China Economic Perspectives

China and the EU released a joint statement after two days of negotiations in Beijing

Economics

China

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China Minister of Commerce Wang and the European Commissioner led the two teams.

The tone of the statement was quite conciliatory.

The discussion was described as practical and fruitful.

The two sides agreed to negotiate to achieve more balanced trade under the WTO framework. We think this is a positive development that limits the level of uncertainty.

The two sides agreed to hold the 3rd round of talks in March 2027. Before that, there will be frequent dialogues including a ministerial-level virtual meeting.

The two sides released a list of agreed outcomes. Notable items include:

- The two sides agreed to continue discussing the possibility of lowering tariffs on certain goods under WTO rules.
- There was an understanding on hybrid car trade in a manner consistent with WTO rules. This could be related to limits on Chinese hybrid exports to the EU after the EU curbed imports of Chinese EVs. The two sides will also continue company-specific price-undertaking and review procedures in the EV anti-subsidy case.
- The EU welcomed China's measures to expand imports of EU medical devices, including a procurement matchmaking event during the ninth China International Import Expo. Both sides will continue dialogue on market access.
- Both sides will explore ways to lift restrictions related to certain animal diseases on imports into China from relevant member states.
- The EU clarified that its financing guidance for inverter projects was not targeted at any specific country. The two sides will hold further consultations on this issue.
- Both sides reaffirmed the need to strengthen dialogue and communication on their respective export-control policies.
- China is willing to continue facilitating export license approvals for rare earths and permanent magnets destined for the EU via a "green channel" mechanism. The EU, together with its member states, will continue to facilitate the resolution of priority individual licensing cases involving dual-use exports to China.
- Both sides agreed on advance notification before export-control listings, greater transparency in listing and delisting procedures, and support for initiating delisting procedures under their respective legal frameworks.

Separately, European Trade Commissioner Maroš Šefčovič said the two sides had reached an understanding to halve Chinese exports of hybrid and plug-in hybrid vehicles to the EU, improve EU access to China's market, and further simplify rare-earth export licensing. He described this as a first step towards rebalancing EU-China trade and said further talks would take place in January.



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We believe having a conciliatory meeting is a positive for the economic outlook in 4Q and 2027, especially considering that the 21st Party Congress is due to be held around this time next year.

On currency, we expect a continuation of the recent policy stance that allows for gradual market-driven appreciation (see here).

The next important development to watch is the European Council meeting next week, where EU leaders are expected to review the outcome of the trade talks.

Meanwhile, the U.S. and 14 other economies issued a joint ministerial statement on structural excess capacity and production, prompting China to reiterate its opposition to protectionism; we view such frictions as a normal part of trade relations and do not expect them to undermine the constructive China-U.S. relationship of strategic stability (see our views here).

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Valuation Method and Risk Statement

N/A