

Miguel Otero Iglesias
April 2026

Spain's China Strategy

*Pragmatic Engagement to
Strengthen Strategic Autonomy*



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1. Introduction:

Engagement in a Time of Structural Rivalry

Spain's China policy has drawn increasing international attention over the past few years. As relations between China and the United States have hardened and the European Union has sharpened its language around de-risking, economic security and strategic autonomy, Spain has maintained a high-level of political engagement with Beijing. Prime Minister Pedro Sánchez has made annual visits to China a regular feature of Spanish diplomacy and in 2025 King Felipe IV made a state visit to Beijing, positioning Spain alongside Germany, France and Italy as a European state with direct, continuous access to Chinese leadership.

This approach has prompted debate. Why prioritize engagement when concerns are rising across Europe about dependency and industrial competition? Why attract Chinese investment in strategic sectors such as electric vehicles, batteries and renewable technologies when the EU is discussing trade defense instruments?

The Spanish government's answer is rooted in a strategic reading of structural change. China is not a marginal player that Europe can afford to ignore. It is the second biggest economy in the world (the biggest in terms of purchasing power parity), a central pillar of the global industrial system, a dominant actor in green technologies, a key

node in global supply chains and an indispensable player in global governance fora. Attempts at abrupt decoupling would impose significant economic costs while offering uncertain gains in autonomy. At the same time, unmanaged interdependence can generate vulnerabilities and asymmetries. Furthermore, China is not a democracy and will not be one for the foreseeable future, and this represents a strategic challenge.

Thus, Spain's strategy seeks to navigate between these poles. It treats pragmatic engagement as an instrument to strengthen its economic base, accelerate industrial upgrading and to contribute to the broader European project of strengthening strategic autonomy. But engagement is not naïve openness; it is a calculated effort to enhance leverage in a world defined by structural US–China rivalry, technological competition, climate change and the energy transition off finite fuels.

Understanding Spain's China policy therefore requires the context of four interconnected dimensions: Spain's diplomatic positioning, its industrial transformation strategy, internal political economy discourse around opportunity and risk, and its place within the EU's broader response to the current China Shock 2.0.

2. A Coherent but Uncodified Strategy: Economic Realism and Diplomatic Flexibility

Spain does not have a single, comprehensive China strategy document. Unlike Germany or the Netherlands, it has not published a formal blueprint detailing its long-term approach. This absence should not be mistaken for incoherence. Over the past decades, Spain has developed a consistent and recognizable orientation built on historical perspective, realism, economic pragmatism and European coordination.¹

At the core of this approach lies a sober recognition: China is a superpower whose economic scale, industrial capacity and technological development cannot be ignored.² Chinese civilization has been more developed than in Europe at different points for many centuries over the past two millennia and therefore it deserves respect. Spain acknowledges that China is not a liberal democracy and that its political system diverges significantly from European norms and values. However, Spanish policymakers – and this is consistent across center right and center left governments – broadly share the view that external actors cannot fundamentally reshape China’s domestic system through public pressure or confrontational diplomacy. Loudspeaker diplomacy is widely regarded as ineffective and potentially counterproductive.

Instead, Spain has prioritized sustained political dialogue. In this regard, Sánchez consistently making annual high-level visits, reflects the strategic decision to build durable channels of communication. This move has a dual purpose. Externally, it signals to Beijing that Spain seeks a stable and constructive relationship. Internally, within the EU, it positions Spain as a serious interlocutor on China policy, comparable to Italy, France and Germany.³

This is a significant shift. Historically, Spain was not always at the forefront of EU–China diplomacy. By elevating its political engagement, Spain has sought to avoid marginalization and to ensure that its economic interests are represented in broader European debates. High-level access enhances visibility, facilitates industrial negotiations and increases Spain’s influence in shaping EU positions.

Economic considerations are central to this approach. Spain runs a persistent and substantial trade deficit with China. Chinese imports dominate sectors such as consumer goods, electronics and components for renewable technologies. At the same time, Spanish exports to

China remain relatively modest. This structural imbalance reinforces the perception that disengagement would not correct asymmetry; rather, it would risk isolating Spain from one of the world’s largest markets and supply chains, and an increasingly important technological powerhouse.

Spain’s China policy is therefore driven by economic realism. Expanding exports, attracting investment and participating in high-growth sectors and regions are seen as essential for long-term competitiveness. Engagement is not framed as an endorsement of China’s political model but as a pragmatic necessity in an interdependent global economy.

Spain’s position within the EU framework is equally important. Madrid fully supports the EU’s characterization of China as partner, competitor and systemic rival. Spain has fully endorsed EU investment screening mechanisms, economic security discussions and coordinated trade defense instruments. Spain does not seek to undercut European consensus, unlike other member states much closer to Beijing.

However, Spain has not always been comfortable with the tone adopted at EU level. During the Biden administration, there was a perception in Madrid that the European Commission under Ursula von der Leyen had moved too close to Washington’s strategic framing of China primarily through the lens of containment and systemic rivalry. This created moments of tension between Sánchez and von der Leyen, particularly regarding the balance between de-risking and engagement. The Spanish perspective saw excessive alignment with US strategic competition as a risk that could narrow Europe’s diplomatic autonomy and limit its economic room for maneuver.

Recent developments have reinforced Spain’s sense that its approach was strategically well calibrated. As the Trump administration has adopted a more confrontational and transactional stance toward the EU, including public pressure and economic and territorial threats, Madrid feels increasingly vindicated in its strategy of maintaining continuous engagement with China. For Spanish policymakers, the shifting transatlantic climate has underscored the importance of diversifying partnerships and preserving diplomatic flexibility. In parallel, the EU has also begun to soften aspects of its rhetoric toward China, recalibrating its

¹ See Mario Esteban (2018) “Relaciones España-China”, Informe 24, Elcano Royal Institute, November. <https://www.realinstitutoelcano.org/informes/informe-elcano-24-relaciones-espana-china/>

² See Claudio Feijoo (2021) *El gran sueño de China. Tecno-socialismo y capitalismo de estado*, Tecnos, Madrid.

³ See Mario Esteban and Miguel Otero Iglesias (2024) “España hace bien en negociar con China, pero sin ingenuidad”, Elcano Royal Institute, 17 September. <https://www.realinstitutoelcano.org/comentarios/espana-hace-bien-en-negociar-con-china-pero-sin-ingenuidad/>

approach in light of economic realities and geopolitical uncertainty.

Spain consistently emphasizes that rivalry cannot eliminate partnership. It resists framing China primarily through a security lens and instead underscores the importance of maintaining dialogue and cooperation. This reflects Spain's broader strategic culture, which tends to favor multilateralism, mediation and economic engagement, underlined by Spain's historical experience of closedness leading to decline and openness to prosperity.

At the same time, Spain's transatlantic commitments remain firm. As a NATO member, Spain is aligned with the United States and its European partners on security matters. Spain has strongly supported Ukraine in its resistance to Russia. Yet its geographical position and different threat perception provide some diplomatic flexibility. Unlike member states on NATO's eastern flank, Spain does not perceive Russia and less so China as direct military concerns, although it acknowledges that China is providing economic support to Russia, and that Russia is the biggest threat to the EU. But, overall, its engagement with China is less securitized and more economically oriented.⁴

In sum, Spain's China policy is coherent though uncodified. It rests on sustained high-level engagement, respect for China's history and progress, economic pragmatism and deep embedding within EU structures. Its objective is to strengthen Spain's economic and political leverage within Europe while contributing to a broader European strategy of strengthening autonomy under conditions of great power rivalry.

⁴ See Mario Esteban and Cristina de Esperanza (2025) "Spain's pragmatic diplomacy in the US-China rivalry" in Esteban et al (eds) "Quest for Strategic Autonomy? Europe Grapples with the US - China Rivalry", ETNC Report, June. <https://www.realinstitutoelcano.org/en/monographs/quest-for-strategic-autonomy-europe-grapples-with-the-us-china-rivalry/>

3. Industrial Transformation: China as Enabler and Structural Competitor

The Spanish government's China policy cannot be separated from its agenda of industrial transformation. The country occupies an intermediate position within Europe's technological hierarchy. It possesses a robust manufacturing base, particularly in automotive production, yet it does not dominate frontier technologies such as advanced semiconductors, capital goods machinery or digital platforms.

Unlike Germany and other northern European countries, Spain has historically acted as a technology absorber. Foreign direct investment has played a central role in developing its industrial clusters. This model has generated employment and export capacity but has also limited Spain's presence in high-value research, design and development.

To understand the divergence of perceptions across Europe, it is important to differentiate between those countries that have historically been at the very top of the technological pyramid over the past two centuries and those that have operated one level below. The United States, Japan, Britain, Germany, the Netherlands and parts of the Nordic region have long dominated frontier innovation, industrial standards and high value-added production. For these countries, China's rapid technological ascent represents a direct challenge to their historical position at the apex of the global economic hierarchy. The sense of displacement is therefore more acute.

Spain, by contrast, has never occupied that technological summit. Its development model has been based more on integration, adaptation and industrial absorption rather than on frontier dominance. As a result, China's rise is perceived less as an existential threat to a previously dominant position and more as a structural transformation of the global landscape that requires adaptation. This partly explains Spain's more pragmatic approach.⁵

China's rise therefore has differentiated impacts among EU member states. The concept of "China Shock 2.0"⁶ captures the current phase of Chinese industrial expansion. Unlike the first wave of Chinese competition, which centered on labor-intensive manufacturing in lower technology consumer goods and hit Spain particularly hard in sectors such as textiles, shoemaking, solar panels and wind turbines, the second wave is driven by technology and systems, such as in electrification, advanced batteries,

renewable energy and fuels, autonomous applications, robotics, and information and communication technology (ICT), including artificial intelligence.

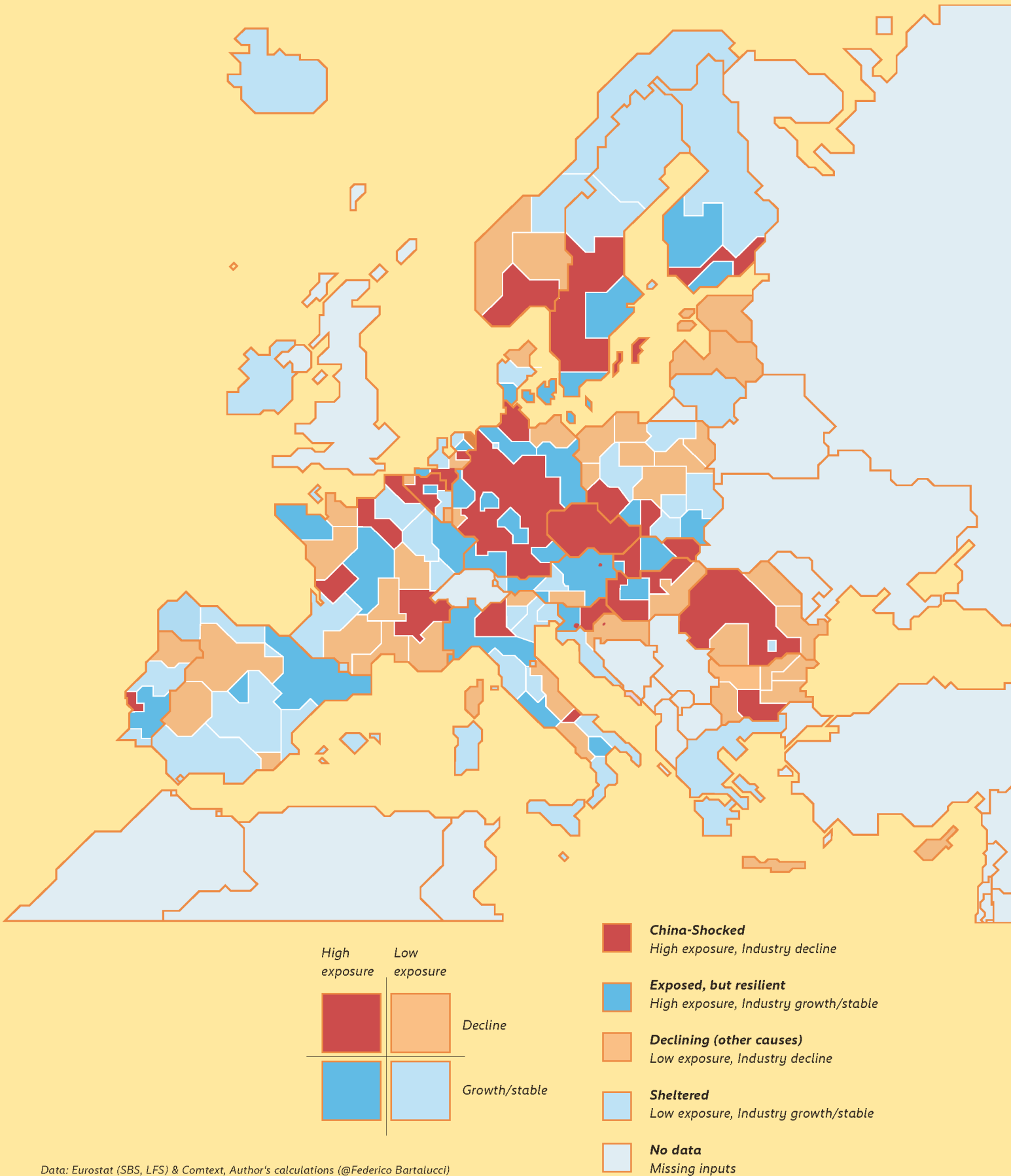
China now combines scale, cost efficiency and increasing technological sophistication. This China Shock 2.0 is displacing the U.S., Germany and other northern countries more directly than Spain. Germany's industrial core, particularly in high-end machinery and automotive engineering, faces intense direct competition from Chinese firms in both domestic and global markets. Conversely, Spain, having absorbed and adapted to China Shock 1.0 with relatively limited long-term damage, feels less structurally threatened – and even emboldened in some sectors like tourism, and all sorts of services and engineering. The previous shock forced painful adjustments, but it also reinforced industrial resilience and smart adaptation to a world economy increasingly dominated by data, customization, services and immediacy. Despite China shocks, Spain's Inditex has become and remains the biggest fast fashion group in the world.

A map generated by Federico Bartalucci⁷ clearly shows this differentiation (see ↗ Fig. 1). It classifies around 240 EU NUTS2 regions along two dimensions. Firstly, a China import exposure index shows how much each region's manufacturing mix overlaps with sectors where Chinese imports to the EU surged between 2019 and 2024, and, secondly, the industry employment trajectory over the same period. The conclusion is clear. Unlike in the 2000s, when the China shock mainly hit southern Europe's light manufacturing sectors such as textiles and furniture, today's pressure is concentrated in higher value industries, which means Germany's automotive heartlands – Stuttgart, much of Bavaria, Saxony – now sit in the highest-exposure zone. On the other hand, the industrious and more prosperous regions of Spain (The Basque Country, Aragon, Catalonia and Madrid), although exposed, remain relatively resilient.

⁵ Mario Esteban and Miguel Otero Iglesias (2026) "Spain and China's Tech Power: Balancing Openness, Risk Management and Industrial Strategy", forthcoming ETNC 2026 Report.

⁶ Miguel Otero Iglesias (2025) "China Shock 2.0", *Política Exterior*, No. 228, November. <https://www.politicaexterior.com/articulo/china-shock-2-0/>

⁷ Federico Bartalucci (2026) "The China Shock didn't hit 'Europe'. It hit specific regions – and the frontline has shifted", February 20. <https://www.linkedin.com/feed/update/urn:li:activity:7428694608106311681/>



Data: Eurostat (SBS, LFS) & Comtext, Author's calculations (@Federico Bartalucci)

In this context, Spain's automotive sector illustrates both vulnerability and opportunity. Accounting for roughly ten percent of GDP and two million well-paid jobs, it is central to economic stability. The transition to electric vehicles is systemic. It requires integration into battery value chains, digitalization of production and adaptation of supplier ecosystems.

National strategies such as *Plan España Auto 2030*⁸ (which count with the support of all relevant stakeholders, from the automakers to the suppliers to the public administrations at the central and regional levels – in a rare public-private, public-public and private-private coordination exercise), recognize that without successful electrification, Spain risks losing industrial relevance. Chinese firms dominate global battery production and have emerged as leaders in electric mobility. Their involvement in Spanish strategic projects is therefore seen as potentially catalytic.

Chinese investment in battery gigafactories and EV production facilities offers the possibility of anchoring Spain within emerging European and global value chains. However, the depth of integration is critical. If production is limited to assembly with minimal local value creation, autonomy will not be strengthened. If investment includes supplier development, workforce training and technological collaboration, it can contribute meaningfully to industrial upgrading.

Spain's policy response reflects this distinction. Investment screening mechanisms have been strengthened to monitor sensitive sectors. Negotiations around large projects emphasize localization, employment commitments and integration into Spanish supply chains. The objective is structured engagement rather than passive openness.

In telecommunications, Spain has adopted a similar approach. Chinese suppliers such as Huawei and ZTE remain part of its digital infrastructure. Rather than imposing blanket bans, Spanish authorities and telecom companies such as Telefónica have pursued diversification and risk mitigation. This technology-neutral stance reflects a desire to balance cost efficiency with security considerations.⁹

Nonetheless, Spain is not immune to structural pressure. Cheap Chinese imports can compress margins in European markets. Overcapacity in green technologies has intensified competition. Chinese presence in critical infrastructures represents a risk that must be managed. Strengthening strategic autonomy therefore requires not only attracting Chinese investment but also building domestic and European technological depth.

⁸ ANFAC (2025) "Plan España Auto 2030: la hoja de ruta para reindustrializar la automoción y situar España a la vanguardia europea", December 3. <https://anfac.com/plan-espana-auto-2030-la-hoja-de-ruta-para-reindustrializar-la-automocion-y-situar-espana-a-la-vanguardia-europea/>

⁹ Ramón Muñoz (2025) "Telefónica renueva con Huawei el contrato más importante de su red 5G", El País, August 21. <https://elpais.com/economia/2025-08-21/telefonica-renueva-con-huawei-el-contrato-mas-importante-de-su-red-5g.html>

4. Opportunities, Risks and the Domestic Political Economy

The central question for Spanish policymakers is not whether engagement with China is desirable in abstract terms, but under what conditions it strengthens domestic industry, employment and technological upgrading while containing structural vulnerabilities. In other words, it is developed not by ideological preference but rather by a pragmatic political economy calculation.

Unlike some other large European economies such as Hungary, Germany, France or the United Kingdom, Spain has not historically been a primary destination for Chinese investment. While the current wave of investment in electric vehicles, batteries and other clean technologies has seen Spain gain appeal due to its green ambitions and abundant sun, Chinese capital flows into Spain have generally been relatively modest.¹⁰ This matters because Spain approaches Chinese investment not from a position of overexposure, but from one of selective engagement.

This contrasts sharply with the experience of countries such as Greece or Portugal during the euro crisis. In those cases, fiscal distress and bailout conditions created pressure to privatize strategic assets, opening the door to Chinese acquisitions in ports, energy or other critical sectors. Spain, although affected by the crisis, maintained sufficient fiscal and political capacity to avoid large-scale sales of strategic infrastructure to Chinese investors. It was able to protect key sectors and retain greater control over ownership structures. This legacy shapes current debates: engagement is seen as a choice, not as a necessity born of weakness.

The renewed interest of Chinese firms in Spain is therefore interpreted through a strategic lens. In clean technologies, Chinese leadership in batteries, photovoltaic components and energy storage systems offers tangible benefits. These technologies are central to Spain's energy transition and industrial transformation. Affordable inputs reduce production costs and accelerate renewable deployment. In a context of fiscal constraint and high energy prices, cost efficiency directly enhances competitiveness.

At the same time, the Spanish government is clear about the conditions under which such engagement is

acceptable. The objective is not to attract investment at any price, but to ensure that capital inflows generate local value, employment and technological spillovers. The Chery–Ebro joint venture is illustrative. The strategic aim is that the plant in Barcelona does not operate merely as an assembly facility importing most components from China, but as a node of local value creation embedded in Spanish supplier networks and as a future research and development hub for the European market.¹¹ Similarly, the Stellantis–CATL battery partnership in Zaragoza represents a test case for whether large-scale battery production can anchor Spain more deeply in European electric mobility value chains.

The CATL project has also brought the labor dimension of engagement into sharper focus. Reports suggesting that up to 2000 Chinese workers could be involved in building the Zaragoza factory generated public debate.¹² The government has clarified that the majority of these workers would only be involved in the construction phase, spread over several years, and that only around 300 visas have been granted so far. CATL has further indicated that once the plant becomes operational, fewer than ten percent of the workforce will be Chinese, with the overwhelming majority recruited locally.¹³

Spanish trade unions have raised concerns, primarily regarding the degree of technology transfer and the balance between Chinese and Spanish personnel. Their stance, however, has been broadly cooperative rather than confrontational. Unions recognize Spain's strategic need to secure battery manufacturing capacity and to position itself within European electric mobility value chains. Their demands focus less on blocking investment and more on ensuring that it delivers quality employment, training and long-term industrial anchoring.

This conditional logic defines Spain's broader approach. If trade tensions between the EU and China push Chinese firms to localize production within Europe in order to avoid tariffs or trade barriers, Spain seeks to capture part of this relocation. However, localization must translate into genuine industrial upgrading rather than

¹⁰ Agatha Kratz (2025) "Chinese Investment Rebounds Despite Growing Frictions: Chinese FDI in Europe in 2024", Rhodium Group, May 21. <https://rhg.com/research/chinese-investment-rebounds-despite-growing-frictions-chinese-fdi-in-europe-in-2024/>

¹¹ Diego García (2025) "Chery apuesta por España: La matriz de Ebro, Omoda y Jaecoo creará un nuevo centro de I+D en Barcelona", *Car and Driver*, August 1. <https://www.caranddriver.com/es/coches/planeta-motor/a65563601/chery-ebro-centro-id-en-barcelona/>

¹² Barney Jopson et al. (2025) "China sends 2,000 workers to build battery power in Europe", *Financial Times*, September 27. <https://www.ft.com/content/0f2637ae-f49c-45c5-845f-3b7aa10bea0f>

¹³ Alejandra Otero (2025) "Dar trabajo a españoles en vez de a chinos: CATL promete que en su fábrica de baterías de España los operarios sobre todo serán de aquí", *Motorpasion*, November 28. <https://www.motorpasion.com/industria/confirmado-gigante-chino-catl-dara-trabajo-todo-a-espanoles-mayor-fabrica-baterias-que-habra-espana>

enclave production. The legitimacy of engagement depends on visible contributions to domestic capabilities.

Chinese investment in ports offers another example of pragmatic assessment. Chinese operators control several terminals in Bilbao, Valencia and Barcelona. To date, this presence has not been widely perceived as a strategic liability. On the contrary, it has often been associated with increased port traffic, logistics integration and revenue generation. The debate has focused less on geopolitical risk and more on economic performance.¹⁴ Nevertheless, governance mechanisms remain in place to ensure oversight and resilience.

Risks are not dismissed. Overdependence on Chinese technology in batteries, storage systems or digital infrastructure could constrain long-term policy autonomy. Supply chain concentration increases vulnerability to geopolitical disruption. Control over critical infrastructure requires careful monitoring, even if commercially motivated.

Geopolitical rivalry between the United States and China adds an additional layer of uncertainty. Spain's NATO membership places structural limits on how far it can diverge from transatlantic security alignments. A sharp deterioration in US–China relations could narrow policy options and complicate economic engagement. Spain is therefore attentive to EU coordination and does not pursue unilateral initiatives detached from European frameworks.

In addition, domestic labor and social standards remain central to the sustainability of the strategy. The Government is aware that large-scale investments are only politically viable if they create stable, quality employment and foster skill upgrading. Workforce integration, training commitments and compliance with labor regulations are not secondary issues; they are essential to maintaining social support. Engagement with China must demonstrably benefit Spanish workers and industrial ecosystems if it is to endure.

Importantly, up to now, there is broad cross-party consensus in Spain in favor of this calibrated approach. Unlike in some EU member states where China policy is highly polarized, Spanish political elites across the center-right and center-left converge broadly on the view that engagement is necessary but must be structured and embedded in European coordination. This consensus reduces volatility and provides predictability to investors and partners.

The political economy of Spain's China strategy is therefore anchored in conditional openness. Engagement is justified insofar as it strengthens domestic industrial capacity, creates employment and contributes to technological upgrading. Risk is addressed through institutional mechanisms, screening tools and EU coordination rather than through wholesale disengagement.

In this framework, China is neither excessively romanticized nor securitized. It is treated as a structural

economic actor whose presence can be leveraged to strengthen Spain's industrial base, provided that governance remains robust and strategic autonomy is continuously reinforced.

¹⁴ Ángel C. Álvarez (2026) "China dobla a Estados Unidos en contenedores en el puerto de Valencia tras crecer un 57% en tres años", *El Economista*, February 6. <https://www.eleconomista.es/transportes-turismo/noticias/13763090/02/26/china-dobla-a-estados-unidos-en-contenedores-en-el-puerto-de-valencia-tras-crecer-un-57-en-tres-anos.html>

5. Strengthening Europe's Strategic Autonomy under a China Shock 2.0

The Spanish strategy analyzed here falls within a wider European debate about how to respond to China's structural industrial ascent. China now accounts for close to one third of global industrial production and dominates critical segments of green technology ecosystems. Its electrified manufacturing base, scale economies and cost advantages have reshaped global competition in ways that Europe cannot ignore.¹⁵

From Madrid's perspective, U.S.-led attempts at full containment face structural limits and high costs. Europe remains deeply integrated into Chinese supply chains, particularly in batteries, renewable technologies and intermediate industrial inputs. Abrupt decoupling would disrupt production networks, increase costs and potentially undermine Europe's climate and industrial objectives. At the same time, passive openness would risk accelerating industrial erosion in strategic sectors. The challenge is therefore not whether to engage or disengage, but how to reshape interdependence in Europe's favor.

Germany's position illustrates this tension, which Spain observes with great preoccupation. Germany's automotive and machinery sectors face increasingly direct competition from Chinese firms in both European and global markets. For an economy that has historically occupied the top of the technological pyramid (and has heavily invested in Spain), the China Shock 2.0 represents not only competition but displacement. The positive outcome is that this has intensified calls in Berlin and Brussels for trade defense, reciprocity and a more assertive industrial policy.

Across the EU, debates about European preference, localization requirements and cleantech acceleration reflect a search for instruments capable of strengthening competitiveness. The idea of linking public funding to local value creation, technological development and workforce commitments has gained traction. These discussions are not purely defensive; they signal a recognition that Europe must move from risk management toward proactive industrial consolidation.

Spain broadly supports this evolution. The Spanish government has actively engaged with Commissioner Stéphane Séjourné in the development of the proposed Industrial Accelerator Act, seeing it as an opportunity to

coordinate industrial upgrading at EU level. For Madrid, strengthening strategic autonomy requires common European tools rather than fragmented national responses.

At the same time, Spain remains cautious about turning industrial policy into protectionism. Tariffs may offer short-term relief, but they do not close structural competitiveness gaps. Moreover, affordable Chinese green technologies can function as building blocks for Europe's own industrial transformation. The objective cannot be to insulate Europe from China, but to strategically instrumentalize interdependence.

This logic can be described as a form of "reverse Deng."¹⁶ If Deng Xiaoping's strategy opened China to foreign capital and technology to accelerate catch-up, Europe must now selectively open and condition engagement to regain technological momentum in areas where it lags behind. Europe is not at the frontier in sectors such as batteries. Rather than categorically excluding Chinese firms, Europe can leverage their technological maturity and cost efficiency while simultaneously building domestic capabilities for the next generation of technologies.

This dual strategy requires differentiation. Europe must protect sectors that are strategically vital for Germany, Spain and the Union as a whole, ensuring that key capabilities are not hollowed out. At the same time, it must use Chinese strengths pragmatically to accelerate its own industrial upgrading. Cheap Chinese technology inputs can reduce transition costs and free fiscal space for investment in frontier research and advanced manufacturing ecosystems.

To succeed, Europe must complement this strategy with deeper structural reforms. The Draghi¹⁷ and Letta¹⁸ reports have underscored the need for a more coherent European industrial policy capable of coordinating investment, innovation and market integration. Strengthening autonomy cannot rely solely on national initiatives; it requires a continental approach.

Financing is central. A credible industrial strategy demands substantial and sustained investment in research, infrastructure and production capacity. This is where Europe requires a central fiscal capacity capable of mobilizing resources at scale. Among Spanish political and eco-

¹⁵ Adam Tooze (2025) "How China's powerslide is driving the global green electricity transition", Adam Tooze Substack, May 19. <https://adamtooze.substack.com/p/chartbook-386-how-chinas-powerslide>

¹⁶ François Godement (2025) "Can Europe Do a "Reverse Deng" With China?", Institut Montaigne, March 21. <https://www.institutmontaigne.org/en/expressions/can-europe-do-reverse-deng-china>

¹⁷ Mario Draghi (2024) "The Future of European Competitiveness" https://commission.europa.eu/topics/competitiveness/draghi-report_en

¹⁸ Enrico Letta (2024) "Much more than a Market" <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

conomic elites, there is broad consensus that strengthening European fiscal tools is essential if the Union is to compete effectively in the coming decades.¹⁹

Spain's pragmatic engagement with China therefore makes sense only within a larger European project. While engagement provides access to technology, markets and capital, autonomy will only be strengthened if Europe simultaneously builds its own technological depth, coordinates industrial policy and secures the fiscal means to sus-

tain long-term investment.

In this context, Spain's approach appears less as divergence and more as strategic calibration. It recognizes that containment alone cannot secure autonomy, and that openness without governance invites dependency. The task is to reshape interdependence into leverage. Strengthening strategic autonomy requires both protective measures in critical sectors and intelligent engagement in areas of complementarity.

6. Conclusion

Spain's China strategy is grounded in pragmatic engagement pursued to strengthen economic resilience and contribute to European strategic autonomy. It combines historical realism, sustained high-level political dialogue, structured industrial cooperation and active participation in EU economic security instruments.

Spain neither embraces simplistic containment nor ignores structural risks. Instead, it seeks to navigate interdependence in a manner that enhances leverage, supports industrial transformation and reinforces Europe's broader strategic capacity. Historically, Spain has always welcomed foreign investment to upgrade its industrial and technolog-

ical base. It seeks to do the same with China, while pushing for China to open its own market, especially in services where Spain and other European countries are relatively strong.

Ultimately, Europe's capacity to navigate China Shock 2.0 will determine whether engagement becomes a source of resilience or vulnerability. Spain's strategy represents an attempt to operate within the narrow but necessary space between avoiding overexposure to China but also isolation from it, aligning thus national pragmatism with a broader European ambition to consolidate its industrial and technological future.

¹⁹ Carlos Cuerdo (2026) "Europe's best bet for financial sovereignty is a true safe asset", *Financial Times*, February 11. <https://www.ft.com/content/f0c98d5d-3149-4150-a935-7d2cdb472fe4>

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