China trade surplus tops $1 trillion

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9 December 2025

The upheavals in the global trading system flowing from US president Trump's tariff war against China and much of the rest of world are reflected in the trade surplus figures announced by Beijing on Monday.

In the first 11 months of this year China's trade surplus reached $1.08 trillion beating the previous record of $993 billion for 2024 with still a month to go. The *Wall Street Journal* characterised it as a "remarkable figure, never before seen in recorded economic history."

The tariffs imposed by Trump on Chinese exports to the US, now averaging around 37 percent, have brought a reduction of exports of around one fifth. But this decline was more than compensated by the surge in Chinese exports to other markets. The Chinese trade surplus for the month of November surged to $111.68 billion, the third highest level on record, and a 21.7 percent increase on the same period last year.

If the Trump administration believed that its tariff measures would constrict China's trade, then it badly miscalculated. So far this year Chinese exports to Africa, Southeast Asia and Latin America have risen by 26 percent, 14 percent and 7.1 percent, respectively. Exports to the European Union are up by 15 percent.

Southeast Asia is a crucial destination for Chinese exports, some of which are aimed at skirting around the imposts imposed on its goods by the US. The *Financial Times* (FT) reported over the weekend that Chinese exports to this region "are growing at almost twice the rate of the past four years, as Donald Trump's trade war pushes Beijing to tighten trade links with its neighbours."

In the first nine months of this year Chinese exports to the six largest economies in the region—Indonesia, Singapore, Thailand, the Philippines, Vietnam and Malaysia—have risen by 23.5 percent for the first nine months of this year.

The trend has been evident for some time, but it appears to be accelerating. Roland Rajah, an economist at the Australian-based Lowy Institute told the FT "the general China shock that has been going for a few years has been amplified through US tariff deflection this year."

China has been accused of "dumping" its products in the region but according to Rajah's research "much of what they are exporting is actually pro-growth." As much as 60 percent of exports were components for products manufactured in the region that were exported to other countries. In other words, Chinese exports are part of the operation of a global supply chain, rather than finished products.

The US has said it could target these operations by introducing a 40 percent "trans-shipment" tariff on goods that start their journey onto world markets from China.

One of the fastest growing areas in finished goods is cars which is hitting Japan. The market share of Japanese companies in the region's auto market has fallen from 77 percent in the 2010s to 62 percent in 2025, with car buyers shifting "in droves" to more affordable electric vehicles made by the Chinese company BYD, according to the FT.

Apart from the superiority and lower cost of Chinese manufacturing in a range of products from pharmaceuticals, steel, solar panels, EVs and a vast array of high-tech products, Chinese exports have benefited from what is considered to be the undervaluation of its currency, the renminbi, possibly by as much as 30 percent.

This is the result of deflationary conditions in China where prices have been flat or even falling in some cases. In contrast, producer prices charged by factories in Europe have risen by 35 percent and by 26 percent in the US over the past five years.

This divergence is giving rise to increased trade tensions, especially with Europe. This was on display during the visit to China by French president Emmanuel Macron last week, despite the efforts to cultivate an air of bonhomie with the exchange of gifts.

At a joint press conference with China's president Xi Jinping, Macron declared that the "imbalances" in trade were "becoming unbearable."

Macron expanded on his remarks in an interview with the financial newspaper *Les Echos* on his return to France. He said European industry was facing a "life or death" moment, hit on the one side by a protectionist US and on other by a super-competitive China.

Macron made an appeal to China to aid European industry, saying: "The Chinese have to do in Europe what the Europeans did 25 years ago by investing in China.

"I am trying to explain to the Chinese that their trade surplus is untenable and that they are killing their customers, mainly by not importing much from us. We recognise that they are very good in some areas. But we can't be constantly importing," he said.

At present Macron appears to be trying to lessen confrontation, calling for the "mutual dismantling of our aggressive policies such as restrictions on the export of semiconductor machines on the European side and limitations on the export of rare earths on the Chinese side."

But he warned that time was running out. "If they don't react, in the coming months we Europeans will be obliged to take strong measures and decouple, like the US, like for example tariffs on Chinese products," he said, indicating that he had discussed the issue with European Commission president Ursula von der Leyen.

Plans for restrictions by the EU are already well under way. A draft law is due to be submitted today under which the EU is considering setting a "made in Europe" content of up to 70 percent for certain products, including cars.

According to a report in the FT, the policy would cost EU companies more than €10 billion annually by pushing them to buy more expensive European components.

The plan is being overseen by Stéphane Séjourné, France's executive vice-president for Prosperity and Industrial Strategy at the European Commission.

It is an expression of how far and how fast the Trump trade war has overturned the post-war international trade and investment framework in less than a year and replaced it with an increasingly dog-eat-dog. Séjourné indicated last month that he had the "same agenda" as Trump on re-industrialisation and that the only difference was it may be pursued by means other than tariffs.