

Weekly China Insight

Beijing, 16 October 2026

China rejects EU “dual-track” approach of talks plus pressure

On 16 October, China’s commerce ministry (MofCom) responded to reports that the recent EU summit had endorsed a “dual-track” approach toward China, combining continued intensive trade talks with stronger restrictive measures, potentially including use of the bloc’s Anti-Coercion Instrument. The reports followed EU commentary suggesting that pressure on China during the recent hybrid vehicle consultations had produced results. In response, MofCom rejected claims that “EU pressure was effective”, calling them groundless. It said the understanding reached on hybrid vehicles was based on three principles agreed by both sides — compliance with World Trade Organization (WTO) rules, fact-based assessment, and non-discrimination — and described the outcome as mutually beneficial, saying it both protected the practical interests of Chinese companies and addressed European concerns while helping to avoid an escalation in bilateral trade frictions.

The statement signals Beijing’s attempt to push back against a more confrontational EU policy line while preserving space for continued negotiation. At the same time, the ministry warned that the EU should not expect to gain leverage through pressure or underestimate China’s determination and ability to defend its interests, suggesting that any future EU move to broaden restrictions could trigger a firmer Chinese response.

EU-China hybrid vehicle deal leaves key details unclear

On 9 October, China and the EU reached an agreement to restrict Chinese hybrid vehicle exports to the EU over the next four years, although the scale of the restrictions remains uncertain. EU Trade Commissioner Maroš Šefčovič claimed the deal would reduce Chinese exports by more than half compared with projected volumes, potentially cutting shipments by several million vehicles. Bloomberg reportedly put the initial annual quota at 350,000 vehicles in 2027, increasing by 6% annually through 2030. However, the Chinese commerce ministry (MofCom) confirmed only that the quota would exceed the 2025 baseline of 302,000 vehicles, while Chinese state-affiliated commentary challenged the EU’s projections as an unreliable basis for assessing the deal. With Chinese hybrid exports to the EU already reaching 760,000 vehicles in the first eight months of 2026, the reported quota would represent a substantial concession from the Chinese side.

While the agreement signals a willingness to de-escalate trade tensions, competing interpretations and undisclosed terms leave its commercial impact uncertain. If the reported quotas hold, Chinese automakers will face growing pressure to localize production in Europe in order to sustain market expansion.

China cuts VAT rebates for new energy vehicle exports

On 12 October, the Chinese finance ministry (MoF) and the State Taxation Administration announced that the value-added tax (VAT) rebate for new energy vehicle (NEV) exports will be reduced from 13% to 9%, effective 1 April 2027. The move follows similar reductions in export rebates for steel, aluminum, solar and battery products, reflecting Beijing's broader efforts to adjust export incentives. The reduction is expected to increase costs for Chinese automakers, potentially pushing up export prices and helping address concerns in the EU and other markets over low-priced Chinese vehicles undercutting domestic manufacturers. It will also increase tax revenues from the rapidly expanding NEV export sector. Industry insiders have suggested that export rebates could be phased out entirely in the coming years.

Combined with EU tariffs on Chinese electric vehicles and the reported agreement to restrict hybrid vehicle exports, the rebate reduction further strengthens the economic case for Chinese automakers to accelerate overseas manufacturing and localize production in key export markets.

China unveils top guidelines to accelerate innovation while curbing investment bubbles

On 9 October, the CCP Central Committee and the State Council jointly issued guidelines outlining 19 measures to accelerate the development of “new quality productive forces”, a key priority under the 15th Five-Year Plan (2026–2030). The policy emphasizes technological self-reliance, industrial upgrading, and deeper integration of innovation with manufacturing, prioritizing sectors including artificial intelligence (AI), robotics, semiconductors-related information technologies, new energy and advanced materials, alongside emerging fields such as quantum computing, embodied AI and biotechnology. It calls for full implementation of the “AI Plus” initiative, increased R&D investment, stronger private-sector participation in national technology projects and expanded financing for early-stage innovation. However, the guidelines also warn against excessive investment, industrial overcapacity, and speculative bubbles, requiring officials to avoid indiscriminate expansion into emerging industries and establishing accountability for major losses caused by poorly planned investments.

The guidelines signal Beijing's determination to strengthen technological competitiveness while addressing inefficiencies in its state-led industrial strategy, with tighter oversight potentially encouraging more disciplined investment and reducing wasteful competition.

China approves Visa's entry into domestic bank card clearing market

On 13 October, China's central bank (PBoC) approved US payments giant Visa's application to establish a domestic bank card clearing institution, marking another step in the opening of China's financial services sector. Visa will have one year to complete preparations before applying for a formal operating licence, which would allow it to process domestic renminbi transactions directly through its own network. The approval makes Visa the third international card network to receive regulatory clearance to enter the market, following American Express in 2020 and Mastercard in 2023, as China gradually liberalizes a sector historically dominated by state-owned UnionPay.

The approval signals Beijing's continued commitment to financial sector opening and creates new opportunities for foreign payment providers. While Visa's entry is expected to increase competition and diversify payment services, it will face challenges from the widespread adoption of mobile payment platforms, which have increasingly displaced traditional card-based transactions.

China proposes tighter export controls on AI, biotech, and solar technologies

On 16 October, Chinese commerce ministry (MofCom) and the science ministry (MoST) proposed revising the country's technology export control catalogue to cover 40 additional technologies across artificial intelligence (AI), biomedicine, and photovoltaics. The proposal includes 14 technologies subject to export bans and 26 subject to further export restrictions, covering 23 AI technologies, five biomedical technologies, and 12 photovoltaic technologies, including advanced solar manufacturing processes and related critical equipment. Beijing cited national security concerns and risks of technological misuse, while emphasizing that the measures are not directed at specific countries and will exempt publicly available technologies and facilitate certain international research, licensing, and commercial arrangements. The proposed change is open to public consultation until 15 November, while mandatory pre-export registration requirements have taken immediate effect for covered technologies, including certain intellectual property transfers and overseas licensing arrangements.

The proposal signals Beijing's growing concerns on safeguarding strategically important technologies, potentially increasing compliance burdens for cross-border technology transfers and overseas manufacturing projects, particularly in AI and solar manufacturing.