Weekly China Insight

Beijing, 24 July 2026

China-EU ties experience renewed dialogue with greater economic tension

On 21 July, an eight-member European Parliament foreign affairs delegation began a three-day visit to Beijing and Shanghai, marking the committee's first trip to China and a further resumption of institutional exchanges after years of tension. During a meeting, Chinese foreign minister Wang Yi urged European lawmakers to view China more objectively, resist politicizing trade, and avoid extending national-security concerns into regular commercial exchanges. During the same meeting, European lawmakers raised issues including economic imbalances with China, the war in Ukraine, Chinese human rights issues, technology competition, and AI governance to Wang.

The diplomatic outreach was accompanied by escalating commercial conflict between China and EU. After the EU sanctioned 14 mainland Chinese and Hong Kong entities over alleged support for Russia, on 24 July, China placed 14 European companies and institutions on an export-control list, banning them from receiving Chinese dual-use goods. Beijing also condemned the European Commission's EUR 550 million fine on Alibaba's AliExpress as discriminatory and threatened "forceful measures" to defend Chinese companies.

On a positive note, both sides renewed a joint research framework covering climate, agriculture, bio-solutions and biodiversity through 2027, even as the EU excluded Chinese organizations from investing in critical fields such as AI, semiconductors, quantum technology, and biotechnology.

The latest developments between the EU and China show a relationship moving toward selective engagement rather than broad reconciliation. China and the EU still see value in cooperation on climate, energy, agriculture, and global crises, but trade actions, technology restrictions, and national security-related sanctions will increasingly be met with targeted retaliatory measures. This dynamic raises the risk that economic ties could fragment sector by sector, even without a full-scale economic confrontation between Beijing and Brussels.

Beijing keeps Xi's US trip on track despite mounting friction

In the lead-up to Chinese President Xi Jinping's planned September visit to the US, Washington has opened several new fronts of tension, including President Donald Trump's allegation that China compromised data on 220 million US voters during the 2020 US Presidential Election, a new 12.5% tariff on Chinese goods, and the Pentagon's expansion of a research-security blacklist to include China's Fudan and Shanghai Jiao Tong universities.

Beijing rejected the election interference accusation as fabricated, opposed the new tariffs, and criticized Washington for overstretching the boundaries of national security. However, Beijing's responses remained measured and were not accompanied by practical retaliation.

Diplomatic preparations have continued despite recent tensions. Chinese foreign minister Wang Yi and US Secretary of State Marco Rubio held a 90-minute in-person meeting on 22 July in the Philippines, which both sides described as constructive. Wang and Rubio discussed laying the groundwork for a positive September visit and agreed to prepare further high-level exchanges. Chinese vice foreign minister Ma Zhaoxu visited Washington on 22-23 July for talks with senior State Department, White House, Pentagon, and congressional officials, while Washington also allowed a Hong Kong emergency declaration to expire, and lifted sanctions on nine Chinese and Hong Kong officials.

Both governments have publicly indicated that the Xi-Trump summit remains on track, and Trump has since played down immediate retaliation over the alleged election interference.

Beijing is unlikely to cancel Xi's trip over the current disputes alone, because Beijing has so far treated them as manageable friction within the leaders' "constructive strategic stability" framework agreed during Trump's visit to Beijing. That being said, cancellation would become a serious possibility if Washington takes a more humiliating or materially escalatory step toward China, particularly on Taiwan, sanctions, or summit protocol. If Chinese officials get convinced that Xi could face public embarrassment by taking the trip or return without credible deliverables, a cancellation would become most likely.

Foreign investors continue to expand their China presence

On 23 July, the Chinese commerce ministry (MofCom) revealed that the number of newly established foreign-invested enterprises rose 5.3% y/y in the first half of 2026, while utilized foreign investment reached RMB 402.14 billion. The composition of foreign investment improved, with foreign investment in high-tech industries increasing 33.2% y/y and accounting for 42.4% of the total. Nearly 4,800 foreign-invested companies also made additional investments in China during the same period.

The rise in new companies, reinvestment, and high-tech investments suggests that foreign capital is becoming more selective rather than retreating entirely from the Chinese market. Such investments concentrated in sectors aligned with China's industrial upgrading priorities will receive more preferential policy treatment from the Chinese government.

China's sports push opens a broader market for consumer goods

On 19 July, the State Council released its 2026-2030 National Fitness Plan alongside China's first national five-year plan dedicated to building a "great sports nation," setting goals for sports industry output to exceed RMB 7 trillion by 2030. The documents also aim to have per-capita sports space to reach around four square meters and regular exercise participation to rise to about 40% of the population in the next five years.

The documents call for more neighborhood sports parks, football fields, skating facilities, and small fitness centers; wider participation in football, basketball, ice and snow sports, outdoor activities and mass competitions; and increased investment in upgraded facilities and sports-consumption scenarios. They also target distinct consumer groups, including children, elder people, office workers, rural residents, and people with disabilities, while promoting AI-enabled fitness services, smart venues, personalized training, and products designed for age-specific needs.

These policy frameworks are intended to turn exercise into a more widely-adopted lifestyle and use public infrastructure and community events to unlock demand for sports equipment, apparels, footwear, rehabilitation products, outdoor gear, and other sports-related goods.

For consumer-goods companies, the opportunity lies less in a single nationwide spending boom than in the creation of multiple policy-supported markets, from affordable community fitness equipment and youth sportswear to senior-friendly products, smart devices, and outdoor gears. The resulting stricter product standards and safety requirements will favor companies that are able to combine product quality, accessibility, and credible health benefits.