

European Commission and China agree to curb hybrid car imports into the EU

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On 9 October, the European Commission (EC) and the Chinese authorities reached an agreement to restrict imports of hybrid cars from China into the European Union. The agreement was reached during the second meeting of the trade and investment consultation mechanism, held in Beijing and led by European Commissioner Maroš Šefčovič and Chinese Minister of Commerce Wang Wentao. In a joint statement, the two sides provided no details of the deal, stating only that it would comply with World Trade Organization (WTO) rules.

According to credible media reports, the EC plans to introduce import quotas on hybrid cars for a four-year period. The quota for China would initially be set at 350,000 vehicles in the first year, rising by 6% annually thereafter. China's Ministry of Commerce stated only that the agreement would ensure 'stable growth' in exports by Chinese companies compared with the 2025 baseline. The EU imported around 300,000 hybrid cars from China in 2025, but this figure is expected to rise to approximately 800,000 in 2026. Media reports suggest that imports exceeding the quota could either be blocked entirely or face prohibitive tariffs. The quotas would also apply to other countries to ensure compliance with WTO rules.

Commentary

- **The agreement will be a strategic success for Beijing if it weakens the EU's resolve to tighten trade restrictions on China.** Beijing hopes that a carefully calibrated concession in one sector will soften the position of European governments and undermine efforts to maintain a united front in support of broader measures to protect the EU market. This applies particularly to proposals for new trade policy instruments, including those outlined in a joint Franco-German letter to the European Commission in October this year. However, the agreement does not address the structural causes of China's trade surplus: production subsidies, weak domestic demand and industrial overcapacity.
- **Beijing's tactical concession is far from sufficient to rebalance trade with the EU.** With the EU's bilateral trade deficit expected to exceed €400 billion in 2026, the deal will have little impact on the overall trade balance. It will neither ease the pressure on manufacturers of automotive components, machinery, chemicals and metals nor guarantee similar concessions in these sectors. A call by 44 EU industry associations for new instruments to counter competitive distortions caused by Chinese industrial policy underscores the need for broader measures that would give the EU greater leverage.

- **Continued work on a 'kill switch' mechanism to restrict access to the EU market will test the bloc's political resolve.** The agreement was announced just ahead of the European Council meeting on 15–16 October 2026, when EU leaders are due to review their approach to China. Berlin, which has hardened its stance towards Beijing, has joined Paris in advocating stronger protective measures for European industry. Their proposals include a mechanism to swiftly restrict market access in response to retaliation against EU measures and an instrument to reduce excessive dependence on a single source of supply. If the hybrid car deal helps Beijing build opposition to new trade instruments and wider use of existing ones, the EU will remain largely exposed to surges in Chinese industrial imports and escalating trade wars. The argument that 'dialogue works' strengthens advocates of a softer approach and may encourage European governments to postpone measures to protect other sectors in anticipation of further talks. Beijing could also portray additional EU restrictions as a rejection of its offer of cooperation and dialogue.