China trade surplus on track for new record as tensions with EU grow

Nick Beams
11 November 2026

China is on course to exceed by a significant amount the record trade surplus of more than $1 trillion it recorded last year. Data from Chinese authorities for October showed the surplus had already passed the $1 trillion mark with two months of the year to go.

At $1.04 trillion it was just shy of the 2025 record of $1.19 trillion and well above the October result of $964.8 billion last year.

One of the biggest increases was in the trade surplus with the European Union. It has already hit a record of $310 billion for the first 10 months, well above the surplus of $292 billion for the whole of last year, according to Chinese data.

The European assessment of the deficit is much higher at €360 billion because it includes goods rerouted through other ports which EU authorities deem to have come from China.

The surplus with South East Asia, according to Chinese data, was $293 billion, up by 34 percent from last year, and $266.5 billion with the US, up by 14 percent.

Year on year, China's exports rose by 35.2 percent in October. One of the main contributors to this result was high-tech exports which rose by 66.6 percent, with semiconductor exports up by 137 percent from the previous year. Vehicle exports were one of the fastest growing items, rising by 50 percent to 9.74 million units in the 10 months to October.

With an increase in imports of 41.6 percent, largely because of higher energy prices, the surplus for the month came in at $103.5 billion, lower than $133.5 billion in September.

The widening trade gap between China and the EU, by whatever method it is calculated—the Europeans maintain it increases by €1 billion a day—means that trade tensions are going to increase. The EU claims that China is engaged in unfair practices resulting from state subsidies and that excess Chinese capacity means it is dumping goods in Europe and the rest of the world. Beijing insists that the surplus arises from its more highly developed technology and production methods.

At the end of September and the beginning of October, the two sides were on the brink of an open trade war. In early October, France and Germany supported a new measure, similar to Section 301 of the 1974 US Trade Act which has been used by the US against China. The provision would allow the European Commission to swiftly act against Chinese goods.

The Chinese Ministry of Commerce denounced the proposal as protectionist and unilateral and warned that trying to apply pressure during negotiations would seriously undermine trust.

An open clash was averted on October 9 when, following two days of talks in Beijing, an interim deal was announced under which China accepted restrictions on exports of hybrid vehicles to 350,000 a year, with a ceiling to rise by 6 percent a year until 2030.

In an analysis published in the European Parliament magazine, a privately owned publication that covers European politics and economic affairs, Mujtaba Rahman, managing director for Europe at the Eurasia Group, warned that the deal would not stop the economic relationship from deteriorating over the next year.

He said China had made a "significant concession" after previously opposing restrictions on its exports, but this was not a turning point in relations.

"Brussels and Beijing are entering a period of economic confrontation," he wrote. "China's industrial policies are accelerating the erosion of Europe's manufacturing base, while the EU's response is becoming more systematic, protectionist and politically

© World Socialist Web Site

entrenched. Neither side is prepared to compromise on the issues that matter most."

The extent of China's growing dominance in manufactured goods was highlighted by a recent article in the *Wall Street Journal*.

"China's trade surplus with the rest of the world," it noted, "is roughly triple the level in 2019. The surge in its industrial activity is such that the country could be making 45 percent of the world's goods by 2030, according to the United Nations Industrial Development Organization, compared with 6 percent in 2000."

But this development has given rise to growing problems in the domestic Chinese economy, which is marked by a slowdown.

Fixed asset investment in the domestic economy, which includes spending on factories, homes and roads, fell by 7.2 percent in the first three quarters of this year. The effects of the bursting of the property bubble are still being felt, with property investment falling by 21 percent.

Consumer spending is described as flat. Retail sales increased by only 1.1 percent in September, down from the 3 percent of a year ago. The vehicle industry illustrates the dichotomy in the economy: Domestic sales have fallen by 20 percent this year while exports have risen by 60 percent.

The Xi Jinping regime insists that its focus on the development of high-tech goods will provide a new basis for the Chinese economy. But industries such as EVs, batteries and solar panels account for less than 10 percent of GDP compared to the around 25 percent which used to come from the property sector.

The slowdown of the domestic economy—growth is around 4.5 percent, far below the levels of the past—is having employment effects, particularly for young people who often have significant educational qualifications, but who cannot find work in their field. Youth unemployment is around 19 percent, and the prospect of a secure job is fading.

According to the China-based think tank China New Employment Forms Research Center, the number of people with so-called "flexible employment"—that is, without a permanent contract—is set to grow to 326 million this year, comprising some 40 percent of urban employment.

Critics of the policies of the Xi Jinping regime, both within China and internationally, have warned that the domestic economy needs to be stimulated and the reliance on exports lessened or China will face an even slower economy and escalating trade conflicts.

Beijing has undertaken some measures to try to boost consumption, but they are regarded as very limited. No doubt the commitment by the regime to the development of high-tech and the drive into global markets as the way forward for China's advance is a key factor.

But there are objective factors severely limiting the possibility of major stimulus of the kind launched in response to the global financial crisis of 2008, when the government massively expanded spending and credit. Chief among these is the growth of debt.

A report by the Conference Board found that debt service payments are expected to account for 19.2 percent of the government's budget this year, up from 12 percent in 2014.

"Debt servicing is becoming a material constraint on fiscal space at the local level," Yuhan Zhang, principal economist at the Conference Board's China Center told the *Financial Times*.

The Washington-based Center for Strategic and International Studies, a major right-wing think tank, noted that "spending on debt interest payments" rose by 341 percent between 2013 and 2025. This was "faster than any other major budget category."

The Xi regime advances the notion that China can advance within the framework of the global capitalist economy and enjoy a "peaceful" rise, but it is running into all the contradictions produced by its developing breakdown.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site