



EUROPEAN BUSINESS WEEKLY

The decisions and trends shaping Europe's business landscape, curated by EBS.

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BUSINESS

BRIEFING MODE

This week's highlights

TOP STORIES AT A GLANCE

Foreign Subsidies Clash Tests EU China Trade Talks

Brussels Softens Big Tech Enforcement Style

China Strains Germany's Car Model

EU Unlocks Defence Funding for Ukraine

Washington Prepares Economic Offensive Against Iran

Voters Complicate Brussels Buy European Push

Trump Pauses Canada Tariffs After Preliminary Deal





01 Foreign Subsidies Clash Tests EU China Trade Talks

China has pulled the EU's Foreign Subsidies Regulation into its wider trade dispute with Brussels, raising the stakes for newly revived negotiations. Beijing's Ministry of Justice has instructed Chinese companies not to provide information to EU officials in FSR investigations, targeting a tool designed to prevent foreign state support from distorting the single market. The move directly affects the Commission's probe into JD.com's proposed 2 billion euro acquisition of Germany's Ceconomy, owner of MediaMarkt. Brussels suspects JD.com may benefit from preferential financing, tax incentives and grants from the Chinese state. Beijing says the EU is abusing unilateral tools and requesting excessive information from Chinese banks.

The dispute comes as both sides discuss how to narrow the EU's 1 billion euro a day goods trade deficit with China. A September videoconference and a possible October visit by trade chief Maroš Šefčovič could determine whether engagement continues or Brussels moves toward stronger trade defence.

02 Brussels Softens Big Tech Enforcement Style

The European Commission appears to be shifting its Digital Markets Act enforcement from headline fines toward technical compliance and regulatory dialogue. A recent 890 million euro fine against Google brought total DMA penalties to 1.6 billion euro, far below the multibillion euro antitrust fines Brussels imposed in earlier Big Tech cases. Supporters say this reflects the DMA's goal of changing behaviour rather than maximising punishment.

Critics argue smaller penalties risk becoming a cost of doing business for dominant platforms and weaken trust among European digital firms seeking fairer access to search, app stores, cloud and online marketplaces. The Commission is increasingly using specification decisions, which define how companies must comply without formally finding illegality or imposing fines. These tools have forced Google to share search data and open Android to rival AI assistants. Yet smaller firms warn such measures do not reshape product design or support damages claims. The result is a quieter enforcement model whose success depends on measurable market impact.

03 China Strains Germany's Car Model

China was once the engine of German automotive profits. It is now becoming their greatest strategic liability. For decades, Volkswagen, BMW and Mercedes built fortunes in China through joint ventures and access to the world's largest car market. Chinese companies used that period to learn, invest and develop electric vehicles that are now cheaper and often better equipped than German rivals. China's car market has contracted by one fifth this year, intensifying competition and wiping out profits for foreign producers.

The pressure is now visible in Europe, where German carmakers have announced losses, job cuts and factory closure plans. BMW plans to cut 8,000 jobs in Germany by 2027, while Volkswagen is negotiating with unions over 100,000 job cuts. Sales of Chinese cars in the EU rose 63 percent in the first half of 2026 to nearly 549,000, around 10 percent of the market. The crisis is fuelling Germany's far right and testing Chancellor Friedrich Merz before eastern state elections.

04 EU Unlocks Defence Funding for Ukraine

The European Union has approved a 6.1 billion euro defence procurement package for Ukraine under its 90 billion euro loan programme. The funding is intended to help Kyiv acquire air and missile defence systems, missiles, ammunition and radars as Russia intensifies attacks on Ukrainian cities and infrastructure. Commission President Ursula von der Leyen said Europe is stepping up to help Ukraine defend its skies, while Defence Commissioner Andrius Kubilius framed the measure as concrete support for sovereignty under relentless Russian pressure.

The Commission said most procurement will come from European defence companies, with priority on firepower against ballistic missiles and jet engine drones. The announcement comes after Ukraine endured 376 missile strikes in June and coincides with Independence Day. It also precedes a Coalition of the Willing meeting in Kyiv focused on air defence and winter energy resilience. The package strengthens Ukraine's short term military capacity while reinforcing the EU's effort to tie support for Kyiv to Europe's defence industrial base.

05 Washington Prepares Economic Offensive Against Iran

The United States is preparing a major sanctions package against Iran after Treasury Secretary Scott Bessent announced what he called an economic D Day. The measures, due to be detailed on Monday, are intended to cut off the financial and commercial lifelines sustaining Tehran after the Trump administration's military campaign against Iran's nuclear and military capabilities. Bessent warned countries and companies involved in Iranian petroleum purchases, financial channels, exchange houses, free trade zones, aviation, ship registries or seaborne fuel transfers that continued links could trigger isolation.

The package is expected to focus on secondary sanctions layered on top of the naval blockade, targeting buyers of Iranian oil and those supporting related banking and shipping networks. Markets have so far reacted cautiously. Brent crude traded around 91.5 dollars on Monday morning, down 2 percent from Friday, while West Texas Intermediate stood near 86.2 dollars. Temporary increases in tanker traffic through the Strait of Hormuz may be easing immediate supply fears.

06 Voters Complicate Brussels Buy European Push

New polling suggests the EU's push for a Buy European industrial policy may face a political obstacle at home: voters often prefer national products over products made elsewhere in Europe. The findings arrive as Brussels negotiates the Industrial Accelerator Act, which would give European companies an advantage in public procurement, a market worth about 17 percent of EU economic output. The proposal is intended to strengthen Europe's industrial base against Chinese export dominance and support clean technology manufacturing.

Yet in 23 of 25 countries surveyed, respondents showed greater support for buying domestically than for a broader European preference. Public First surveyed 26,283 adults across 24 EU countries and the UK. Support for protection also falls when voters are told it could raise prices. Only 35 percent backed tariffs on Chinese technology when informed of potential cost increases. The polling exposes Brussels' dilemma: voters want industrial sovereignty and affordable goods, but not necessarily deeper European pooling at the expense of national preference.

07 Trump Pauses Canada Tariffs After Preliminary Deal

President Donald Trump has paused planned 50 percent tariffs on Canadian goods after Washington and Ottawa reached a preliminary agreement only hours before the duties were due to begin. The three day delay gives both governments time to finalise documents and could avert a damaging trade dispute between two deeply integrated economies. Canadian Prime Minister Mark Carney confirmed that substantial progress had been made but said further work remained.

The deal is expected to address market access for US goods, economic security, digital trade alignment and long standing irritants including automobile tariffs and Canada's dairy protections. Trump also suggested the agreement could revive discussion of the Keystone XL pipeline. The threatened tariffs would have covered about 20 billion dollars of the more than 383 billion dollars in US imports from Canada, targeting products such as hockey equipment, alcohol and forestry goods. Industry groups welcomed the pause but warned that only a signed agreement will provide the certainty businesses need.

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