

#34 Dynamics of De-Risking: Towards resilient supply chains for antibiotics, drones and the electricity grid in the Netherlands

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Key Takeaways

- The EU and its member states face increasing risks from economic dependencies on China in vital sectors such as health, defence and energy.
- De-risking should reduce vulnerability in areas of vital importance without disrupting global markets through heavy state intervention.
- Dependencies differ by sector: antibiotics are mostly vulnerable upstream, drones across the entire supply chain, and electricity grids mainly at raw and processed materials level.
- Existing EU de-risking efforts are fragmented and need a comprehensive approach that accounts for cross-sectoral synergies and risks.
- The likelihood of geopolitically motivated disruptions is rising, making supply chain resilience an urgent Dutch and European policy priority.

Recommendations

- Dutch and European policymakers should define specific de-risking goals at the European level for each sector. This requires sector-specific targets and action guidelines developed in close collaboration with industry.
- Policymakers should adopt a cross-sectoral approach to support synergies and prevent unintended consequences. De-risking in one sector cannot be done in isolation, as actions in one area may trigger retaliation or market effects in another.
- The Netherlands and the EU should anticipate Chinese retaliation by preparing joint risk mitigation strategies. While the form and timing of retaliation are difficult to predict, China's economic statecraft toolbox is relatively well understood.
- Governments and industry should strengthen supply chain monitoring, stress testing and contingency planning in vital sectors. This can improve resilience to short-term disruptions while longer-term industrial measures take effect.
- Dutch and European policymakers should invest in domestic capacities, public-private partnerships and targeted industrial policy where dependencies are most acute. This is especially relevant for antibiotics production, drone ecosystems and strategic grid components such as GOES.

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Executive Summary

The EU and its member states face increasing risks due to economic dependencies on China in sectors of vital importance: health, defence and energy. China's increasing use of economic statecraft has the potential to threaten the security of these sectors, while Europe's significant import dependencies can delay policy goals such as the energy transition, affect military readiness and negatively impact the health of Dutch and European citizens.

The EU's response is the "de-risking" agenda, defined in this report as an effort to reduce vulnerability to other states' involvement in areas of vital importance to the European economy and society. The aim is not to disrupt global markets through heavy state intervention, but to ensure that sectors of vital importance are resilient. However, EU efforts remain fragmented, addressing individual sectors or instruments without a comprehensive cross-sectoral approach.

The report analyses antibiotics, drones and the electricity grid to identify supply chain vulnerabilities and evaluate interventions for the Netherlands and Europe. In antibiotics, dependencies on China are mostly upstream in the supply chain, and the market suffers from a lack of suppliers of primary manufacturing stages. In drones, dependencies on China run deep across the supply chain, especially for civil and dual-use drones. In the electricity grid, vulnerabilities lie mainly at the raw and processed materials level, with grain oriented electrical steel (GOES) standing out as a sector-specific concern.

The report concludes that de-risking requires clear sector-specific goals, close collaboration with industry and a cross-sectoral approach to support synergies and prevent unintended consequences. Since Chinese retaliation is difficult to predict but its economic statecraft toolbox is relatively well understood, Dutch and European policymakers should jointly prepare risk mitigation strategies. The tense geopolitical environment and Europe's vulnerable position in vital supply chains point to an urgent need to de-risk through investment in domestic capacities, public-private partnerships and cross-sectoral dialogue.