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POLICY BRIEF

BEIJING HOLD'EM: EUROPEAN CARDS AGAINST CHINESE COERCION

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SUMMARY

- China's mineral monopoly threatens Europe's clean tech and industrial core while its overcapacity is accelerating European deindustrialisation. This gives Beijing coercive power over key sectors and can hold EU competitiveness hostage.
- The EU's response has so far been reactive and ineffective, relying on diplomacy and de-risking yet failing to use timely and credible deterrence.
- Economic leverage and deterrence are preconditions for Europe's competitiveness agenda. To achieve this, Europe holds significant leverage across trade, technology and infrastructure. But it lacks a strategy for how and when to use these "cards".
- The EU should develop a doctrine of economic deterrence based on "escalate to negotiate". An approach that is capable, clear and credible would strengthen Europe's ability to resist coercion—protecting its industrial base, security interests and economic sovereignty.

Fight or fold

Dependency is vulnerability. In 2025, European industry learnt this the hard way when the Chinese government used its monopoly on rare earths as a geoeconomic weapon. Beginning in April and expanded in October, measures suddenly required automotive suppliers, wind turbine manufacturers, defence producers and advanced machinery firms to have export licenses from the Chinese commerce ministry for certain rare-earth materials and permanent magnets. To obtain these licences, firms had to disclose sensitive commercial information. Inventories emptied, production lines slowed and parts of Europe's industrial base faced a crisis.

Then on October 30th, at a summit between US president Donald Trump and Chinese leader Xi Jinping, China announced a one-year pause on the second round of measures it had introduced just a few weeks earlier. These had expanded controls to a vast number of technologies needed for mining, processing, refining and recycling rare earths, along with battery technologies and industrial machinery. Business relief was palpable, even though rare-earth trade has recovered only slightly and licensing remains difficult.

It was not the diplomatic envoys from Berlin, Brussels or Paris who were responsible for this respite. While it was the Trump administration's aggressive trade and technology policy that triggered China's escalation in the first place, it was also its quick counter-escalations that brought about the economic detente. Even though some European companies benefited from this deal, the EU did not craft it nor is it negotiating its extension. Yet Europe's defence and industrial bases continue to rely on China for almost all their rare-earth products and technologies, as well as other key imports like pharmaceuticals, semiconductors and energy equipment. On top of this, a flood of Chinese exports into the single market is causing a historic rout in EU manufacturing jobs and risking deindustrialisation across the continent.

This is a troubling state of play. What will the EU do once the fragile year-long truce is over in November? What if it breaks down before that and China deploys its full arsenal of controls? This has already happened to a European ally: in January 2026, Beijing placed a comprehensive mineral and materials export ban on Japan and added dozens of Japanese companies to sanctions lists over its prime minister's comments on Taiwan. It is a cautionary tale. Plenty of reasons could upset the fragile truce with Europe such as the EU's recent trade and industrial support measures aimed at offsetting the harm of copious Chinese exports. It is risky to rely on Washington to negotiate too, the three previous trade truces between the US and China were short lived and an erratic administration could always impose new tariffs. Trump has already

postponed his March meeting with Xi by several months. And even if the fragile deal holds until November and is renewed, what if it does not include the EU this time?

Countless scenarios could unfold, but all point to the same conclusion: the EU must learn how to fight for itself in the economic battles ahead. To do so, it needs to build a clear strategy of economic leverage to deter Chinese coercion and use "escalate-to-negotiate" tactics. The bloc's recent poor performance does not mean this is a lost cause. Despite China's display of manufacturing and supply-chain power, its domestic economy is growing ever more vulnerable to disruption. The EU still has a chance to confront China's coercive threats and unprecedented trade imbalances. For this, the EU needs to shift its economic security agenda from one primarily concerned with decreasing its dependencies to one that also goes on the offensive by deploying economic leverage and deterrence. Just as Europeans had cards to play in responding to American coercion, they have cards to play against Chinese coercion too.

The first step is to understand where the leverage lies across trade, investment and critical infrastructure. But knowing the cards is only half the story. Leverage and deterrence is also about judgement: deciding when to threaten action, when to follow through and when to step back. In the words of American country legend Kenny Rogers: "You got to know when to hold 'em, know when to fold 'em, know when to walk away, and know when to run." Europeans' problem is not a lack of cards but uncertainty about how to play them. This paper sketches out how they should develop a gameplan.

De-risking without deterrence

"De-risking" and "resilience" have become the organising principles of the EU's approach to economic security in recent years. The idea is this: by reducing excessive dependencies and diversifying imports and exports, a country's exposure to coercion shrinks. That logic, also understood as deterrence by denial, is sound but incomplete in an era of "confrontational geoeconomics". Three factors explain this.

The first is the problem of time. De-risking, even if European governments were to throw all their attention and capabilities at it (which they are far from doing), is inherently slow. Building de-risked supplier networks, infrastructure and industrial capacity can take years and is the work of the private sector. But private markets hardly price geopolitical risks into their operating structures and often need both incentives and disincentives to make meaningful de-risking changes. Even in a near-perfect policy setting, coordinating these incentives across an economic bloc is complex, time-consuming and costly. Coercion, by contrast, is often fast and requires an immediate response. When your factory is missing chips or machines, or when it

could lose a market access license, it is often too late for de-risking.

The second is the problem of counter-strategy. Europe is not de-risking in a vacuum. Both Beijing and Washington are pursuing the opposite objective: to tie Europe ever more tightly to their technological and industrial ecosystems. Beijing has pursued the political agenda of deepening others' dependencies on its industrial chains for years; recently Washington has also become more explicit in its goal of solidifying the dependency of Europe and others on its defence technology, big tech platforms and AI ecosystem. This makes de-risking even more difficult to execute.

Finally, there is the problem of intelligence. Despite years of risk assessments and mapping exercises, few would have had Nexperia, the Chinese-owned Dutch maker of automotive semiconductors, on their bingo list as a supply chokepoint last year. And yet, the forced shutdown of a single packaging factory in China caused major disruption to the global automotive industry. It illustrated that knowing about possible supply chain vulnerabilities is vital for governments in the geoeconomic age. Japan shows that prioritised intelligence efforts are difficult but doable. Yet simply chasing intelligence about a country's own vulnerabilities to know when to de-risk would be a Sisyphean task.

None of this makes de-risking obsolete, but it cannot be the only game in town. Effective de-risking relies on China being faced with enough deterrence that it does not retaliate. If you have a gun to your head loaded with six bullets, removing four of those bullets does not make you safe. To deter coercion rather than outpace others' reloading, Europe must draw its own gun. That is the logic of deterrence by punishment, and it must be a foundational pillar of any deterrence agenda.

China's coercion playbook

Much has been written about how China is using its economic power to coerce friends and foes alike. What matters for Europe is not the long list of past targets—from Japan to Norway, minerals to salmon, supermarkets to clothing stores—but how the nature of Chinese coercion has changed.

First, China has formalised its economic power tools. In the past, Beijing relied heavily on opaque inspections, unofficial boycotts and administrative harassment. Those remain in use, but they are now complemented by an expanding arsenal of official tools: sanctions regimes, export control laws, blacklists, anti-foreign sanctions legislation and increasingly sophisticated enforcement mechanisms.

The result is that Beijing can engage in more sophisticated campaigns of coercion, retaliation and deterrence. Its lower escalatory steps include, for example, investigating politically salient imports like agricultural products. After the EU imposed tariffs on Chinese electric vehicles, Beijing retaliated with probes into imports of European wines, brandy and dairy—a fairly proportional response. Higher up the ladder, foreign firms operating in China face regulatory scrutiny when tensions rise, for instance, via merger and competition authorities. At the top sit formal export controls, including those targeting China's near-monopoly on processed rare earths and magnets. Crucially, Beijing is investing in the administrative machinery to collect economic intelligence on supply chains and enforce export controls globally and beyond its borders for a wide range of critical materials and technologies.

Second, and more importantly, China's leadership appears to know that its economic leverage has spiked. Last year's mineral export controls may have reinforced this perception. At the very least, the episode showed that both the US and China command chokeholds over each other's critical sectors. A more forward-leaning reading could say China holds, at least temporarily, the escalation advantage over Western economies because their militaries rely on Chinese rare earth products. This would mean that, short of military action, China could come out on top of any economic confrontation by playing its stronger cards. Whether this is accurate or not, if policymakers in Beijing believe they can sustain or win cycles of escalation, their threshold for using coercive tools will fall. And if those tools appear to work, extracting concessions from dependent partners could become routine.

In other words, economic coercion and deterrence are moving away from niche case studies at the edge of the global economy and towards an organising principle between powers at the centre of it. The shift towards refined, formal measures does not mean that grey-zone actions will fade either; Beijing's approach blends both for maximum flexibility. Europe must prepare accordingly.

If Europe blinks

What happens if the EU fails to build and use economic deterrence against China? The experience of the past year offers a glimpse. A slow response and a lack of credible leverage left the EU merely reacting to Chinese demands to scrap key policies—such as tariffs on Chinese-made electric vehicles (EVs) and export controls on goods with both civilian and military use (dual-use)—in return for relief on rare-earth exports. The stakes go far beyond diplomatic embarrassment. The future of the continent's security and industry is intimately linked to its ability to deter China.

First, Europe's defence build-up and support of Ukraine—and by extension, the continent's security—are directly exposed. Modern defence systems depend on minerals like rare earths, graphite and niche compounds, all of which Chinese production dominates. Supply disruptions are already straining European defence production, particularly among the small and medium-sized firms that form the backbone of the defence industrial base. If Beijing tightened export controls further, EU governments and businesses could find themselves triaging production: prioritising some systems over others not because of battlefield needs, but because of shortages in key materials. Failing to check China's economic weapon would therefore hand Beijing a partial veto over Europe's defence industry expansion.

Second, Europe's industrial transition is at risk. EVs, batteries, wind turbines and other clean technologies rely heavily on Chinese minerals and derivatives, such as magnets. Europe's clean-tech shift is, for now, hostage to access to Chinese minerals. Even if controls were fully relaxed, the damage would linger now that Beijing has demonstrated its capabilities. Investors will have to price in the risk of sudden shortages or production slowdowns in projects using Chinese-sourced inputs. This could make projects like battery gigafactories or solar cell plants much harder to finance, eroding Europe's already strained competitiveness in this and other industrial sectors. Such a market adjustment would weigh on Europe's industrial ambition and can only be partially alleviated with local content requirements as Europe simply does not have the materials. But it is not only clean technologies at risk. If Beijing's economic coercion threat successfully deters the EU from taking necessary trade measures to reach a level playing field with China's overcapacity, Europe's industrial backbone and millions of manufacturing jobs could disappear over the coming months and years. Deterrence therefore is not only about security. It is also a backstop to the competitiveness of Europe's industrial future.

None of this is inevitable. But without credible economic deterrence, Europe will repeatedly face the same dilemma: to push back and face short-term economic pain, or to restrain and face mid-term industrial and competitiveness decline. Deterrence and de-risking come at a cost, but it is more costly to do nothing at all.

Events from last year have not inspired confidence that the EU is up to the task. Europe's response to China's use of its mineral monopoly has been lacklustre. Throughout 2025, EU capitals and Brussels focused on mostly diplomatic missions and technical clarifications from Beijing. At times, they attempted deals for national industry. Clear signals of counteraction were, by and large, absent from the agenda. Europe's timidity on China reflects familiar constraints: forging unity among 27 member states, a habit of working inside World Trade Organisation (WTO) rules even as China bends them, and the exposure of European multinationals to retaliation in a heavily export-dependent economy. The deeper problem is uncertainty. Uncertainty about leverage and how to organise the EU around using it,

uncertainty about China's escalation playbook and off-ramps, and uncertainty about who ultimately bears the costs—across member states, sectors and rounds of retaliation—has kept Europe's deterrence largely theoretical.

Taken together, this has led to a lack of capability, clarity and credibility. What looks like caution is often just paralysis from not having a gameplan. But blinking is fixable: a credible doctrine on how and when to use its cards can close the EU's resolve gap. Below, this paper maps the leverage Europe has and what it needs to do to make use of it.

Europe's cards

The tables below show where Europe could generate the most influence in a coercive scenario with China. They are organised by export and import restrictions, critical infrastructure and technology, and some wildcards. Each table explains the rationale for deploying such leverage, the actions the EU could take, and an indication of the level of escalation it carries. This ranges from the lowest rung of escalation, 1, which is limited to measures like private warnings, public signalling and launching investigations, up to the highest rung, 10, measuring a systemic rupture of embargo-like measures and near-total decoupling. (A full explanation of these rungs can be found in the annexe.)

To be sure, playing these cards does not guarantee successful deterrence. Some carry high economic and political costs for Europeans, and these would often damage the bloc unevenly. Most of the measures listed could mean retaliation, supply disruption, inflationary effects or harm to Europe's own industrial base. Others would only be effective if coordinated with key partners or rely on strong market interventions. In some cases, China has already implemented similar measures on Europe, lowering the cost of potential retaliation. The objective of this paper is not to settle these trade-offs, but to expand the range of strategic options on the table. It is then up to governments to decide which cards are worth playing.

Export restrictions

Export restrictions on critical goods and services could have a meaningful deterrent effect if they threaten to halt or slow industrial production in China. These can be highly targeted to specific sectors and thus exploit any asymmetry between European technology providers and Chinese importers. The downside is that the costs of export restrictions on Europe are hyper-localised and it can be difficult to share the burden across the bloc. And, unless Europe has a truly hard-to-replace technology, it will need to work with partners like Japan and the US to

pressure China effectively, making export restrictions more complicated to use for the bloc.

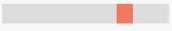
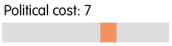
In the EU, dual-use export controls remain a national competence and are closely guarded by legal procedures which limit their use as leverage. However, the EU's anti-coercion instrument (ACI) could temporarily add or expand export restrictions, including through licensing or quota measures. This could de facto result in temporary export controls. The EU could also, in extreme cases, adopt sanctions against specific Chinese firms or place them on the Russia sanctions circumvention list, which could also affect export licensing and intellectual property (IP) as well as knowledge transfers—though the unanimity requirement of sanctions makes this unlikely.

Measure	Rationale	Actions	China precedent	Escalation	Costs to Europeans
Tighten restrictions on semiconductor manufacturing equipment	China's production of mature-node semiconductors depends on EU equipment and services, with Germany the second largest supplier of the relevant raw materials. Europe's extreme ultraviolet lithography exports to China are already restricted. However, deep ultraviolet (DUV) lithography is (largely) not and Dutch firm ASML holds 85–90% of the global market share. In 2024, 70% of its immersion tools and 64% of its dry machines—both essential in chip manufacturing—went to China. Repair and maintenance services for the installed Chinese base make up a significant share of recurring revenue for EU suppliers. Several EU companies also hold dominant global market shares in niche tools and materials such as wafer bonding/alignment (EV Group, SUESS), laser mask exposure (Mycronic), various optical components and microscopes (ZEISS, Tescan), crystal growing furnaces (PVA TePla), electronic-grade silicon for semiconductors (Wacker), SiC epitaxy equipment (Aixtron) and SiC devices (Infineon, STMicroelectronics).	1. Introduce mandatory end-user verification for all EU semiconductor equipment exports to China (E6). 2. Restrict software updates, maintenance and spare part supply for EU semiconductor equipment already operating in China (E8). 3. Suspend export licences for new deliveries of DUV lithography machines and other specialist semiconductor tools to China (E9). 4. Impose comprehensive export and servicing restrictions on all EU-origin semiconductor equipment and materials supplied to Chinese customers (E10).	In 2025 China imposed export controls on upstream semiconductor inputs (gallium, germanium, antimony) in response to Western export controls. China mandates 50% domestic equipment for new chip capacity.	Score: 7-9 Economic harm potential is large, especially with servicing restrictions, but great spill-over risks	Economic cost: 8 ‣ Significant revenue exposure for ASML and others. ‣ Tightening of Chinese foundational chip supplies would affect EU industries downstream. ‣ Japan and the US are key alternative suppliers. Political cost: 7 ‣ Strong asymmetric exposure concentrated in the Netherlands and Germany.
Constrain China's industrial backbone	China needs a set of precision technologies to upgrade its industry, of which EU firms have strong capabilities in the high end. Generally, China relies on the EU for over 80% of imports in 41 goods categories, including industrial machinery. For one, while China is the world's largest producer and user of machine tools, it relies on foreign suppliers for high-end CNC machines—which produce complex components such as turbine blades, engine parts and ship propellers. European and Japanese firms dominate for both the hardware and software parts and equipment (Siemens, Heidenhain, SHW, Danobat), while Chinese firms reportedly hold only 15% of the domestic high-end market. Similarly, although China is the leading producer of bearings, foreign high-end bearings (used for turbines, aerospace, high-speed rail, robotics and EV drivetrains, for example) are indispensable, with EU firms (SKF, Schaeffler) among the top suppliers. EU companies are also among the leading producers for the special and niche metal products needed to make high-end bearings. China also faces shortages in heavy-duty turbine technologies of which EU firms (Siemens Energy, Ansaldo Energia) are key global suppliers. Despite overcapacity in commodity chemicals, China remains a major importer in specialty chemicals such as specialty gases, specialty plastics, and catalytic preparations, for which EU firms (BASF, Merck, Solvay, Linde, Air Liquide) rank among leading niche suppliers. Finally, the majority of two-stroke marine engines (used in China's shipping industry) are manufactured under EU-origin licenses (MAN-B&W) accounting for a 79% of global market share.	1. Require enhanced export licensing and end-user verification for high-precision industrial machinery that could support Chinese military or strategic manufacturing programmes (E6). 2. Restrict servicing, software updates, and spare parts for EU-supplied high-precision industrial equipment operating in designated Chinese facilities (E7). 3. Restrict renewal or expansion of EU-origin technology and design licences for Chinese state-owned shipyards and defence-adjacent manufacturers (E7). 4. Tighten export controls (including IP/licensing) on specialty materials and chemicals where EU suppliers hold dominant global positions (E8).	China has significantly expanded its catalogue of dual-use goods (1100 items) under export control regimes. Unlike the EU, China has a parallel civilian technology export control regime geared towards protecting domestic innovation and industrial capacity. Beijing has listed major commercial industrial companies on an export control watch list.	Score: 6-8 ‣ Touches multiple Made in China 2025 priorities, but China has domestic substitution programmes. ‣ EU firms often produce extensively in China.	Economic cost: 5 ‣ Specific European companies risk losing revenue. ‣ China's industry is catching up quickly across a broad range of industrial enablers, so effects could be short term. ‣ Japan is a key alternative across many enablers, limiting the effectiveness of unilateral EU action. Political cost: 7 ‣ High asymmetry across member states, with German companies particularly relevant.
Targeted restrictions on medical technology	Medical supply chains should not be weaponised; but China's chokehold over pharmaceutical inputs (active pharmaceutical ingredients and key starting materials) means the EU needs contingency options. EU firms (Siemens Healthineers, Philips) remain global leaders in magnetic resonance imaging (MRI); however, both have extensively localised production in China and local competitors are catching up rapidly. Still, Chinese industrial planning documents note gaps in producing key upstream MRI components (such as superconducting magnets, gradient systems, probes/coils and image-processing software).	1. Introduce enhanced end-user certification requirements for medical imaging equipment exports to China (E5). 2. Tighten controls on the export of specialised replacement parts, services and components for medical imaging (E7).	China restricts EU medical device access in its public healthcare procurement and aims to replace foreign suppliers in high-end medical technology. China has already weaponised healthcare supplies (Covid-19 masks) and has repeatedly used regulatory approvals or processes as geoeconomic leverage, eg, antitrust reviews of mergers.	Score: 5-7 ‣ EU firms have already localised significant MRI production in China and Chinese domestic competitors are closing the technology gap.	Economic cost: 3 ‣ Some EU firms have localised in China. ‣ Chinese technology is quickly catching up. ‣ Cost is not dispersed but falls sharply on two European companies. Political cost: 7 ‣ Asymmetric exposure concentrated in Germany and the Netherlands. ‣ High risk of political blowback with partners in the global south if China frames these moves as unethically weaponising healthcare.
The aircraft squeeze	China's civil aviation agenda depends on three pillars in which Europe has leverage: high-end components for its indigenous aircraft, certification access to the EU airspace, and servicing and spare parts for a large Airbus fleet. China's Comac C919 aircraft entered service in 2023 but remains structurally dependent on EU and foreign suppliers, most critically for its jet engines (CFM LEAP-1C) and numerous critical components and systems (including Safran, Liebherr, Thales, MTU, SKF, Evonik). The EU's Aviation Safety Agency is in the process of assessing C919 certification for EU airspace. Without certification, the C919's global market access is severely constrained. Chinese airlines operate over 2,000 Airbus aircraft and rely on spare parts and maintenance services. Over the next 20 years, China is projected to require 10,000 aircraft, with Airbus remaining indispensable in the medium term.	1. Conduct extended safety reviews of the C919 certification process and/or suspend the EU-China Bilateral Aviation Safety Agreement (E6). 2. Tighten export controls on key aircraft components for China's civil aviation programmes (E6). 3. Freeze export licences for aircraft and component deliveries to designated Chinese airlines (E8). 4. Restrict maintenance and spare parts supply for EU-designed aircraft operating in China (E10).	China has used aircraft as a geoeconomic lever before, ordering its airlines not to take any further deliveries of Boeing jets. Comac requires foreign suppliers of C919 aircraft to enter into joint ventures with Chinese suppliers to participate in the tendering process. Aerospace and aviation items and manufacturing technologies are also on China's dual-use export control list.	Score: 6-10 ‣ The EU already has dual-use controls on aircraft technology components. ‣ Targeting China's existing aircraft fleet would be unprecedented; politicising the certification process comes with significant risks.	Economic cost: 8 ‣ China is a major aerospace market. There are limited options for European firms to diversify demand. ‣ Global aviation disruption could cause extreme spillover effects. ‣ EU suppliers all carry significant revenue exposure in China. Political cost: 9 ‣ France and Germany are heavily exposed. ‣ Requires coordination with the US, where Boeing is based.

Import restrictions

China's growing reliance on the EU market to absorb the excess manufacturing capacity of its (often loss-making) companies makes it vulnerable to import restrictions. At the same time, the EU has significantly more experience with import restrictions as a form of leverage, while broad market access restrictions allow for more economic burden-sharing across member states and industries compared to narrow export controls. However, their impact can take much longer to unfold, and their mid-term effectiveness relies on other markets taking similar action. These elements can limit the deterrence power of import restrictions.

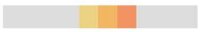
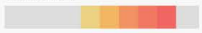
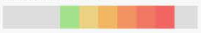
The ACI can be widely applied to this end, as can the EU's traditional trade defence instruments, including safeguards and anti-dumping and anti-subsidy instruments. The EU could also work towards developing new country-specific trade measures under article 207 of the Treaty of the Functioning of the European Union (TFEU), though this would take time and come with legal risks. For digital services, the EU digital rulebook—the Digital Markets Act (DMA) and the Digital Services Act (DSA)—could also provide tools for deterrence.

Measure	Rationale	Actions	China precedent	Escalation	Costs to Europeans
Overcapacity strike list	China's growth model is dependent on external demand. Policies that prioritise investment and exports keep household incomes and consumption low. But boosting domestic demand through higher wages, stronger currency and larger transfers to households would weaken a manufacturing system that supports jobs and political stability, making it unlikely Beijing will do so. Beijing leans on credit-fuelled investment to keep factories running, maintain employment, and sustain cashflow. This creates overcapacity, allowing the state to keep rolling bad debt and delay recording losses. If more markets close to Chinese goods, the risk of banking defaults will rise. Net exports account for roughly a third of China's GDP growth. The EU is largest export market and highly important to its macroeconomic stability. China's surplus for the first two months of 2026 increased by 26% year-on-year. The EU is absorbing this excess Chinese output at the expense of its own industrial base. Industries experiencing both rising imports from China and falling production in the EU—such as steel, chemicals and plastics—account for a quarter of European manufacturing jobs. Roughly a third of China's exports to Europe are concentrated in consumer goods (like textiles, footwear, furniture, toys, household goods and low-end appliances). These sectors support several million jobs in China but are generally non-critical to EU industrial resilience. Sustained renminbi undervaluation against the euro (20-30% since 2020), combined with large subsidies for upstream industries creates system-wide price distortions in China, making fair competition impossible across most industrial sectors.	1. Accelerate trade defence investigations and provisional duties in sectors where high imports meet falling EU output (such as steel, chemicals, plastics, glass and paper) (E3). 2. Extend anti-circumvention and rules-of-origin enforcement to prevent Chinese goods from third-country rerouting (E3). 3. Adopt broad sectoral safeguard tariffs or quotas in overcapacity sectors, with carve-outs for free-trade agreement (FTA) partners (E7). 4. Raise retaliatory import tariffs across employment-intensive and low-margin Chinese export sectors via the ACI (E8). 5. Raise a horizontal tariff of 30% on all Chinese industrial imports on the basis of the renminbi undervaluation against the euro, thereby restoring price competitiveness (E8). 6. Withdraw "most favoured nation" treatment for China (E8).	While China's formal weighted-average tariff on imports from the EU is relatively low, a broad evidence base has catalogued China's significant discrimination practices, from public procurement, regulatory approvals, cybersecurity rules, domestic sourcing requirements, licensing requirements and other standards.	Score: 7-9  Economic harm potential is large, especially with servicing restrictions, but great spill-over risks	Economic cost: 3-8  ‣ Substitution is feasible in many sectors where consumer categories. ‣ Higher input costs for downstream EU industries using cheap Chinese intermediate goods. ‣ Horizontal tariffs have broad inflationary effects and the risk of self-harm is higher. Political cost: 4-8  ‣ European political support for such action is growing. ‣ Fairly symmetric impact across the EU. ‣ Horizontal tariffs would invite strong retaliation from China. ‣ If the EU goes alone, trade circumvention effects will make measures relatively ineffective.
Targeting China's strategic growth sectors	Policies launched under Made in China 2025 and later sectoral plans are shaping market outcomes at the expense of European firms' market share and sourcing options. China's explicit policy goals for industrial dominance in EVs, batteries, clean-energy equipment and foundational chips have largely been or could soon be realised. The country is also rapidly expanding mature-node semiconductor capacity which underpins auto, telecom equipment, industrial machinery and defence-adjacent systems. And dominance in foundational chips could give China significant leverage over EU manufacturing. EU imports of Chinese-origin EVs have surged in recent years, with the bloc absorbing about 28% of China's total EV exports. EU tariffs on EVs have led Chinese firms to shift exports from EVs to hybrids and internal combustion engines (like BYD, SAIC (MG) and Chery). And even with tariffs, Chinese EV makers doubled their share of the European market over the past year. China has enough capacity to supply over two times its domestic demand. This has ignited brutal price wars at home, causing profits to vanish and forcing Chinese automakers to either export or die. China is replicating this export model across energy transition sectors. The collapse of Europe's solar manufacturing base is a stark warning. The inverter, battery, wind, transmission or electrolysers sector could be next. China is rapidly expanding foundational chip capacity (mature-nodes) that underpins huge swaths of the EU economy including vehicles, communications equipment, military systems and critical infrastructure. Dominance in foundational chips could create more coercive leverage over the EU's industrial base.	1) Apply and expand local content requirements in EU public procurement across clean energy equipment (E4). 2) Impose or extend anti-subsidy (or safeguard) tariffs on Chinese-made clean technology components, with carveouts for FTA partners (E5). 3) Apply component tariffs or quotas on Chinese finished consumer electronics with high amounts of Chinese foundational chips—such as washing machines, dishwashers, security cameras, drones and e-bikes (E7). 4) Raise EV anti-subsidy tariffs to 50% or more and extend to all Chinese-made passenger cars and trucks (E8). 5) Implement prohibitive ACI import tariffs across multiple strategic sectors simultaneously (E8).	China's industrial planning system explicitly aims to replace foreign suppliers and achieve domestic dominance in sectors such as EVs, batteries and renewable energy technologies. A wide range of cross-cutting policies, including state-owned enterprise advantages, directed finance, procurement preferences, and investment controls, combined with production distortions in land, energy, capital, raw materials, and labour have created a deeply uneven playing field that has helped engineer China's rise in these industries. Retaliation has already been demonstrated.	Score: 4-8  ‣ Directly challenges sectors where Beijing has invested politically and financially for a decade. ‣ Retaliation has already been demonstrated.	Economic cost: 6-8  ‣ EU firms in China that are exporting to Europe face risks. ‣ Large risk of unintended disruptions across complex automotive supply chains. ‣ Higher prices for clean tech will slow its adoption and scalability. Political cost: 8  ‣ Auto sector divides the EU sharply between local and international producers. ‣ Green transition could be less appealing with cost increases.
Constrain China's digital footprint	Chinese digital services exports are expanding rapidly in the EU, supported by a broad Chinese tech stack offer, from network infrastructure, data, devices, applications and governance. It is a high-margin market central to China's outward digital strategy. Chinese platforms (such as ByteDance, Alibaba, Tencent and Temu) are scaling across advertising, e-commerce, gaming and cloud services in the EU, supported by expanding Chinese cloud infrastructure (from Alibaba, Huawei and Tencent) built in the EU. Chinese platforms are among the world's top digital ad sellers. TikTok, owned by ByteDance, generated $6.3bn in revenue in Europe and Latin America in 2024.	1) Apply a per-item environmental surcharge on goods sold via Chinese e-commerce platforms (E3). 2) Accelerate DMA and DSA enforcement against Chinese digital platforms, imposing binding remedies on data access and data localisation (E4). 3) Impose a progressive revenue levy on the EU market earnings of Chinese digital services platforms via the ACI (E7). 4) Suspend market access or revoke operating licenses for Chinese digital platforms found to pose systemic risks to EU data security or democratic processes (E8).	China's digital market is governed by a complex and opaque cybersecurity framework, restrictive rules on cross-border data flows, weak enforcement of IP rights, technology transfer requirements and broad state powers. These and other barriers impose large costs and restrictions on EU digital firms in China, while Chinese digital firms operate comparatively freely in the EU.	Score: 3-8  ‣ Enforcement of the EU's digital rulebook is defensible. ‣ A digital services levy and platform bans are more escalatory.	Economic cost: 3-8  ‣ Users and advertisers can shift platform, while EU firms can relocate to other channels. ‣ Chinese integrated cloud infrastructure is more difficult to substitute. ‣ EU digital services surplus with China is much larger, so there is a risk of retaliation. Political cost: 7  ‣ High asymmetry among member states, especially on tax allocation (Ireland) and cloud infrastructure (France, Germany and the Netherlands).

Critical infrastructure and cyber-security

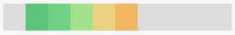
Securing Europe's critical infrastructure and cyber-security is a core national security responsibility. Governments should not treat them as bargaining chips, even under economic coercion. Still, these policies can play a meaningful role in Europe's broader deterrence strategy. While the EU will not negotiate away essential security measures, coercion could mean accelerating and expanding their implementation as well as more wide-ranging exclusions for Chinese companies than policymakers would initially impose. In this sense, infrastructure and cyber-security cards should be thought of holistically in Europe's deterrence posture.

The EU toolbox in this table is broader and would unfold more slowly than the measures in the previous tables. However, due to often being based on national security rationales, the leverage effects can be significant and include limited or full market exclusions. The EU's Cybersecurity Act proposal from January 2026 could provide the EU with powerful tools to limit or exclude Chinese vendors from a broad set of connected sectors based on cyber-security standards. The Foreign Subsidies Regulation, meanwhile, gives the European Commission powers to address market distortions caused by subsidised foreign companies and can impose fines, order the divestment of assets or even block transactions. Public procurement conditionality, such as that proposed in the Industrial Accelerator Act, and foreign direct investment (FDI) screening also offer ways to limit Chinese companies from accessing critical infrastructure. Economic emergency measures, such as those proposed in the Internal Market Emergency and Resilience Act or those enshrined in article 122 of the TFEU, can offer ways to mitigate the effects of coercion on the single market and thereby support the union's broader deterrence posture.

Measure	Rationale	Actions	China precedent	Escalation	Costs to Europeans
Limit China's maritime reach	China has gained significant advantages in global shipbuilding and port equipment. China's shipyards have become the biggest in the world (with tankers, bulk carriers and containerships). Its shipyards hold 55% of global market share and 75% for new orders. At the same time, China's COSCO (and affiliates) hold controlling or significant stakes in multiple EU port terminals (including Piraeus, Zeebrugge, Valencia and Bilbao). China's ZPMC also dominates global production (over 70%) of ship-to-shore cranes, including in European ports. The leverage cuts both ways. EU control over port and shipping access in the world's second largest consumer market hands it leverage to impose concentrated costs.	1) Exclude Chinese vendors from supplying networked port infrastructure equipment (E5). 2) Apply a foreign-ownership cap preventing non-trusted entities from holding controlling stakes in EU port terminals (E5). 3) Introduce a port servicing fee (per tonne) on Chinese-built vessels discharging at EU ports (E8). 4) Suspend licenses or force partial divesture of Chinese-shares in EU port terminals and infrastructure (E9).	China maintains the Foreign Investment Negative List and the Market Access Negative List which describe restricted or prohibited activities for foreign investors. China tightly restricts foreign participation in its own port infrastructure and shipping services, such as via joint venture requirements and port equipment bans.	Score: 7-9  Economic harm potential is large, especially with servicing restrictions, but great spill-over risks	Economic score: 5-7  ‣ A port fee could raise import prices and risk rerouting to non-EU ports if not coordinated. ‣ The EU would need more alternative vessel production. ‣ Equipment alternatives exist but lock-in effects could be disruptive and costly. ‣ Actions on terminals could hit specific local economies. Political score: 8  ‣ High member-state asymmetry of existing port assets (Greece, Belgium, Spain, Germany).
Tighten Europe's infrastructure access	Chinese firms are embedded across Europe's telecom, cloud, surveillance, autonomous mobility, drone, semiconductor and energy-grid infrastructure. While this comes with risks to the EU, it can also offer leverage as embedded assets rely on continued EU regulatory approval which can change quickly under coercive threat. Huawei retains significant presence in the EU 5G market (30-50%), despite its "high-risk vendor" designation. Alibaba, Huawei, and Tencent operate and are expanding EU data centres targeting AI and cloud markets, specifically for automotive and chemical industries. Nuctech detection scanners operate in 26 of the 27 EU member states, including at major airports and border crossings. Chinese autonomous-driving companies (Baidu, WeRide and Pony.ai) are piloting robo-taxis and robo-buses with European partners, positioning themselves as core suppliers to the connected-vehicle stack. Huawei and Sungrow inverters underpin 220 gigawatts of Europe's solar photovoltaic capacity and 80% of all newly installed inverters. Chinese camera makers (Hikvision and Dahua) have sold tens of thousands of cameras into European public sectors, including contracts covering government complexes, border points and military infrastructure. HMN Technologies is the world's third-largest supplier of submarine cables, while other Chinese firms are expanding into cable components and repair services. The company has built connections from Greece to Libya and from Sicily to Algeria and participates in additional projects through majority stakes in operators in Germany, Spain and Portugal. Chinese drone companies (DJI and Autel) command 80-90% of the global market share for commercial drones, including in the $4bn EU drone market.	1) Mandate EU-wide certification requirements under the Cybersecurity Act for products used in critical infrastructure, with explicit exclusion criteria for high-risk suppliers (E5). 2) Restrict the European Investment Bank from funding infrastructure projects which purchase equipment from high-risk vendors (E5). 3) Exclude Chinese suppliers from all EU public procurement contracts in sectors listed in the Cybersecurity Act (E6). 4) Restrict authorisation for expansion of Chinese-operated data centre infrastructure (E7). 5) Mandate a security review for all Chinese autonomous vehicle testing programmes and data-sharing agreements with EU partners (E7). 6) Require Chinese technology companies operating in the EU's critical infrastructure to structurally separate their EU operations from Chinese parent entities (E9).	With a few pilot programme exceptions, Beijing has prohibited or limited foreign investors from investing in and operating data centres and data processing services in China. Telecoms (and cloud) infrastructure is governed by ownership caps for foreign investors. China employs broad formal "Buy Chinese" provisions, as well as informal discriminations which skew the bidding process in favour of Chinese companies, especially in energy, ICT, rail, clean tech and other strategic sectors.	Score: 5-9  Systemic exclusion could be seen as escalatory, but precedent from China and national security justifications can lower this perception.	Economic: 4-9  ‣ Replacement costs can be high due to limited alternative offers or lock-in effects. Political: 4  ‣ There is a strong national security rationale for EU action, making it more defensible and less escalatory.

The wildcards

The EU also holds a set of less conventional “wildcards” that can generate leverage by shaping access to its market, knowledge ecosystem and financial infrastructure. These wildcards encompass popular consumer sentiment, the terms on which Chinese researchers and students access European work and study, and the reach of Chinese financial actors into European capital markets. Tools are fragmented and could include public campaigns, restrictions on research programmes such as Horizon Europe and visas, targeted financial measures affecting Chinese banks, and sanctions.

Measure	Rationale	Actions	China precedent	Escalation	Costs to Europeans
Popular boycotts	While Chinese goods mostly compete on price, a growing number of consumer-facing brands are building brand-recognition (electronics, digital platforms and automotive, for example). Promoting "buy local" can undercut Chinese brands and sales, as similar Canadian campaigns on US products have shown.	1) Launch campaigns urging EU consumers to favour local products over Chinese brands (E2).	Popular boycotts of foreign brands in China, including European firms, have been a key strategy of economic coercion, often spurred on by state media outlets.	Score: 7-9  Economic harm potential is large, especially with servicing restrictions, but great spill-over risks	Economic cost: 1  ‣ Risk of retaliatory boycotts of European brands in China. Political cost: 3  ‣ Difficult to coordinate politically.
Research and mobility access restrictions	The EU remains one of the most attractive destinations for higher education and advanced research collaboration. China is the largest single origin country for international students across the EU (5.6% of the total in 2023). EU-China research collaboration is heavily skewed towards fields in science and technology where knowledge transfer can directly support China's industrial and military programmes. The EU and several member states have already tightened screening for sensitive research cooperation, but research security measures remain fragmented. The EU has already barred China from 2026 Horizon work programme.	1) Systematise and expand existing Horizon Europe exclusions of Chinese organisations in sensitive technology areas to other research and innovation tools (E2). 2) Extend Horizon Europe exclusions to all EU-co-funded programmes (E5). 3) Suspend the EU-China Science and Technology Cooperation Agreement (E5). 4) Impose visa quotas or suspend of certain visa categories for specific Chinese institutions (E6).	China's Intelligence Law has heightened security concerns and discourages cooperation with Chinese partners. China's system of "military-civil fusion" draws private firms, academic institutions and other non-state actors into state cyber-operations and technology transfer. Various EU member states have explicitly labelled Chinese recruitment efforts targeting university researchers as a threat.	Score: 2-6  Some measures are already partially implemented with no Chinese retaliation. Visa and science and technology agreement restrictions are more politically sensitive.	Economic cost: 2-6  ‣ Chinese students represent significant tuiti revenue for some EU universities. ‣ Could reduce EU research competitivenes and net-positive researc cooperation fields. Political cost: 6  ‣ The academic freedom norm is entrenched in many member states ar will generate strong resistance from academ
Financial restrictions	China's big state-owned commercial banks (ICBC, Bank of China, China Construction Bank and Bank of Communications) all hold EU operating licenses, run subsidiaries, or maintain branches across member states. Euro-denominated bond issuance by Chinese banks supports Beijing's goal of reducing dollar dependency. China's policy banks (CDB, EXI) finance Belt and Road projects across EU candidate countries. China has developed a cross-border Interbank Payment System as a partial alternative to Belgium-based SWIFT for international payment messaging. But Chinese banks continue to rely on SWIFT for the majority of their international payment messaging.	1) Designate China's policy banks as high-risk institutions, requiring enhanced scrutiny for any EU financial institution transacting with them (E4). 2) Restrict designated Chinese banks from issuing euro-denominated bonds in the EU (E7). 3) Impose enhanced capital requirements and other operational restrictions on Chinese bank subsidiaries operating under EU licenses (E7). 4) Require EU correspondent banks to limit renminbi clearing services for designated Chinese banks (E8). 5) Exclude specific Chinese institutions from SWIFT, coordinated with the US and UK (E10).	Beijing has already used financial networks as an instrument of coercion, such as closing credit lines to Lithuanian exporters.	Score: 4-10  Some actions only increase regulatory scrutiny; others would require formal sanctions.	Economic score: 5-10  ‣ Major EU banks have significant Chinese operations and could fa retaliation. ‣ Chinese banks in Euro facilitate EU exports with letters of credit. ‣ SWIFT sanctions would come with global economic disruption risk Political score: 9  ‣ High asymmetry acros member states' bank exposure in China. ‣ Unilateral restrictions would push Chinese ba activity towards other currencies and channels

An economic deterrence doctrine

It is not enough for Europeans to simply know their hand. To successfully deter China, they need to be willing to play their cards and be prepared to escalate to negotiate. For this, they need a game plan: a framework of processes and tools to implement and manage deterrence, that is, an economic deterrence doctrine. To be sure, this paper does not claim that de-risking, diplomacy and diversification are obsolete in defending Europe's sovereignty. They remain key pillars of its economic security posture. But a strategy of resilience is insufficient to respond to an era of coercion. Instead, the EU needs a strategy of power.

An EU economic deterrence doctrine must first decide what success looks like before putting the policy tools in place. At a basic level, deterrence works if it has:

1. **Capability**: the EU has the tools and cards at the ready to impose costs and withstand the associated economic and political costs.

2. **Clarity**: the EU is clear in communicating its red lines, triggers and consequences.

3. **Credibility**: the EU response is believable in its scale, speed and unity.

Recommendations for policy actions

Capability	Clarity	Credibility
▸ Map Europe's leverage systematically The European Council should mandate the commission's secretariat-general to build an economic statecraft unit tasked with: updating a leverage inventory across economic domains; aggregating economic intelligence from commission directorates (and, where possible, member states); and providing a confidential channel for information exchange with EU industry. It should also build analytical capabilities to assesses the strategic and political motivations behind China's economic statecraft.	**▸ Define coercion clearly** The ACI defines coercion broadly, which preserves EU flexibility but undermines its signalling power. The EU needs an internally agreed definition that specifies what types of action at what scale constitute a trigger for different rungs of the escalation ladder. Next to economic coercion, this could include digital sabotage, political destabilisation, military support for an aggressor in a war, cyber-attacks on individual companies and assaults on democratic processes.	**▸ Lower the political threshold for using the ACI** Holding the ACI in reserve as a "last resort bazooka" is counterproductive. Every time it is not used, the EU signals that it is too politically difficult and loses credibility. The doctrine must address this directly by lowering the trigger threshold and integrating the ACI into the broader economic statecraft toolbox.
▸ Upgrade the anti-coercion instrument The ACI can be updated in several ways. First, it could introduce a provisional application mechanism (similar to provisional anti-dumping duties) allowing the commission to impose interim counter-measures within several days of a finding of coercion. Second, the list of counter-measures could be expanded to explicitly include export controls, digital services or financial networks. Third, in line with what others have suggested, rather than requiring a qualified majority of member states to activate it, a qualified majority should be required to block its use.	**▸ Develop an escalation architecture** The EU needs a decision-architecture that allows policymakers to move through different stages of escalation and de-escalation without the political cost that comes with making each individual decision. The economic statecraft unit should be tasked with building this architecture, updating it as the EU's leverage map evolves, and providing scenario-specific options to the council and commission. This should include off-ramps at each escalation rung in the form of actions the coercer can take to de-escalate.	**▸ Prepare response packages** Having prepared (but not necessarily public) option packages would speed-up the EU's response and raise credibility. The commission should prepare pre-authorised packages across different escalation rungs, endorsed by the council in advance, that can be activated by a council decision within hours of a defined trigger. For example, the pre-authorised €93bn tariff package last year against the US supported EU deterrence credibility over Greenland in early 2026.
▸ Burden-sharing Sharing the costs and risks of deterrence is key for the EU's political economy. Different options could be considered. First, a solidarity fund could be established to compensate member states and firms for coercion-attributed losses by drawing from a share of revenues generated by ACI import tariffs and fines. This would create a loop in which coercion funds EU solidarity. Second, the EU could grant national state aid exemptions or access to other EU-level financing instruments for affected countries or firms.	**▸ External signalling** Deterrence means Beijing needs to understand EU red lines and believe they are credible. The current EU toolkit focuses primarily on internal coordination. A doctrine should clearly convey to others the existence of an EU deterrence posture without disclosing the full escalation architecture and diplomatically communicate specific trigger points before crisis occurs.	**▸ Allied deterrence** The doctrine needs to specify the form that coordination with allies takes at different levels of ambition. Information-sharing is a low-hanging fruit. More ambitious is parallel-action commitments or even pre-negotiated joint response packages, similar to what G7 allies had prepared leading up to Russia's invasion of Ukraine.
▸ Link crisis instruments to the deterrence architecture Tools such as the Internal Market Emergency and Resilience Act and article 122 TFEU were designed for economic emergency management. By formally aligning these instruments with its deterrence doctrine, the EU can reduce the coercive leverage of supply disruptions and signal that it has ways to manage possible escalations.	**▸ War-gaming** Conducting regular economic-war games can help force decision-makers to confront the trade-offs of different escalation scenarios before they are under crisis pressure. Exercises can help test how different member states would react, how the single market may be affected and what de-escalation off-ramps could look like. These exercises should be conducted with likeminded partners to find coordination opportunities and frictions.	**▸ Public communication** Economic deterrence suffers from the problem that the costs of action are immediate while the costs of inaction are slow and diffuse. To address this, a doctrine must set up structures to publicly address perceptions and costs associated with both action and inaction.

Calling China's bluff

Few European governments seem willing to confront China, reasoning that the costs of action are too high. This rests on a false premise that inaction is cheap. China's export-driven overcapacity model is accelerating, as is its monopoly on rare earths. The effects on European industry are not temporary disruptions to be waited out but a sustained deindustrialisation of the continent's manufacturing base and technological capabilities. Coercive economic measures are the other side of the same coin: When Europe wants to defend its economy from this shock, Beijing will likely respond with coercive measures as its economic model relies on continued European demand and openness. The China shock and Chinese coercion are therefore not separate problems but are mutually reinforcing. A Europe that does not play its economic hand against China cannot effectively run a competitiveness agenda.

However, a Europe that grasps this connection reaches a very different conclusion: Economic deterrence is not an alternative to competitiveness but a precondition for it. When the EU pushes back on China, it will have to absorb the costs of retaliation, but the calculus shifts thereafter and the threshold for coercion rises. Beijing might think twice next time if European firms begin pricing geopolitical risk into supply-chain decisions more seriously and the political space to slow deindustrialisation grows. The game of economic deterrence is not costless, but folding early is more costly still.

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Annexe

Escalation ladder

Rung	Escalation score /10	Chinese trigger	EU deterrence logic	Examples of EU action
Signalling		Coercive threats or initial discriminatory measures	Raise the reputational and political cost of continued pressure	Public warnings, private diplomatic demarches, launch of investigations, high-risk vendor designation, buy-local campaigns
Targeted defensive restrictions		Sustained coercion and failure to de-escalate after the signalling phase	Impose targeted regulatory and market costs on specific Chinese actors	Accelerated digital and trade rule-enforcement; targeted trade defence measures; exclusion from public procurement
Sectoral restrictions		Coercion across member states and significant sectoral harm	Impose asymmetric sectoral costs calibrated to Chinese leverage dependencies	Tightening of existing dual-use export controls; cyber-security certification requirements; ownership caps for critical infrastructure; broader sectoral tariffs; limiting Chinese vendors from critical infrastructure supply chains
Cross-sector market restrictions		Broad economic retaliation or coercion affecting multiple member states and industries	Signal willingness to impose systemic costs; activate coalition partners	Horizontal ACI tariffs; port servicing fee; digital services fee via the ACI; restrictions on DUV exports; broad limits on Chinese firms in the critical information technology stack
Structural measures		A fundamental threat to EU sovereignty and a breakdown of the de-escalation track	Structural separation of critical interdependencies and embargo-like measures	Forced divestment of critical infrastructure stakes; structural separation of Chinese tech firms; suspension of aircraft deliveries and services; denying servicing of semiconductor tools

Tools

The table below zooms in on the tools suggested as part of the European cards. Regarding the ACI tools listed, the European Commission can launch a wide range of counter-measures detailed in annexe I of the ACI, along with measures under other legal instruments.

Tool	What it means
Anti-Coercion Instrument (ACI)	The ACI (EU regulation 2023/2675) allows the EU to respond when a non-EU country tries to press the union or its member states through trade or investment restrictions. The commission assesses coercion based on its severity, intent and the EU's interest (article 4), then engages diplomatically (article 5). If that fails, it can propose 14 counter-measures such as tariffs and limits on public procurement, as listed in annexe I. These measures, adopted with the approval of member states, must be proportionate, temporary, regularly reviewed and reversible (article 11).
Export controls (Dual-Use Export Control Regulation)	Council Regulation (EC) No 428/2009 regulates the export of goods, software and technologies that can have both civilian and military use (lists I–IV in annexe I). Companies must obtain licenses from national authorities when exporting sensitive items, especially if there is a risk of weapons proliferation, military use or human rights abuses (under article 4 catch-all clauses). Exporters can self-assess based on a commission list or apply via national authorities, and the union can block exports of unlisted goods if they might be used by foreign military. Export controls can also be applied to specific entities or destinations to prevent sensitive technologies from being diverted and broader retaliation.
Sanctions, Common Foreign and Security Policy (CFSP)	Under the EU's CFSP (articles 21–46 of the Treaty on EU) the union can impose sanctions such as asset freezes, travel bans, trade restrictions, financial measures and technology controls against individuals, companies and governments. These sanctions can be autonomous EU measures or implement UN Security Council decisions. Decisions on the adoption, renewal, or lifting of sanctions are taken by the Council of the European Union, acting unanimously on proposals from the EU's high representative and the European Commission.
Public procurement rules	EU public procurement rules are set out in four main directives to ensure fair and open competition. Directive 2014/23/EU covers concessions, 2014/24/EU covers general public sector procurement, the "utilities directive" 2014/25/EU applies to utilities like water, energy and transport, and directive 2009/81/EC covers defence and sensitive security contracts. These rules implement WTO principles of transparency, equal treatment and non-discrimination. For contracts set above thresholds (€5.538m for works, €221,000 for goods and services in the public sector, and higher for utilities) authorities must run competitive procedures like open tenders and evaluate bids based on the most economically advantageous tender considering price, quality and sustainability. Exclusions exist for national security, public order, serious misconduct, conflicts of interest and insufficient competition.
Foreign Direct Investment Screening Regulation	EU regulation 2019/452 harmonises how member states screen foreign direct investment (FDI) that may threaten security or public order. It covers critical sectors such as infrastructure, technologies, media, and critical inputs like raw materials. Member states must notify the commission of all FDI proposals, especially those with cross-border impacts. The Commission can issue a non-binding opinion within 90 days, and while it cannot block investments EU-wide, it can issue a reverse veto to ask a member state to rethink its approval.
Foreign Subsidies Regulation (FSR)	The FSR (EU Regulation 2022/2560) allows the European Commission to investigate and counter distortions in the EU single market caused by subsidies granted by other governments. It covers mergers involving foreign-subsidised companies, public procurement bids where bidders received more than €4m in foreign subsidies, and ex officio investigations into any market situation. The FSR provides a tool to limit the expansion of state-backed Chinese firms into EU markets, infrastructure or strategic sectors.
Article 122 TFEU	Article 122 of the TFEU sets out the EU's powers in economic emergencies. Article 122(1) addresses economic difficulties faced by member states, and article 122(2) specifically addresses financial assistance. It enables fast executive action—such as temporary exceptions from internal market rules—to respond to crises, as seen in measures to address high energy prices after the Russian attack on Ukraine. Any action must be proportionate and respect subsidiarity (meaning the EU acts only when member states cannot act effectively).

Article 207 TFEU (adopt country- and sector-specific tariffs)	Article 207 of the TFEU gives the EU exclusive powers over trade policy, allowing it to set country- and sector-specific tariffs and protective measures like anti-dumping and anti-subsidy actions. It also lets the EU negotiate trade deals and adjust tariffs according to uniform rules that apply to all member states.
Internal Market Emergency and Resilience Act (IMERA)	IMERA (regulation in force since November 2024, and applying from May 2026) is designed to anticipate, prepare for and respond to crises affecting the EU internal market. Building on lessons from recent emergencies such as the covid-19 pandemic, Russia's war in Ukraine and energy shocks, it sets a three-stage framework—contingency, vigilance and emergency modes—to protect market flows. Measures include information requests to operators, priority procurement, fast-track authorisations and temporary exceptions for critical goods and services. It is activated by council regulation and helps coordinate EU-wide responses to coercion-induced disruptions.
EU Cybersecurity Act	The Cybersecurity Act (EU regulation 2019/881, under revision in 2026) creates a certification framework for information communication technology products, services and processes. It is managed by the EU agency for cyber-security to boost trust and security in digital supply chains. Against coercion, it enables mandatory EU-wide certifications and prevents non-compliant or coercer-linked technologies from being used in critical infrastructure.
Network and Information Systems 2 Directive (NIS2) and sectoral toolboxes	NIS2 (EU Directive 2022/2555, transposed by Oct 2024) requires essential entities across 18 sectors to implement cyber-security risk management, reporting and supervision with fines of up to 2% of global turnover. Its sector-specific toolboxes provide tailored measures and help counter cyber-coercion through peer reviews, information-sharing and state intervention.
Enforcement Regulation	The Enforcement Regulation (EU regulation 2021/167, amending 654/2014) strengthens compliance with trade agreements while the WTO Appellate Body is inactive. It establishes a chief trade enforcement officer, a single complaint portal (Access2Markets), and allows retaliatory measures for violations, such as suspending trade benefits.
Digital Markets Act (DMA)	The DMA (EU regulation 2022/1925) sets rules for designated "gatekeepers" (such as Alphabet, Amazon and Meta) to ensure digital markets are fair and contestable. Gatekeepers must give rivals access to key data, avoid self-preferencing and support interoperability. Non-compliance can lead to fines of up to 10% of global turnover and impose structural remedies such as requiring the company to sell part of its business if systemic failures occur. To counter coercion, the commission can investigate discriminatory practices by coercer-linked platforms or require data-sharing to prevent information manipulation. Articles 17–20 allow rapid adaptation to tactics like app bans or algorithm changes targeting EU firms.
Digital Services Act (DSA)	The DSA (EU regulation 2022/2065) regulates online platforms and marketplaces, focusing on systemic risk management. Very large online platforms of over 45 million monthly users must identify and mitigate illegal content, disinformation, and risks from algorithms and automated systems with independent audits, transparency reports and user complaint mechanisms.
Anti-dumping (AD) and Anti-subsidy (CVD) measures	Under regulation 2016/1036, the EU can protect its industry from imports priced below normal value (dumping) that cause serious harm to EU producers. Tools include the lesser duty rule (applying the lowest effective duty), economic interest tests, and rules against circumvention. Against coercion, investigations into dumped goods from coercer states—such as steel—can be fast-tracked, compliant with WTO rules under GATT article VI.
Safeguards	Safeguard measures (Regulation 2015/755) allow the EU to temporarily restrict imports of a specific product when a surge in imports causes or threatens serious injury to EU producers. Unlike anti-dumping, safeguards do not require evidence of unfair pricing; they respond to import volumes that overwhelm domestic industries regardless of cause.
Article 22(5), Horizon Europe Regulation	Under Horizon Europe, participation in research projects and mobility of researchers is primarily governed by the annual work programmes and the grant agreement. Projects related to EU strategic assets, interests, autonomy and security may be limited to entities established in EU member states or in specified associated or third countries. In exceptional cases, the work programme can exclude the participation of legal entities in the EU or in associated countries if they are directly or indirectly controlled by non-associated third countries. Their participation can also be made conditional to rules set out in the work programme.

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