Weekly China Insight

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EU-China trade tensions escalate ahead of July summit, with talks stalled

On 17 June, the FT scooped that the EU declined to hold a scheduled High-Level Economic and Trade Dialogue with China, citing lack of progress on a range of commercial disputes. The EU snub comes just weeks before a planned leaders' summit in Beijing and reflects deepening EU-China friction over government subsidies, market access, and regulatory practices. The EU has imposed tariffs on Chinese EVs and banned Chinese medical devices from public procurement, while China has retaliated with anti-dumping probes into EU brandy, pork, and dairy, and restricted rare earth exports critical to European industry.

On 18 June, a spokesperson from the Chinese foreign ministry rebuked EU Commission President Ursula von der Leyen's comments made at the G7 accusing China of "weaponizing" its rare earth resources and distorting international markets through overcapacity. The Chinese spokesperson called von der Leyen's claims biased and protectionist. Beijing emphasized its market openness and adherence to WTO rules, accusing the EU of hypocrisy while citing the figures of EU's own government subsidies.

The stalled economic dialogue and rhetorical clashes signal mounting strategic distrust between Brussels and Beijing. Unless both sides shift from symbolic positioning to substantive compromises, the July summit may yield more friction than progress.

China accelerates push to elevate Shanghai as a global financial center

On 18 June, the Chinese Communist Party's top financial authority, the Central Financial Commission (CFC), unveiled a sweeping blueprint to transform Shanghai into a world-class financial hub within ten years, marking a significant step in China's national efforts to internationalize its financial system. The blueprint outlines a six-pronged strategy focused on deepening market reforms, enhancing institutional openness, improving financial infrastructure, and positioning Shanghai as a global center for RMB asset allocation and risk management.

On the same day, the central government's financial regulator (NFRA) and the Shanghai municipal government jointly issued the accompanying action plan to implement the CFC's blueprint. The action plan encourages domestic and foreign banks, insurers, and global financial organizations to deepen their presence in Shanghai, and calls on local authorities to expand services for financial institutions and collaborate more effectively. The action plan also sets up Shanghai to pilot new cross-border lending mechanisms in its Free Trade Zone and expand reinsurance, marine insurance, and offshore financial services. The action plan further urges efforts to build a financial consumer protection center, develop a modern asset management platform, recruit global financial talent into the city, and integrate legal infrastructure, regulatory technology, and data systems to back Shanghai's transformation.

In parallel, Shanghai and Hong Kong signed a 38-point agreement to jointly boost their international financial roles. The agreement promotes market interconnectivity, coordinated innovation in cross-border RMB payments and digital finance, and cooperation in green finance and fin-tech.

These three synchronized moves represent Beijing's most comprehensive push yet to anchor Shanghai as a pillar of global finance, signaling enduring commitment to high-level financial opening, even amid geopolitical headwinds and global decoupling pressures. The action plan represents a multifaceted approach to financial opening, aiming not only to attract capital but also to build institutional depth, technological leadership, and regulatory resilience in Shanghai. Going forward, Shanghai is set to gradually assume Hong Kong's traditional role as China's primary gateway to global financial markets and its key bridge to Western financial systems.

Top Chinese financial officials highlight global vacuum in monetary policy coordination

On 18 June, at the annual Lujiazui financial forum in Shanghai, both China's current central bank governor Pan Gongsheng and former governor Zhou Xiaochuan called to address the systemic weaknesses in global monetary policy coordination. Pan, in his keynote speech, stressed that the current international monetary system is evolving into a multipolar structure with several sovereign currencies, necessitating shared responsibility and discipline from major currency issuers. He called for reforms to the global financial stability framework, criticizing fragmented regulation, weak oversight of non-bank financial institutions, and uncoordinated international financial governance.

Zhou, speaking later, criticized the fact that no single international body is tasked with overseeing macroeconomic coordination, whereas existing mechanisms, such as the IMF, lack authority to coordinate global monetary policy due to structural constraints such as the US veto. Zhou suggested that more research, debate, and international dialogue are needed to work towards a more functional global macroeconomic governance framework.

Their remarks reflect growing frustration among emerging economies over unilateral monetary policymaking by major developed economies, highlighting a strategic void in global financial governance that may become more destabilizing amid rising geopolitical fragmentation.

Chinese domestic consumption surges in May as big-ticket items drive retail rebound

On 16 June, China's national statistics bureau (NBS) reported that retail sales in China rose 6.4% y/y in May, accelerating from April's 5.1% y/y increase. The retail growth was powered by big-ticket items: sales of household appliances jumped 53% y/y, mobile phones surged 33% y/y, furniture grew 25.6% y/y, while auto sales edged up 1.1% y/y. Urban consumption expanded 6.5% y/y, outpacing rural consumption growth, which came in at 5.4% y/y, for the third consecutive month, reflecting gradually improving urban consumer sentiment. Seasonally adjusted retail sales rose 0.9% m/m, nearly doubling April's pace. However, cumulative retail sales from January to May grew by only 5.0% y/y, lagging the growth rates of industrial output and GDP.

May's robust retail figures appears driven more by targeted government policy support, especially the trade-in subsidies, than a fundamental recovery in consumer confidence. The surge in big-ticket retail sales suggests targeted stimulus is successfully unlocking demand, particularly in urban markets, but several more months of consistent growth will be needed to confirm a genuine and sustained revival in overall household consumption.