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Coffee Break

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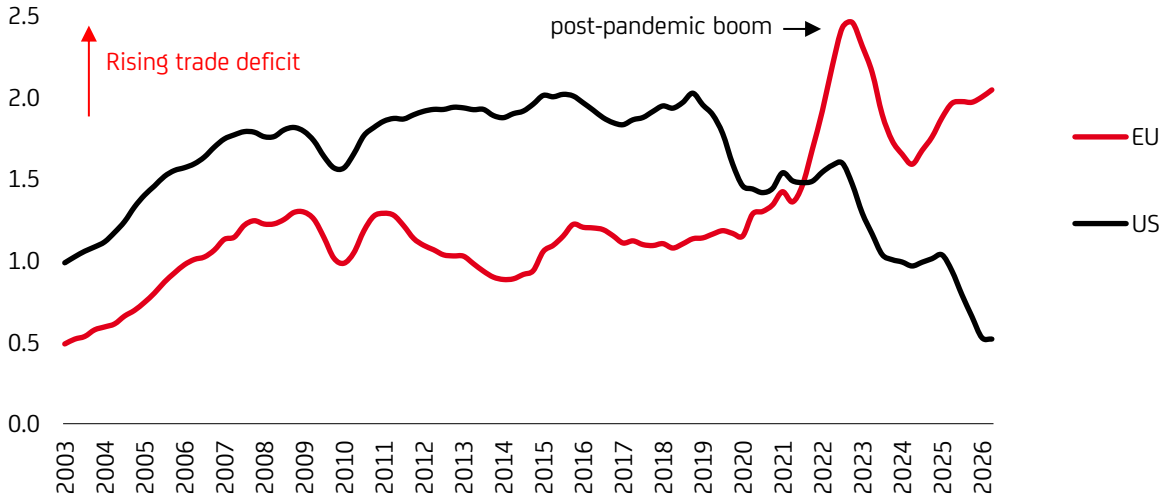
EU-China trade talks: time to show results

8 October 2026

The EU's goods trade deficit with China has reached EUR 1bn a day. Without some progress in the trade talks taking place today and tomorrow, pressure for tougher EU action and the risk of Chinese countermeasures would rise.

THE EU RUNS A LARGER TRADE DEFICIT WITH CHINA THAN THE US

GOODS TRADE BALANCE WITH CHINA (% OF RESPECTIVE GDP, FOUR-QUARTER MOVING SUM)



Source: Eurostat, US Census Bureau, BEA, The Investment Institute by UniCredit
Note: positive values in the chart indicate trade deficits

THE CONTEXT

Today, EU Trade Commissioner Maros Sefcovic and Chinese Minister of Commerce Wang Wentao are due to begin two days of trade talks in Beijing. This is the second meeting of the new EU-China Trade and Investment Consultations launched in June to tackle four areas: trade and investment balancing, export controls, intellectual property rights and WTO reform. With more than 20 working-level consultations having taken place since the first meeting, Brussels now wants to move from talking to delivering. In her State of the Union address in mid-September, European Commission President Ursula von der Leyen got to the heart of it by saying that "[...] this dialogue must now lead to results." This week, Berlin and Paris also called for a tougher trade policy by empowering the European Commission to exclude companies that do not play by the rules from the EU Single Market under an accelerated procedure. While EU policymakers have moved toward a tougher stance on China, US-China trade tensions have eased somewhat. Washington and Beijing recently extended their trade truce until 10 January and agreed to lower tariffs on USD 60bn of bilateral trade.



THE DATA

Europe enters the talks from a different economic position than the US. Relative to the size of the economy, the EU's deficit in trade goods is now much larger than America's. This has not always been the case. During the 2010s, the EU deficit hovered at around 1% of GDP; recently, it has been about 2%. As Mrs. von der Leyen put it in September: "Our trade deficit with China is now EUR 1bn – a day." While the spike in 2022 was caused by special circumstances due to the post-pandemic import boom from China, the upward trend is indeed hard to miss. Especially the imports of EVs, inputs for the energy transition (batteries, solar panels, etc.), chemicals and plastics have further widened the trade imbalances with China.



OUR VIEW

A grand bargain is unlikely in the EU-China trade talks. The more realistic question is whether Beijing will offer small but measurable steps. Brussels is looking for progress on several fronts. Besides reducing trade imbalances, Europe wants better access to the Chinese market and more reliable export licensing for rare earths and other critical inputs.

Unsurprisingly, China sees the problem differently. Beijing rejects the EU's overcapacity argument and is concerned about European trade-defence measures and local-content requirements. It has warned against further restrictions on Chinese firms and argues that investment, rather than new barriers, should be part of the solution.

Bottom line: this round of trade talks is not about solving the whole relationship but about demonstrating traction. A clearer rare-earth licensing process, specific market-access concessions or credible steps to moderate specific export flows, such as autos, could keep the dialogue moving. A vague communiqué would do the opposite: it would strengthen calls for tougher EU trade-defence measures – and increase the risk of Chinese countermeasures.

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