

Weekly China Insight

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Spanish prime minister strengthens bilateral ties with China during state visit

Spanish Prime Minister Pedro Sánchez visited China from 11 to 15 April, meeting with Chinese President Xi Jinping and Premier Li Qiang to deepen bilateral relations in various sectors. During his discussions with Xi, Sánchez emphasized Spain's commitment to multilateralism and the pursuit of a multipolar world, highlighting Spain's firm support for China's role in international diplomacy, particularly regarding the Middle East and global peace efforts. The leaders also signed 19 agreements, aimed at enhancing trade, new energy, and technological cooperation, and expanding Spain's agricultural exports to China. Sánchez's visit marks his fourth trip to China in just over three years, reflecting the growing importance of Spain-China relations.

Sánchez's frequent state visit to China underscores Spain's strategic push to strengthen economic and political ties with China, positioning itself as a key player in bridging Europe and China despite growing global geopolitical headwinds.

China's strong Q1 growth masks soft demand and patchy growth momentum

On 16 April, China's National Bureau of Statistics (NBS) reported first-quarter GDP growth of 5.0% y/y, up from 4.5% in Q4 2025, with q/q growth at 1.3%, demonstrating a solid start to the year. Official data from NBS also showed improving industrial output, a return of producer price inflation, and faster trade growth.

However, March economic data suggested weaker underlying momentum, with export growing only 2.5% y/y – a dramatic slowdown from the 21.8% growth rate recorded for the first two months of the year. At the same time, industrial value-added slowed to 5.7% in March from 6.3% in January-February, retail sales eased to 1.7% in March from 2.8% in January-February, and private-sector industrial output grew only 4.0% y/y. Investment also remained uneven, with overall fixed-asset investment rising 1.7% y/y in March but property investment falling 11.2% y/y and private investment declining 2.2% y/y, underscoring persistent weakness in domestic demand. Trade was a key component for the strong growth momentum in Q1, with goods imports and exports up 15.0% y/y and Q1 exports growing 14.7% y/y.

China's Q1 economic data suggests the economy has stabilized and deflation pressures are easing. Nevertheless, the slowdown in March consumption, private-sector activity, and property investment indicates that growth remains reliant on industrial upgrading and trade rather than a broad-based recovery in domestic demand.

Xi Jinping meets Taiwan's KMT chairwoman to resume cross-strait dialogue

On 10 April, Chinese President Xi Jinping met with Kuomintang (KMT) Chairwoman Cheng Li-wun of Taiwan in Beijing, marking the first meeting between leaders of the two parties in nearly a decade. Cheng was in China for a five-day trip that started in Shanghai on 7 April, aimed at easing cross-strait tensions. During their meeting, Xi emphasized that despite changes in the international and cross-strait environment, the broader trend toward national rejuvenation and closer ties between people on both sides of the Taiwan Strait remains unchanged. Xi reaffirmed commitment to the "1992 Consensus" and opposition to "Taiwan independence" as the political foundation for engagement between the two sides. He outlined four priorities for cross-strait relations, including to strengthen shared national identity, to safeguard peaceful development, to expand exchanges to improve livelihoods, and to advance national rejuvenation through unity. Xi also signaled continued support for Taiwanese participation in mainland development, including economic integration and youth exchanges. Cheng echoed these positions, calling for enhanced political trust, expanded cooperation across economic and cultural fields, and framing dialogue as a necessary step to maintain peace and stability.

The Xi-Cheng meeting reflects Beijing's effort to re-engage with Taiwan's opposition Party as a channel for stabilizing cross-strait ties. Beijing is hoping to use the political signaling to shape the conditions for future cross-strait dialogue and the electoral dynamics in Taiwan.

China steps up efforts to attract more foreign-funded R&D centers

On 16 April, China's commerce ministry (MofCom) announced that China will enhance efforts to attract multinational corporations to establish research and development (R&D) centers in the country. Chinese officials stressed that these R&D centers have become an essential part of China's innovation ecosystem, with many multinational companies transforming their manufacturing bases into innovation hubs. Officials also emphasized that the move aligns with China's goal of fostering green, digital, and intelligent transformation while sharing development opportunities with global partners.

In 2025, foreign-funded R&D in China accounted for nearly 20% of total foreign investment, marking continued increase in R&D investment for seven consecutive years.

Companies like AstraZeneca, Philips, and Porsche have recently set up R&D centers in China, leveraging the country's robust industrial system, highly skilled workforce, and diverse application scenarios. Officials pledged to introduce more supportive policies, including to exempt foreign-funded R&D centers from import tariffs, value-added tax, and consumption tax on eligible research supplies.

Beijing is showing its commitment to working with multinational companies to invite more R&D investment and spending in China. Efforts like this aims to position China as a strategic location for global innovation.

