

Weekly China Insight

Beijing, 27 February 2026

Merz stresses fair competition during his state visit to China

On 25 February, German Chancellor Friedrich Merz met with Chinese President Xi Jinping in Beijing during a two-day state visit that also included Hangzhou. During the meeting, Xi urged Germany to “strengthen strategic communication and enhance strategic mutual trust,” and called for continued progress in the China-Germany all-round strategic partnership, while urging Berlin to view China’s development “objectively and rationally” and pursue a “positive and pragmatic” China policy. Merz echoed the push for deeper ties, reaffirmed Germany’s one-China policy, and emphasized a European approach aimed at a “balanced, reliable, regulated and fair partnership” with China. Merz also raised concerns linked to trade competitiveness, telling Xi that Germany opposed any effort to use military force against Taiwan and asking Beijing to use its influence to help end Russia’s war in Ukraine.

Later speaking at the Advisory Council of German-Chinese Business alongside Chinese Premier Li Qiang, Merz urged Beijing to cut subsidies to domestic manufacturers, allow the RMB to rise, and ensure steady exports of key inputs such as critical minerals, arguing that these steps would restore fair competition and make bilateral ties more reliable. Merz brought with him a heavyweight corporate delegation, including executives from more than two dozen German firms such as Volkswagen, BMW and Siemens, Merz also met with Mercedes-Benz executives in Beijing before heading to Hangzhou to visit Unitree Robotics and meet the chairman of Siemens Energy. Merz highlighted the deal-making potential of his visit, citing a Chinese pledge to order up to 120 Airbus aircrafts. Merz said additional agreements could follow, even as he flagged the problems associated with Chinese overcapacity.

Merz’s Beijing trip underscored Germany’s structural dilemma. As Europe’s largest economy, Germany needs stronger export performance and expanded market access in China to narrow a trade deficit that reached nearly €90 billion in 2025, yet Berlin is simultaneously expected to carry Brussels’ tougher line on overcapacity, supply-chain resilience, Ukraine and Taiwan. By coupling calls for more balanced trade and additional commercial deals with pointed remarks on subsidies, currency valuation, industrial overcapacity and geopolitical flashpoints, Merz signaled that Germany will seek deeper economic engagement with China, but not at the expense of Europe’s broader strategic agenda.

Lunar New Year spending and travel hit record highs

Official data released between 20 and 24 February showed that China’s Lunar New Year holiday delivered record-breaking consumption and travel activity across the board. During the nine-day holiday from 15–23 February, authorities recorded 596 million domestic trips, up 95 million from the eight-day holiday in 2025, while domestic tourism spending reached RMB 803.5 billion, an increase of RMB 126.5 billion y/y. In the first four days alone, average daily sales at major retail and catering businesses rose 8.6% y/y.

By 22 February, figures showed the 2026 Spring Festival film season had generated over 50 RMB billion in total box office, including pre-sales, with total admissions surpassing 100 million people, marking the eighth consecutive year above that threshold.

Cross-border mobility also accelerated, with border authorities recording 17.796 million entries and exits during the holiday (average 1.977 million per day, up 10.1% y/y), including 9.514 million crossings by mainland residents, 6.969 million by Hong Kong/Macao/Taiwan residents, and 1.313 million by foreigners. Among inbound foreigners, 460,000 visitors entered under visa-free policies.

The holiday spending and travel data pointed to a broad-based holiday consumption rebound spanning retail, tourism, cross-border travel and entertainment.

Trump's China visit approaches amid tariff recalibration

On 24 February, the Chinese foreign ministry (MoFA) said Beijing and Washington are “maintaining communication” over a planned visit by US President Donald Trump to China, but declined to confirm specific dates, after the White House announced that Trump would travel to Beijing from 31 March to 2 April. The trip would mark Trump's first visit to China since returning to office and follows his October 2025 meeting with Chinese President Xi Jinping in Busan, where the two sides agreed to a one-year truce on tariff escalation.

The visit would happen on the backdrop of the US Supreme Court's ruling on 20 February that Trump had overstepped his authority in using the International Emergency Economic Powers Act (IEEPA) to impose sweeping tariffs, including 34% “Liberation Day” duties and 20% fentanyl-related tariffs on China. Following the Busan meeting, Washington cancelled 10% of the fentanyl tariffs and agreed to continue suspending 24% of the Liberation Day tariffs on Chinese products. In response to the ruling, Trump invoked Section 122 of the Trade Act of 1974 to impose a 15% global tariff, while US Trade Representative Jamieson Greer confirmed that existing China-specific tariffs would remain in place.

In response, Beijing reiterated that it consistently opposes all forms of unilateral tariff increases. Chinese commerce ministry (MofCom) said it was closely monitoring alternative US measures and will adjust countermeasures as appropriate, while preparing for a sixth round of bilateral economic and trade consultations expected to pave the way for the leaders' summit.

With the US Supreme Court decision constraining Trump's unilateral tariff authority but alternative trade tools still in play, the lead-up to the Trump-Xi meeting reflects a fragile truce in the bilateral economic relationship. The current conditions offer space for a potential new trade deal while carrying risks that renewed tariff actions could trigger another cycle of spiral escalation.

China grants visa-free entry to UK and Canadian nationals

On 15 February, the Chinese foreign ministry (MoFA) announced that from 17 February 2026, citizens of UK and Canada holding ordinary passports will be allowed visa-free entry to mainland China for stays of up to 30 days. The move aligns the UK and Canada with 50 other

countries already granted similar access, including France, Germany, Italy, and Australia. The announcement follows UK Prime Minister Sir Keir Starmer's official visit to China in January, during which he and President Xi Jinping agreed to relax travel rules and deepen cooperation in services, healthcare, green technology and finance.

By granting visa-free access to British and Canadian citizens, Beijing signals a calibrated effort to stabilize ties with key Western countries and stimulate inbound business and tourism. China's broader visa-free policy is also meant to test whether limited mobility concessions can translate into broader economic and diplomatic gains for Beijing.