The TIC and Beijing's "Red Lines": What China Can Concede and What It Is Unlikely to Negotiate

From the Negotiating Position to China's Real "Red Lines"

Abstract

This paper examines the scope for negotiation between the European Union and China within the Trade and Investment Compact (TIC), focusing on the limits of Beijing's willingness to make concessions.

It argues that China may accept significant commercial, regulatory, and procedural adjustments, but is unlikely to compromise on the core instruments through which it pursues economic security, technological self-reliance, strategic industrial capacity, and national development.

The analysis therefore distinguishes between concessions that affect the management of China's economic relations with the European Union and those that would constrain the underlying instruments of China's development and security strategy.

This distinction reveals a fundamental tension between the EU's objective of addressing structural trade imbalances and China's determination to preserve the foundations of its industrial and technological model.

The paper further argues that the scope for negotiation is shaped by asymmetric interdependence: China retains significant leverage through critical materials and industrial capacity, while the EU retains important technological, industrial, regulatory, and market-based forms of leverage.

The United States constitutes a further variable, insofar as transatlantic constraints may affect the credibility of the EU's strategic autonomy and, consequently, the credibility of its negotiating position vis-à-vis Beijing.

The TIC may consequently be effective without being transformative: its most realistic outcome may be the institutionalized management of strategic interdependence rather than the structural elimination of the underlying trade imbalance.

Introduction

If the first problem of the **Trade and Investment Consultations (TIC)** is to understand what the European Union actually wants to achieve, the second—and probably even more important—consists in understanding what the EU can realistically obtain from Beijing, starting from what China is realistically willing to concede without compromising interests that it considers strategic, including from a long-term historical and cultural perspective.

China, in fact, does not interpret its relationship with Europe exclusively through the economic categories normally associated with trade negotiations. Historical tradition and China's conception of its role in the international system help explain why Beijing now considers its right to occupy a leading position not only in Asia but also at the global level to be an established fact. This perception must also be understood in light of the long period of crisis and subordination that, in the official Chinese narrative, began with **the Opium Wars of the nineteenth century,** with the progressive erosion of Chinese sovereignty by foreign powers, and symbolically ended in **1949** with the founding of the People's Republic of China.

With the founding of the People's Republic, a new phase of Chinese history began which, in the subsequent official political narrative, came to be associated with the broader process of "**national rejuvenation**" or "**national renaissance.**" It was a process initially marked by the profound transformations of the Maoist era and, following Mao Zedong's death, by the turning point represented by **the reforms launched by Deng Xiaoping beginning in 1978**. Opening to the global economy and, subsequently, China's accession to the **World Trade Organization (WTO) in 2001** accelerated a transformation that turned the country into one of the world's leading trading and industrial powers.

It is within this historical and political framework that the current confrontation with Brussels must also be interpreted. The European objective is not simply to obtain certain trade concessions from Beijing, **but to rebalance an economic relationship that has become highly asymmetric, without, however, pushing China to perceive European demands as an attempt to constrain its development model or strategic autonomy.** In 2025, China's trade surplus vis-à-vis the European Union reached approximately **€360.6 billion**, highlighting an imbalance that has become increasingly difficult for Brussels to regard as sustainable.

It is precisely on this ground that the TIC, launched in June 2026, is situated. The consultations have been organized around four main areas: trade and investment rebalancing, export controls, intellectual property, and WTO reform. A joint mechanism for monitoring trade flows was also established, intended to provide a more transparent basis for identifying potential imbalances and addressing new tensions promptly.

The problem, therefore, is not simply to understand what Brussels can ask for, but to distinguish what Beijing can concede from what it instead considers part of its strategic interests. China can, for example, increase certain imports of European goods and services, facilitate European companies' access to its market, improve certain administrative procedures, or make the licensing regime for rare-earth exports more predictable. It would be much more difficult, however, to expect concessions capable of having a profound impact on Chinese industrial policy, public support for strategic sectors, the development of technological self-reliance, or control over technologies considered sensitive.

And it is precisely here that the EU's real negotiating strength is measured. Brussels possesses considerable leverage through access to the European market, the size of its internal market, and the possibility of using trade-defense and economic-security instruments. Beijing, in turn, possesses equally significant forms of leverage, particularly in the areas **of critical raw materials, rare earths, global supply chains, manufacturing capacity, and European companies' access to the Chinese market.**

The October round, therefore, will not simply be a negotiation over the trade deficit. More precisely, it will be a confrontation over the possibility of constructing a new balance between **market access, reciprocity, economic security, and strategic autonomy,** without either side being forced to call into question the elements it considers fundamental to its economic and strategic model.

It is necessary, however, to avoid a methodological misunderstanding. China does not normally present its Western counterparts with a formal list of economic "**red lines**" comparable, for example, to a Western negotiating mandate. The lines beyond which compromise becomes difficult must therefore be reconstructed through the policies adopted by Beijing, the programmatic documents of the Party and government, legislation concerning economic security, decisions relating to export controls, and statements by the Ministry of Commerce.

This reconstruction leads to a fairly clear conclusion.

Beijing has a much broader margin for concessions regarding the manifestations of the imbalance than regarding its structural causes.

China can increase certain imports from Europe, open specific sectors, improve certain procedures, facilitate access to its market, and make certain regulatory mechanisms more predictable. It can therefore intervene on a significant portion of the **visible effects** of the trade imbalance without necessarily modifying the fundamental mechanisms that produce it.

It would be much more difficult, however, to accept that the TIC become an instrument through which Europe could directly condition:

- **Chinese industrial policy;**
- the development of **strategic productive capabilities;**
- **technological self-reliance and security** policy;
- **supply-chain security;**
- the maintenance of a growth model strongly supported by **productive and export capacity;**
- the system of public support for **strategic companies and sectors**;
- Chinese control over **critical raw materials and rare earths;**
- China's ability to use **economic-security** instruments in response to measures adopted by Western powers.

The distinction between the **manifestations and structural causes** of the imbalance is therefore essential for understanding how genuinely reconcilable the positions of the two sides are. It is also the starting point for analyzing the strength of the European negotiating position: **what counteroffer can Brussels make to Beijing in exchange for concessions that do not challenge the interests China considers non-negotiable?**

Answering this question requires examining the two structures of negotiating power separately. **European leverage is primarily a form of market-access leverage; Chinese leverage is primarily based on the dependencies created by global supply chains and by China's productive capacity.**

The October round will therefore be decided not only by the scale of the respective concessions, but by each side's ability to exercise its leverage without triggering, as a collateral effect, an acceleration of the other side's autonomy strategy.

The thesis of this paper is that the TIC's room for compromise depends on the distinction between managing the imbalance and modifying its structural determinants. Beijing may have an incentive to accept measures capable of increasing European imports, improving market access, making regulatory instruments more predictable, and reducing uncertainty arising from export controls.

It is much less likely to accept concessions that directly affect strategic productive capacity, technological self-reliance, industrial policy, or the state's ability to use

economic-security instruments. It follows that the TIC can realistically produce a managed rebalancing, but is unlikely to transform the structural conditions that generate the imbalance.

1. The First Area of Possible Compromise: Market Access

The area in which Beijing probably has the greatest negotiating space is commercial opening and market access. But this willingness cannot simply be interpreted as the result of a political choice aimed at presenting China as an open economy. There is also a concrete domestic economic need that makes the inflow of foreign capital particularly important.

China, in fact, has long been dealing with a situation characterized by weakness in the real-estate market, slowing domestic demand, and a broader need to support investor confidence. The real-estate sector has been one of the main sources of vulnerability in the Chinese economy and has required increasingly forceful intervention by monetary and financial authorities. The People’s Bank of China has progressively eased financial conditions, while the banking system has been called upon to support the stabilization of the real-estate market and the economy as a whole.

This does not mean, however, reducing the entire problem to a simple policy of credit expansion: the real-estate crisis is the result of deeper imbalances, and financial support is primarily an instrument to prevent its spread to the rest of the economy.

In this context, the behavior of foreign capital is particularly important.

In 2024, actual utilization of foreign direct investment in China declined by 27.1 percent, according to data reported by the Chinese Ministry of Commerce itself. The government has explicitly acknowledged the need to stabilize the existing stock of foreign investment and attract new investment, emphasizing the contribution of foreign companies to employment, export stabilization, and industrial upgrading.

This element is important because it makes it possible to view China’s opening policy from a different perspective.

Beijing cannot afford to appear to be an economy that is closing precisely at a time when it needs to strengthen the confidence of international investors.

The need to maintain access to foreign capital does not, naturally, mean that China has become dependent on foreign capital in general terms. The size of the Chinese economy, the depth of its domestic financial system, and the availability of public resources allow it to finance a very significant portion of its investment independently.

The issue is different.

Foreign capital also represents an indicator of confidence, a channel for accessing technology, managerial expertise, international networks, markets, and global value chains. At a time when Beijing is simultaneously seeking to support growth, modernize its industrial apparatus, and increase productivity, maintaining an environment sufficiently attractive to foreign investors therefore has a value that goes beyond the simple amount of capital flowing into the country.

It is precisely within this framework that the 2025 Action Plan for Stabilizing Foreign Investment, adopted by the Ministry of Commerce and the National Development and Reform Commission in February 2025, must be understood.

The document does not merely reiterate a general commitment to openness. It provides for a series of concrete measures: further pilot opening in the telecommunications, healthcare, and education sectors; full implementation of the removal of restrictions on foreign investment in manufacturing; reduction of restrictions contained in the negative lists; facilitation of foreign equity investment; incentives for the reinvestment of profits in China; expansion of sectors in which foreign investment is encouraged; facilitation of mergers and acquisitions; and greater access to domestic financing for certain foreign-invested companies.[1]

The significance of these measures is particularly interesting for the TIC, because they demonstrate that opening the Chinese market is not necessarily in contradiction with Beijing's industrial policy; on the contrary, it can become one of its instruments.

The Chinese plan explicitly states that foreign investment should contribute to the development of **new quality productive forces** and to China's modernization. The government therefore intends to use foreign capital not simply to finance the economy, but also to strengthen industrial chains, attract technology and expertise, support advanced manufacturing, and improve the system's overall competitiveness.[2]

This is a fundamental distinction.

Beijing does not necessarily have to choose between openness and industrial policy. It can use openness to strengthen its industrial policy.

And it is precisely for this reason that market access is probably the first area in which European demands can encounter relatively broad Chinese willingness.

Within this context, Europe can reasonably be expected to obtain:

- the reduction of certain administrative barriers;
- greater regulatory transparency;
- expanded access to specific sectors;
- more predictable conditions for investment;
- facilitation of mergers and acquisitions;

[1] https://english.mofcom.gov.cn/Policies/ForeignInvestmentAdministration/art/2025/art_cf7fc241d17f42768849fc2837cd3715.html?utm_source=chatgpt.com
[2] https://english.mofcom.gov.cn/Policies/ForeignInvestmentAdministration/art/2025/art_cf7fc241d17f42768849fc2837cd3715.html?utm_source=chatgpt.com

- greater ability to reinvest profits generated by European companies in China;
- greater access to certain financing instruments;
- a gradual reduction of restrictions in services.

These are concrete concessions and, in part, already consistent with the direction indicated by the Chinese authorities.[3]

But this is precisely where the limit emerges.

Chinese opening is not neutral opening. It is selective opening, functional to the objectives of the Chinese state.

The 2025 plan is extremely explicit on this point: foreign investment is encouraged above all where it can contribute to the strengthening of industrial chains, the modernization of manufacturing, the development of services, and technological innovation.[4]

In other words, Beijing is not simply saying, "Come invest in China."

Beijing is, more precisely, saying: "**Come invest in China in the sectors and under the conditions in which your investment contributes to China's development objectives,**" and the difference is substantial.

Openness and Economic Security Can Therefore Coexist

This approach explains why it would be incorrect to interpret China's willingness to attract foreign investment as a signal that it may abandon its industrial policy.

The two can coexist perfectly. Beijing can simultaneously open its market to foreign investors and strengthen national control over strategic sectors. It can attract foreign capital, technology, and know-how without abandoning its policy of technological self-reliance. It can allow European companies to operate in China without accepting that those companies determine the evolution of strategic industrial sectors. It can also increase market access without giving up the use of economic-security instruments whenever it considers national interests to be at stake.

In this sense, the Chinese position appears, ultimately, far more sophisticated than a simple opposition between openness and closure and ultimately takes the form of **managed openness.**

Foreign Capital as a Necessity, but Not as a Strategic Constraint

This point is also essential for understanding how strong European leverage actually is, which at this particularly delicate moment is significantly weakened by the absence of

[3] https://english.mofcom.gov.cn/Policies/ForeignInvestmentAdministration/art/2025/art_cf7fc241d17f42768849fc2837cd3715.html?utm_source=chatgpt.com
[4] https://english.mofcom.gov.cn/Policies/ForeignInvestmentAdministration/art/2025/art_cf7fc241d17f42768849fc2837cd3715.html?utm_source=chatgpt.com

genuine governance extending beyond the wishes expressed by President von der Leyen, who has to contend with centrifugal forces coming from the Union's different constituent political components—or, more precisely, from what remains of it—and who only by a fortunate coincidence may, temporarily, turn to her advantage the fact that China needs to stabilize the inflow of foreign capital: a circumstance that, in the current situation, certainly increases the EU's room for maneuver, while it does not mean that Beijing is willing to sacrifice its strategic priorities in order to obtain more European investment.

The formulation of the 2025 plan itself demonstrates the opposite: foreign investment is considered useful precisely because it can contribute to industrial modernization and the development of new productive forces.[5]

The logic is therefore one that prioritizes the sequence **foreign capital → industrial upgrading → higher productivity → stronger Chinese economy**, and not one based on the sequence **foreign capital → foreign influence over Chinese industrial policy:** and this distinction probably represents one of the first genuine "red lines" of the negotiation.

Beijing can accept a greater European presence, but it is much less likely, as already noted, to accept that such a presence entails a European right to determine the structure of the Chinese economy.

Why This Is Particularly Important for the TIC

From this perspective, the European demand for greater access to the Chinese market is probably one of the few demands capable of producing genuine mutual interest, which can be summarized by establishing the proper connection among the following points:

- Europe wants to sell more in China.
- China has an interest in increasing the confidence of foreign investors and maintaining the attractiveness of its market.
- Europe wants greater predictability for its companies.
- China has an interest in preventing international companies from further reducing their exposure to the Chinese market.
- Europe wants greater access to Chinese sectors.
- China wants to attract capital and expertise into sectors where it considers foreign presence useful.

These points demonstrate the existence of a genuine zone of overlap that nevertheless has a precise limit: opening must strengthen Chinese competitiveness without transferring control over strategic industrial-policy decisions outside the country. A condition which, on the one hand, makes market access a possible area of compromise, but on the other hand also prevents it from being considered a solution to the structural problem of the European deficit.

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[5] https://english.mofcom.gov.cn/Policies/ForeignInvestmentAdministration/art/2025/art_cf7fc241d17f42768849fc2837cd3715.html?utm_source=chatgpt.com

The Final Paradox

This leads to the first paradox of the TIC: China may have an interest in opening its market more precisely because it wants to strengthen, rather than weaken, its industrial model. Consequently, a Chinese concession to Europe does not necessarily have to be interpreted as a strategic concession. Beijing can grant greater market access, more foreign investment, and greater sectoral openness without abandoning its industrial policy, to which that opening ultimately becomes functional.

Unfortunately, the real risk is that if Chinese opening primarily serves to strengthen China's productive and technological capacity, it could improve the operating conditions of European companies without necessarily changing the fundamental cause of the trade imbalance.

And this is precisely where the issue of market access reconnects with the central question of the dossier.

The TIC can obtain greater openness from Beijing, it can obtain greater Chinese imports from Europe, and it can obtain better conditions for European companies, but it is by no means certain that, through this route, it can obtain from Beijing a modification of the industrial policy that produces part of the imbalance, because that is an entirely different matter.

And this is probably where the space for commercial compromise ends and the real Chinese "red line" begins.

2. The Second Area: Increasing Imports from Europe

Increasing European imports is also, in principle, negotiable.

China has already demonstrated that it can use trade policy to selectively increase access for foreign products to its market.

Within the TIC framework, the two sides have also agreed to identify concrete market-access problems and work on mechanisms for monitoring trade flows. The joint statement of June 29, 2026, explicitly identifies trade and investment rebalancing as the first pillar of the new process.[6]

But here too, it is necessary to distinguish between volume and structure.

Beijing can increase imports of specific European products without changing its industrial model.

It could, for example, encourage greater imports of:

[6] https://ec.europa.eu/commission/presscorner/detail/en/statement_26_1480?utm_source=chatgpt.com

- agri-food products;
- luxury goods;
- pharmaceuticals;
- specialized equipment;
- high-value-added industrial products;
- certain consumer goods.

This would produce a politically useful effect for Brussels, but would not necessarily modify the structure of the relationship, because the European problem is not simply that China imports too little, but that China is producing more and more in sectors in which Europe would like to maintain or recover market share.

If Beijing increases European imports by several billion while continuing to increase its own productive capacity in strategic sectors, the result may be a statistical improvement in the deficit without any real modification of the structural conditions that produce it: and this is where the difference between a **trade concession and an industrial concession becomes visible.** The former is possible, while the latter is much more problematic.

3. The Real Red Line: Industrial Policy

This is probably where the negotiation encounters its first genuine barrier, because for Beijing industrial policy is not simply one economic policy among others.

The documents concerning the 15th Five-Year Plan (2026–2030) place the construction of a modern industrial system, scientific and technological innovation, the so-called "new quality productive forces," and a significant strengthening of scientific and technological self-reliance at the center of China's development.[7]

The recommendations of the Central Committee of the Chinese Communist Party for the new five-year plan also identify as an objective a significant strengthening of self-reliance and scientific and technological strength, together with the development of a modern industrial system with advanced manufacturing as its backbone.[8]

This element completely changes the nature of the problem because, if Chinese productive capacity in advanced sectors is considered a component of national modernization, asking Beijing to reduce it in order to correct the trade deficit with Europe means intervening in a strategic objective of the Chinese development model. From this follows the fact that it is difficult to imagine that the Chinese government would accept a negotiation in which the EU implicitly determines what the "appropriate" level of Chinese productive capacity should be in sectors such as:

- electric vehicles;
- batteries;

[7] https://english.scio.gov.cn/pressroom/node_9019050.html?utm_source=chatgpt.com
[8] https://ie.china-embassy.gov.cn/zagx/kjjl/202511/P020251113138275511662.pdf?utm_source=chatgpt.com

- photovoltaics;
- semiconductors;
- advanced machinery;
- artificial intelligence;
- robotics;
- energy technologies;
- advanced materials.

This does not mean that Beijing cannot intervene against specific forms of overcapacity. It means that it is highly unlikely to accept a negotiating principle according to which its industrial policy must be calibrated to the EU's trade-rebalancing needs.

That would be a genuine red line.

4. "New Quality Productive Forces": The Technological Issue

The Chinese concept of **new quality productive forces** is particularly important because it directly connects industrial policy, innovation, and productivity.

The Chinese Ministry of Science and Technology has explicitly linked the 15th Five-Year Plan to the objective of accelerating high-level technological self-reliance and the development of these new productive forces.[9]

This suggests that, for Beijing, technological competition is not simply a matter of international trade, but is directly linked to national development and economic security objectives. From this perspective, a possible second red line emerges: Beijing may negotiate commercial access to technology, but it is far less likely to agree to negotiate its ability to independently develop technologies considered strategic. This is a fundamental distinction in its relationship with Europe.

The point, therefore, is not that Beijing considers every strategic technology off-limits to foreign companies. The point is that the ability to develop such technologies independently is not considered a negotiable aspect of the trade relationship.

The EU could therefore request greater access for its companies, stronger intellectual property protection, or more favorable conditions for European technology firms. There may be room for negotiation on such requests.

The nature of the problem would change, however, if the European request were to entail, directly or indirectly, a limitation on China's ability to develop strategic technologies: it would no longer be merely a matter of trade, but an issue related to economic security and national strategic capability.

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[9] https://english.www.gov.cn/news/202510/24/content_WS68fb6f9bc6d00ca5f9a07016.html?utm_source=chatgpt.com

5. Intellectual Property: A Possible Concession, but Within Certain Limits

The third pillar of the TIC, intellectual property, is probably one of the areas in which reaching a compromise appears most realistic.

As noted, Beijing has an interest in attracting foreign companies and technological investment, and more predictable intellectual-property protection can, in principle, strengthen the attractiveness of the Chinese market.

For this reason, it is plausible that China could accept greater procedural transparency; stronger enforcement; consultation mechanisms; improvements in patent protection; greater predictability for foreign companies; but here too, while taking due account of the existence of a clear dividing line, namely that China would be unlikely to accept intellectual-property protection becoming a channel through which the diffusion of Chinese technologies or the competitiveness of Chinese companies in foreign markets could be constrained.

Intellectual property is therefore a particularly useful example because it shows that the problem is not the absence of room for negotiation between the EU and China, but rather the depth of that room. Where a concession improves market functioning without affecting the state's ability to pursue its strategic objectives, the scope for compromise increases significantly.

Again, the boundary is between commercial regulation and technological security.

6. Export Controls: Probably the Most Sensitive Point

If industrial policy constitutes the long-term red line, export controls probably represent the most immediate one. And the reason is clear: export controls have become one of the instruments through which major powers transform their position in global value chains into strategic leverage.

China has already introduced export controls on certain rare-earth elements and related products. In April 2025, the Ministry of Commerce and the General Administration of Customs imposed controls on specific products related to medium and heavy rare earths, justifying them on the grounds of protecting security and national interests.[10]

China's official position is particularly significant.

This official characterization is relevant to the analysis because it shows how Beijing formally frames the instrument: not as a mere trade measure, but as a regulatory power linked to national security. This does not, of course, preclude the possibility that the

[10]https://english.mofcom.gov.cn/Policies/AnnouncementsOrders/art/2025/art_0dd87cbee7b045bf93fabe6ab2faceee.html?utm_source=chatgpt.com

European Union might perceive its use as a form of economic pressure or coercion; the two characterizations do not necessarily coincide.

Beijing presents these controls not as instruments of trade protectionism, but as normal instruments of export control and the protection of national security. In October 2025, the Ministry of Commerce described the new rare-earth measures as actions consistent with Chinese law and aimed at protecting national security and international common security.[11]

This implies that the EU can hardly obtain a Chinese renunciation of the principle of using export controls themselves, but it can negotiate:

- transparency;
- predictability;
- licensing procedures;
- authorization timelines;
- prior consultations;
- exemptions for certain civilian uses;
- emergency-management mechanisms.

The joint statement of June 2026 in fact indicates that the two sides intend to strengthen dialogue on export controls and continue exchanging information on their respective regulatory systems and licensing policies.[12]

This is a fundamental distinction: **Beijing can negotiate the application of the control, but it is much less likely to negotiate the right to exercise the control.**

The distinction can be formulated in terms of "**right to control" and "conditions of control.**" The former concerns the sovereign authority to subject certain categories of goods and technologies to control; the latter concerns the concrete ways in which that authority is exercised. It is primarily in the second area that negotiating space appears plausible: licensing criteria, transparency, administrative timelines, consultation, and emergency management can be subject to rules without necessarily calling into question the authority of the Chinese state to impose controls.

Moreover, this is not a purely theoretical distinction. The architecture of the TIC itself appears to reflect it: in the joint statement of June 29, 2026, China and the EU included export controls among the four initial negotiating workstreams. This suggests that the realistic ground for negotiations is precisely the management and predictability of the instrument, rather than its elimination.

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[11] https://english.mofcom.gov.cn/News/SpokesmansRemarks/art/2025/art_c202dcc0433d476db52b1e7f7fe53926.html?utm_source=chatgpt.com

[12] https://english.mofcom.gov.cn/News/SignificantNewsj/art/2026/art_f0f785c9785344dd98e2ee93d6a31d7e.html?utm_source=chatgpt.com

Export controls thus represent a particularly clear example of the distinction that runs throughout the entire negotiating process: the scope for compromise is greater when it concerns the exercise of a capability, while it narrows drastically when it concerns the state's willingness to relinquish that capability. In the case of China, this means that transparency, licensing, predictability, and consultation can be realistic subjects for negotiation, whereas relinquishing the right to use export controls for national security purposes appears much less plausible.

7. Why Rare Earths Are More Than a Trade Issue

The rare-earth issue demonstrates better than any other the difference between the European and Chinese approaches. From the European perspective, the objective is to obtain stability, continuity, and predictability of supply, progressively reducing the risk that economic dependence can be transformed into a strategic vulnerability. From the Chinese perspective, however, rare earths represent a strategic resource embedded within a much broader conception of economic security and supply-chain security.

The difference, therefore, is not simply commercial. The European Union views supply concentration as a risk that must progressively be reduced through diversification, recycling, domestic production, and the development of alternative suppliers; Beijing instead views its position along the rare-earth chain as a strategic capability that it does not necessarily have an interest in neutralizing. European dependence is indeed real: in 2025, 46.8% of EU rare-earth imports by weight originated in China, while the European Commission indicates that China supplies 100% of the heavy rare earths used by the EU.

This figure makes it immediately clear why Brussels has an interest in making the relationship more predictable. But it also introduces a much more complex question: what does it concretely mean to ask China to make predictable a resource over which it has a dominant position? The answer cannot be that the European Union should ask Beijing to renounce its right to control exports. Such a request would be difficult to reconcile with the Chinese conception—but not only the Chinese conception—of economic security and, above all, with the regulatory architecture through which Beijing has progressively incorporated export controls into its security policy.

In April 2025, China imposed controls on certain medium and heavy rare earths and related products, explicitly justifying the decision by the need to safeguard national security and interests and also invoking the dual-use nature of the materials concerned.

The issue therefore becomes much more precise. Europe cannot realistically ask China to renounce the leverage derived from control over the rare-earth supply chain; it can, however, seek to ensure that the exercise of that leverage is disciplined, predictable, and not arbitrarily transformed into an instrument of economic coercion.

The difference is substantial. One thing is to ask Beijing to renounce a right that it considers part of its national security; another is to negotiate procedures, transparency,

licensing criteria, administrative timelines, consultations, and guarantees for civilian users.

In other words, the possible European objective should not be the elimination of Chinese leverage, but its transformation from a potentially coercive instrument into an instrument subject to rules and predictability. And it is precisely here that the rare-earth issue enters the heart of the TIC.

At first sight, the European Union and China appear to pursue the same objective: the resilience of their economies. But once their respective strategies are analyzed, it becomes evident that they pursue resilience in different and, in some respects, opposing directions.

The European Union wants to become resilient by reducing its dependence on China. China wants to become resilient by reducing its technological and industrial dependencies on external actors while simultaneously maintaining control over the nodes of supply chains in which it possesses a structural advantage.

For Brussels, the sequence is therefore essentially dependence, vulnerability, diversification, and resilience. For Beijing, the sequence is different: technological dependence, strategic vulnerability, substitution, and self-reliance, accompanied by the maintenance of the industrial capabilities that enable China to retain a position of strength in the chains in which it is dominant.

This difference is fundamental because it means that European resilience tends to reduce the strategic value of China's position, while Chinese resilience tends to preserve and, where possible, expand the strategic value of its own industrial capabilities.

This is why **rare earths cannot be considered merely a raw material subject to commercial negotiation.** For Europe, the question is how to prevent dependence from being transformed into coercion. For China, the question is instead why it should give up a capability that can be used to protect its economic and security interests, especially when its Western counterparts are doing something similar with the technologies they control. China, in fact, is not the only actor that possesses strategic leverage.

The reasoning would be incomplete if it stopped at the Chinese position. China possesses an extraordinary advantage in rare earths, but Europe is not without instruments of pressure. The European Union retains a significant position in numerous industrial and technological segments and, above all, exports high-value-added manufactured goods to China.

In 2025, manufactured products represented 86.2% of European exports to China, while machinery and vehicles accounted for 50% of manufactured exports. Eurostat also confirms that machinery, mechanical appliances, and electrical equipment constitute some of the main product groups traded between the EU and China.

This means that **the relationship cannot simply be described as China equals strategic supplier and Europe equals dependent actor. Reality is more complex**: China controls certain material and industrial chokepoints, while Europe controls or hosts companies and technologies that are indispensable in numerous segments of advanced industrial production.

China controls an essential portion of the rare-earth supply chain; Europe controls or hosts companies and technologies that are indispensable in numerous segments of advanced industrial production.

The real situation is therefore one of asymmetric interdependence, in which the two sides possess different forms of leverage. And it is precisely this asymmetry that makes a form of deterrence possible.

At this point it becomes clear that it would be unrealistic to imagine the TIC as the place where Europe simply seeks to persuade Beijing not to use rare earths as an instrument of pressure. Such a request could be made, but it would be unlikely to produce a substantive result.

Let us imagine, for example, that Brussels asked China to undertake that the People's Republic would not use restrictions on exports of rare earths, magnets, or related materials to exert political or economic pressure on the European Union or its Member States. This would, in all likelihood, be an extremely problematic request for Beijing. Not because China could not accept greater transparency, nor because it could not improve administrative procedures, and not even because Beijing could not keep rare-earth trade open.

The problem would be the principle: such a clause would ask China to renounce in advance the possibility of using an instrument that it considers part of its economic and national security. Export controls are not presented by Beijing simply as a trade instrument. The official language used to justify the 2025 controls expressly invokes national security and interests.

The European request should therefore be very different. It should not ask China not to use rare-earth leverage, but rather to recognize that it may retain the right to control exports while exercising that right according to transparent, predictable, and verifiable criteria, avoiding the arbitrary use of the licensing system to exercise economic coercion. This second formulation opens a negotiating space that the first would probably close.

This is where the TIC can have a concrete function: not eliminating Chinese leverage, but helping discipline its exercise.

The European objective, in other words, should not necessarily be to eliminate China's ability to restrict the export of certain materials. It should be to increase the political and economic cost of the coercive use of that ability. China could continue to possess the material power to intervene in its exports, but if it knew that a deliberately coercive restriction would automatically produce a European response, its material capability would remain intact while the incentive to use it would diminish.

<u>This is the mechanism of deterrence: the capability is not eliminated, but its use is made sufficiently costly to make it less attractive.</u>

It is nevertheless necessary to qualify the concept. This is not deterrence in the classical sense of military strategy, based on the threat of a certain and immediately proportionate response. In the EU-China relationship, it is instead a form of ***dynamic economic deterrence****: the credibility of the threat derives from the possibility that the use of leverage will accelerate processes of diversification, technological substitution, and value-chain reallocation that progressively reduce the strategic value of the leverage itself.*

The European Union already possesses, at least legally, an instrument built precisely around this principle: the Anti-Coercion Instrument, which entered into force in December 2023. The Commission defines its primary objective as protecting the EU and its Member States from economic coercion by third countries and, above all, deterring such behavior. Possible countermeasures are conceived as instruments of last resort, following an attempt to resolve the dispute through dialogue.

This element radically changes the way the problem should be understood. The EU does not necessarily have to possess leverage identical to China's. It must possess leverage sufficiently credible to make it rational for Beijing not to use its own leverage coercively.

This is where **European technological counter-leverage** emerges.

China may need to maintain control over rare earths because they represent a strategic capability, but China itself, in pursuing its industrial and technological modernization, needs continued access to technologies, machinery, components, and expertise that are not necessarily fully available within the Chinese system. This represents a **structural contradiction.**

Beijing wants to increase technological self-reliance, but in order to achieve that self-reliance it must still pass through a phase in which access to foreign technology remains important. This applies particularly to the most advanced technological segments.

Europe therefore possesses a capacity for pressure that should not be underestimated, although this does not mean that it controls every technology China needs or that Brussels can unilaterally decide to block any technology from reaching China.

Trade nevertheless demonstrates the existence of a relationship of mutual dependence. In 2025, machinery, mechanical components, and electrical equipment remained among the principal product groups traded between the EU and China.

The relationship can therefore be represented as a **dual-leverage structure**: on one side, China possesses rare earths and the industrial capabilities associated with their extraction, refining, processing, and production; on the other, the European Union possesses technologies, machinery, advanced industrial goods, investment, and access to a market of extraordinary size. These are not equivalent forms of leverage, but they do not necessarily need to be equivalent to produce deterrence.

It is precisely at this point, however, that **the American factor** enters the picture.

European counter-leverage cannot be assessed separately from the position of the United States. Europe possesses its own technologies and industrial capabilities, but in numerous strategic technological segments it operates within a transatlantic ecosystem in which American components, software, intellectual property, standards, and controls can influence what European companies can export to China.

European technological leverage is therefore not completely autonomous.

And this is where the paradox emerges: China may be vulnerable to restrictions on European technologies, but Europe may not be completely free to use that leverage if the export of certain technologies is subject to American decisions or constraints. The European position is therefore dual. On the one hand, it possesses industrial capacity that can act as a deterrent toward China; on the other, its ability to transform that leverage into an autonomous foreign-policy instrument is conditioned by the broader transatlantic structure.

This is precisely the point at which the issue of rare earths connects with the question of European strategic autonomy developed throughout the rest of the dossier.

The problem of European autonomy becomes even more evident when considering that the EU-China relationship does not, in reality, take place within a purely bilateral relationship. Negotiations over rare earths and, more broadly, supply-chain security must be understood as a triangular relationship in which the United States constitutes a third pole of technological and strategic power capable of conditioning Europe’s room for maneuver.

This element introduces a fundamental variable into the deterrence problem. Europe may possess technological and commercial leverage vis-à-vis China, but the credibility of that leverage depends on the Union’s ability to decide autonomously when and how to use it. If, in the most sensitive technological segments, China’s access to European technologies is conditioned by a transatlantic system of controls in which the United States possesses its own instruments of pressure, Beijing may reasonably consider that an agreement with Brussels does not necessarily exhaust the problem.

The issue therefore concerns not only the material availability of European countermeasures, but their political autonomy. A threat of retaliation is credible only if the actor making it possesses the effective ability to maintain it over time. If, instead, a European decision can subsequently be modified, limited, or conditioned by U.S. strategic requirements, European counter-leverage remains materially present but loses part of its credibility as an autonomous deterrence instrument.

From this perspective, the TIC must be considered a three-party negotiation, even when it formally involves only Brussels and Beijing. China does not assess only what the Union is willing to promise or do; it must also consider the possibility that Washington may subsequently intervene in the technological dimension of the relationship. Likewise, the Union must consider that an agreement with China on rare earths could come into tension with U.S. strategic objectives concerning technological containment of China.

The problem is therefore one of the intertemporal credibility of the agreement. Beijing might be willing to accept greater transparency, predictability, and consultation in the export-control system if it believed that Europe was actually capable of maintaining a coherent and sufficiently autonomous technology policy. If, instead, it perceived the Union as an actor whose room for maneuver could be altered by external pressure, China's incentive to concede something in exchange for greater predictability would decrease.

The transatlantic dimension therefore produces a paradox. The alliance with the United States strengthens Europe's overall position toward China, but at the same time may reduce Europe's credibility as an autonomous actor in negotiations with Beijing. Washington can provide Europe with additional means of pressure on China, but it can also constrain Europe's freedom to use its own industrial and technological capabilities autonomously when those capabilities conflict with U.S. strategic interests.

In this context, it is worth recalling the Nord Stream affair, if only as a politically relevant precedent in relation to a broader issue: namely, the legitimate hypothesis examined here that transatlantic strategic interests may influence European decisions concerning infrastructure, technology, and economic security. From this perspective, there is no need, for present purposes, to draw any equivalence between the Nord Stream affair and European trade policy toward China, since what is of greatest relevance to us at this stage is solely the issue of the intertemporal credibility of potential European commitments. Indeed, if Beijing were to reasonably conclude that a given European position could subsequently be altered as a result of external strategic pressures, the negotiating value of the European commitment would be significantly diminished.

Negotiations over rare earths thus acquire an additional dimension. Brussels must convince Beijing that it possesses credible counter-leverage, while at the same time demonstrating that this counter-leverage does not depend entirely on decisions taken outside the Union. European strategic autonomy is therefore not merely a desirable condition for Brussels: it becomes a variable in the credibility of the European negotiating position vis-à-vis China.

Finally, there is an even broader element. The United States and China are radically opposed at the strategic, technological, and geopolitical levels, but this does not mean that, with regard to Europe, certain structural convergences of their interests cannot exist. Both have an interest in maintaining the European Union as a relevant economic and industrial partner; both, however, may have incentives to prevent Europe from transforming its economic dimension into full strategic autonomy capable of becoming an independent pole outside the logic of the Sino-American competition.

This does not, obviously, mean arguing that Washington and Beijing pursue the same objective or that there is a strategic convergence between the two powers. It means rather observing that the growing polarization of the international system may narrow the space within which the Union can exercise its own autonomy. For China, a fully autonomous Europe could represent a less easily conditioned interlocutor and therefore a more useful partner, but also an actor capable of developing its own technological and trade policies; for the United States, the same autonomy could come into tension with the need to maintain a cohesive Western architecture of economic and technological security.

The European position is therefore more complex than the simple opposition between a China that controls rare earths and a Europe that possesses technologies and a market. The Union must build credible deterrence vis-à-vis Beijing without losing the ability to decide autonomously how to exercise its own leverage and without compromising the transatlantic relationship on which, at least in part, some of its own technological and security capabilities depend.

It is precisely this tension that makes the rare-earth issue a problem of strategic autonomy. Europe must not only reduce its dependence on China; it must also avoid allowing the reduction of one dependency to produce a different kind of dependency, in which Europe's ability to respond to Chinese pressure becomes subordinate to another actor's willingness to permit it to do so.

If we consider only the raw material, China's position is clearly dominant. But if we consider the entire structure of technological and industrial interdependence, the picture becomes much less straightforward. China controls a fundamental chokepoint, but China itself must contend with external chokepoints. Europe, in turn, possesses industrial and technological capabilities that can represent a vulnerability for Beijing, but it does not always possess the full autonomy necessary to transform those capabilities into an independent political lever.

The result is an unstable balance in which neither side possesses a free victory. Beijing can restrict rare earths, Brussels can increase the cost of access to the European market or use trade and economic-security instruments; Beijing can accelerate the replacement of European technologies, while Europe can accelerate rare-earth diversification, recycling, alternative production, and technological substitution.

The most interesting point is precisely this: the use of leverage can progressively destroy the leverage itself.

If China systematically uses rare earths to exert pressure on Europe, Brussels will have an even stronger incentive to accelerate supply diversification, develop refining and recycling capacity, and create alternative chains. The EU is already pursuing this path. The ***Critical Raw Materials Act*** aims to increase European extraction, processing, and recycling capacity and reduce dependence on individual suppliers, while the Commission anticipates a strong increase in European demand for rare earths over the coming decades.

But the same mechanism operates in the opposite direction. If Europe systematically used access to its technologies as an instrument of pressure, Beijing would have an even stronger incentive to accelerate technological substitution, localize supply chains, and develop domestic alternatives.

Economic deterrence therefore arises from a paradox. The more aggressively one side uses its leverage, the more it encourages the other side to reduce the dependency that makes that leverage effective. China uses rare earths and Europe accelerates diversification; Europe uses technology and China accelerates substitution. Both strategies can therefore produce, over the medium term, a reduction in mutual dependence.

Deterrence works precisely because neither side can indefinitely use its leverage without encouraging the other to build an alternative.

For this reason, speaking of mutual deterrence is correct only with one qualification. This is not a symmetrical situation and cannot be compared to military deterrence. It is more accurate to speak of **deterrence based on asymmetric interdependence.** China possesses a dominant position in rare earths; Europe possesses industrial and technological capabilities that China cannot necessarily replace immediately; and **the United States, moreover, possesses additional technological leverage that conditions both actors.**

The result is a triangular structure in which China possesses **critical materials,** Europe possesses important industrial capabilities and access to its own market, while the United States controls some of the most important technological chokepoints and a fundamental part of the global architecture of export controls.

This structure makes the system far more complex than a simple EU-China confrontation and introduces an essential element for understanding the true European room for maneuver: ***Europe possesses leverage, but it does not always possess the full autonomy necessary to exercise it.***

At this point, the meaning of rare earths changes completely. The issue is therefore not to establish whether Beijing possesses the ability to use rare earths as leverage. That capability is materially and legally available, even though its exercise may be challenged under trade and international law. Nor is the issue to establish whether Europe can prevent it. It cannot do so directly. The real question is whether it is possible to construct a balance in which the coercive use of that leverage becomes sufficiently costly for China to make it unattractive.

And this could be precisely one of the most realistic objectives of the TIC: not an agreement through which Beijing renounces control over rare earths, nor an agreement through which Brussels obtains an absolute guarantee of supply continuity, but a system in which both sides implicitly recognize that using their respective vulnerabilities as instruments of coercion would produce consequences so significant that maintaining regulated interdependence would be preferable.

Here, however, **the limitation of the European position** emerges. A deterrence strategy requires credibility, and European credibility depends on the Union's willingness to bear the cost of a response if Beijing were to use rare earths as a coercive instrument. A European response could have consequences for industries dependent on those same rare earths, produce Chinese retaliation, affect sectors deeply integrated with the Chinese market, conflict with the interests of individual Member States, and, above all, be conditioned by the position of the United States.

The EU may therefore possess material leverage without necessarily possessing a credible political capacity to use it. This is where the problem of European autonomy re-emerges: the instruments exist, but their strategic effectiveness depends on the political cohesion necessary to use them.

The real Chinese red line, therefore, is not simply that "rare earths cannot be touched." It is something deeper: China is unlikely to accept giving up its ability to determine when, how, and under what conditions its strategic resources and capabilities may be exported, especially when that ability is considered part of national security.

For this reason, a European request aimed at obtaining transparency, predictability, and consultation may be negotiable; a request aimed at obtaining a permanent renunciation of the possibility of using export controls as an instrument of economic security, by contrast, directly enters the zone of China's red line.

There is, however, a symmetrical vulnerability. China may not be willing to give up its leverage over rare earths, but it may be equally reluctant to jeopardize access to the foreign technologies and industrial capabilities it still needs on its path toward technological self-reliance. It is precisely this situation that produces deterrence.

Beijing knows that it can use an important material lever, but it also knows that aggressive use of that lever would accelerate European diversification.

Brussels, in turn, knows that it can use certain technological and commercial levers, but it also knows that systematic use of those levers would accelerate Chinese substitution.

Stability therefore arises not from the absence of vulnerabilities, but from the awareness that both sides can transform the other's vulnerability into a cost.

This leads to a paradox that is far more interesting than the simple opposition between "European dependence" and "Chinese power." The more aggressively China uses its dominant position in rare earths, the more it encourages Europe to reduce that dependence. The more aggressively Europe uses its technological position, the more it encourages China to accelerate technological self-reliance.

Both sides therefore possess the ability to impose a cost on the other, but both risk, by systematically using it, losing over time precisely the leverage on which their ability to exert pressure is based.

This is the true logic of economic deterrence: it does not consist in possessing the ability to destroy the other side, but in possessing the ability to impose a sufficiently high cost on it to make the rational choice one of not using that ability.

This is precisely why rare earths are more than a trade issue.

The conclusion must therefore be more nuanced than the idea that the maximum realistically achievable outcome of the TIC would simply be a regime for managing dependence. The TIC could aim for something more sophisticated: the management of deterrence within a relationship of strategic interdependence.

The European objective should not be to eliminate China's ability to control rare earths, because that would be unrealistic, but to ensure that the coercive use of that ability carries a sufficiently high cost to make it, in most circumstances, unattractive to Beijing. At the same time, Beijing must know that systematic use of its leverage could accelerate precisely those processes it seeks to avoid: European diversification of supplies, technological substitution, reliance on alternative suppliers, and the progressive reduction of dependence on China.

But the same logic applies to Europe. If Brussels were to systematically transform access to European technologies and markets into instruments of coercion, it would accelerate China's process of technological substitution and self-reliance. Deterrence therefore works not because either side is invulnerable, but because both are vulnerable. And it is precisely this mutual vulnerability that creates room for negotiation.

The fundamental question of the TIC is therefore not whether Europe can persuade China not to use rare earths as leverage. It cannot. The question is whether Europe can convince Beijing that the coercive use of that leverage would produce a sufficiently costly response to make cooperation preferable.

But this question also leads directly to the broader problem of the dossier: how autonomous is Europe really in the exercise of its own countermeasures?

China enjoys a dominant position in crucial segments of the rare-earth value chain; the United States controls some of the world's most important technological chokepoints; Europe possesses significant industrial capabilities and an enormous market, but its ability to transform these instruments into a coherent strategic policy depends on its internal cohesion and, above all, on its position within the transatlantic system.

It is therefore possible that China is simultaneously stronger than Europe in the field of rare earths and more vulnerable than Europe in the field of advanced technologies; while Europe is simultaneously stronger than China in certain industrial segments and less autonomous than would be necessary to transform that strength into a fully independent deterrence policy.

And this is the true complexity of the TIC.

We are not dealing with a simple relationship between a dominant supplier and a dependent buyer, but with two deeply interdependent economies, each of which controls certain vulnerabilities of the other, within a system in which the United States represents a third pole of technological and strategic power.

Rare earths are therefore only the entry point.

The real problem is much larger: who controls dependencies, who can transform them into leverage, who can bear the cost of using them, and, above all, who possesses sufficient political autonomy to make the threat of using them credible?

It is at this level that the TIC definitively ceases to be a simple trade negotiation and becomes a contest over economic security and strategic power.

There is, however, one aspect that has not yet been examined in this context, but that Beijing could use to its advantage: the EU-China negotiation is in reality a three-party negotiation because the United States place the EU in a position of weakness from the standpoint of credibility. An eventual agreement cannot exclude the possibility that, for its own strategic reasons, the United States could use its leverage over the EU to force the latter to adopt an offensive policy regarding the export of advanced technologies from the EU to China. The Nord Stream episode makes such a possibility appear less improbable than one might otherwise imagine.

The issue of rare earths, therefore, concerns not only the availability of a raw material, but also the credibility of each side's deterrence capabilities. China possesses a material lever that is difficult to replace in the short term; Europe possesses technological, industrial, and commercial levers that can impose costs on Beijing, but whose effectiveness depends on Europe's own cohesion and transatlantic relations. Deterrence arises precisely from this asymmetric interdependence: each side can harm the other, but the systematic use of its leverage simultaneously accelerates the opponent's development of alternatives.

8. China Does Not Want to Give Up Its Economic Security Leverage

Another red line emerges from the growing institutionalization of China's economic security instruments. China now has an articulated set of tools that includes export controls, the Unreliable Entity List, measures against the extraterritorial application of foreign legislation, and the Anti-Foreign Sanctions Law. Chinese rules on so-called counteracting measures explicitly provide for the possibility of adopting countermeasures when foreign legislation or measures produce extraterritorial effects deemed unjustified and harmful to Chinese interests. In 2025, moreover, Beijing again used the Unreliable Entity List against foreign entities that, according to the Chinese government, had harmed China's sovereignty, security, or development interests.

These elements show how China no longer considers trade policy to be a sphere separate from national security. On the contrary, trade, regulatory, and financial instruments are increasingly incorporated into a broader economic security architecture, within which the ability to respond to external pressure is regarded as a component of state sovereignty. From this perspective, it would therefore be unrealistic to imagine that Beijing could accept, within the TIC, a permanent limitation on its ability to respond to Western measures if these were perceived as coercive or harmful to its national interests.

The fundamental distinction is therefore once again between the exercise of an instrument and the right to possess it. Beijing may discuss with Europe the ways in which it uses its economic security instruments; it may accept greater transparency, prior consultations, procedures that are more predictable, or mechanisms designed to reduce the risk of escalation. It is much less likely, however, to accept negotiating the principle that China must retain the ability to respond to foreign measures when these are considered incompatible with its security or fundamental interests.

This is probably one of the most important distinctions for understanding the true depth of the TIC. Europe can seek to make the use of Chinese economic security instruments more predictable; it will have much greater difficulty obtaining Beijing's renunciation of the possibility of using them. The first request concerns the management of leverage; the second would challenge its very existence. And precisely because the latter would directly affect the Chinese state's ability to protect its economic and strategic autonomy, it would immediately enter an area in which the negotiating space would narrow significantly.

9. The Overcapacity Issue: The Real Point of Collision

Returning to the TIC's first pillar, the central problem of Chinese overcapacity emerges. The European Union wants to address what it considers one of the main sources of distortion in the trade relationship, while China does not necessarily regard the productive capacity that Brussels considers excessive as a problem that needs to be reduced. The difference concerns not only the quantitative assessment of industrial capacity, but directly affects the meaning that the two sides attribute to that capacity.

From the European perspective, productive capacity significantly exceeding domestic demand can translate into export pressure, lower prices, loss of market share for European producers, and, consequently, an expansion of the trade deficit. The interpretive sequence is therefore relatively straightforward: overcapacity, distortion, increased exports, and the resulting trade imbalance.

From the Chinese perspective, however, the same productive capacity may be interpreted as the result of forward-looking investment, industrial policies, technological innovation, the creation of economies of scale, and preparation for future global demand. In certain sectors, it may also be regarded as a tool for acquiring technological leadership and strengthening national economic security.

The same phenomenon therefore takes on two profoundly different strategic meanings. What Brussels considers a distortion to be corrected may be regarded by Beijing as industrial capacity that must be preserved precisely because it constitutes one of the conditions through which China intends to maintain its international competitiveness.

This does not mean that the Chinese government denies the existence of overcapacity problems or that it cannot intervene in individual sectors when productive capacity becomes economically unsustainable. Rather, it means that the Chinese diagnosis of the problem may differ substantially from the European one and that, consequently, the solutions proposed by the two sides will necessarily tend to diverge.

The real point of collision therefore emerges when Europe interprets overcapacity as a structural cause of its trade deficit and seeks to transform trade rebalancing into an instrument through which Beijing would be expected to modify the level or composition of its productive capacity. At that point, an apparently commercial issue enters directly into the realm of industrial policy.

And precisely here, China's negotiating space becomes much narrower, because accepting that the scale of Chinese productive capacity should be determined, even indirectly, by the requirements of trade rebalancing with Europe would mean granting the European counterpart influence over the very structure of Chinese industrial development.

The overcapacity issue is therefore the point at which the distinction between a commercial concession and a strategic concession becomes most evident. Beijing can discuss individual sectors, improve transparency regarding subsidies, address specific practices that produce distortive effects, and even accept consultation mechanisms concerning productive capacity.

It is much more difficult to imagine that it would accept the principle that trade rebalancing with the European Union should become a criterion for determining the appropriate size of China's productive apparatus. And this is precisely what makes overcapacity one of the areas in which the TIC is most likely to collide with Beijing's genuine strategic priorities.

10. The Second True Red Line: Rejecting a "European Right" to Manage Chinese Capacity

This is probably the most important limit. Beijing may agree to discuss with the EU individual sectors in which distortive effects emerge. It may also accept greater transparency regarding subsidies or address specific practices, but it is very difficult to imagine that it would accept that the European Union should have any negotiating right to determine the size or composition of Chinese productive capacity, since such a concession would directly affect China's economic sovereignty.

This is even more relevant for the sectors identified by the 15th Five-Year Plan as essential to the development of “new quality productive forces” and to the strengthening of the modern industrial system.[13]

11. The 15th Five-Year Plan as a Key to Understanding the TIC

The 15th Five-Year Plan is therefore probably the document that best allows us to assess the compatibility of the respective positions, because it combines three elements that are difficult for Europe to separate:

- technological innovation;
- industrial modernization; and
- economic security.

The strengthening of scientific and technological self-reliance is not presented simply as an economic objective. It is part of China’s ability to navigate an increasingly uncertain international environment.

The plan also aims to modernize the industrial system, with advanced manufacturing as its backbone, and to develop new productive forces based on innovation.[14]

This makes it very difficult for Beijing to accept a European rebalancing request that implies a significant reduction in industrial capacity precisely in the sectors it considers strategic. The issue is therefore not that China does not want to trade more with Europe, but that it does not want trade with Europe to determine what kind of industrial China should exist.

And this is precisely where the structural limit of the TIC lies: Europe can negotiate with Beijing the conditions under which China trades, invests, and exports; it is much more difficult to negotiate the conditions under which China builds its industrial and technological capacity.

12. A Matrix of Beijing’s Realistically Negotiable Concessions

At this point, it is possible to construct a sort of hierarchy of possible Chinese concessions, including an assessment of their probability based either on the extent to which Beijing considers modifications to the Chinese model acceptable or on the degree of satisfaction and the scale of the counterpart offered by the EU.

The picture is completed by those measures that China considers impossible because they directly affect its national strategy.

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[13] https://english.www.gov.cn/atts/stream/files/6900a72dc6d0c788099000b3?utm_source=chatgpt.com

[14] https://wb.fujian.gov.cn/English/usefulinformation/NewInitiatives/202603/t20260319_7113604.htm?utm_source=chatgpt.com

The negotiating space must also be distinguished temporally.

12. MATRIX OF CONCESSIONS REALISTICALLY NEGOTIABLE BY BEIJING

AREA	POSSIBLE CHINESE CONCESSION	PROBABILITY	STRATEGIC COST FOR BEIJING	PLAUSIBLE EU CONDITION
Imports from the EU	Increase purchases of European goods	High	Low	Greater market opening / Improved access
Market Access	Selective opening of sectors	Medium–High	Low–Medium	Reciprocity
Intellectual Property Rights (IPR)	Stronger enforcement	Medium–High	Low	Better protection for investments
Export Controls (Transparency)	Greater transparency and predictability	Medium–High	Medium	EU consultation / Information sharing
Licensing Procedures	Faster and more predictable processes	Medium–High	Medium	Regulatory cooperation
Subsidies	Greater transparency	Medium	Medium	No automatic request for reduction
Overcapacity	Consultation on specific sectors	Medium	Medium	EU recognition of the problem
Industrial Policy	Reduction of strategic industrial capacity	Low	High	–
Technological Self-Reliance	Limiting development of strategic technologies	Very Low	Very High	–
Export Controls (Right to Control)	Renunciation of the right to impose controls	Very Low	Very High	–
Economic Security (Countermeasures)	Renunciation of economic countermeasures	Very Low	Very High	–

The matrix suggests that Beijing's negotiating room is not simply a function of the economic relevance of EU requests, but of their strategic cost. A concession can be economically meaningful and still politically sustainable if it does not affect the instruments through which Beijing pursues economic security, technological self-reliance, and industrial development. Conversely, a request that is economically limited can become difficult to negotiate if it sets a precedent on the EU's right to influence those instruments directly.

A concession may be relatively easy in the short term precisely because it does not modify the Chinese model, yet produce strategic consequences in the medium term.

For example, an increase in European imports may help temporarily reduce the imbalance without modifying Chinese productive capacity; by contrast, a concession introducing permanent mechanisms of transparency or consultation could create institutional precedents with deeper effects.

The TIC problem therefore concerns not only what Beijing is willing to concede today, but also which institutional precedents it is willing to create and what consequences those precedents may produce in the medium and long term.

The matrix suggests that Beijing's negotiating space is not simply a function of the economic relevance of the European request, but of its strategic cost. A concession may be economically significant and nevertheless politically sustainable if it does not affect the instruments through which Beijing pursues economic security, technological self-reliance, and industrial development.

Conversely, an economically limited request may become difficult to negotiate if it establishes a precedent concerning the EU's right to directly influence those instruments.

The strategic cost of a concession therefore cannot be assessed solely by looking at its immediate economic value. A measure that appears commercially limited may acquire a much greater strategic significance if it establishes a precedent concerning the European Union's ability to influence the instruments through which China pursues industrial development and economic security. Conversely, a concession that produces a substantial improvement in bilateral trade may remain politically sustainable for Beijing if it does not affect those instruments. This distinction is essential for understanding not only what China can concede, but also what kind of European demands can realistically be translated into a negotiated outcome.

13. The Missing Variable: What Does Europe Believe It Can Offer in Return?

For a proper analysis of the whole issue, it is now necessary, both for completeness and as a matter of logic, to ask what Brussels would be willing to offer Beijing—at least in theory—in exchange for what China may reasonably be expected to concede, especially since a negotiation cannot be constructed solely around European demands.

13.1 THE MATRIX OF EUROPEAN CONCESSIONS / COUNTERPARTS

What the EU could offer Beijing in exchange for Chinese concessions

AREA	POSSIBLE EU CONCESSION / COUNTERPART	PROBABILITY	POLITICAL DIFFICULTY IN THE EU	VALUE FOR BEIJING	CONDITIONS / LIMITS
Market Access for Chinese Companies	Greater predictability for Chinese investments in the EU	Medium–High	Medium	High	Within EU screening rules and national security constraints
Regulatory Predictability	Clearer and more predictable regulatory framework for Chinese investors	Medium–High	Medium	Medium–High	Respect for EU standards, competition rules and transparency
Export Controls (Transparency)	Prior consultations before introducing new export restrictions	Medium–High	Medium	High	No compromise on EU security and human rights objectives
Strategic Dialogue	Permanent channel on economic security and supply chain resilience	Medium–High	Medium	Medium–High	Structured, institutionalized and regular dialogue
Standards Cooperation	Cooperation on technical standards, certifications and conformity assessment	Medium	Medium	Medium	No lowering of EU standards; reciprocity required
WTO Cooperation & Reform	Work together on WTO reform and defense of multilateral rules	Medium–High	Medium	Medium–High	Alignment on key principles and fair competition
Trade Defense (Management)	More predictable and transparent use of anti-dumping and anti-subsidy instruments	Medium	High	Medium	No renunciation of EU legal rights; case-by-case assessment
Sectoral Engagement	Engagement on specific sectors (e.g., green transition, digital, healthcare, agri-food)	Medium	Medium	Medium	Based on mutual benefit and EU strategic priorities
Investment Facilitation	Facilitation of financing and access to EU instruments for Chinese projects in Europe	Medium	High	Medium–High	Subject to screening and state aid rules

Key Insight: The EU can offer meaningful counterparts, but many of them are politically sensitive and constrained by security, public opinion, and internal EU rules. Beijing values predictability, market access and regulatory clarity, while the EU must safeguard its economic security, standards and values. The success of the TIC will depend on finding the right balance between European flexibility and strategic firmness.

The most interesting aspect in this context is that what the EU could reasonably be expected to offer—for example:

- greater regulatory predictability for Chinese investments;
- greater clarity regarding its own export controls;
- consultation mechanisms before the introduction of certain restrictions;
- cooperation on standards and within the WTO;

- greater openness in specific sectors;
- more predictable management of trade-defense measures; and
- a permanent channel on economic security—

is, in many cases, politically difficult for Europe because, paradoxical as it may seem, it must be kept in mind that all of this must be reconciled with the fact that Brussels is still building its own economic security architecture through instruments such as the Anti-Coercion Instrument, which can allow restrictions on goods and services, intellectual property rights, foreign direct investment, public procurement, and other forms of market access in response to economic coercion by third countries.[15]

In this regard, some have been too quick to identify an interesting symmetry between a China building economic security instruments to protect its autonomy and an EU building economic security instruments to protect its autonomy.

What such a view fails to emphasize, however, is that the two processes are taking place within systemic contexts that are diametrically opposed in terms of decision-making autonomy—an autonomy that significantly favors Beijing because it is the capital of an independent sovereign state.

This creates a paradox at the heart of the European position: the Union seeks greater strategic autonomy precisely by developing instruments that increase its capacity to act collectively, while its credibility as an autonomous strategic actor remains constrained by the fact that it is not itself a sovereign state and continues to operate within a broader transatlantic security architecture.

14. The Problem of Strategic Trust

This leads directly to the problem of strategic trust, which represents one of the principal variables capable of determining whether a stable compromise between the European Union and China can be reached at all.

Europe fears that China may transform its dominant positions in certain industrial segments and supply chains into instruments of economic and political pressure. China, in turn, fears that the European Union may use trade, regulatory, and technological instruments as part of a broader Western strategy aimed at containing its technological and industrial growth.

The two sides therefore find themselves in a situation in which both have an incentive to preserve a certain degree of strategic opacity. Beijing has no interest in making completely predictable its ability to use exports, technologies, or strategic raw materials as instruments for protecting its economic and security interests. Brussels, for its part, does

[15] https://policy.trade.ec.europa.eu/enforcement-and-protection/protecting-against-coercion/qa-regarding-anti-coercion-instrument_en?utm_source=chatgpt.com

not want to give up the possibility of using economic and trade instruments if it considers its own economic security or that of its Member States to be under threat.

This problem of European strategic autonomy cannot, however, be understood exclusively as a product of the contemporary China–EU relationship. It also reflects a much longer historical problem concerning the political weight of Europe as a potential autonomous centre of power.

The emergence, during the second half of the nineteenth century, of a politically unified Italy and Germany transformed the European balance by creating new powers whose economic and industrial weight increasingly demanded a corresponding role in the international system.

The subsequent competition among the European powers, and increasingly with the United States and Russia, demonstrated the difficulty of accommodating the emergence of a European centre of power capable of acting with a degree of strategic autonomy. The two World Wars represented the most dramatic culmination of this competition, while the post-war European integration project attempted to transform precisely this historical pattern by transferring part of the logic of power competition from the national to the European level.

From this perspective, the contemporary question of European strategic autonomy acquires a significance that goes beyond the immediate EU–China relationship. A stronger and more autonomous European Union would not simply constitute a larger negotiating counterpart for Beijing; it would also represent a more independent pole within the broader international distribution of economic, technological and strategic power.

This helps explain why European autonomy is relevant to China not only as a bilateral variable, but also as a factor affecting the broader balance between Beijing, Brussels and Washington.

The result is necessarily an unstable equilibrium. Commercial trust, in fact, cannot be separated from strategic trust: the former can consolidate only to the extent that both sides believe that the other will not systematically use its vulnerabilities as instruments of coercion.

And this is precisely where the EU-China bilateral relationship inevitably connects to the broader China-US relationship.

For Europe, the difficulty is that its negotiating credibility vis-à-vis Beijing also depends on its ability to demonstrate that commitments undertaken within the TIC can be maintained without subsequently being modified by strategic requirements originating outside the European-Chinese relationship.

If China perceived Europe as a counterpart lacking full autonomy in the use of its economic and technological policy instruments, the value of potential European commitments could inevitably be reduced.

The problem of trust, therefore, concerns not only the willingness of the two sides to comply with a potential agreement. It also concerns the credibility of their ability to maintain a given policy line over time.

14 bis. The Historical Dimension of European Strategic Autonomy

The question of European strategic autonomy cannot be fully understood without considering its historical dimension. The European project has repeatedly developed within a broader international environment in which the emergence of a stronger and more autonomous European political and economic center has interacted with the interests of the major external powers.

This historical perspective does not imply a linear or predetermined interpretation of European integration, nor does it suggest that contemporary European dynamics can simply be equated with the geopolitical conflicts of the nineteenth and twentieth centuries. It does, however, provide a useful analytical framework for understanding why the question of a stronger European strategic capacity may generate different perceptions among the major powers.

From this perspective, the issue examined in this dossier is not merely whether the European Union can increase its economic and technological autonomy. It is also whether such autonomy may alter the distribution of influence among the principal international actors and, consequently, how those actors may respond to the consolidation of a more autonomous European pole.

The historical dimension is therefore relevant to the analysis of the TIC because the initiative cannot be considered exclusively as a bilateral trade exercise. Its potential consequences extend to the broader question of Europe’s position within the international system and of the degree of strategic autonomy that the European Union is capable of exercising.

A more detailed reconstruction of this historical dimension, together with the methodological limits of drawing comparisons between different historical periods, is provided in the **Historical Appendix** and in the **Methodological Note** accompanying this analysis.

15. The Real Problem of Compatibility

At this point, we can return to the central question of the dossier: can the TIC actually modify the structural causes of the EU-China trade imbalance, or can it only manage its consequences?

The reconstruction of China's positions and its corresponding red lines suggests a relatively precise answer. The TIC can probably intervene significantly in the management of the consequences of the imbalance; it is much less likely to modify its deeper causes.

Beijing can increase European imports, open specific sectors of its market, improve intellectual property protection, make its export controls more predictable, create consultation mechanisms, and even accept broader forms of transparency regarding its industrial policy.

All of these measures can concretely improve the economic relationship with Europe without necessarily requiring a transformation of the Chinese model.

It is much more difficult, however, to imagine that the Chinese leadership would accept radically modifying the paradigm according to which industrial capacity, technological self-reliance, advanced manufacturing, and export competitiveness constitute essential components of development and national security.

And it is precisely this paradigm that, at least in part, Europe considers to be at the origin of the problem that the TIC is intended to help resolve.

The issue of compatibility therefore does not simply concern China's willingness to concede something to Europe. It concerns the depth of the concessions that Beijing is willing to accept without considering them to affect the foundations of its development strategy.

16. The Structural Limit of the Negotiation

The result is a problem of compatibility between two different conceptions of rebalancing.

The European Union would like a rebalancing that, in order to be genuinely structural, would have to address at least some of the conditions generating China's surplus: productive capacity, overcapacity in certain sectors, industrial support, asymmetric market access, and conditions of reciprocity.

China, by contrast, may be willing to accept rebalancing insofar as this does not require a substantial modification of those same conditions. Beijing can therefore agree to purchase larger quantities of European products, selectively open certain sectors, improve access to its market, or make the regulatory framework more predictable, without necessarily accepting that such concessions should entail a reduction in its strategic industrial capacity.

The two positions are not necessarily incompatible. They become so, however, if Brussels and Beijing attach different meanings to the word "rebalancing."

If, for Brussels, rebalancing means reducing structural distortions, containing overcapacity, and increasing reciprocity, while for Beijing it primarily means increasing European imports, greater selective openness, and better management of trade flows, the risk is that the TIC will produce a formally positive but substantively limited agreement.

The two sides could, in fact, conclude the negotiation by both declaring that they had achieved significant results, while understanding “success” in profoundly different ways.

Europe might consider the agreement useful because it improves access to the Chinese market and reduces certain barriers; China might consider it positive because it succeeds in improving trade relations with Europe without modifying the fundamental elements of its industrial model.

The problem, therefore, is not necessarily reaching an agreement. It is determining how far the agreement can go without coming into conflict with the respective conceptions of economic security and national development.

17. The Possible “Zone of Compatibility”

Despite these limitations, there is a possible area in which European and Chinese positions can concretely converge. It includes all those measures that allow China to preserve the fundamental elements of its development model while simultaneously enabling Europe to reduce its vulnerabilities and improve its trade position.

The logic could be that of an exchange of differentiated concessions. China could obtain greater access to the European market and greater predictability of the regulatory framework applicable to investments, while the European Union could obtain greater access to the Chinese market and an increase in Chinese imports of European products.

Similarly, Beijing could maintain its industrial policy and its strategies for supporting productive capacity while accepting greater transparency regarding subsidies and major developments in productive capacity in sectors that are particularly sensitive for European trade.

The same logic could apply to export controls. China would be unlikely to accept giving up the right to use them as instruments of economic and national security, but it could be willing to make procedures more predictable, improve transparency, introduce consultation mechanisms, and reduce uncertainty for European operators.

On the technological side, Beijing could continue pursuing self-reliance, while Europe could focus its demands on intellectual property protection, equal market access, and the ability of European companies to compete under more predictable conditions.

This would create a possible compromise, but one based on the management of differences rather than their elimination.

This distinction is essential. The TIC could be effective even without resolving the deeper causes of competition between the two economic systems, provided that it succeeds in building sufficiently robust mechanisms to prevent those differences from systematically turning into economic conflict.

The TIC's zone of compatibility can therefore be defined as the intersection between what Beijing can concede without compromising the fundamental instruments of its development strategy and what Brussels can concede without compromising its growing economic security architecture.

The negotiation therefore does not lie between "concession" and "refusal," but between two sets of constraints. On one side are China's red lines; on the other are Europe's. The possible negotiating outcome consists of the area of overlap between these two sets.

The larger this area, the greater the probability of a substantive agreement; the more European demands and Chinese concessions move toward economic security instruments and industrial policy, the narrower the area of overlap becomes.

18. The Decisive Test: Washington

The historical dimension outlined above also helps explain why Washington represents more than an external variable in the TIC. The question is not simply whether the United States can influence individual European policies. It is whether the emergence of a more autonomous European centre of economic and technological power could alter the broader structure within which the United States, Europe and China interact. From Beijing's perspective, therefore, the degree of European autonomy is itself a strategic variable.

There remains, however, a variale that can profoundly influence China's willingness to make concessions to Europe: the United States.

The historical dimension discussed above helps explain why the question cannot be reduced to the simple existence of a transatlantic alliance. The issue is whether Europe can simultaneously remain anchored in the transatlantic security framework and develop sufficient autonomy in the economic and technological instruments through which it conducts relations with China.

For Beijing, therefore, the relevant question is not simply whether Europe is politically aligned with the United States. It is whether European commitments can acquire an autonomous and durable character when they concern precisely those instruments that Washington may regard as part of a broader strategic competition with China.

This creates a credibility problem for the TIC. A commitment negotiated between Brussels and Beijing has greater strategic value if both parties believe that it can be maintained independently of changes in the wider China-US relationship. Conversely, if either side expects European policy to be subsequently modified in response to developments in Washington, the value of European commitments is necessarily reduced.

The strategic question for Beijing concerns not only how beneficial it would be to improve its economic relationship with the European Union. It also concerns how useful doing so would be in the context of competition with Washington, which represents, for the Chinese leadership, the principal international strategic confrontation.

If Beijing considers it a priority to prevent the formation of a united Western front against China, it will have an incentive to maintain a relatively stable relationship with Europe and could therefore be willing to concede more to Brussels than it would in a context in which Europe were perceived as fully integrated into the American containment strategy.

There is, however, an opposite dynamic. If a particular concession to Europe risked creating a precedent that Washington could subsequently use to demand even broader concessions from Beijing, China could become much more cautious.

Europe therefore finds itself in a paradoxical position. Its relevance to China may increase precisely because Beijing has an interest in preventing Europe from fully aligning with the United States. Yet this same dynamic may limit the depth of the concessions China is willing to make.

Beijing may therefore have a strong interest in maintaining Europe as an autonomous interlocutor and as a significant economic partner without, for that reason, being willing to modify its industrial model to consolidate that relationship.

The problem becomes even more complex because Europe's own autonomy is conditioned by the transatlantic relationship. Europe's credibility as an interlocutor also depends on its ability to distinguish between autonomous European economic policy choices and those that instead derive from strategic requirements shared with Washington.

Conclusion to the Second Part: Beijing's Real Red Lines

At this point, it is necessary to distinguish between declared red lines and inferred red lines.

The former correspond to positions formally expressed by Chinese authorities; the latter are negotiating limits that can be reconstructed analytically on the basis of legislation, planning documents, and Beijing's recent behavior.

The analysis that follows relies primarily on the second category: the term "red line" therefore does not necessarily indicate a formally proclaimed limit, but rather the point beyond which a commercial concession would risk coming into conflict with interests that can be identified as fundamental to China's national strategy.

The reconstruction of Chinese policies therefore makes it possible to identify a fundamental distinction between different levels of concession.

Commercial concessions appear negotiable. Beijing can accept an increase in European imports, greater openness in specific sectors, or the reduction of specific market-access barriers.

Regulatory concessions may also be negotiable, especially when they contribute to making China more attractive to foreign investment and do not directly affect the fundamental instruments of industrial policy and national security.

Procedural concessions regarding export controls can likewise fall within a possible area of compromise: greater transparency, more predictable administrative timelines, clearer licensing criteria, and consultation mechanisms are qualitatively different from China giving up its right to control its exports.

Some quantitative concessions regarding imports may also be conceivable, provided that they are not transformed into instruments through which Europe could unilaterally determine the structure of Chinese production.

There is, however, an entirely different category of demands. Those that directly affect industrial policy, technological self-reliance, strategic productive capacity, supply-chain security, the availability of export-control instruments, and the ability to respond to foreign economic coercion become much more difficult, if not incompatible with China's strategic priorities.

At this level, we are no longer dealing with ordinary commercial concessions. We enter directly into the territory of sovereignty, national security, and development strategy.

It is precisely on this point that the compatibility thesis must be tested.

China may be interested in rebalancing its economic relationship with Europe without accepting a modification of its development model. Europe, by contrast, may consider a rebalancing insufficient if it does not address, at least in part, the structural conditions generating the deficit.

This is the fundamental potential contradiction of the TIC.

If this contradiction is not addressed, the negotiation may produce concrete and even economically significant results, but it is unlikely to bring about a genuine transformation of the economic relationship between the two sides.

Ultimately, the problem will therefore not simply be to determine whether Beijing is willing to make concessions. The decisive question will be how deep those concessions can be before, from the perspective of the Chinese leadership, the strategic cost exceeds the benefits of a more balanced relationship with Europe.

It is at this level that the TIC definitively ceases to be an ordinary trade negotiation and becomes a test of the respective conceptions of economic security, strategic autonomy, and national development.

The final question can therefore be formulated even more sharply: Europe is asking China to modify some of the consequences of its development model; but is Beijing willing to modify those consequences without modifying the model itself? And, if the answer is no, is Brussels willing to accept a “managed imbalance” as the price for avoiding a broader economic and strategic escalation?

This is probably the real question that the next cycle of the TIC will have to answer.

The TIC Problem in One Sentence

- **EU asks for:** structural rebalancing
  China realistically offers: managed trade rebalancing
- **EU does not want**: strategic dependence
  China does not want: technological dependence
- **US introduces**: a constraint on the credibility of European autonomy
- **Possible zone**: management of interdependence
- Impossible zone: modification of the respective economic security strategies

The TIC can therefore be effective without being transformative.

The most realistic outcome of the TIC is therefore not the resolution of the imbalance, but its institutionalization within mutually acceptable limits.

Beijing can offer greater access, transparency, and predictability; Brussels can offer greater openness and regulatory predictability. Neither side, however, appears incentivized to give up the instruments through which it builds its economic security.

The true success of the TIC should therefore be measured not by its ability to eliminate asymmetric interdependence, but by its ability to prevent that interdependence from being systematically transformed into coercion.

In this sense, the TIC does not represent a negotiation over the end of dependence, but over its governability.

And this is precisely where the initiative’s limitation—and, at the same time, its potential strategic value—emerges: Europe cannot ask China to give up its strategic levers without being willing to discuss its own; China cannot expect Europe to indefinitely accept its vulnerabilities without offering greater predictability in the exercise of its own instruments of pressure.

The historical dimension adds a further element to this conclusion. The central question is not whether Europe can become economically powerful enough to matter, but whether it can convert that economic weight into sufficient strategic autonomy to negotiate with other major powers without becoming merely the economic theatre of a wider competition among them.

The true zone of compromise is therefore the one in which both sides retain their strategic capabilities but agree to discipline their use.

If this balance is achieved, the TIC will have produced something more than a trade agreement: it will have built a regime for managing strategic interdependence. If it is not achieved, the risk is that the negotiation will merely manage, temporarily, the consequences of an imbalance whose structural causes remain intact.

Methodological Note

Finally, it is appropriate to clarify the meaning attributed in this analysis to the concept of “red lines.” Not all the positions identified here necessarily correspond to red lines formally declared by the Chinese leadership. Some are instead reconstructed analytically on the basis of industrial policy documents, legislation concerning economic security, and Beijing’s recent practices.

The strongest finding is that the 15th Five-Year Plan explicitly places at the center of the evolution of the Chinese system the strengthening of scientific and technological self-reliance, the modernization of advanced manufacturing, and the development of new productive forces based on innovation. In addition, China’s export-control regime is formally linked to the protection of national security.

The conclusion that follows must therefore be formulated with a degree of caution: the argument is not that Beijing has formally declared each of the identified elements to be an inviolable red line, but rather that a substantial modification of those elements would inevitably enter an area in which the trade negotiation directly overlaps with fundamental interests of China’s national strategy.

Ultimately, the question is not whether the European Union and China can reach a compromise. It is whether they can reach a compromise sufficiently deep to correct the trade imbalance without asking Beijing to sacrifice precisely those instruments through which it pursues its economic security, technological autonomy, and development strategy.

APPENDIX — THE HISTORICAL DIMENSION OF EUROPEAN STRATEGIC AUTONOMY

1. The Historical Background: The Emergence of a European Power Question

When a political and economic space begins to acquire a sufficient degree of internal cohesion, productive capacity, and strategic autonomy to challenge an established distribution of power, the reaction of already established great powers is rarely neutral.

The emergence of a new center of power inevitably alters existing balances and forces other actors to reassess their strategies, whether through forms of cooperation and accommodation or through instruments of influence, containment, or competition.

It is from this perspective that the progressive transformation of Europe during the second half of the nineteenth century can be understood.

2. Germany and Italy after Unification

The establishment of the Kingdom of Italy in 1861 and the creation of the German Empire in 1871 profoundly altered the European political and economic balance.

Italian and German unification did not simply result in the creation of two new states. They involved the integration of territorial, demographic, industrial, and financial resources that had previously been distributed among different political entities, thereby creating two new centers of power with progressively increasing capacity for international projection.

Germany, in particular, rapidly developed extraordinary industrial, technological, and commercial capabilities, while Italy, despite having a substantially weaker economic base at the outset, began pursuing its own policy of national consolidation and international projection.

The emergence of these two states therefore contributed to making an already complex European system even more complicated, in a system in which France, the United Kingdom, Russia, and Austria-Hungary had previously occupied central positions.

The so-called European question thus also became a question of how to manage the rise of new powers within a system already characterized by intense strategic competition.

3. The Mediterranean and the Question of Great-Power Balance

Within this process, the Mediterranean acquired particular importance.

Its geographical position made it a space of intersection between Europe, Africa, and the Middle East and, at the same time, an area of fundamental importance for maritime communications, trade, and strategic projection.

Italy occupied a particularly significant geographical position within this space, being located at the center of the Mediterranean and representing, from a geographical standpoint, a natural link between the two shores of the basin.

At the same time, the presence of the major European powers and of powers from outside the continent made the Mediterranean one of the principal theaters in which the consequences of changes in the European balance of power became manifest.

Competition for influence in the Mediterranean therefore cannot be separated from the broader competition over the definition of European and international balances.

4. From European Rivalry to the World Wars

Over the following decades, growing competition among the major powers contributed to the formation of an increasingly rigid system of alliances, strategic rivalries, and opposing interests.

World War I represented the breaking point of this equilibrium.

World War II, in turn, further transformed the structure of the international system, leading to the progressive decline of Europe's centrality and the emergence of the United States and the Soviet Union as the principal poles of international competition.

It is nevertheless important to avoid an excessively deterministic interpretation of this historical sequence.

It would not be accurate to argue that the two world wars were simply the result of a coordinated strategy aimed at preventing the emergence of an autonomous European power.

The more interesting historical question is instead a different one: **the emergence of new centers of power within an international system tends to alter the strategic incentives of already established powers.**

5. The Post-1945 Transformation

After 1945, Europe found itself in a radically different position.

The destruction caused by the two world wars and the emergence of bipolar competition between the United States and the Soviet Union drastically reduced the ability of individual European states to act autonomously as major global powers.

The process of European integration can also be interpreted in light of this transformation.

The objective was not merely to prevent renewed conflict among European states, but also to progressively create an economic and political space sufficiently integrated to allow European states to recover part of the influence they had lost.

Economic integration therefore also became an instrument for rebuilding European capabilities.

6. From European Integration to the European Union

With the progressive development of European integration, Europe's economic dimension acquired an increasingly significant scale.

The single market, the customs union, monetary integration, and the gradual expansion of the Union's competences transformed Europe from a simple aggregation of states into an economic actor of global importance.

However, the growth of European economic power has not automatically produced a corresponding degree of strategic autonomy.

The European Union today possesses extremely significant economic and commercial capabilities, but it continues to operate within an international system in which security, technology, energy, defense, and strategic supply chains are deeply conditioned by its relationships with the United States, China, and Russia.

It is precisely this asymmetry between **economic weight** and **strategic autonomy** that constitutes one of the fundamental elements of the contemporary problem.

7. The Historical Analogy and Its Limits

The analogy between contemporary Europe and Europe in the second half of the nineteenth century must nevertheless be used with caution.

The European Union is not a nation-state and cannot be equated with either imperial Germany or post-unification Italy.

Likewise, the contemporary international system is profoundly different from the European system that existed before 1914.

The purpose of the historical analogy is therefore not to argue that there is a direct continuity between the two periods.

Its purpose is analytical.

It allows us to identify a recurring problem in international politics: **the consequences produced by the emergence of a new or renewed economic, political, and strategic center of power within a system dominated by competing great powers.**

The question is therefore not whether the European Union is destined to reproduce the trajectory of Germany or Italy in the nineteenth century.

The question is whether the emergence of a more autonomous European pole could alter the strategic balance among China, the United States, and Russia sufficiently to generate incentives for accommodation, influence, containment, or competition.

8. Why the Historical Dimension Matters for the TIC

This historical perspective also helps explain why the question of European strategic autonomy cannot be separated from the contemporary relationship between the European Union and China.

A stronger and more autonomous European Union would not simply become a more effective commercial counterpart to China.

It would also become a more consequential strategic actor, capable of influencing the balance among China, the United States, and Russia.

The TIC should therefore be understood not only as an instrument intended to manage trade imbalances, but also as part of a broader process through which the European Union is attempting to define the degree of strategic autonomy it is willing and able to exercise.

The historical question, therefore, is not simply whether Europe can become stronger.

It is to understand **what effect the emergence of a Europe sufficiently cohesive to act as an autonomous strategic pole would have on the international balance of power.**

It is precisely at this level that the historical dimension reconnects with the central problem of the TIC: **the possibility that the management of economic interdependence between Europe and China may also become a component of the broader competition over the definition of European strategic autonomy.**

Methodological Note on the Historical Analysis

The historical comparison proposed here should not be understood as establishing a direct causal equivalence between the nineteenth-century European balance of power and the contemporary international system.

The purpose of the comparison is analytical rather than deterministic: to identify a recurring dynamic in international politics, namely the consequences that the emergence of a new or renewed economic, political, and strategic center of power may produce for already established powers.

From this perspective, history does not demonstrate that the current competition among the European Union, the United States, China, and Russia must necessarily reproduce the dynamics of the past.

Rather, it shows why **the emergence of a more autonomous European pole cannot be regarded as strategically neutral by the other major actors in the international system.**

And this is precisely why the question of European strategic autonomy constitutes an important variable in assessing both the possibilities and the limits of the TIC.

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