

KAS-NPI Joint Seminar
Decoding Europe's China Strategy:
Prospects for Japan–EU Partnership in
Economic Security
(Summary)

Date: November 19th, 2025

Opening Remarks

Mr. Paul Linnarz, Country Representative Japan, and Director of Regional Economic Programme Asia, Konrad-Adenauer-Stiftung (KAS) Japan, began the seminar by welcoming the participants and reflecting upon the previous seminar organized by KAS and the Nakasone Peace Institute (NPI) in the field of economic security. He noted that this was his second KAS-NPI event on economic security, taking place exactly one year after the first in the same room. He emphasized that while the concept of human security promoted by Japan ten or more years ago was unfamiliar to many Europeans, today he has a similar feeling about economic security. The Japanese government has been paying close attention to economic security since 2010, as the Japanese economy is dependent on global supply chains, and on imports of energy, minerals, and rare earths. While the same applies to Germany and Europe, previously the concept of economic security had not been very high on the agenda in Europe. However, following Russia's attack on Ukraine in 2022, he noted, the situation had changed, and issues of economic resilience and energy resilience and security are now widely discussed in European politics among experts and business leaders. Mr. Linnarz stated that Europe can learn a lot from Japan in this regard, but Europeans should also share their thoughts with Japan, which is why they are present to learn from each other.

His Excellency Taro Aso, Chairman of the Nakasone Peace Institute and Member of the House of Representatives, then delivered his welcoming remarks. He observed that across the world, all winds seem to be blowing in the same direction, noting the convergence of several significant events in autumn 2025. He remarked that after Prime Minister Takaichi took office on October 21st, she positioned herself clearly as a successor to former Prime Minister Abe Shinzo and presented herself as a powerful leader, as favored by President Trump. Mr. Aso stated that she successfully won the trust of President Trump in the initial series of diplomatic matches. He also noted the wildly successful performances by Japanese players in the World Series around the same time. He opined that with the confluence of these events, we must feel that there is a following wind for Prime Minister Takaichi.

Mr. Aso then highlighted two significant developments in the United States. First, the Department of Defense was renamed the Department of War, which, though symbolic, indicates that the United States has entered a period of confrontation. Second, during security operations, troops were deployed who had to direct their weapons toward their own population, representing a major turning point for a democratic nation. He observed that the Trump administration's political stance has shifted from controlling conflict to utilizing it, with a focus on prioritizing deals rather than philosophies. As a result, the burden of maintaining international order has become increasingly heavy for allied countries. He emphasized that in order to preserve a free and open international order, it is essential to strengthen cooperation with like-minded nations, particularly Europe. Economic security is not merely about protecting technology or materials but about protecting values such as freedom, rule of law, and human dignity. Against the challenges of specific countries monopolizing supply chains and technology, democratic nations must unite to build systems based on trusted partnerships and supply. Mr. Aso concluded by expressing his hope that through discussion of Europe's China strategy and Japan's involvement, this seminar would be a step toward building a new era of partnership between Japan and Europe.

Part 1: Keynote speech: "How Germany and Europe are responding to China"

Dr. Jan Cernicky, Head of the Economy and Innovation Department, KAS Berlin, began his keynote by noting the increasing cooperation between Japan and Germany, citing recent high-level visits, including the visit of the German Minister of Foreign Affairs of the new Merz

government to Tokyo in August 2025 as his first visit to a non-European country, where he referred to Japan as a premium partner for Germany, as well as increased visits by delegations from Japan to Germany over the past year. He also noted the joint KAS-NPI study on critical raw materials from the previous year and recent roundtable discussions on economic security in the automotive sector.

He emphasized that while his keynote focuses on China, it is impossible to discuss this topic without considering the drastic changes in US foreign policy. Japan and Germany share many similarities that make both vulnerable to the new world order, particularly high economic dependencies on China. This comes not from a deliberate choice but from being export-oriented economies for which China is one of the largest markets. Both countries cannot simply cut ties with China as it would be prohibitively expensive. However, with the United States no longer as reliable a partner, Germany and Japan must adjust, and so to maintain sovereignty in decisions regarding China and foreign trade, both countries need to invest in defense capabilities.

Dr. Cernicky outlined the official strategies of the German Government, the EU, and German Industry, explaining that the Germany-China Strategy from 2023 which considers engagement with China in the aspects of partnership, systemic rival, and competitor, with the emphasis increasingly shifting toward the latter two. Focusing on the aspect of China as a competitor, he noted that the German answer remains de-risking, not decoupling. Next, he pointed out that the EU-China Strategic Outlook from 2019, though six years old, remains the latest consensus document, reflecting the difficulty of achieving agreement among European states. He then described how there is no uniform strategy among German Industry, with the Federation of German Industries having published a 2019 policy paper calling for protection against dumping and fair world trade, but while the big companies call for subsidies, smaller companies want clear frameworks and less taxation, so there is no common strategy.

He emphasized, however, that German strategies define targets and frameworks but rarely include detailed implementation plans, as the system is highly complex with multiple layers, and industrial policy has historically not worked in Germany.

Dr. Cernicky identified major concerns as dependencies on rare earth metals and other strategic materials from China, where the issue is not extraction but the refining dominated by China, security concerns due to Chinese equipment dominance in mobile networks, particularly by Huawei, and cheap subsidized imports from China of industrial components and spare parts at prices which suggesting dumping, creating difficulties for German small and medium-sized enterprises. He noted that Germany has lost nearly all market share to China in solar panels and batteries, with concerns about electric vehicles as well. Additionally, China now leads in many innovations, making cooperation important yet raising concerns about technology transfer.

Dr. Cernicky argued that industrial policy cannot solve these problems because not only is Germany's system too complex for effective industrial policy, even if it could work, China excels at industrial policy as a centralized, non-democratic state, and Germany's public planning allows China to read their intentions and respond faster and cheaper. He suggested that instead Germany should incentivize solutions broadly, for example encouraging diverse approaches to carbon-free transport rather than strictly planning to build a certain number of electric vehicles by a certain year, allowing engineers and scientists to develop creative solutions without telegraphing plans to China.

Finally, Dr. Cernicky outlined several areas for cooperation. He proposed maintaining and strengthening the WTO framework where it still functions, and if it breaks down, preparing alternative systems such as closer collaboration between the European Union and the CPTPP. He suggested establishing a raw materials club creating a common economic framework between Europe and Japan with tariffs against Chinese imports. He recommended combining European and Japanese public procurement into a common market to support development of capacities currently dominated by China. He emphasized cooperation on infrastructure including ports, undersea cables, hydrogen infrastructure, and quantum communication, as well as expensive research infrastructure such as particle accelerators, satellite constellations, and space research. He also suggested that research in general should be a key topic for cooperation between Germany and Japan.

Part 2: Panel Discussion

Professor Shin Kawashima, Executive Director of Research at NPI and Professor at the University of Tokyo, moderated the panel discussion. He thanked Dr. Cernicky for his insightful presentation and asked three panelists to provide initial remarks before moving to general discussion.

Prof. Yoko Iwama, Director of Strategic Studies Program and Professor, National Graduate Institute for Policy Studies (GRIPS), began by noting that Dr. Cernicky's presentation had already covered much ground, so she would focus on placing the discussion in a political context. She pointed out that the 2019 Strategic Outlook document was indeed a turning point, as Dr. Cernicky had mentioned. At that point, the EU's characterization of China changed, identifying it as a partner, competitor, and systemic rival. These three aspects have different vectors, and gradually the rival aspect has been strengthening, particularly after the Ukraine war when Russia and China began cooperating more closely.

She observed that the proportions of these three aspects differ between Japan and Europe, and the timing of changes also differs. Japan has been wary of China as a competitor and systemic rival since the 1990s, with this wariness strengthening in the 2000s. In contrast, Europe held a much more optimistic political view of China in the 1990s and 2000s. An important symbolic document is the 2003 Strategic Partnership document.

Professor Iwama explained that each EU member state emphasizes the different aspects of their China relationship differently depending on their industrial structure. For example, in textiles, the competitor aspect is more prominent for some countries. She noted that Germany's dependence on China is often discussed in the context of the automotive and chemical industries. She also noted China's regional approach through the Central and Eastern European Countries (CEEC) plus China framework, closely linked to the One Belt One Road initiative, pointing out that China has strong economic relationships with Serbia and Hungary, where electric vehicle battery plants have been established with heavy investment from China, though Korea is also investing heavily.

But then, Professor Iwama explained, the impacts of COVID-19 in 2019 and 2020 followed by the Russia-Ukraine war had caused European countries to reassess their policies and economic relationships with China in recent years, and becoming much more cautious. She also noted that with regard to the Global South, with a purely defensive strategy we will be unable to defeat China as a competitor, and therefore an offensive strategy is also required, based on

solidarity to coordinate and integrate efforts between Japan, the US, and Europe in order to challenge China.

Dr. Satoshi Inomata, Senior Research Fellow, Institute of Developing Economies (IDE-JETRO), presented his analysis from a supply chain perspective, focusing on supply chain vulnerabilities and choke points. He explained that the pursuit of optimal allocation of resources often results in concentration of certain key production capacities, which functions well when all is working properly, but creates a single point of failure.

Using the example of Nexperia semiconductors, he demonstrated that while the United States has the highest dependence, further investigation reveals that it is Volkswagen's US subsidiary that drives this dependence. His analysis showed that for computer and electronic equipment, the United States, Taiwan, and Korea showed higher concentration than Germany or Japan, while for motor vehicles, Germany shows significant concentration.

Dr. Inomata cautioned that analyses must be based on data and careful examination. He emphasized that risks exist and choke points must be examined, but the situation should not be overstated. In many cases, there is excessive risk aversion assuming high risk when the actual risk may not be that high.

Prof. Steffen Hindelang, Executive Director and co-founder of the CELIS Institute and Professor, Department of Law, Uppsala University, discussed Europe's response to Chinese investments, noting that Europe's responses to threats to public order and security are country-agnostic, with no list of countries of concern.

He pointed out that Chinese investments in Europe had recently risen for the first time since 2016, but that they have been at very low levels, with the recovery mainly driven by only a few large merger and acquisition deals, and recent strong growth in greenfield investment. He explained that the reasons for the increase include fierce market competition in China and avoidance of tariffs, but he noted that Europe is tightening regulatory scrutiny, and Beijing is concerned about potential compulsory technology transfer.

Hungary is the top destination for Chinese investments in the European Union, with large-scale greenfield electric vehicle projects totaling roughly 3 billion euros in 2024. One explanation for this is that greenfield investments do not create the same regulatory attention as mergers and acquisitions deals, as many EU member states' regulatory regimes do not consider greenfield investments as any threat to public order and security. Professor Hindelang noted however that Chinese investment overall in the European Union is small compared to intra-EU investments, and investments by the United States and Japan. He noted that Chinese investments in the EU electric vehicle sector are concentrated in Hungary, Slovakia, and Spain, and when these countries voted on electric vehicle duties levied by the European Union, Hungary and Slovakia voted against those duties, and Spain after a visit to China suddenly changed from support to abstention.

Discussing the political environment, he noted it has changed dramatically since 2016, particularly in Germany. Following the Aixtron-Kuka moment in the semiconductor and robotics sectors when Germany could not block Chinese investment and needed help from the United States, the response had been to tighten the domestic regulatory framework. Then in 2018 when State Grid Corporation of China tried to take over the German 50Hertz grid operator, the only way to prevent it was to nationalize 50Hertz. He noted that the Foreign Direct

Investment (FDI) screening regulation in Europe was implemented by each EU member state, and that there have been ongoing debates about what economic model to adopt. However, he pointed out that only around 6 percent of the investments reviewed originate from China, with tens of thousands of transactions coming from the United States, the United Kingdom, and Japan in that order, with the result that a high price is being paid for economic security, while delaying deal-making in the European Union.

Discussion and Q&A

Professor Kawashima asked Dr. Cernicky his thoughts on the timeline gap between Japan and Europe that Professor Iwama had discussed, how the EU could try to remove the supply chain choke points in its relationship with China that Dr. Inomata raised, and what his thoughts were on whether power should be concentrated at the EU level or member state sovereignty respected in terms of economic security?

Dr. Cernicky responded that there is indeed a timeline gap because Japan is an island nation surrounded by neighboring countries that are not completely friendly, whereas Germany and the European Union until three or four years ago were in a very safe and secure geographic location. However, he stated, thinking in Europe has changed regarding security, including economic security.

Regarding choke points in supply chains, he noted that division of labor generates efficiencies but also leads to concentration. A study conducted on dependencies for German companies four years ago examined where supplies came from, indexing how important they were for production lines, the percentage of imports, and how easily these imports could be supplemented. The study found that only about 5 percent of approximately 100,000 individual imports would be considered risky, and of these 5 percent, 95 percent came from countries other than China. Seventy percent of risky imports came from European countries. Therefore, the dependency on China should not be overstated. Risks exist and must be identified carefully, but in many cases, there is excessive risk aversion.

On the question of EU coordination versus member state sovereignty, he stated that the European Union is not a state. It is more than a free trade area and more than a common market, but less than a state. The European Union cannot control all things. It is defined in EU documents that investment is something member states control. The European Union is very complex and hard to balance, with many aspects in which all member states constantly discuss and find equilibrium. Investment is one of them. Europeans must live with the fact that it is always complex and difficult to explain how the European Union functions.

Professor Hindelang added regarding Hungary that it receives Chinese investments because it provides access to the European Union, but he cautioned that if Hungary pushes too far, there might be no access for Chinese electric vehicles to the European Union. And Hungary is now making efforts to diversify with India. Regarding rulemaking, he noted, the European Union is successful in exporting its rules because it is an attractive market. The same was true for China regarding the Global South. Therefore, to succeed with the Global South, he suggested, attractive offers must be made instead of moralizing. He pointed out that trade negotiations with Latin America progressed quickly when pressure was high, and offers were attractive enough.

Professor Kawashima asked about China's technological advancement, noting that China is developing its own technology rather than simply acquiring foreign technology. In areas where

China has already advanced significantly, how should Europe think about this? Should Europe cooperate with and learn from China?

Dr. Cernicky responded that it is understood in many places that China is not the same as 20 years ago when it was just an investment destination. In many sectors, innovations now come from China, which should not be seen as a problem, since China is not only a rival, but also a partner.

Closing Remarks

Professor Kawashima asked each panelist for concluding remarks on the possibilities for Japan-Europe cooperation going forward.

Professor Iwama noted that Japan's Indo-Pacific strategy has been very successful but that the Eurasian piece, including Central Asia and Mongolia, had been missing from the Indo-Pacific strategy. Meanwhile, the EU recently held its first summit with Central Asia. So, Japan and the EU, or Japan and Germany, could think together about such a strategy, which will provide a horizon on China's thinking.

Dr. Inomata stated that the term economic security is attracting attention in Japan and across the world, and has taken on a life of its own, with many concerns raised about dependence on China in the fields of cars and chemicals. However, he noted that his presentation slides included a comparison of supply chain dependence on China, showing that the German automobile industry is less dependent on China than Japan or the US, and he emphasized the importance of data-driven analysis to enable objective decision decisions.

Professor Hindelang emphasized that Japan-Europe cooperation on risk assessment methodology is a possible area for alignment. While the responsibility for decisions is at the member state level, how to assess risks can be learned from each other. He noted that to achieve a prosperous free society, we must take risks.

Dr. Cernicky concluded that when thinking about cooperation, it is better not to focus too much on big strategies but to look at specific topics for cooperation such as raw materials, research, or procurement, which would have more promising outcomes, and he emphasized the importance of daring to be free.

Professor Kawashima thanked all participants for the rich discussion on Europe's China strategy and opportunities for Japan-EU cooperation in economic security. He noted the importance of thinking broadly while also managing individual items carefully. In closing, he expressed appreciation to NPI and KAS for co-hosting the event, and to the speakers and panelists for their contributions.