

Weekly China Insight

Beijing, 1 August 2025

Swedish and Chinese senior officials held bilateral meetings

On 28 July, Swedish Prime Minister Ulf Kristersson met with Chinese Vice Premier He Lifeng in Stockholm, during the latter's visit to Sweden for the U.S.-China trade negotiations. The two sides reaffirmed shared support for multilateralism and agreed to intensify economic and political collaboration.

On 30 July, China's international trade representative Li Chenggang held talks with Mr. Benjamin Dousa, Sweden's Minister for International Development Cooperation and Foreign Trade, highlighting China's openness to increased Swedish import and welcoming Swedish firms to further invest in China. Li also urged Sweden to foster an open and non-discriminatory business environment for Chinese companies and to support balanced China-EU trade ties.

In a symbolic gesture underscoring bilateral goodwill, Sweden has been invited as the Guest Country of Honor at the 8th China International Import Expo (CIIE) in Shanghai, scheduled to convene between 5 and 10 November. The role provides Sweden a high-profile platform to present its strengths in innovation, green technology, and global collaboration.

The convergence of diplomatic milestones and trade diplomacy signals a strategic recalibration in China-Sweden relations, with both sides leveraging economic platforms like the CIIE to counterbalance geopolitical frictions.

US and China extend trade war truce as rare earths deal signals cautious progress

Between 28 and 29 July, Chinese Vice Premier He Lifeng and US Treasury Secretary Scott Bessent led a new round of US-China trade negotiations in Stockholm, marking another high-level trade engagement since their Geneva meeting in May. Both sides agreed to a 90-day extension of the current trade war truce, originally set to expire on 12 August, pending formal approval from President Trump on the US side.

During the negotiation, Chinese negotiators reportedly raised longstanding grievances, including fentanyl-related sanctions, while US officials focused on ensuring a stable flow of rare earth magnets, which are vital for the defense and high-tech sectors. US Trade Representative Jamieson Greer confirmed that China resumed licenses for US firms to access these materials, calling it Beijing's biggest concession. Despite no major breakthrough from the negotiations, both sides described the talks as candid, constructive, and aligned with the June 5 Xi-Trump consensus.

The trade war truce extension signals a fragile but functional détente, with both powers prioritizing supply chain stability and political optics ahead of a potential Trump visit to China.

Politburo sets cautious yet steady economic course for H2 as focus shifts to 15th Five-Year Plan

On 30 July, the Politburo convened its monthly meeting to chart China's economic direction for the second half of 2025 and set an October date for the Fourth Plenum, where groundwork for the 15th Five-Year Plan (2026–2030) will be laid out. At the monthly Politburo meeting, members described H1 growth, which came in at 5.3%, as resilient, crediting macro policies and “new quality productive forces,” while acknowledging persisting challenges such as weak domestic demand, low inflation, property market fragility, and lingering external uncertainties.

With the annual GDP target within reach, the Politburo signaled that no major fiscal or monetary stimulus is imminent, opting instead for targeted fiscal and monetary easing, when necessary. Specific support measures mentioned by the Politburo include accelerating government bond issuance, enhancing social safety nets, and launching further pro-consumption initiatives, particularly in services and urban renewal projects. While the troubled property sector was notably absent from the meeting's official readout, the leadership emphasized curbing overcapacity, regulating local investment competition, and supporting high-quality urban development.

With the annual growth target in sight, Beijing is prioritizing policy continuity and structural recalibration over aggressive stimulus. This approach signals that any future policy easing will be data-dependent and calibrated to geopolitical or market shocks.

China launches nationwide childcare subsidy to ease demographic decline

On 28 July, the general offices of the CCP's Central Committee and the State Council jointly issued an implementation plan for childcare subsidy, marking the country's first nationwide financial handout to families with young children. Starting retroactively from January of this year, families with children under the age of three will receive an annual subsidy of RMB 3,600 (approximately USD 500) per child. The subsidy is expected to reach 20 million families, and the central government has allocated a preliminary budget of RMB 90 billion for 2025 alone. The subsidy is tax-exempt and will not affect eligibility for other social assistance programs. A national information system has been created to streamline applications, manage data, and prevent misuse, with layered oversight from local and national authorities.

The modest level of the subsidy amount is unlikely to meaningfully reverse China's declining birthrate or alter cost-related deterrents to parenthood, yet the new childcare subsidy represents a significant shift toward proactive family support.