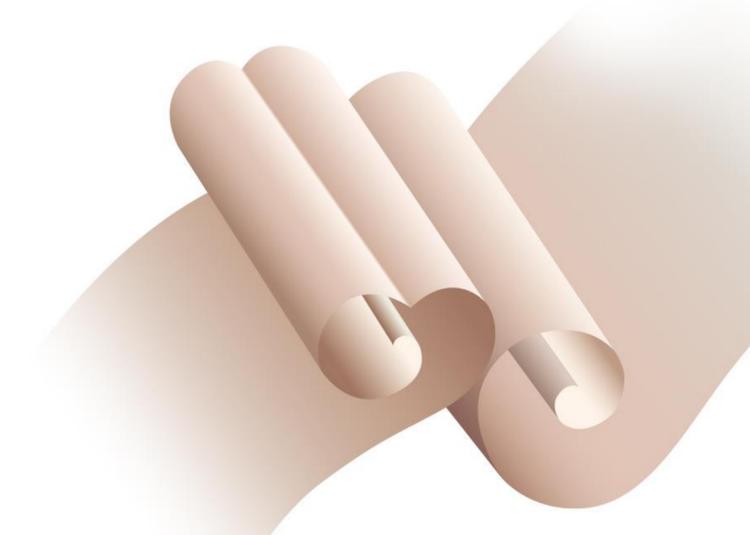
- China accounts for 39% of global total and two-thirds of global increase in 2024

Renewable power generation capacity

- 55% of total power generation capacity in 2024
- Solar and wind power generation capacity surpassed China's 2030 Nationally Determined Contribution (NDC) target six years early

Green technology manufacturing

- China occupies a dominant position in the global supply chains for solar, wind, batteries and NEVs



Challenge ahead: ensuring stable supply of renewable energy

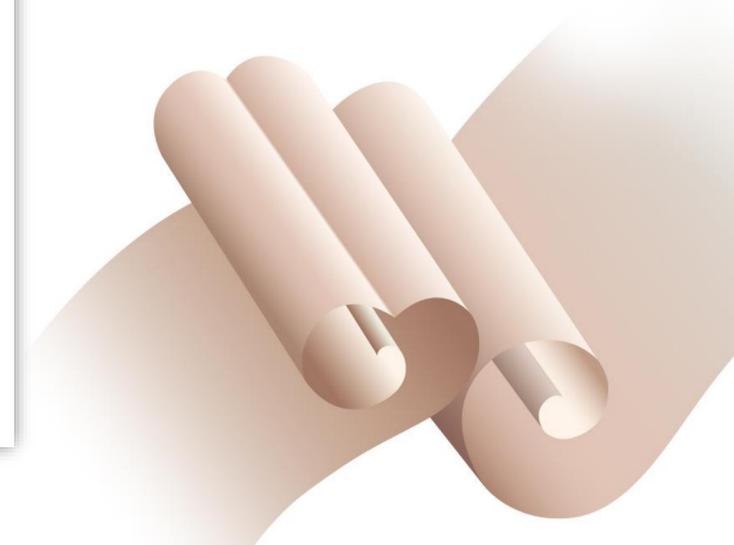
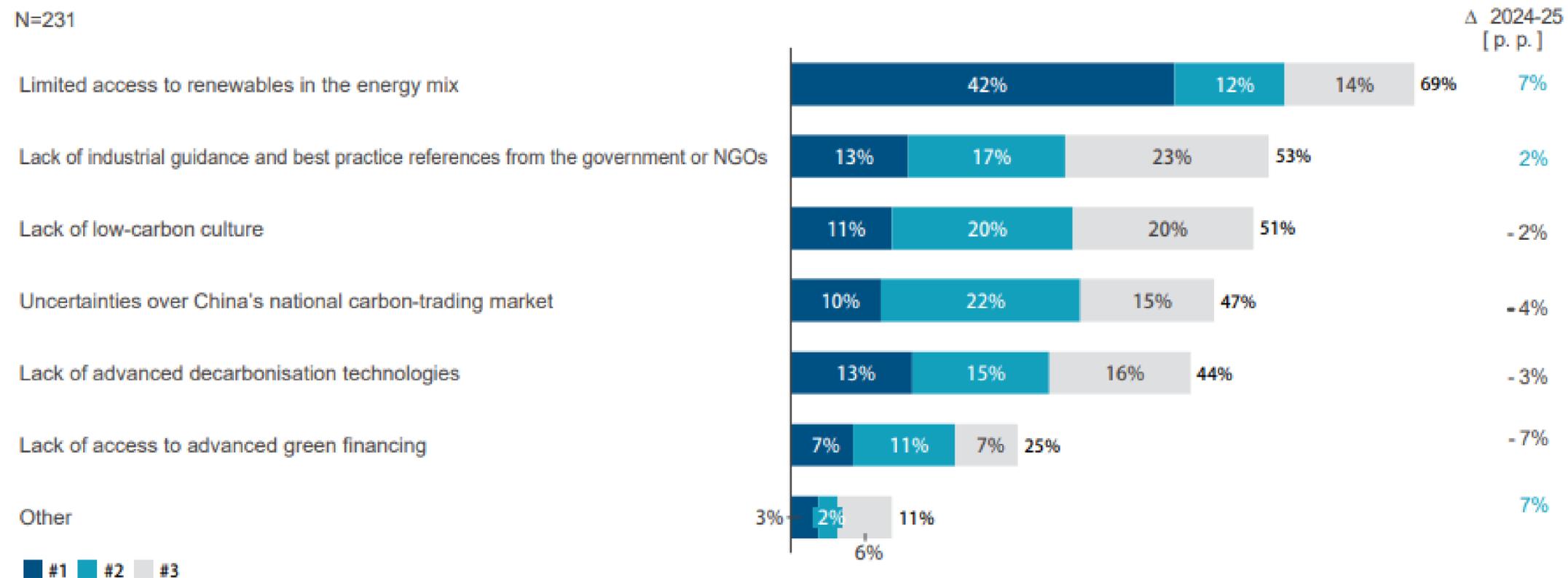


Business Confidence Survey 2025:

- Limited access to renewable energy a top-three barrier to European companies decarbonising their China operations.
- As a result, an increasing proportion are postponing decarbonisation targets or giving up pursuing carbon neutrality in China altogether.

What are the top-three issues/challenges that may prevent your company from achieving its decarbonisation goals in China?¹⁾

N=231



Key areas for accelerating China's green transition



Modernisation of the power grid

To address interprovincial transmission bottlenecks

Harmonisation of green energy certification with international systems

China's Green Electricity Certificates (GECs) serve as official proof of renewable energy consumption – however, the GEC system currently diverges from international frameworks, complicating compliance for MNCs.

Green finance

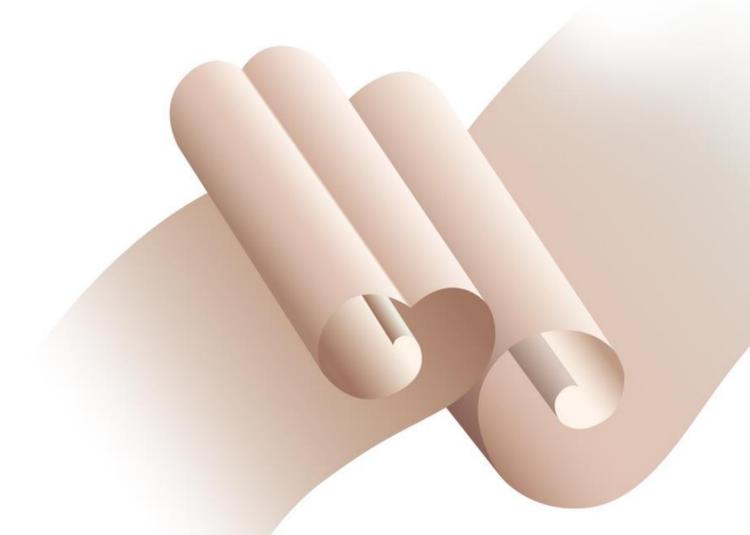
European financial institutions could make significant contributions in this area but they are currently unable to participate due to regulatory barriers.

Circular economy

More action is needed to increase the currently suboptimal recycling rates of waste materials and ensure that more waste enters into 'closed-loop recycling'.

Sustainable fuels for transportation and logistics

China has the potential to become the global leader in the production of sustainable fuels (e.g., hydrogen, green methanol), however, current policies make the pathways for procuring significant volumes of these fuels unclear.



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**5. Ensure an open and
inclusive digital
transition**

China's digitalisation efforts offer limited opportunities to FIEs



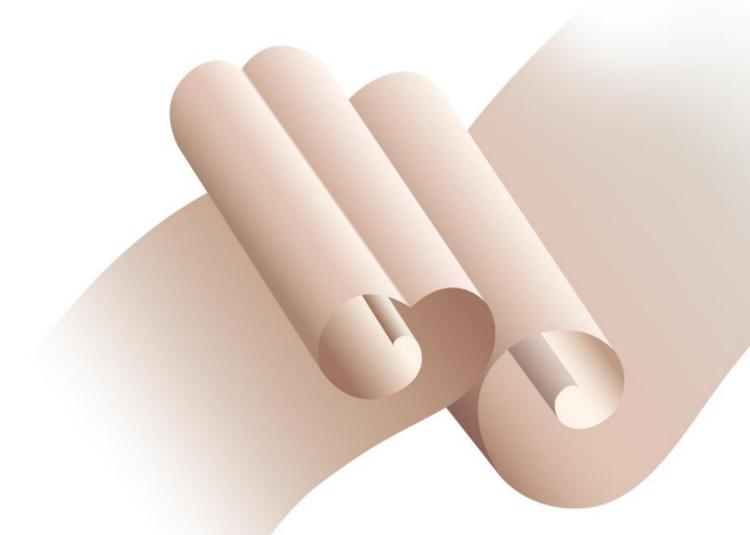
Key barriers

Localisation requirements in procurement tenders

European ICT firms' market access dropped from around 30% in the 4G deployment period to low single digits with the rollout of 5G in 2023.

Autonomous & Controllable (A&C) guidelines

In other ICT segments (e.g., software development, digital solutions) opportunities are also drying up.



In conclusion

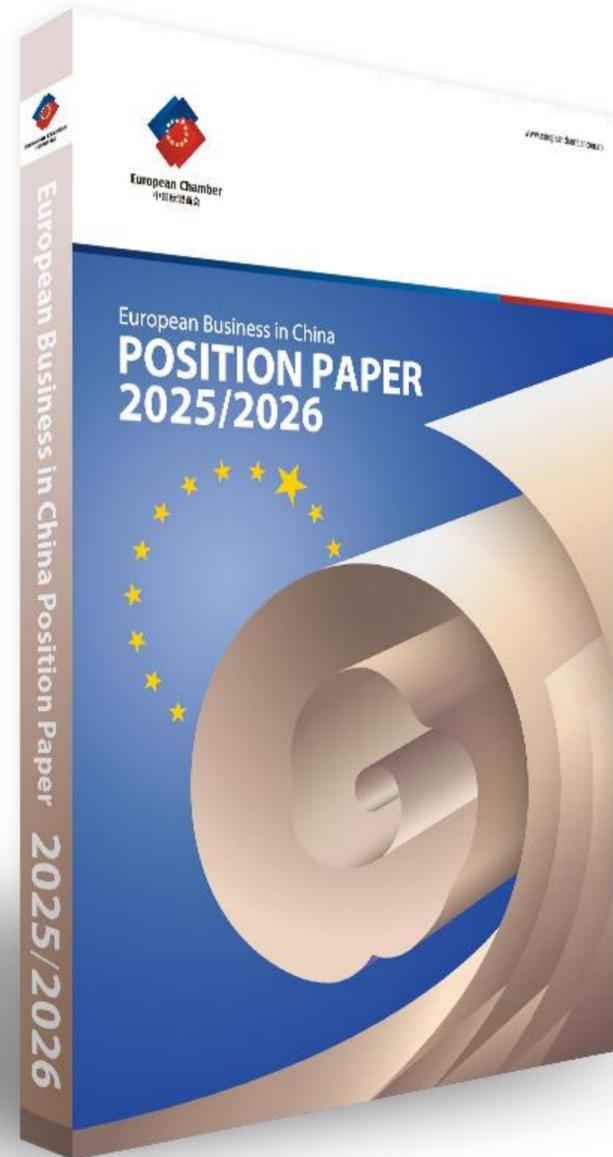


Invested for the long haul

European Chamber members are eager to contribute to China's sustained success with technology, capital and global know-how.

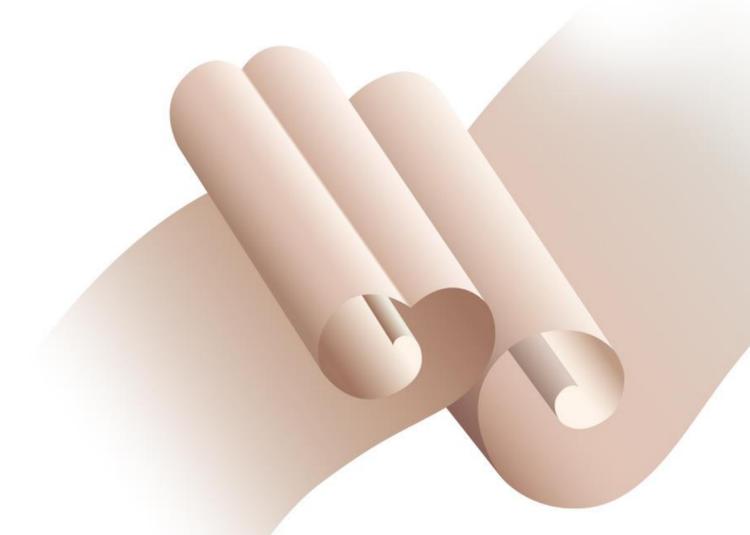
Opportunities abound

The paper lists numerous areas where there is vast scope for EU-China cooperation.



Potential for future growth and development

If implemented, these 1,141 recommendations could help China address near-term challenges (e.g., entrenched deflation and unsustainable competition).



Want to know more about the European Chamber?



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Q&A