

Weekly China Insight

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China and EU mark 50 years of diplomatic ties with renewed strategic overtures

On 6 May, Chinese President Xi Jinping exchanged congratulatory messages with European Council President Antonio Costa and European Commission President Ursula von der Leyen to commemorate the 50th anniversary of China-EU diplomatic relations. Xi emphasized that China and the EU, as “two major forces” promoting multilateralism and globalization, should deepen strategic dialogue, expand mutual openness, and jointly address global challenges. The exchange came amid a thaw in relations following China’s lifting of sanctions on members of the European Parliament, while the EU reiterated concerns about market access and Chinese industrial overcapacity. A new round of high-level meetings, including a summit in Beijing scheduled for July, is expected to focus on trade, green transition, and digital governance.

The 50th anniversary offers symbolic affirmation of strategic interdependence between China and the EU, but substantive progress toward more productive ties will depend on how both sides reconcile diverging values with the shared urgency to hedge against US retreat from global economic and diplomatic engagement under President Trump.

Xi and Putin consolidate “no limits” partnership with new strategic agreement

On 8 May, Chinese President Xi Jinping concluded a high-profile state-visit to Russia and a summit with Russian President Vladimir Putin in Moscow, marking a new phase in China-Russia relations with the signing of a comprehensive agreement titled Joint Statement on Further Deepening the China-Russia Comprehensive Strategic Partnership of Coordination for a New Era. The summit, which took place amid Russia’s 80th Victory Day celebrations, showcased the two leaders’ alignment in opposition to the US-led global order and underscored their shared vision for a multipolar world rooted in sovereign equality and “true multilateralism.”

While at Kremlin, Xi and Putin emphasized their nations’ role as stabilizing forces on the international stage and sharply criticized what they saw as “hegemonic bullying” and “unilateral illegitimate sanctions” imposed by Washington and its allies. Xi stated that China “will work with Russia to shoulder the special responsibilities of major world powers,” while Putin hailed the “unbreakable friendship” between the two countries and declared that bilateral relations had reached their “highest level in history.”

The new joint statement lays out a sweeping framework for bilateral coordination across security, economy, technology, and governance. Key provisions include a pledge to strengthen military and defense cooperation, a commitment to accelerate the Power of Siberia II gas pipeline, and an impending plan to elevate bilateral trade.

This is Xi's first in-person meeting with Putin since the start of Donald Trump's second presidential term. The joint statement serves as a pointed message to Washington, criticizing "external interference" in domestic affairs and reaffirming support for each other's core interests.

This summit institutionalizes a more formalized China-Russia alignment, signaling to the West that both powers are prepared to coordinate more systematically across global issues.

US and China to hold high-level tariff talks in Geneva as economic strains mount

On 11 May, US Treasury Secretary Scott Bessent, Trade Representative Jamieson Greer and Chinese Vice Premier He Lifeng will meet in Geneva for the first senior-level trade talks between the two countries since President Trump's sweeping 145% tariffs on Chinese goods triggered an effective embargo in bilateral trade. While both sides have described the meeting as a step toward de-escalation, expectations remain low for any meaningful breakthrough, as neither Washington nor Beijing has signaled readiness to make concrete concessions.

Beijing describes the trade talk will take place amid repeated overtures and outreaches from the US side. However, Chinese officials have warned that they will not tolerate US coercion, framing the meeting as a fact-finding mission rather than a step toward compromise. President Trump has rejected the idea of lowering tariffs as a precondition for the talks, while Secretary Bessent has emphasized the need to de-escalate before moving forward.

While the upcoming Geneva talks mark a tactical thaw in the US-China trade war, China is unlikely to offer concessions without reciprocal steps. Meanwhile, Trump's hardline stance suggests these negotiations are more about political optics than a resolution. It is expected that both sides will explore limited tariff adjustments and export controls in this weekend's discussion.

China unveils sweeping monetary stimulus to shore up economy

On 7 May, the Chinese central bank (PBoC) announced a comprehensive monetary support package to counter rising deflationary pressures ahead of the high-level trade talks with the US. The PBoC introduced a 10-point plan that includes benchmark interest rate cuts, a 0.5 percentage point reduction in the reserve requirement ratio (RRR), and targeted liquidity tools to support consumption, technology innovation, and capital markets.

Specifically, effective 8 May, the PBoC will lower its 7-day reverse repo rate by 10 basis points to 1.4%, signaling the start of a broader easing cycle. On 15 May, the RRR cut, expected to release RMB 1 trillion (USD 138 billion) in long-term liquidity, will bring the average reserve ratio down to 6.2%. The central bank will also expand structural tools, including RMB 300 billion in new tech refinancing quotas and a RMB 500 billion facility for elderly care and consumer services. Additional regulatory reforms are also plan to channel long-term capital into stock markets to support listed firms hit by US tariffs.

The monetary stimulus package was coordinated with the financial regulator (NFRA) and the securities regulator (CSRC), which rolled out parallel policies to stabilize the real estate market, bolster small- and medium-sized enterprises, and facilitate equity market access.

This monetary package signals Beijing's intent to cushion internal shocks from trade tensions with the US while projecting resilience externally. The monetary support measures will also likely strengthen Beijing's leverage at the negotiation table in Geneva this weekend, with a more stabilizing currency and mitigated risks for capital outflows. However, the effectiveness of the monetary easing measures will hinge on restoring domestic demand and investor confidence, which are unlikely to fully recover without parallel progress in de-escalating the US-China tariff standoff.

China enacts landmark law to strengthen confidence in the private sector

On 30 April, the Chinese legislature (NPCSC) passed its first comprehensive law dedicated to promoting the private economy, signaling a decisive institutional commitment to bolstering private enterprise amid ongoing economic uncertainty and global headwinds. Set to take effect on 20 May, the Private Economy Promotion Law codifies long-standing Party and state promises to ensure fair treatment, legal protection, and equal access for the private sector, an economic engine responsible for over 60% of China's GDP, 70% of innovation, and 80% of China's urban employment.

The law formalizes principles such as fair competition, market access parity, and equal access to factors of production like capital, land, and data. For the first time, the “two unshakeables” policy, supporting both public and private economies, has been written into Chinese law, reinforcing the government's stated long-term support for private businesses. The law also encourages private participation in national strategic sectors, allowing minority equity in nuclear energy projects and major roles in industrial upgrading, resource recycling, and high-tech industries.

The enactment of the Private Economy Promotion Law is a politically significant step that institutionalizes private enterprises as a strategic pillar of China's economy.