Chart of the Week

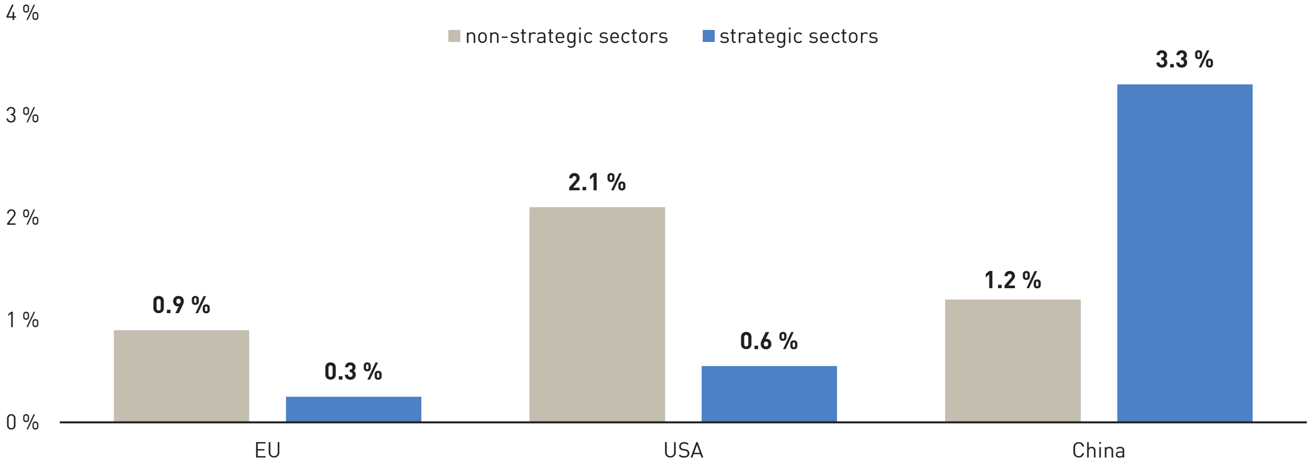
China supports key industries more than ten times as heavily as the EU

There is currently a heated debate within the EU regarding the next Multiannual Financial Framework (MFF). The focus is particularly on the planned increase in funding for a common industrial policy geared towards key strategic sectors. A new study by the International Monetary Fund (IMF) highlights just how important this is in the current global environment. The authors note that China supports industrial sectors not only more heavily, but also in a more strategically targeted manner than the EU and the US. Whilst funding in the EU and the US flows disproportionately into non-strategic sectors, such as agriculture and mineral products, in China it is concentrated more heavily on strategic areas, such as electronics (including semiconductors), pharmaceuticals, mechanical engineering, and other advanced technologies. The difference is particularly striking when compared with the EU: from 2015 to 2023, support for strategic sectors in the EU averaged 0.3 % of their value added, whereas in China, it stood at 3.3 % – more than ten times as much.

China subsidises more heavily and more strategically than the EU and the US

Industrial subsidies by sector type and region

Subsidies in % of sectoral value added, 2015–2023 average



Source: IMF, strategic sectors = OECD ICIO sectors containing at least one advanced technology product.

According to OECD calculations, just under 60 % of the gains in global market share made by Chinese industrial companies between 2005 and 2023 can be attributed to the subsidies they received. Furthermore, China's currency is considered to be undervalued by up to 30 %. This results in a significant cost advantage for Chinese suppliers, which is putting particular pressure on Europe's core industries – both within the EU internal market and when competing in third-country markets. At the same time, European exporters are losing market share in China. The main factors behind this, alongside weak domestic demand in China, are increasing efforts towards technological self-sufficiency and a stronger focus on domestic production. Together, these factors are reducing demand for goods traditionally imported from Europe (see Francke, 2026).

Take: Given the price advantages resulting from Chinese subsidies and exchange rate effects, restoring fair competitive conditions is a top economic policy priority. Both plurilateral alliances – such as those the European Commission is currently seeking to establish for the automotive industry – and defensive trade policy measures can make an important contribution to this. But Europe also needs to develop location-based policy responses to the remaining, 'fair' factors behind lower Chinese prices, such as a favourable industrial structure, technological development and economies of scale. Austria can also play a part here: just as it is currently doing domestically, the government should advocate at European level for the consistent application of the 'Made in Europe and Partner Countries' principle and a focus on key industrial technologies.

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