GREECE

The 'China Shock'

Georgios MITRAKOS

Georgios Mitrakos is Director General of International Centre for Black Sea Studies (ICBSS). He has more than ten years' of experience in foreign policy advisory and public relations. His expertise includes politics, international relations, confidence building measures with emphasis on the Black Sea region, Southeast Europe, and Visegrad region. Prior to assuming his post at ICBSS, he has served as Advisor at the Hellenic Ministry of Foreign Affairs. He has also worked as Special Advisor at the Hellenic Ministry of Regional Development, Competitiveness and Shipping, and at the Hellenic Ministry of State and Strategic Investments. Georgios holds an MSc in Politics and Communication from the London School of Economics (LSE) and a BSc in Political Science and Public Administration from the National and Kapodistrian University of Athens.

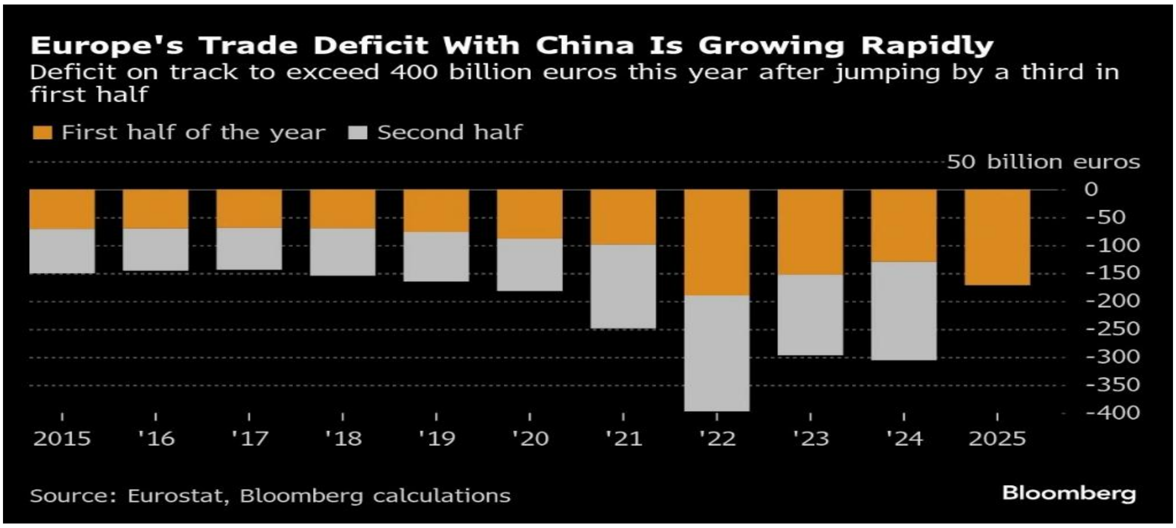
The world's longest bus route in 1957 ran between London (United Kingdom) to Calcutta (India) and back. It was a journey of approximately 50 days and passed through 12 different countries. Today, in 2026, this trip is no longer possible. Despite 80 years of globalization, Marco Polo would likely have been unable to reach Kublai Khans' court in Karakorum, had he embarked on his journey in March 2026.

In this era of aggressive geopolitical competition and disruption, connectivity between Europe and Asia is at an all-time low. Today, all trade corridors between these areas are either closed, under geopolitical pressure or seriously underdeveloped. The Northern Corridor connecting Europe with Asia through Russia is closed due to the ongoing war in Ukraine, while the North Sea corridor is not operational yet. The Southern Corridor - the famous Maritime Silk Road - passing through maritime choke points such as the Gulf of Aden and the Suez Canal, is under geopolitical pressure from the ongoing war and chronic instability in the Middle East.

Traffic in the Suez Canal has already dropped 50% since the Houthis began their disruption campaign. The same applies to the India-Middle East-Europe Economic Corridor (IMEC), a trade corridor proposed in 2023 to connect Asia with Europe via the Middle East. That leaves us with the Middle Corridor, the original Silk Road, which is both underdeveloped in terms of capacity and under geopolitical pressure from renewed regional tensions between Afghanistan and Pakistan and Azerbaijan and Armenia, but also by the precarious security situation in the Black Sea.

Ironically, even though connectivity between Europe and Asia is at a historic low, trade volume between the two areas continues to grow, as do trade imbalances. The EU's trade deficit with Asia, and specifically China, has risen steadily over the past 10 years; this is the real 'elephant in the room'. Preoccupied almost exclusively with the Russian threat, EU leaders have not dealt diligently with the commercial and industrial threat posed by China, despite the fact that the United States (US) is already signalling that it recognises the systemic risks for the national interests posed by China's industrial rise. While US protectionist policies have accelerated a pragmatic rapprochement between EU and China, all economic indicators suggest that China represents the greatest threat to EU's industrial base. EU's accelerating deindustrialisation, if not addressed, will eventually erode its defence capabilities, its standard of living, and its welfare state.

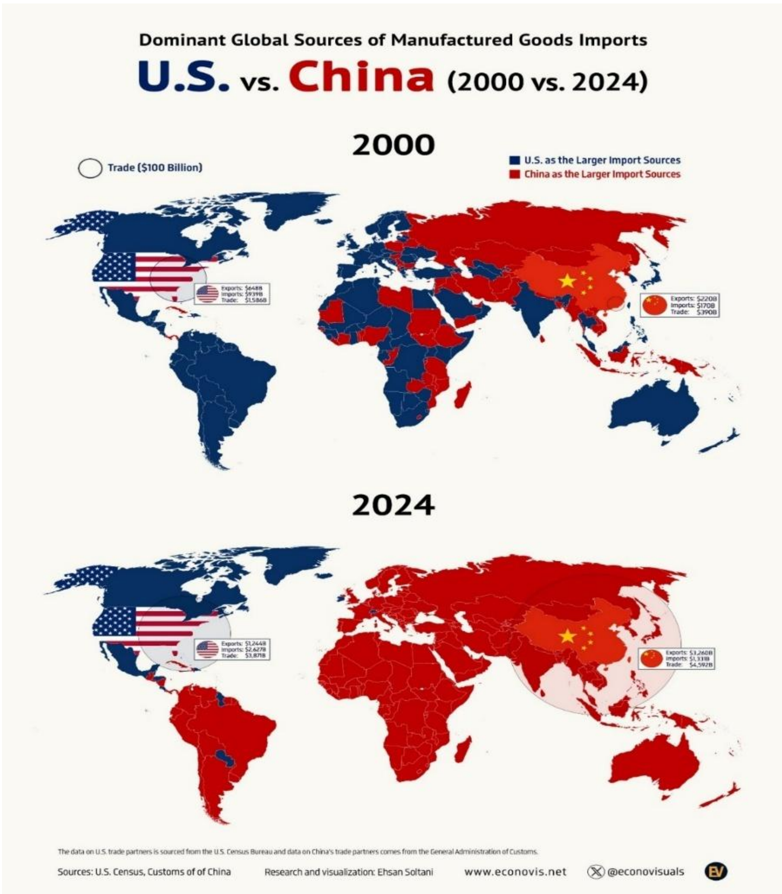
Figure 1. Europe's trade deficit with China is growing rapidly



Source: China fails to capitalize on Europe's grievances over US tariffs (July 2025).

China's share in global manufacturing output was 9% in 2004; it is estimated to reach 45% by 2030. In comparison, the EU's share of global industrial output declined from 20% in 2000 to 14.3% in 2020, with no signs of reversal. In 2024 alone, China's largest state-owned shipbuilder built more commercial vessels by tonnage than the entire US shipbuilding industry has built since the end of World War II, rendering China a leading superpower in shipping. As a pioneer not only in the mining of rare earths but also in their processing, China's industrial expansion is also evident in the fact that, in 2023, it installed in its production lines more than twice as many engineering robots, as Japan, the US, South Korea, and Germany, all the rest industrial powers, combined. Last year, industrial production of technologically advanced products (e.g. electric vehicles, solar panels) increased by 10%, while the production of engineering robots used in manufacturing increased by 30%. From an economic perspective, there is no doubt as to the true winner of globalisation: China.

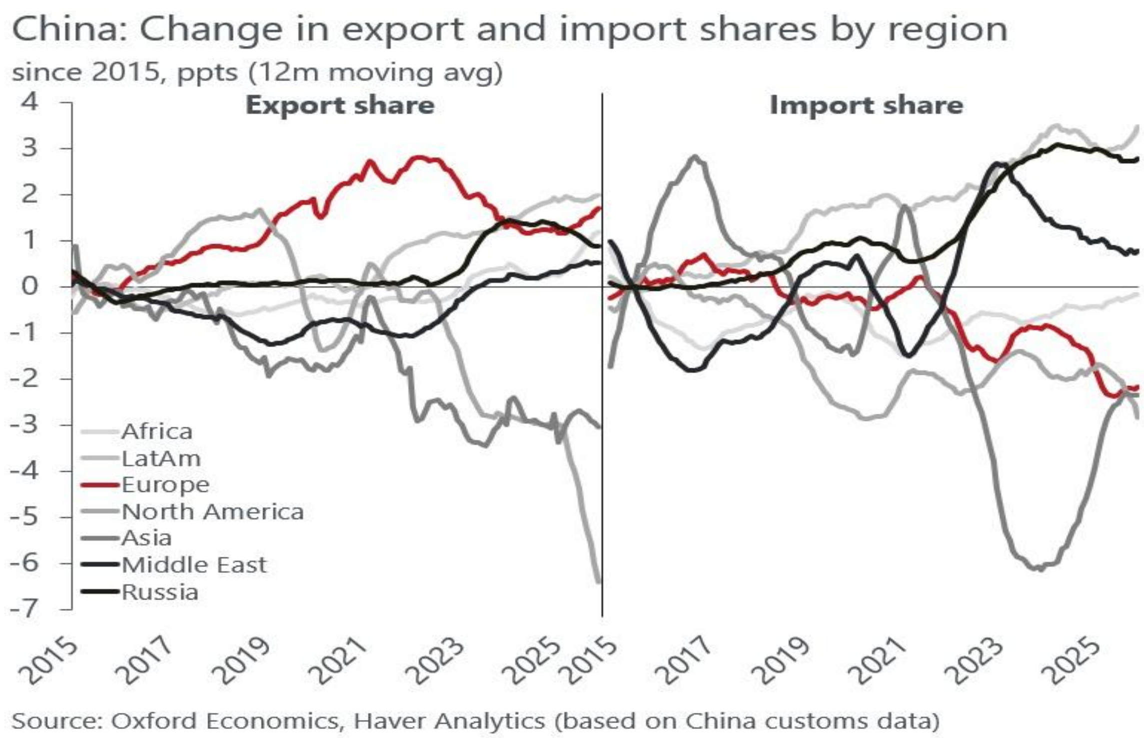
Figure 2. Evolution of the US as the largest trading partner between 2000 – 2024



Source: *Econovis*.

Over the past year, an increasing number of EU politicians and businessmen have begun to speak openly about the risks of a 'China shock'. In April 2025, the Trump administration imposed tariffs on many US trading partners, most notably China. This led some Chinese firms to divert exports from the US to other markets, including EU. As a result, the trade deficit between the EU and China rose by 17% in just a year! Moreover, due to rising Chinese competitiveness in core European manufacturing sectors, the localization of production to China by large European firms, and Beijing's import substitution policies, after 2020, the European exports to China have entered a new era of structural decline. This situation is neither temporary nor easily reversible. In 2025, German goods exports to China fell by 10% to EUR 81,8 billion, their lowest level in a decade. If the average annual drop of the past three years continues for another three, German exports to China would sink to roughly EUR 63 billion by 2028 - well below the level of exports to Austria or Switzerland, countries with populations just 0,6% the size of China's!

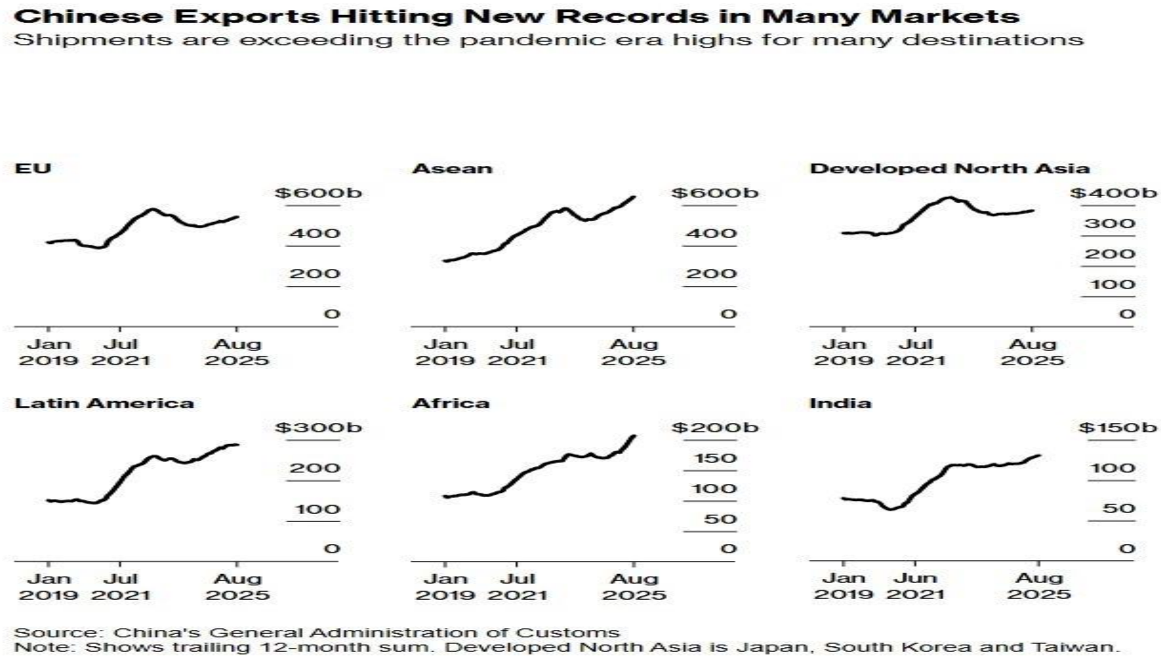
Figure 3. China: Change in export and import shares by region



Source: Daniel Kral.

Additionally, due to the slowdown of the Chinese economy, fierce local competition, and the shift in consumer preferences toward domestic firms, European companies in China are facing sharp declines in market shares and profit margins. For example, the market share of German carmakers in China collapsed by an average of 33% between 2022 and 2025. Volkswagen's profits from its Chinese ventures tumbled 60% in the period from the first to the third quarter of 2025, compared to the same period in 2022. As a result, European companies are transferring an increasing share of R&D to China in pursuit of a turnaround, which will primarily benefit jobs and value creation in China, rather than EU. The most striking trend, is China's intensifying competition in global markets. China is gaining significant shares in markets that historically supported the EU export miracle, including EU's periphery, emerging markets, and key industrial sectors such as chemicals. In Brazil and Indonesia, Chinese exporters have gained 3% and 7,2% of the import market share, respectively, over the past three years. There is a growing risk that Chinese exporters will gain the upper hand in global markets over EU competitors in the coming years.

Figure 4. Chinese Exports hitting new records in many markets



Source: China's General Administration of Customs.

So far, China's industrial overcapacity and widening trade surpluses with EU have not been treated as a top political priority for the EU. In an era of intense industrial competition and tariff wars, where China and the US are using the levers of government to protect their domestic production, EU risks being permanently sidelined. Without the completion of the single market, defensive trade measures (such as local content requirements and tariffs), technological independence, robust industrial policies and export diversification strategies, the reduction of bureaucracy and critical political countermeasures to level the economic playing field with its competitors, the EU faces the threat of further deindustrialization, more job losses, and the erosion of its industrial base and global competitiveness.

In other words, the EU is at the epicentre of a 'China shock', and nobody is coming to the rescue. It is high time for the EU to act and to convert its economic power into geopolitical weight. Member States like Romania and Greece have a significant role to play in the de-risking and nearshoring strategies that the EU must follow to reverse these negative trends.