

## Chart of the Week

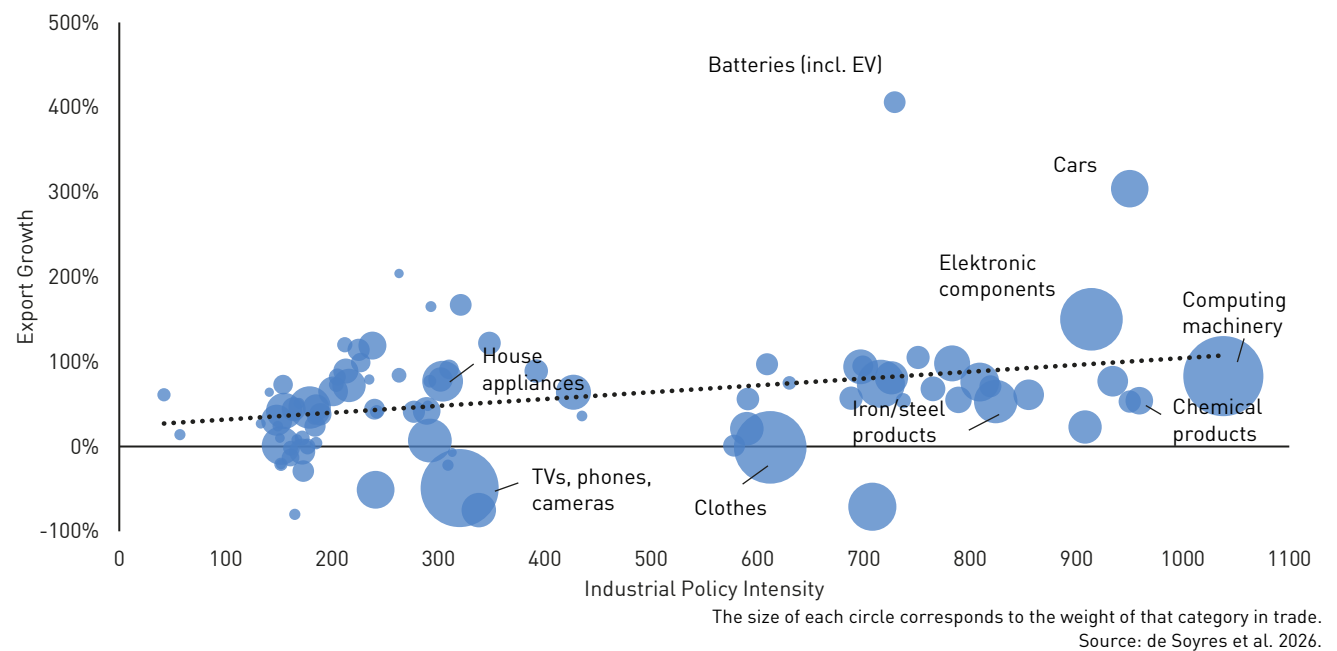
# How Industrial Policy Fuels China's Export Dominance

In 2025, China reached a record trade surplus of around USD 1.2 trillion (approximately 6% of GDP), driven by rapidly rising exports alongside moderate import growth. In recent years, the country has increased its global export market share in almost all manufacturing sectors. These trade outcomes can largely be attributed to the Chinese government's strategic industrial policy. An analysis by [de Soyres et al. \(2026\)](#) shows that sectors with a higher intensity of industrial policy measures tend to exhibit stronger export growth. This is particularly evident in the motor vehicle and battery-related product sectors, where exports increased by over 300% and 400%, respectively, between 2017 and 2024. More than 900 and 700 industrial policy measures were implemented in these sectors during this period, respectively.

## China's battery exports increased by more than 400% between 2017 and 2024

### Chinese Export Growth and Industrial Policy Intensity

2017 - 2024



A central feature of China's industrial policy is the deliberate creation of "involutionary competition" in the domestic market—a form of intense competition under constrained resources that leads to declining margins and massive economies of scale. Chinese companies thereby achieve global dominance, even though many of them generate only small or negative profits. This system simultaneously generates high innovation and production dynamics, but also gives rise to economic inefficiencies, overcapacity and growing geopolitical tensions.

**TAKE:** China's growing export strength in key industrial sectors suggests a significant change in the global industrial and trade landscape. Advanced economies with a strong industrial base, such as Austria and other European countries, are increasingly losing export market share as a result. Against this backdrop, a strategic industrial policy response is needed at both the national and European levels to address the changing global competitive landscape. The swift implementation of the Industrial Accelerator Act (IAA), recently presented by the European Commission, is therefore the order of the day to preserve industrial capacity in Europe.



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