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Taking a Geoeconomic Turn in Trade Defence?

The EU's Countervailing Duties on Chinese Battery-electric Vehicles

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Abstract

Faced with rapidly rising imports of battery-electric vehicles (BEVs) produced in China, massive state support for the industry, and the build-up of overcapacities, the European Commission launched an investigation into Chinese subsidization practices. In July 2024, it imposed provisional countervailing duties on imports of BEVs from China, which became definitive in October 2024. The present paper seeks to explain this bold move, which carried the risk of a lasting trade conflict. Liberal interest group approaches are useful for understanding national preferences but fall short of explaining European decision-making outcomes. By contrast, state-centric realism helps to clarify the rationale behind the Commission's turn towards a more assertive trade defence policy vis-à-vis China. In addition, principal-agent theory sheds light on the Commission's autonomy in pursuing its geoeconomic agenda. It highlights how the Commission benefited from preference heterogeneity among its multiple principals and from decision-making rules that make it difficult for the principals to rein in the agent.

Keywords: European Union; China; Trade Policy; Trade Defence Instruments; Anti-Subsidy Investigation; Countervailing Duties, Battery-electric Vehicles.

Introduction[1]

Since the late 2010s, the European Union's trade and investment policy took a unilateral turn, adding instruments to its autonomous trade policy toolbox to defend its economic and political interests in an ever more hostile and "geopoliticised" international environment (Bauerle Danzman and Meunier 2024; De Ville et al. 2023; Haroche 2024; Herranz-Surrallés et al. 2024; Meunier and Nicolaidis 2019; Schild and Schmidt 2024; Young 2025).

Its 2021 Trade Policy Review provided a rationale for this policy change. The Commission stressed the concept of "open strategic autonomy" to which its trade policy should contribute. Open strategic autonomy

> emphasises the EU's ability to make its own choices and shape the world around it through leadership and engagement, reflecting its strategic interests and values (…). It further signifies that the EU continues to reap the benefits of international opportunities, while assertively defending its interests, protecting the EU's economy from unfair trade practices and ensuring a level playing field (European Commission 2021, 4).

[1] This Working Paper is an updated and extended version of the following article: Joachim Schild (2025) Eine geoökonomische Wende in der Handelspolitik? Die Ausgleichszölle der Europäischen Union auf batterieelektrische Fahrzeuge aus China. In: Integration 48 (4): 299-312. I would like to thank Stefan Schirm, Anna Vlasiuk Nibe and an anonymous reviewer for their helpful comments on earlier versions of this paper.

The increasing use of trade defence instruments, notably against producers from China, testifies to this new approach. In his farewell speech to the European Parliament's INTA committee, Trade Commissioner Dombrovskis pointed out the new assertiveness of the EU's trade policy and the use of trade defence instruments (TDIs). Out of the 184 trade defence measures in place in May 2024, roughly two-thirds dealt with imports from China (Dombrovskis 2024).

Given the rapidly growing imports of battery-electric vehicles (BEVs) from China, the Commission investigated the Chinese subsidization practices in this sector in 2023 – "the largest EU trade case against China in history" (Van Wieringen 2024, III) and "perhaps the most political case of its kind in recent memory" (Sebastian and Barkin 2024, 1). The Commission imposed provisional countervailing duties ranging from 17.4% to 37.6% against BEV producers in China in July 2024, which became definitive in October 2024. This move clearly entailed the risk of causing a deep rift in EU-China relations, potentially leading to a lasting trade conflict and adding yet another highly contentious topic to the long list of conflicts between the People's Republic of China and the EU.

How can we explain this move? Is it based on the successful lobbying of the automotive industry in European Union Member States? Can we understand this step as reflecting a principal-agent relationship between the Member States and the Commission characterized by "agency slack" due to divergences between the Member States, allowing the Commission to pursue its preferred course of action? Or is it rather an example of a deliberate policy choice of a "geopolitical" Commission reflecting the geoeconomic turn in European trade policy and signalling a profound and lasting change in the EU's trade defence approach?[2]

The next section discusses theoretical arguments to shed light on the underlying explanatory factors potentially accounting for this policy change. Thereafter, we provide some evidence of the rapidly changing BEV market in the EU and the risk for a European key industry it entails. The next section summarises the empirical process leading to the imposition of definitive duties. By looking at agenda-setting and decision-making, I provide evidence for a deliberate geoeconomic turn in trade defence with a possibly lasting impact on EU-China trade relations.

2 For a similar analysis of EU trade policy comparing liberal, principal-agent, and realist explanations, see Meissner 2018.

Theoretical Framework

How does the “liberal power Europe” (Wagner 2017) act in the new “geoeconomic order” (Roberts et al. 2019) in which economic nationalism is gaining ground? How does the EU, as an actor with a strong preference for a rules-based multilateral trading order, react when facing competitors who do not play by the rules? The new assertiveness, as expressed in the Open Strategic Autonomy trade policy review, reflected a growing disillusionment with China’s state capitalism and lack of rule-abiding business and trade practices. It was also driven by the failure of the WTO to provide sufficient remedies to level the playing field with China (Schild and Schmidt 2024, ch. 4). Has this disillusionment led to a geoeconomic turn of the EU’s trade policy, and how does it translate into concrete policy measures? I follow Herranz-Surrallés et al. (2024, p. 920) in the way they define the concept "...*geoeconomic turn*, broadly understood as a rethinking of liberalisation and market integration through the adoption of more geopolitical approaches to the use of economic instruments in response to international structural shifts" (emphasis in the original). The authors distinguish three dimensions of this turn, namely towards a geoeconomic world order, geoeconomic policies, and the use of geoeconomic power. A geoeconomic turn of the EU would then entail a) an acknowledgement of a fundamental change of the international order from a liberal to a geoeconomic order; b) the pursuit of geoeconomic policies including protection for EU producers, industrial policies, and a geopolitical assessment of trading partners instead of a liberal market-oriented approach; and c) the ability and willingness to use economic power resources to gain an advantage (Herranz-Surrallés et al. 2024, p. 923, fig.1). In our context of trade defence policy, the first and second dimensions are key.

A turn towards a protectionist approach on trade does not have to be based on a geoeconomic turn, however. Liberal approaches to the politics of trade policy-making such as the interest group model (Caves 1976; Grossman and Helpman 2002) as well as the open economy politics model (Lake 2009) emphasize the anticipated distribution of economic costs and benefits of alternative policies for individuals/individual firms, sectoral interests, and interest groups - both producer interests and trade unions. Well-organized interest groups expecting concentrated losses will advocate protectionist measures. These anticipated costs provide incentives for organization, mobilization, and political lobbying. Along the lines of a liberal approach, the use of trade defence instruments by the EU could be explained by the lobbying activities of the European automotive industry asking for protection. We should therefore see demands for protection notably from those parts of the European automotive industry that are most directly affected by rising numbers of battery electric vehicles exported from China to the EU.

On the other hand, there are car producers, notably from Germany, for whom their business opportunities in the Chinese car market might be more important than potential losses due to import competition from China. They might lobby their national government to oppose tariffs on battery electric vehicles produced in China, fearing retaliation against European producers. In cases where the governments of different Member States represent these opposing stances amongst their respective car producers at the European level, European policymakers find themselves under cross-pressure. Principal-agent theory would predict that the agent – here the European Commission – benefits from "agency slack" and enjoys a great deal of discretion in such an actor constellation characterized by a heterogeneous preference distribution among the member states, that is, the multiple principals (Conceição-Heldt 2017; 2021; Pollack 2003, 28, 44). The more demanding the decision-making rules to rein in the agent, the more discretion the agent has and can pursue its own preferred course of action.

State-centred economic realism in International Political Economy (IPE) provides theoretical arguments that might help to explain a geopolitical turn. It does not deny the influence of economic interest groups. However, it underlines the importance of state autonomy towards society and interest groups' lobbying efforts in cases where governments see the national interest at stake, notably security interests or longer-term economic interests (Gilpin 1987; 2001; Kirshner 2022, ch. 5). Contrary to liberal theories in the field of IPE, state-centred economic realism (or economic nationalism) emphasizes the importance of relative gains in international economic relations. If a trading partner and potential rival could gain more or currently gains more from trade and investment, a restrictive and protectionist approach is to be expected in response. Furthermore, it stresses the locus of production as this "concerns the national interest because the composition of production can affect growth, because certain industries either have inherently superior growth trajectories or provide positive externalities to the greater economy" (Kirshner 1998, 76).

Preferences of interest groups and national preferences of governments on trade and investment can change for two main reasons. Firstly, unfavourable changes in comparative advantage could undermine the support for free trade in domestic constituencies (Flaherty 2023). If companies of a key competing nation move up the value chain and gain a strong presence and competitiveness in key sectors and traditional strongholds of the state's economy, this can lead trade associations, import-competing companies, and trade unions to ask for protection, as the open economy model and interest group models would expect. Governments may support such calls for protection if they see a disproportionate benefit from free trade accruing to a competitor. Secondly, state-centric economic realism would expect such a protectionist turn, particularly in cases where the dominant power in the international system can no longer prevent free-riding and fails to sanction rule-breakers, thus being unable to uphold the rules of the liberal international economic order (Gilpin 2001, 43-44).

A state-centric, realist approach would expect the likelihood of a geoeconomic turn of European trade policy to increase under the following conditions. Free trade policy being the policy of strong and highly competitive nations, we should expect increasing support for protectionism in cases where a competitor gains in comparative advantage and outcompetes the incumbent market leaders. The “degree of harmony or disharmony is dependent on the extent of complementarity of trade as well as the overall political relations among trading nations” (Gilpin 1987, 188). Trade between the EU and China indeed became less complementary and more substitutive over time, including in the automotive industry (Chen et al. 2022). Hence, state-centric realism would expect an increasing intensity of economic and political conflict.

If the sector of the economy losing ground to external challengers is of vital importance to the overall economy and the welfare of society, governments are inclined to define protection of the industry under attack as a national interest. If the competitors’ government uses instruments of strategic trade policy, then a geoeconomic turn as a response, including the use of strategic trade, becomes more likely. “A government’s decision to support domestic firm’s plans to increase its productive capabilities (preemption) or even signal intention to build excess productive capacity exemplifies strategic trade theory” (Gilpin 2001, 216). The subsidisation of the rival’s battery-electric car industry by its public authorities and the building of overcapacities would be cases in point, triggering a geoeconomic answer from the state hosting vulnerable automotive industries or from the EU. A protectionist counterreaction is more probable when the challenger uses a leapfrogging strategy, “meaning the ability of an economy to not only ‘catch-up’ to global leaders but also jump ahead investing in a new technology” (Flaherty 2023, 79) – here: battery electric engines - without catching up on traditional technology – here: internal combustion engines (Altenburg et al. 2022).[3] As the automotive industry will over time shift to electric engines, there are clear risks that strategic trade practices of a key competitor will provide it with a decisive advantage in the market of battery electric vehicles that is likely to display a trend towards oligopolistic competition over time. A geoeconomic turn implies that in these circumstances, the national – or in our case, the European – interest will be defined based on producer interest and lead to the protection of a strategically important industry at the expense of consumer interests in low-priced

[3] On the link between leapfrogging challenger strategies and incumbent’s turn to protectionism, see Flaherty (2023).

imports. "Liberals judge trade protectionism in terms of consumer welfare and the maximization of global efficiency. Nationalists stress what they consider to be producer and state interests" (Gilpin 1987, 187).

Problem Definition

When the Commission initiated an anti-subsidy proceeding regarding imports of battery electric vehicles from the People's Republic of China on 4 October 2023, it underlined the "sensitivity of the electric vehicle sector and its strategic importance to the EU economy in terms of innovation, value added and employment" and stressed that "increased subsidised low-priced imports (…) would pose an imminent threat of injury to an already vulnerable EU industry" (European Commission 2023b, 1). When explaining the interest of the Union industry in its implementation regulation on provisional duties against Chinese BEV producers, it added: "The automotive industry is a driver of Europe's economic value creation, competitive sovereignty, and societal wellbeing", highlighting that it sustains 12.9 million direct and indirect jobs. Hence, in line with state-centric realism, the Commission does not only act based on potential microeconomic injury indicators regarding individual import-competing car producers. By stressing the strategic importance of this vehicle market segment, it highlighted its broader socioeconomic importance and took into account macroeconomic indicators such as overall production, employment, investment, market share and productivity (European Union 2024a, 168).

The Commission highlighted a variety of Chinese subsidization practices, such as

> " (…) various grants, provision of loans, export credits and credit lines provided by State-owned banks or bonds underwritten by State-owned banks and other financial institutions at preferential terms, provision of preferential export insurance; income tax reductions and exemptions, dividend tax exemption, import and export tax rebates; VAT exemptions and rebates; and government provision of goods (such as raw and input materials as well as components) and services for less than adequate remuneration" (European Commission 2023b, 2).

As the Commission considered these subsidies to be a financial contribution by different levels of government and public bodies, to be specific and to provide a benefit to the recipient and injure the Union industry, it found them to be potentially countervailable. Its investigation indeed provided ample evidence on the manifold methods for the subsidisation of Chinese BEV producers (European Union 2024a, 66-160).

The Commission underlined that subsidised imports increased "at a significant rate in both absolute and relative market shares", pointed to "massive overcapacity"

(European Union 2024a, 181) and "an imminent and substantial increase in such capacity indicating the likelihood of substantially increased subsidized exports to the Union, account being taken of the availability of other export markets to absorb any additional exports" (European Union 2024a, 176). The latter referred to 100 % tariffs imposed by the U.S. and Canada on Chinese BEVs. Using this type of argument, underpinned by current trends, the Commission adopted a pre-emptive approach, pointing to future threats to the European automotive industry rather than to the injury incurred so far (Sebastian and Barkin 2024, 1).

Chinese BEV exports to the EU increased more than tenfold in value between 2020 and 2023 (Featherston 2024). In absolute numbers, Chinese exports reached 21,243 units in 2020, which rose to 412,425 during the investigation period running from 1 October 2022 to 30 September 2023. The market share of BEVs imported from China rose from 3.9% in 2020 to 25% during the investigation period (European Union 2024a, 162). Among those imports, which include non-Chinese brands such as BMW, Mercedes-Benz, Renault (Dacia), and Tesla, Chinese brands gained ground. Their market share rose to 14.1% in the second quarter of 2024 (European Union 2024b, 162). In 2022, 21% of global EV exports came from China, compared to only 4% in 2020. In the period from 2009-2021, the subsidies benefiting the Chinese BEV sector are estimated to surpass an immense $125 billion (Van Wieringen 2024, 8).

The European automotive industry accounts for 6% of EU total employment and 8% of EU manufacturing value added. The brands of its key producer countries, Germany, France, and Italy, saw their global market shares decline significantly between 2018 and 2023, French brands by 37% to 3.5%, Italian brands by 11% to 1.4% and German ones by 12% to 14.9%. This decline in competitiveness is most pronounced in the market for battery electric vehicles (BEVs) (Garrone et al. 2025, 5).

Agenda Setting

The Commission acted as an agenda setter. In her State of the Union address on 13 September 2023, Commission President Ursula von der Leyen announced the Commission's intention to launch an anti-subsidy investigation into electric vehicles imported from China, as "global markets are now *flooded* with cheaper Chinese electric cars. And their price is kept *artificially* low by huge state subsidies. *This is distorting our market*" (European Commission 2023a, emphasis in the original). This announcement, on the occasion of her solemn State of the Union Address, underlines the political importance given by the Commission to this investigation. This move is based on a perception of the liberal international order giving way to a geoeconomic order. While underlining its continuing "support for effective rules-based multilateralism (which) is a key geopolitical EU interest", the Commission stressed, more than in the past, the need "to equip itself with tools to operate in a more hostile international environment if necessary" (European Commission 2021, 6, 8). In her political guidelines for the 2024-2029 Commission, Ursula von der Leyen stressed the need for a "new economic foreign policy" for the EU: "In today's world, geopolitics and geoeconomics go together. Europe's foreign and economic policy must do the same" (Von der Leyen 2024, 26).

The Commission started this investigation *ex officio*, that is, on its own initiative, based on Art. 10 (8) of the Anti-Subsidy Basic Regulation[4], "without having received a written complaint by or on behalf of the Union Industry" (European Commission 2023b, 1). In the past, EU companies sometimes proved reluctant to submit a complaint, fearing retaliation by third countries as their complaints target governments, not private competitors. In circumstances where there is a looming threat of retaliation, the EU's Anti-Subsidy and Anti-Dumping Basic Regulations, amended in 2017 and 2018, give the Commission the right to start an investigation *ex officio* should it dispose of sufficient evidence of dumping or countervailable subsidies, of injury and of a causal link between the two. Such an *ex officio* investigation into subsidisation practices targets the behaviour of Chinese public authorities. Because it can lead to countermeasures and retaliation, it is politically highly sensitive. It is hardly a coincidence that the Commission made this move at a time when the EU trade deficit with China reached an all-time high at nearly €400 billion in 2022 (Grieger and Macsai 2023, 1). The *ex-officio* nature of the investigations lends support to a state-centric realist interpretation. Beyond the case of subsidization of BEVs, this investigation clearly signalled the EU's readiness to make use of its trade defence toolbox to counter Chinese strategic trade practices considered as being unfair and distorting competition, thereby protecting key European industries.

There is little evidence of public calls from industry for such an investigation, which would support a liberal interest group explanation. The European Automobile Manufacturers' Association (ACEA) had not asked for it and had other priorities regarding support for the European EV producers. It just exhorted policymakers to "[s]ecure a level playing field for sustainably made European vehicles by defending fair and free trade rules" (ACEA 2024). This silence of the "voice of the auto industry"[5] reflects its internal split between national automotive industries, which display important differences regarding their presence in China and their fears of Chinese retaliation should the EU impose countervailing duties and risk starting a trade war with China. The European Association of Automotive suppliers (CLEPA) and the German Association of the Automotive Industry (VDA) pointed to the risk of retaliatory action by China, limiting market access of European producers and suppliers (European Union 2024a, 199-200; Nilsson 2024). A European industry official, quoted by Politico,

[4] Regulation (EU) 2016/1037 of the European Parliament and of the Council of 8 June 2016 on protection against subsidized imports from countries not members of the European Union.

[5] Self-description of ACEA, see https://www.acea.auto/about-acea/ (accessed 17.6.2025).

explained the industry's reluctance to support an ex-officio investigation: "Industry hates it for two reasons: it will partly target Europe's own products [i.e. BEVs from European brands produced in China, J.S.] and because of the fear of retaliation" (Moens et al. 2023a). However, French and Italian producers of smaller cars in the volume segment, particularly vulnerable to low-cost EVs from China, reportedly lobbied for protection ahead of the start of the investigation (Moens et al. 2023a; 2023b; Table.Briefing: Europe 2023).

Preference heterogeneity among principals and Commission autonomy

Using the toolbox of the modernized Trade Defence Instruments, the Commission announced an *ex officio* investigation on 4 October 2023. On 4 July 2024, the Commission started to impose provisional duties on battery electric vehicles from China, as it had found ample evidence of subsidies presumably violating WTO rules. On 4 October 2024, it decided to turn the provisional countervailing duties into definitive ones for a 5-year period. As there was no majority to reject the Commission's decision among the member states in the Trade Defence Instruments Committee, the tariffs took effect on 31 October 2024.

Faced with strong criticism and countermeasures initiated by China on 21 August 2024, the Commission stuck to its assertive stance. Ahead of the EU imposing countervailing duties, China had threatened to impose anti-dumping duties on pork, dairy and brandy imports from the EU. Beijing later indeed levied anti-dumping duties of 32.2% and 34.9% on European brandy.[6] These tariffs targeted France and Italy, vocal supporters of the use of trade defence instruments against China. In a letter to EU Trade Commissioner Dombrovskis ahead of the decision on definitive duties, China had threatened to restrict imports of Airbus aeroplanes, agricultural produce and luxury cars (FAZ 2024, 20). Furthermore, China initiated an anti-subsidy probe into EU dairy products in August 2024. The Commission reacted immediately by filing a consultation request at the World Trade Organization (WTO), challenging the Chinese investigation at an early stage (European Commission 2024). When China offered to set a minimum price of €30,000 for BEVs ahead of the implementation of the tariffs, the Commission rejected this immediately (IISS 2024). Considering the high risks coming with its more assertive approach on trade defence and the lack of broad support from member states' governments, the Commission's bold moves seem puzzling.

The Commission's assertive stance can be explained by a combination of three factors. First, its self-conception as a "geopolitical" Commission (Haroche 2023), which made it an advocate of a geoeconomic turn of the EU's trade policy, notably toward China, based on its reading of the shift of the liberal international economic order

6 34 producers who agreed with China on a minimum price were exempted from these duties (FAZ 2025, 18).

towards a geoeconomic one. Its autonomy to put this tougher approach into practice benefited from the preference heterogeneity among the multiple principals, the Member States, and from the decision-making rule for deciding on permanent countervailing duties.

Conflicting positions between the Member States mirror the vulnerabilities and preferences of their respective car industries and the interests of governments eager to attract FDI from China – on both car and battery production plants. The German car industry opposed the imposition of duties, pointing to the risk of Chinese retaliation, escalating trade conflicts and the vulnerability of the German car industry due to its dependence on the Chinese market and on raw materials and battery technology from China. The key German interest group of the automotive industry, VDA, asked for a negotiated solution with the Chinese side (VDA 2024). The high importance of the Chinese market for Audi, BMW, Mercedes-Benz, Porsche and Volkswagen explains this stance. Chinese threats specifically targeted the luxury vehicles of these brands. The Chinese Chamber of Commerce in Europe pointed to the option of levying 25 % tariffs on European limousines and SUVs with engines above 2.5 litres (Theile 2024). This would have hit exports from Germany and even more so from Slovakia (Featherston 2024). The VDA found support from the German government. The "traffic-light coalition" lobbied the Commission to opt for low duty levels when deciding on definitive duties, "ideally on a reciprocal level that China also imposes on the EU – meaning 15 percent" (Gijs et al. 2024). Rising imports of Chinese BEVs do not threaten the German premium car producers in the same way they threaten producers of medium-sized and smaller cars in France and Italy.

At -42%, French brands experienced a particularly deep fall in their global car sales between 2018 and 2023. Production fell from 1,763,000 cars in 2018 to 910,243 in 2024 (Statista 2025). This helps to explain why the French government actively lobbied the Commission to start an investigation into Chinese subsidisation practices in the BEV industry and found support from the French Commissioner Thierry Breton on that matter (Moens et al. 2023a;2023b). Ahead of the investigation, French president Emmanuel Macron issued a warning: "We must not repeat in the electric car market the mistakes we made with photovoltaics, where we created a dependency on Chinese industry and made its manufacturers prosper" (Moens et al. 2023a; see also Featherston 2024). The French car industry, being mostly absent from the Chinese market, is more vulnerable to low-cost imports from China than to Chinese retaliation against European brands in China.

Furthermore, the presence of Chinese car and battery producers in EU member states influenced government preferences. In October 2024, two EV and two battery plants from China were located in Hungary – one of the fiercest opponents of the tariffs, besides Germany –, one in Spain and one in Poland, and three battery plants in Germany (IISS 2024, 1). Sweden's car producer Volvo is owned by the Chinese Geely company, which explains, besides the traditional free trade preferences of Swedish governments, its opposition to the Commission's tariff decision. Spain switched from support for the Commission to abstention after a meeting between Prime Minister Pedro Sánchez with the Chinese President Xi Jinping in September (IISS 2024). Apparently, it hoped to attract more Chinese investment promised by Chinese firms and wanted to avoid Chinese countermeasures on its pork exports, Spain being the biggest exporter of pork to China (Kafsack et al. 2024).

When the Council voted on 4 October 2024 on turning the provisional duties into definitive ones, only ten members supported the Commission – Bulgaria, Denmark, Estonia, France, Ireland, Italy, Latvia, Lithuania, the Netherlands, and Poland –, 5 voted against – Germany, Hungary, Malta, Slovenia and Slovakia –, and another 12 abstained – Austria, Belgium, Croatia, Cyprus, Czech Republic, Finland, Greece, Luxembourg, Portugal, Romania, Spain, and Sweden (see table 1). Hence, the Commission did not enjoy the support of a majority of Member States. The Council took this decision in the framework of the examination procedure, as laid down in the comitology regulation 182/2011 (based on TFEU art. 291). In the framework of this procedure, the Commission can prevail, unless a qualified majority of member states in the Trade Defence Instruments Committee opposes it. This institutional feature of the examination procedure explains why the Commission was able to adopt a tougher stance towards China without enjoying the explicit support[7] of a simple or qualified majority in the Council.[8]

Table 1: Votes on EV tariffs in the Council's Trade Defence Instruments Committee

In favour	Against	Abstention
Bulgaria	Germany	Austria
Denmark	Hungary	Belgium
Estonia	Malta	Croatia
France	Slovakia	Cyprus
Ireland	Slovenia	Czech Republic
Italy		Finland
Latvia		Greece
Lithuania		Luxembourg
Poland		Portugal
The Netherlands		Romania
		Spain
		Sweden

7 Arguably, several governments who abstained in the vote were in favour of the Commission's proposal but refrained from voting in favour, for fear of being targeted by Chinese retaliation. Abstentions do not prevent the Commission's draft proposal from being adopted.

8 Before the post-Lisbon Treaty comitology reform of 2011 and the reform of the Anti-Subsidy Basic Regulation ((EU) 2016/10372), definitive trade-defence measures were adopted by way of a Council regulation, based on a proposal from the Commission, by simple-majority voting, which made it easier to block Commission proposals to turn provisional duties into definite measures.

Source: Reuters: How governments voted on Chinese EV tariffs, 4.10.2024, available at: https://www.reuters.com/business/autos-transportation/how-eu-governments-plan-vote-chinese-ev-tariffs-2024-10-04/ (accessed: 17.6.2026).

Despite intense consultations between the German Chancellor and other heads of state and government, Germany could not find the support of a majority of 15 Council members representing the 65% of the EU's population needed to block the Commission's proposal. The split inside the German government weakened the hand of Chancellor Scholz, as Foreign Minister Annalena Baerbock and the Federal Minister for Economic Affairs and Climate Action, Robert Habeck, publicly voiced their support for the Commission (Kafsack 2024). Immediately ahead of the decisive vote in the Council, Chancellor Scholz made the case for continuing negotiations with the Chinese (Reuters 2024b). The government upheld this approach after the German defeat in the Council. A spokesperson for German Chancellor Scholz declared "that Berlin was pushing for a negotiated solution because of the risk of retaliation", fully in line with the demands of the German car industry (Hancock and White 2024).

Table 2: Definitive duties applied to BEVs made in China

Company	Definitive countervailing duty
BYD Group	17%
Geely Group	18.8%
SAIC Group	35.3%
Other cooperating companies	20.7%
Other non-cooperating companies	35.3%
Tesla (Shanghai) Co., Ltd	7.8%

Source: European Union 2024b, p. 216-217.

Against this background of deep divisions among the multiple principals, the Commission had the leeway to move forward. The Commission's implementing regulation, released on 29 October 2024, defined countervailing duties in a differentiated way (see table 2). Chinese companies unwilling to cooperate during the investigation, notably the state-owned car producer SAIC, had to face the highest duties at 35.3 %. The Commission based the level of duties of cooperating companies on the evidence of the extent of subsidization revealed by its investigation. The countervailing duties for cooperating companies range from 7.8% for Tesla's cars produced in China to 20.7%, 18.8% for Geely, 17% for BYD (see Table 2). These duties come on top of the 10% tariff the EU imposes to all car imports.

The Commission's approach differs from the US and Canadian approach on BEV tariffs in two key respects. Firstly, these tariffs are not prohibitively high, unlike the US and Canadian across-the-board tariffs of 100% (Sebastian and Barkin 2024). Secondly, they are differentiated according to the level of revealed (or assumed) subsidies found during the investigation, which the EU considers to be fully in line with WTO rules.

China, however, challenged these tariffs and filed a complaint at the WTO against what it considered to be protectionism and an "abuse of trade remedies" (AP 2024).

Faced with EU tariffs, some Chinese car producers opted for investing in EV production sites inside the EU. Based on the recent Foreign Subsidy Regulation and once again adopting a tough line, the Commission started a preliminary investigation into the subsidisation of a planned BYD car production plant in Hungary, an outbound foreign investment estimated at €4 billion which could create up to 10,000 jobs. According to the director general of DG Trade at the time, Sabine Weyand, "[w]e are not interested in investments that are simple assembly operations without added value and without technology transfer" (Bounds et al. 2025).

Acting this way in "one of the most actively contested areas of global industrial policy" (Féas et al. 2024), the EU seems to have drawn lessons from the painful experience of the last important trade conflict with China on solar panels. At the time, it faced dumped imports of Chinese solar panels due to massive overcapacities in China. Dozens of European solar producers became insolvent and between 2008 and 2014, jobs in the European solar industry went down from 179,000 to 109,000, with Germany being hit especially hard, losing 80% of the jobs in its solar industry (Pepermans 2017, 1400). The Council subsequently adopted regulations on definitive anti-subsidy and anti-dumping countervailing duties on solar panels after the Commission found an amicable solution with several Chinese producers on a price undertaking, setting minimum import prices, and exempting them from the duties (European Commission 2013).

Compliance with price undertakings is difficult to control (Li et al. 2025). Nevertheless, the Commission opened this option, similar to the solar panel case. In November 2025, it published a notice of initiation of a partial interim review of the countervailing duties on BEVs produced in China to allow for the submission of price undertaking offers (European Commission 2025) and published a guidance document in January 2026 for BEV producers specifying that a submitted price undertaking offer has to be "adequate to eliminate the injurious effects of the subsidies and provide equivalent effect to duties" (European Commission 2026a, 1). Shortly afterwards, Volkswagen (Anhui) Automotive Co., Ltd submitted such an offer, which the Commission accepted. The Chinese government criticized this bilateral approach, as it had previously suggested a comprehensive solution representing the collective position of the industry, however without companies submitting formal offers (European Commission 2026b, 2).

Conclusion

The Commission's bold move to start an *ex officio* investigation leading to the imposition of provisional and then definitive duties on battery-electric vehicle imports from China strongly contributes to the geoeconomic turn of the EU's trade policy. It was based on a reading of the international economic order as moving from a liberal to a geoeconomic one and reflects the choice of a geoeconomic policy in response. It can be explained by combining insights from different theoretical approaches. Interest group influence arguably played a role, notably regarding preference formation at the member state level in member states with car producers. As this influence was bidirectional, for and against the anti-subsidy probe and the resulting countervailing duties, the EU-level outcome can hardly be explained based on interest group lobbying alone.

The EU level outcome reflects a deliberate policy choice of a "geopolitical" Commission, signalling a profound and lasting change in the EU's trade defence approach towards China. State-centric realism helps to explain the underlying rationale of the Commission's shift towards a geoeconomic trade policy reacting to the new geoeconomic order in general and the China challenge in particular. The economic rise of China and relative decline of the EU, decreasing trade complementarity with China, as exemplified by China's car industry's rise, and China's strategic trade policy led to increasing "disharmony" in EU-China relations, as state-centric realism would expect (Gilpin, 1987, 188). The Commission's definition of the European car industry as strategic, and its definition of the "European interest" reflecting mainly producer interest, not consumer welfare to be protected, is also fully in line with expectations derived from state-centric realism. Chinese activist industrial policy, its leapfrogging strategy to achieve leadership in a new technology, the build-up of overcapacities and an export offensive to gain market share in a highly competitive market where only a limited number of EV producers are likely to survive prompted the Commission's assertive action.

Principal-agent theory helps explaining why the Commission prevailed. Thanks to the deep divisions inside the Council combined with the specific decision-making rule governing the use of trade defence instruments, it succeeded in overcoming opposition against a geoeconomic turn of the EU's trade defence policy towards China. It was able to implement countervailing duties without the backing of a positive majority, the opposing coalition being unable to bring together a qualified majority against the Commission.

However, the geoeconomic turn on trade defence is not a complete volte-face. It did not bury the legacy of the "liberal power Europe" altogether. To comply with WTO rules on anti-subsidy remedies, the Commission carefully calibrated its countervailing duties, in line with its differentiated empirical evidence on Chinese producers' subsidization practices. This allowed the European Union to protect a highly vulnerable key industry, buying time for its adaptation to the fierce competition from China, while maintaining its commitment to a rules-based multilateral trade order.

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