

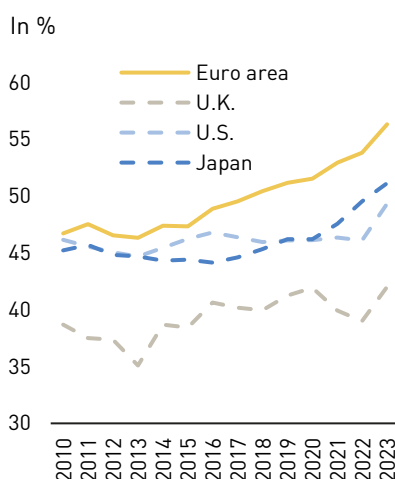
Chart of the Week

China Shock 2.0 puts Europe's export model under pressure

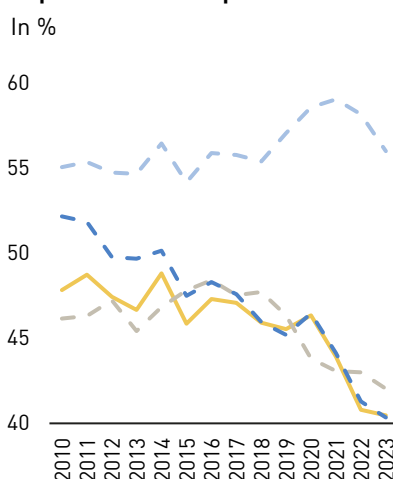
Rising competition from China is placing significant pressure on the export-oriented growth models of many EU member states, including Austria (see also [Austrian Productivity Board](#), [OeNB](#)). The so-called [China Shock 2.0](#) differs from the first China Shock following the country's WTO accession in 2001, which primarily affected the [U.S. manufacturing sector](#). It reflects a combination of [state-directed industrial policy](#) and China's intensified focus on export-driven growth since the early 2020s, motivated by weak domestic demand and a sharp downturn in the real estate sector. Large-scale investments in strategically critical industrial and technology sectors, backed by credit and subsidies, have generated structural overcapacities. These are being pushed onto global markets through aggressive price undercutting, placing investment, production and market shares in other industrialised economies under pressure.

The structural trade imbalance with China has intensified

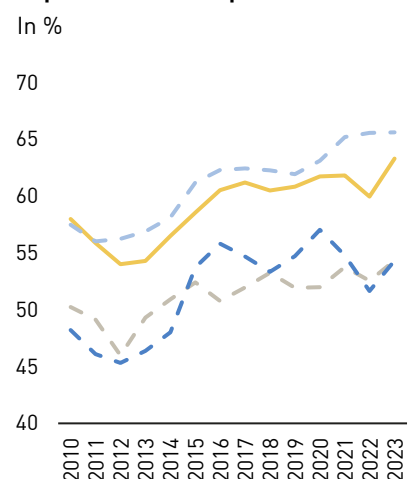
(1) Export Similarity Index: China and Selected AEs



(2) Partner Similarity Index: China's Imports and AEs Exports



(3) Partner Similarity Index: China's Exports and AEs Imports



Source: [de Soyres et al. \(2025\)](#); AE = Advanced Economy.

Drawing on three key indicators, a recent study by [de Soyres et al. \(2025\)](#) highlights the growing structural imbalance in trade between China and selected advanced economies. The **Export Similarity Index** (1) demonstrates that the export patterns of China and the euro area converged substantially between 2010 and 2023 – more than those of other major global players. The **Partner Similarity Index for China's imports** (2) further shows that China is increasingly importing fewer goods that are typically exported by advanced economies, particularly from Europe. Conversely, the same index for **China's exports** (3) reveals a growing alignment with the import structures of these countries, indicating an [increasing reliance of advanced economies on Chinese imports](#).

TAKE: The China Shock 2.0 reflects a [structural shift in global economic relations](#). Its persistent nature poses a growing risk of gradual deindustrialisation for Austria and across Europe, driven by price pressures, weakening investment and corporate relocation, unless effective economic policy measures are implemented. Beyond addressing domestic policy priorities – particularly the reduction of supply-side costs and the promotion of [investments in digitalisation and innovation](#) – a [coordinated EU-level policy framework](#) that integrates trade, industrial and [economic security](#) instruments to effectively respond to structural overcapacities is required.



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