

Caps Rejected, Floors in Use: The EU, China and Trade in Cars

Angelo Gerber-Helm and Fernando Martín, 8 October 2026

China's commerce ministry rejected an EU cap on hybrid exports within a day. Price floors are another matter: Chinese authorities have reportedly proposed, accepted and set them, and Brussels has agreed one, for a single model. We ask who gains when a floor replaces a duty.

A cap on hybrids meets a legal wall

On 17 September 2026 the [Financial Times reported](#) that the European Commission had asked China to hold Chinese hybrids to about 15% of the EU market. An EU official called it "managed trade". The next day a spokesperson for China's Ministry of Commerce (MOFCOM) [said](#) that so-called voluntary export restraints "seriously violate" World Trade Organization (WTO) rules. On the law, MOFCOM has a point, as [Article 11.1\(b\)](#) of the WTO Agreement on Safeguards bars members from seeking, taking or maintaining voluntary export restraints. Trade Commissioner Maroš Šefčovič meets Commerce Minister Wang Wentao in Beijing on [8–9 October](#). A minimum price is the likelier outcome than a cap.

We test that claim with three sources, first importer-reported trade data from Trade Data Monitor (TDM), second the Global Trade Alert (GTA) database and third the legal texts of the measures on both sides.

The request targets a gap in the 2024 duties. The countervailing duties in force since 30 October 2024, adopted the day before at 7.8 to 35.3% on top of the 10% tariff, cover battery-electric cars only. Hybrids pay the 10% tariff. Battery-electric cars made up 69% of the units the EU imported from China in 2023 and 45% in 2025. Hybrids, plug-in and conventional, rose from 7 to 31%, and to 39% in the first half of 2026 (Figure 1). The shift began when provisional duties applied on 5 July 2024: the battery-electric share fell from 67% in the second quarter of 2024 to 53% in the third. The duty moved exports rather than stopped them.

Paris and Berlin raise the stakes

On 5 October 2026 France and Germany [published a non-paper](#), with a letter from President Emmanuel Macron and Chancellor Friedrich Merz,

that calls for a new instrument "for decisive and systemic reaction" drawing on "regulating access to the single market". The instrument would be country agnostic and adopted unless a qualified majority of member states opposed it. The paper does not name China. It does name plug-in hybrids, with chemicals and PET, among the "urgent specific cases" for trade defence. EU leaders will discuss it at the European Council of 15–16 October. The German position had already moved: on 17 September Vice-Chancellor Lars Klingbeil [said](#) Germany would push Brussels for "concrete measures" on plug-in hybrids.

Floors are the instrument both sides already use

A price floor is a minimum selling price. Under the Commission's [guidance of 12 January 2026](#), an exporter of battery-electric cars can avoid the duty by committing to a minimum import price for each model, with volume limits and investment pledges as options. The first and so far only user is Volkswagen (Anhui), whose undertaking for the Cupra Tavascan was [accepted on 9 February 2026](#) and entered into force on 11 February. It combines a minimum price, a volume limit and investment milestones. The Commission has not published the price.

Chinese authorities use the same instrument. In October 2024 Reuters [reported](#), citing unnamed sources, that the Commission had rejected a Chinese proposal for a minimum price of €30,000. On 5 July 2025 MOFCOM [accepted price undertakings](#) from 34 EU brandy producers in its anti-dumping case. At home, the State Administration for Market Regulation (SAMR) issued guidelines on 12 February 2026 that [bar carmakers](#) from pricing below production cost to "squeeze out competitors". On 1 September 2026 MOFCOM, the Ministry of Industry and Information Technology and SAMR [asked carmakers](#) to price

exports on costs and avoid frequent large price cuts abroad. The guidelines set no penalties. Chinese authorities object to caps, not to floors (Figure 2).

Managed trade elsewhere runs the other way. Canada and Argentina admit fixed quotas at low tariffs, and both tie the scheme to cheap cars (Table 1). Both are price ceilings. The EU is building a floor.

The border is one tool among several. GTA records 532 instrument entries affecting Chinese passenger cars in 2019–2025. One state act can count under several chapters. Support for domestic producers accounts for 282 entries, or 53% (Figure 3). Tariff entries doubled from 13 in 2024 to 26 in 2025. The count includes liberalising measures, so it records more tariff activity, not necessarily higher tariffs.

A floor is set one model at a time

But a floor is set one model at a time. The Volkswagen offer was [the only one formally submitted](#) when the Commission accepted it. On 24 February 2026 a Commission head of unit, Pedro Velasco Martins, [told](#) the European Parliament's trade committee that minimum prices are "very complicated with companies that have dozens of models". The guidance also warns that exporters selling hybrids alongside battery-electric cars are harder to accept, because a discount on one model can compensate for the floor on another. The deciding condition is the width of the exporter's range. A single model built in China by a European group clears it. A Chinese brand selling many models and hybrids to the same dealers does not yet.

Floors move money from EU customs to exporters

With a duty, the margin goes to EU customs. With a floor, it stays with the exporter. Take the 2025 average EU border price of a Chinese battery-electric car, US\$19,188, and the 20.7% duty for cooperating exporters. The duty is US\$3,972. A floor set at the duty-inclusive price, as in one of the Commission's two methods, raises the exporter's receipts by that amount. The 10% tariff on the higher price returns US\$397 to customs, so customs collects about US\$3,600 less per car (Figure 4). The 1980s record shows the same transfer, larger: by choosing a quota over a tariff, the United States passed an estimated US\$11.2 billion, in 1983 dollars, to Japanese carmakers instead of its Treasury (Berry, Levinsohn and Pakes, 1999).

Do exporters absorb the duty without a floor?

They appear to. Figure 5 compares EU border prices with the UK, which charges the same 10% tariff and no extra duty. For battery-electric cars, the EU price fell from 92% of the UK price in 2023 to 72% in 2025. For plug-in hybrids, which pay no extra duty, it rose from 95 to 115%. The pattern is consistent with exporters cutting prices to absorb the duty, though averages across models also reflect a changing model mix. The ratio for battery-electric cars rose to 81% in the first half of 2026. UK prices drove the rise: they fell by 9.6% while EU prices barely moved. The data do not establish any effect of a floor.

What floors mean for industry and policy

For industry, the question is at what price Chinese cars enter Europe, in which segment and under whose licence. A floor favours premium models and narrow ranges: Denza, BYD's premium brand, [launched in Europe](#) on 8 April 2026 with the Z9 GT at about €115,000. For policymakers, a floor reduces friction with Beijing but transfers money and pricing power to exporters. It also sits awkwardly with the Commission's [goal](#) of small cars at €15,000–20,000, because a floor binds hardest on the cheapest cars.

The talks will show whether hybrids follow the battery-electric route, with duties first and undertakings after, rather than a cap. The next test is whether a Chinese-owned brand obtains an undertaking. The European Council of 15–16 October will show whether EU leaders back the French-German instrument. If floors spread, managed trade in cars will arrive in Europe slowly, because a floor is set one model at a time.

Fernando Martín is an Associate Director at the Global Trade Alert and leads the Analytics team.

Angelo Gerber-Helm is a Data Analyst at the Global Trade Alert.

Figure 1. Share of units imported from China by powertrain, EU-27, quarterly, 2023–2026.

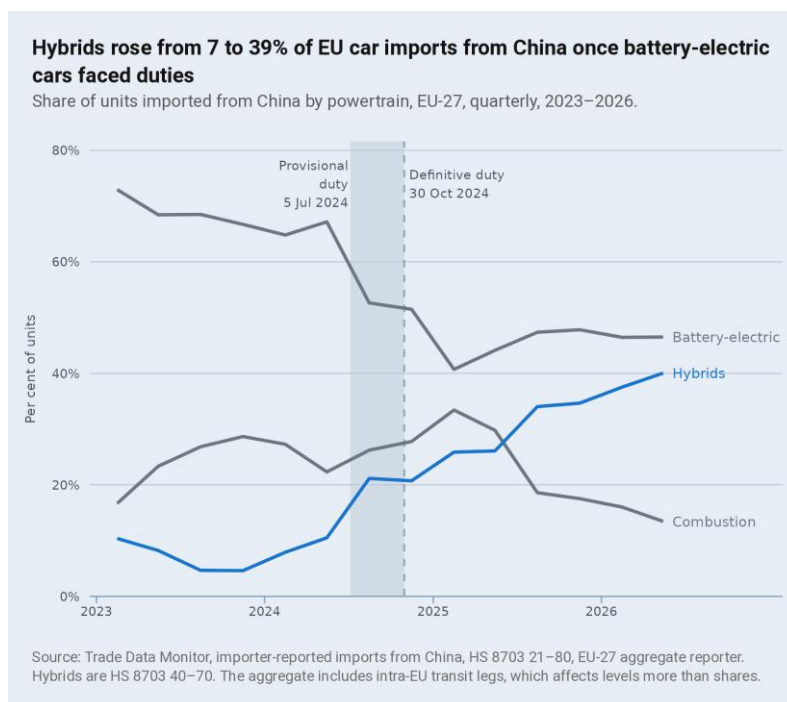


Figure 2. EU and Chinese measures on cars, October 2023 – October 2026; 6 of 13 involve a price floor.



Figure 3. GTA instrument entries affecting Chinese passenger cars, 2019–2025.

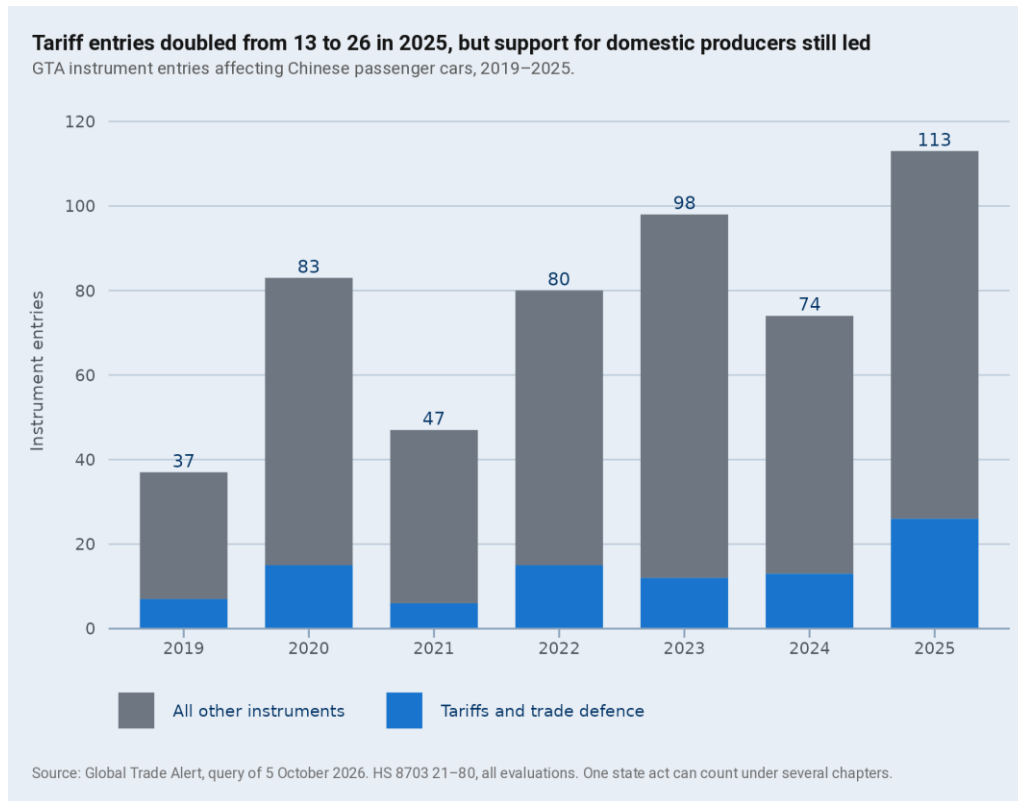


Figure 4. Exporter and EU customs receipts for one Chinese battery-electric car, with the duty and with a price floor, 2025 average EU border price (illustration).

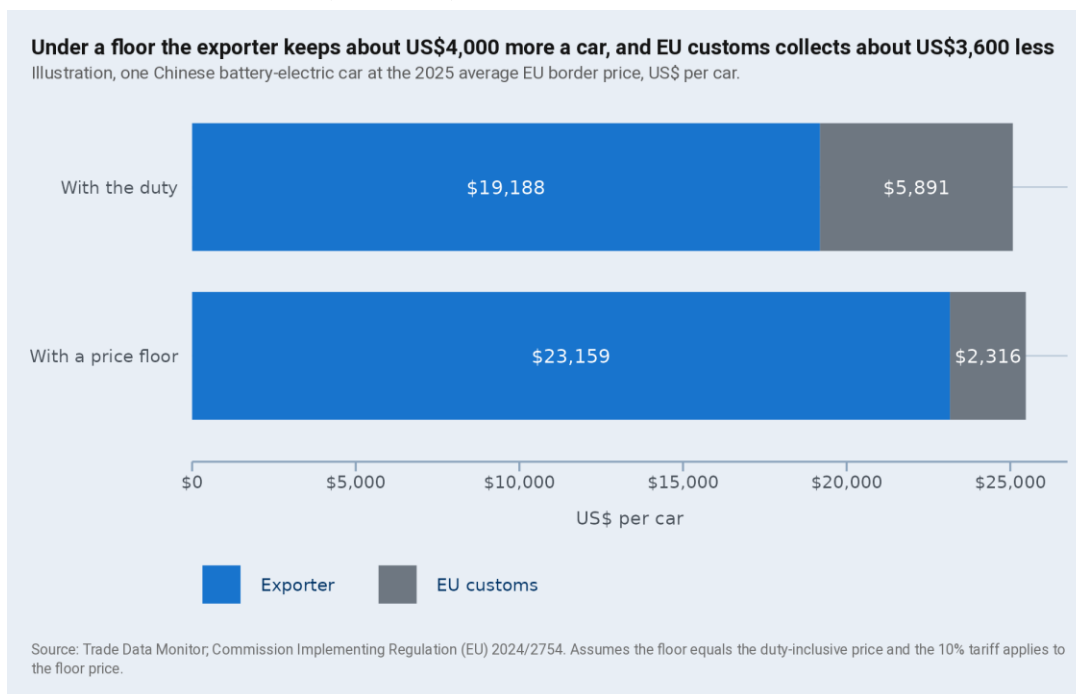


Figure 5. EU-27 average border price divided by UK price, cars imported from China, 2023 – H1 2026.

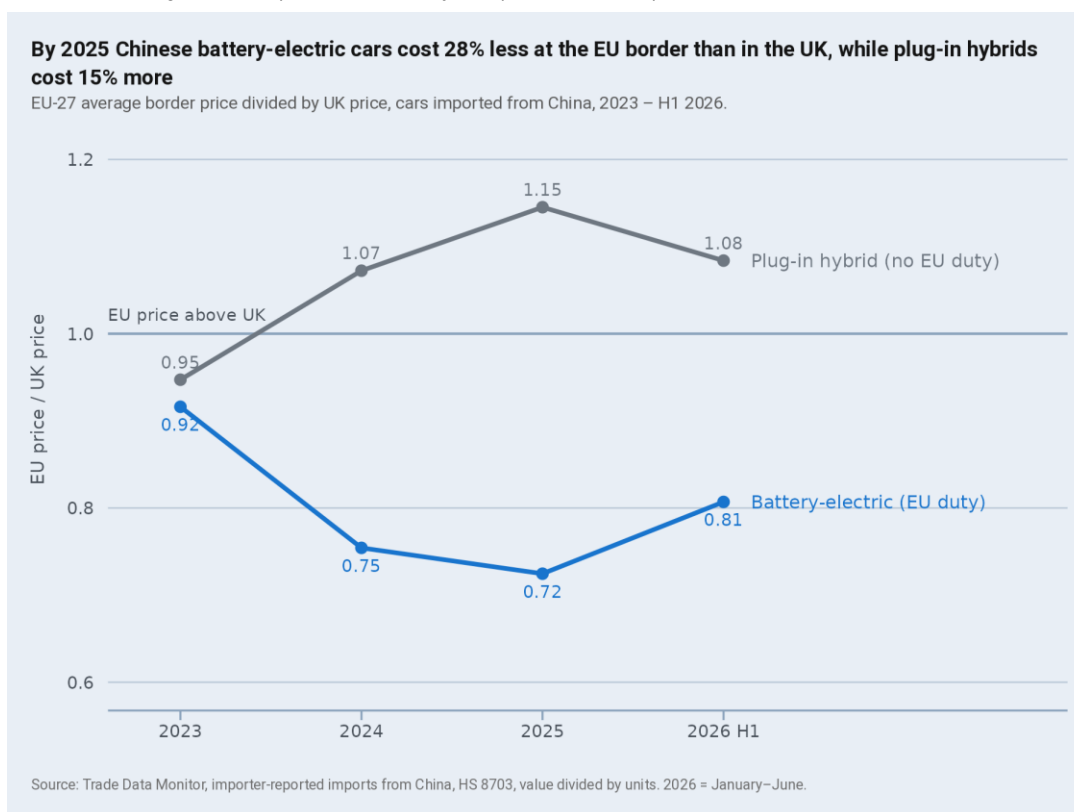


Table 1. Managed trade in Chinese cars: floors versus ceilings.

Jurisdiction	Instrument and price condition	First users
European Union	Minimum import price per model, with optional volume limit and investment pledges (battery-electric cars, guidance of 12 January 2026). Floor: no sales below an agreed price	Volkswagen (Anhui), Cupra Tavascan. No Chinese-owned brand as of 6 October 2026
Canada	Quota of 49,000 China-built electric cars a year at the 6.1% tariff (announced 16 January, in force 1 March 2026). Ceiling target: half under C\$35,000 by 2030, not yet applied	Tesla, which supplied most of the 15,603 cars imported in the first window (24,500 places)
Argentina	Duty-free quota of 50,000 hybrid and electric cars a year, any origin (35% tariff waived). Ceiling: factory price (FOB) of at most US\$16,000, raised from 1 October 2026 to US\$35,000 for battery-electric and US\$18,000 for hybrid cars	Ford, 10,000 Territory hybrids in the 2026 allocation

Source: European Commission; Global Affairs Canada; electrive, 8 September 2026; Argentina, Resolution 513/2025 and Decree 1128/2026.