

Weekly China Insight

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Special EU-China Edition

EU and China reach trade understandings after second round of talks in Beijing

On 8–9 October, Chinese commerce minister Wang Wentao and EU Trade Commissioner Maroš Šefčovič held the second meeting of the EU-China Trade and Investment Consultation Mechanism in Beijing, reaching a 16-point agreement covering trade imbalances, market access, export controls, intellectual property, and WTO reform.

According to the readout released by Beijing, both sides reached an understanding on hybrid vehicle trade consistent with WTO rules and agreed to continue discussions on price undertakings and review procedures concerning EU anti-subsidy measures on Chinese electric vehicles. China pledged to facilitate rare earth and permanent magnet export licenses to the EU through a green channel, while the EU committed to facilitating priority dual-use export licensing cases involving China. The two sides also agreed to explore tariff reductions on selected goods, address market access barriers and improve transparency in export control procedures. The two sides also reached agreement on intellectual property rights and WTO reforms. Both sides pledged to maintain stable and more balanced economic relations, with a ministerial video conference scheduled for January and a third consultation meeting in March 2027.

The meeting took place amid mounting EU concerns over its trade deficit with China, exceeding EUR 1 billion daily, and growing calls for stronger trade defense measures from European leaders.

The agreements reached in Beijing signal a willingness to manage escalating trade tensions through targeted concessions and structured dialogue, but their largely procedural nature leaves fundamental disputes over industrial competition, market access, and economic security unresolved. That means implementation will be a key test for whether the consultations can deliver substantive rebalancing of EU-China trade relations.

France and Germany push for tougher EU trade measures against China ahead of EU-China talks

On 5 October, French President Emmanuel Macron and German Chancellor Friedrich Merz jointly urged the European Commission to establish a powerful new trade defense instrument capable of immediately restricting access to the EU market for countries causing severe economic distortions. The proposed mechanism would allow the Commission to act unless a qualified majority of EU member states opposed it, targeting practices such as industrial overcapacity, excessive subsidies, dumping, and currency manipulation.

Although officially country-neutral, the proposal was widely interpreted as targeting China, with Paris and Berlin also calling for accelerated trade investigations and urgent measures in sectors including chemicals, plastics, and plug-in hybrid vehicles.

On 6 October, the Chinese commerce ministry (MofCom) criticized the proposals as protectionist, warning that economic decoupling would harm both sides and urging France and Germany to uphold free trade and WTO rules rather than politicize economic relations

The initiative, unveiled ahead of EU-China trade talks on 8–9 October, reflects growing Franco-German alignment over concerns about Chinese industrial competition and the EU's widening trade imbalances. The proposed mechanism signals increasing European willingness to move beyond conventional trade remedies towards broader, potentially pre-emptive restrictions on Chinese imports.

China's central bank rejects currency manipulation claims as EU-China trade talks begin

On 8 October, China's central bank (PBoC) issued a policy paper rejecting accusations of currency manipulation, coinciding with the start of EU-China trade consultations in Beijing. The PBoC insisted that China had never pursued competitive devaluation, arguing that its export competitiveness stems from industrial strength rather than exchange rate policies. It highlighted that the yuan has appreciated by approximately 23% against the US dollar since 2005 and around 9% since 2025, while China's exports have become less sensitive to currency fluctuations due to industrial upgrading and increased use of hedging instruments. The PBoC also challenged interpretations of IMF assessments suggesting yuan undervaluation, arguing that global trade imbalances reflect structural factors, including international production patterns, fiscal policies, and domestic competitiveness, rather than exchange rates alone. Beijing reiterated its commitment to a market-based, managed floating exchange rate regime and pledged to expand domestic demand and pursue structural reforms under its 15th Five-Year Plan (2026–2030).

The PBoC's statement signals Beijing's resistance to making exchange rate concessions in response to European pressure, reinforcing its preference for addressing trade imbalances through structural reforms and negotiations rather than currency adjustments.

China warns against EU plans for US Section 301-style trade tool ahead of bilateral talks

On 29 September, the Chinese commerce ministry (MofCom) criticized reports that several EU member states were pushing for a European version of the US Section 301 trade instrument to impose tougher measures against China, describing the proposal as "protectionist and unilateralist".

Beijing warned that such measures could undermine the rules-based multilateral trading system, disrupt global supply chains, and harm EU-China economic relations. MofCom particularly criticized the timing of the initiative, which emerged ahead of the second round of EU-China trade and investment consultations in Beijing, warning that pursuing tougher restrictions while simultaneously engaging in negotiations would "seriously damage mutual trust" and disrupt the consultation process.

Beijing's warning highlights growing tensions between the EU's pursuit of stronger trade defense instruments and ongoing diplomatic engagement, signaling that China views unilateral restrictions as potentially undermining negotiations and is prepared to consider retaliatory measures.

EU-China trade tensions escalate before the second round of talks amid anti-dumping probes and coordinated pressure on industrial overcapacity

On 3 October, the Chinese commerce ministry (MofCom) launched an anti-dumping investigation into EU imports of para-nitrotoluene, a chemical used in dyes, pesticides, and pharmaceuticals, citing a nearly 60% decline in import prices between 2022 and 2025 and alleged damage to domestic producers. Beijing highlighted that the EU had initiated 28 trade remedy investigations against Chinese products since 2025, approximately half targeting chemicals, while reportedly rejecting Brussels' proposal for voluntary restrictions on Chinese hybrid vehicle exports.

Meanwhile, on 7 October, the European Parliament adopted a non-binding report by 454 votes to 86, with 110 abstentions, describing China's industrial policies as an "existential threat" to the EU and calling for urgent measures to reduce economic dependencies. On the same day, the EU joined the US and 13 other economies in a statement pledging coordinated action against structural industrial overcapacity in sectors including electric vehicles, batteries, semiconductors, and solar panels. Although the statement did not explicitly name China, the developments underscored mounting international scrutiny of Chinese industrial policies ahead of the EU-China trade consultations on 8–9 October.

The convergence of EU trade investigations, growing political support for tougher measures, and US-led coordination on industrial overcapacity signals increasing pressure on Beijing to address structural trade imbalances.