

Weekly China Insight

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Xi Jinping's North Korea visit underscores strategic alignment between China and the DPRK

On 8 June, Chinese president Xi Jinping began a two-day state visit to North Korea, his first trip to Pyongyang in seven years. Xi met North Korean leader Kim Jong Un at the Kumsusan State Guest House after a 21-gun salute and large-scale welcome ceremony in Kim Il Sung Square. At the meeting, Xi proposed four priorities for China-North Korea relations, anchored around stronger high-level and party-to-party exchanges, expanded practical cooperation in trade, agriculture, construction, technology and health care, deeper people-to-people ties, and closer strategic coordination on sovereignty, security, and development interests. Kim described relations with China as North Korea's "most important, first, strategic undertaking," pledged support for the One China principle, and said Pyongyang would work with Beijing to expand cooperation in trade, infrastructure, technology, education, and culture. Notably, official readouts from the meeting made no mention of the denuclearization issue on the Korean peninsula. Instead, state reporting from both sides emphasized socialist solidarity, border reopening, resumed flights and railway transits, and shared opposition to hegemonic behavior and power politics.

Xi's trip demonstrates Beijing's effort to reaffirm influence over Pyongyang amid closer strategic alignment between Russia and North Korea. By paying a personal visit to North Korea after seven years, Xi granted Kim diplomatic validation without exerting public pressure on DPRK's nuclear program.

China's NEV sales surge reaches a tipping point

China's new energy vehicle (NEV) market crossed a symbolic threshold in May as all of the top 10 passenger vehicle models by retail sales were NEVs, marking the complete disappearance of gasoline-powered cars from the monthly top-10 rankings. Just months earlier, gasoline vehicles still maintained a significant presence in the rankings, with seven gas-powered models appeared in the top 10 ranking in January, five in March, and one in April. In May, China's passenger-car NEV retail penetration rate reached a record of 62.9%. Retail sales of gas-powered passenger vehicles fell 39% y/y in May, reducing their market share to a historic low of 37.1%. Although overall passenger-car retail sales declined 22.1% y/y in May, gas-powered vehicles accounted for 82% of that market contraction.

The rapid expansion of NEVs in China exposes structural challenges in China's transport financing system. Road maintenance for ordinary public roads is funded primarily through the refined-oil consumption tax, which historically embodied a "more road use, more payment" principle. As NEVs consume little or no gas, they contribute far less to this

funding mechanism despite often being heavier than gas-powered vehicles. Policymakers are contemplating to have NEVs bear part of future road-maintenance costs, but no near-term solution has emerged.

While China's record NEV penetration rate demonstrates the success of industrial and consumption policies promoting NEVs, it is simultaneously undermining a road-financing model built around gasoline consumption. To find a sustainable replacement for declining fuel-tax revenues, policymakers might consider a mileage-based tax that is technology-neutral and more closely tied to actual road usage.

China moves to tighten controls on online business-related content

On 12 June, under the guidance of China's internet regulator (CAC), major internet platforms jointly released a set of self-discipline rules for regulating business-related information. The rules require platform companies to strengthen governance of content involving companies by removing verified false information, protecting companies' privacy, combating online abuse and defamation, and cracking down on coordinated bot campaigns and bot accounts. The rules also impose stricter controls on platform recommendation systems, requiring platforms not to promote social media accounts focused on discussing negative information about companies, while limiting the distribution of AI-generated negative content.

Platforms are advised not to feature AI-generated negative content about companies, unverified corporate controversies, business people's private lives, or public disputes between business leaders on hot-search lists and rankings. The rules also call for platforms to recognize official statements issued by companies on major platforms and to remove information that contradicts those statements once verified. The rules also require platforms to close social media accounts impersonating news organizations. According to the CAC, the rules are intended to strengthen industry self-regulation and improve China's online business environment.

The rules reflect a broader effort to curb online content seen as harmful to businesses, while placing greater responsibility on platforms to manage algorithms, rankings, and monetization systems.

College entrance exam registrations fall for a second year as provinces prepare for divergent demographic futures

On 3 June, the Chinese ministry of education revealed that 12.9 million high school seniors had registered for the 2026 nation-wide college entrance examinations (known in China as Gaokao). The number is down 450,000 from 2025 and marking the second consecutive annual decline after registrations peaked at 13.42 million in 2024. Provincial demographic changes will diverge sharply, with Beijing's cohort forecasted to nearly double from 488,700 in 2025 to 963,400 in 2035, while Heilongjiang's cohort expected to fall 45.80% by 2040.

The fall in Gaokao registration reflects fewer high school and vocational school entrants in earlier cohorts, a decline in repeat test-takers after restrictions on public schools to accept repeat students, and weaker incentives for some vocational students to pursue higher education as the salary premiums on college degrees soften. As China's population ages, the nation's higher-education-age population (defined as ages between 18 and 22) is projected to peak around 2034.
