

Weekly China Insight

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Xi and Macron pledge cooperation on trade and global stability in high-level call

On 22 May, Chinese President Xi Jinping held a phone call with French President Emmanuel Macron amid rising global trade tensions and just ahead of Macron's diplomatic tour of Southeast Asia. The two presidents sought to de-escalate trade frictions and reaffirm cooperation on global security. The conversation centered on China's anti-dumping probe into French cognac, which is widely seen as retaliation for EU tariffs on Chinese electric vehicles. Macron emphasized the need for fair competition, stating that French companies must enjoy reciprocal market access, and both leaders agreed to accelerate resolution of the brandy dispute. Beyond trade, Macron called for stronger coordination on the wars in Ukraine and Gaza. He pledged to work with Beijing toward an immediate ceasefire in Ukraine and to co-host a peace conference on a two-state solution for the Middle East in New York this June. Xi, in turn, reaffirmed China's commitment to a balanced and mutually beneficial partnership with France, urged France to help safeguard international trade rules, and reiterated support for EU strategic autonomy.

The Xi-Macron call reflects China's strategy to strengthen ties with Europe amid intensifying US-China rivalry, using bilateral trade incentives and multilateral diplomacy to stabilize relations with key EU powers while pressing for European strategic autonomy.

Europe tightens pressure on China with new sanctions and parcel fees

On 21 May, the European Union launched two separate but strategically aligned measures that intensify pressure on Chinese entities: sanctions on firms linked to Russia's war machine and a new customs fee on Chinese e-commerce shipments. The EU's 17th sanctions package on Russia includes, for the first time, three unnamed Chinese companies accused of supplying critical components, such as drone parts, to the Russian military, marking a notable expansion of Brussels' extraterritorial enforcement. China swiftly condemned the move, accusing the EU of "double standards" and warning it undermines lawful Chinese commercial interests.

Simultaneously, the European Commission proposed a EUR2 customs fee on low-value packages (under EUR150) shipped directly to EU consumers. Over 90% of such low-value packages originate from China via e-commerce platforms like Shein and Temu. As part of broader customs reform, the new customs fee aims to protect domestic producers and encourage Chinese retailers to shift direct-shipping toward EU-based distribution channels.

The dual measures reflect a growing European willingness to challenge China's strategic and commercial interests. The new customs fee imposed on low-value packages demonstrates a trend that as Chinese exporters increasingly pivot toward non-US markets to absorb excess supply, a growing number of countries are expected to introduce protective barriers to shield local industries from a flood of low-cost Chinese goods. If other G7 economies follow suit with

similar measures, the cumulative financial strain could severely impact the profitability of Chinese e-commerce firms.

Beijing warns global firms over US chip ban as tech war escalates

On 21 May, China's commerce ministry (MofCom) issued a forceful warning that companies complying with newly issued US restrictions on Chinese advanced computing chips, particularly Huawei's Ascend series, could face legal liability under China's Anti-Foreign Sanctions Law. The statement followed updated US Commerce Department guidance that framed the use of Huawei's AI chips as a likely violation of US export controls. Beijing called the measures "unilateral bullying and protectionism," and accused Washington of undermining recent diplomatic progress, including the 90-day tariff truce reached during high-level trade talks in Geneva. Huawei, which has made significant advances with its domestically developed Ascend 910 series, is central to China's AI and semiconductor ambitions under Xi Jinping's push for technological self-reliance. US semiconductor firms, including Nvidia, have publicly criticized the controls, citing major financial losses and lost access to a Chinese AI market projected to be worth USD 50 billion by 2026.

China's threat of legal countermeasures against global firms complying with US trade restrictions signals a hardening stance in the tech rivalry between the two countries. China's statement is raising the stakes for multinational companies caught between conflicting regulatory regimes in Beijing and Washington. Moves by both US and China are accelerating the decoupling of global semiconductor value chains.

Nine agencies issue comprehensive plan to boost sci-tech services sector

On 19 May, China's industry regulator (MIIT), in coordination with eight other government agencies including the macro manager (NDRC) and the science ministry (MoST), released a joint implementation guideline aimed at accelerating the high-quality development of the science and technology (sci-tech) services sector. The guideline sets a strategic framework centered on innovation-driven and market-oriented principles to enhance service capabilities, expand the scale and efficiency of the sector, and promote the commercialization of scientific breakthroughs into commercial applications. The guideline targets eleven core areas, ranging from R&D and technology transfer to IP services and sci-tech finance, emphasizing the development of integrated technology markets, green technology application, and platform-based service models. It also calls for building a unified national technology transaction platform, strengthening talent pipelines, and constructing specialized innovation clusters. Institutional reforms, enhanced policy coordination, and international collaboration are highlighted as ways to support the development of the sci0tech services sector.

This coordinated policy initiative marks a substantive shift from fragmented government support to systemic integration of China's sci-tech services, positioning the sector as a strategic lever to upgrade industrial productivity and secure global competitiveness in core technologies.