

Weekly China Insight

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Carney's China visit resets bilateral ties with breakthrough EV and canola tariff deals

On 16 January, Canadian Prime Minister Mark Carney concluded a four-day state visit to China, marking the first visit by a Canadian leader to China in nearly a decade. Following his meetings with President Xi Jinping and Premier Li Qiang, Carney announced a landmark agreement to roll back retaliatory tariffs imposed during years of strained relations. Canada will reduce tariffs on Chinese electric vehicles from 100% to a most-favored-nation rate of 6.1% for up to 49,000 units, while China will slash import duties on Canadian canola seed from an effective 84% to 15% starting 1 March. Tariffs on additional Canadian agricultural products, such as lobsters, crabs, and peas, will also be lifted. The deal is expected to unlock nearly \$3 billion in Canadian exports and catalyze Chinese joint-venture investment in Canada's auto sector within three years.

Carney framed the visit as a "strategic reset," aligning Canada's trade policy with new global realities and diversifying away from the US amid President Trump's revived tariff threats. Both sides agreed to revive high-level dialogues, deepen cooperation in clean energy and finance, and resume cultural exchanges, with China also granting visa-free access to Canadian travelers. Despite progress, Carney emphasized Canada's red lines on human rights and election interference, underscoring a narrowed, transactional framework for cooperation.

This state visit signals a cautious but substantive thaw in China–Canada ties, driven by shared economic interests and strategic hedging against US unpredictability. While geopolitical trust remains limited, the deal positions both countries to pragmatically re-engage across trade and investment, with potential ripple effects for other US allies seeking diversification.

EU and China reach breakthrough EV price deal, easing tariff tensions

On 12 January, the European Commission and China's Ministry of Commerce announced a preliminary agreement on price undertakings for Chinese battery electric vehicle (BEV) exports to the EU. The agreement marks an important de-escalation in the trade dispute over EV subsidies. The EU will now allow Chinese automakers to submit proposals outlining minimum import prices, export volume limits, and potential EU investment commitments, in exchange for reduced or waived countervailing duties that had ranged from 7.8% to 35.3% since late 2024.

The European Commission emphasized that all offers would be evaluated fairly, case-by-case, and under WTO rules, with the aim of eliminating the "injurious effects of subsidies." Chinese officials hailed the deal as a "soft landing," reinforcing global supply chain stability and the rules-based international trade order.

This price undertaking framework offers a pragmatic solution that protects EU industry while enabling China's EV makers to sustain their European push, potentially serving as a model for managing trade disputes amid growing global decoupling pressures. While the deal may limit short-term sales, especially for low-cost EV models, it is expected to improve profitability and brand value for Chinese manufacturers like BYD and Nio. The agreement could also reduce price wars and encourage higher-end design and localization.

China's trade tops RMB 45 trillion in 2025, driven by high-tech exports and diversified markets

On 14 January, China reported that its total goods trade reached a record RMB 45.47 trillion (approximately USD 6.48 trillion) in 2025, up 3.8% y/y, marking the ninth consecutive year of growth. Exports grew by 6.1% y/y to RMB 26.99 trillion, while imports rose slightly by 0.5% y/y to RMB 18.48 trillion, maintaining China's position as the world's largest trading nation and the second-largest import market for the 17th year. The annual trade surplus surged to a record USD 1.19 trillion, despite a sharp 20% y/y drop in exports to the US, which were offset by double-digit growth in trade with ASEAN, the EU, and Belt and Road countries. High-tech exports rose 13.2% y/y to RMB 5.25 trillion, with industrial robots, machine tools, and green products like lithium batteries and wind turbines seeing particularly strong growth. Import growth accelerated in the second half of the year, aided by stronger commodity inflows, rising imports from developing countries, and expanded tariff-free access for least developed nations.

China's 2025 trade performance highlights its resilience amid global headwinds, but rising surpluses and shifting trade flows could deepen geopolitical frictions and trigger further protectionist responses from key trading partners.

Chinese central bank reclassifies digital yuan as interest-bearing deposit

On 1 January, China's central bank (PBoC) implemented a sweeping overhaul of the digital yuan (e-CNY), reclassifying it from a cash-equivalent (M0) to an interest-bearing digital deposit. This rebranding aims to revive and promote further e-CNY adoption. Under the new regime, e-CNY balances will accrue interest, be protected under deposit insurance, and be treated as commercial bank liabilities, which will unlock credit creation potential and integrate e-CNY into the broader financial system. This shift enables financial institutions to manage e-CNY on their balance sheets, aligning incentives for commercial banks to promote usage. With 2.3 billion personal wallets opened and cumulative transactions reaching RMB 16.7 trillion by November 2025, the reform aims to push the digital currency beyond retail payments into investment, cross-border trade, and finance.

By embedding the digital yuan within the traditional banking architecture while retaining its blockchain features, China is pursuing a hybrid model that strengthens monetary control, boosts adoption, and positions the e-CNY as a strategic lever in cross-border finance and RMB internationalization.

Beijing launches antitrust probe into Trip.com amid escalating complaints from the hospitality sector

On 14 January, China's market regulator (SAMR) announced an antitrust investigation into Trip.com, the country's largest online travel platform, for allegedly abusing its dominant market position. Although SAMR did not detail the charges of the antitrust investigation, the move follows months of public complaints from hotel operators and industry associations, accusing the platform of coercive pricing tactics, arbitrary commission hikes, and technical manipulation of hotel rates. Local regulators in Guizhou and Zhengzhou had already issued warnings, while Trip.com was repeatedly summoned for talks throughout 2025 and criticized by state media for overriding hotel pricing autonomy. The company has pledged to fully cooperate, but its shares fell 6.5% in Hong Kong following the announcement. If found in violation, Trip.com could face fines of up to 10% of its annual revenue and be required to reform its business practices.

This antitrust investigation signals Beijing's broader campaign against "involution-style" price wars in the digital economy, with Trip.com becoming a high-profile test case of how regulators intend to rein in dominant platforms without reviving the sweeping tech crackdown of previous years.