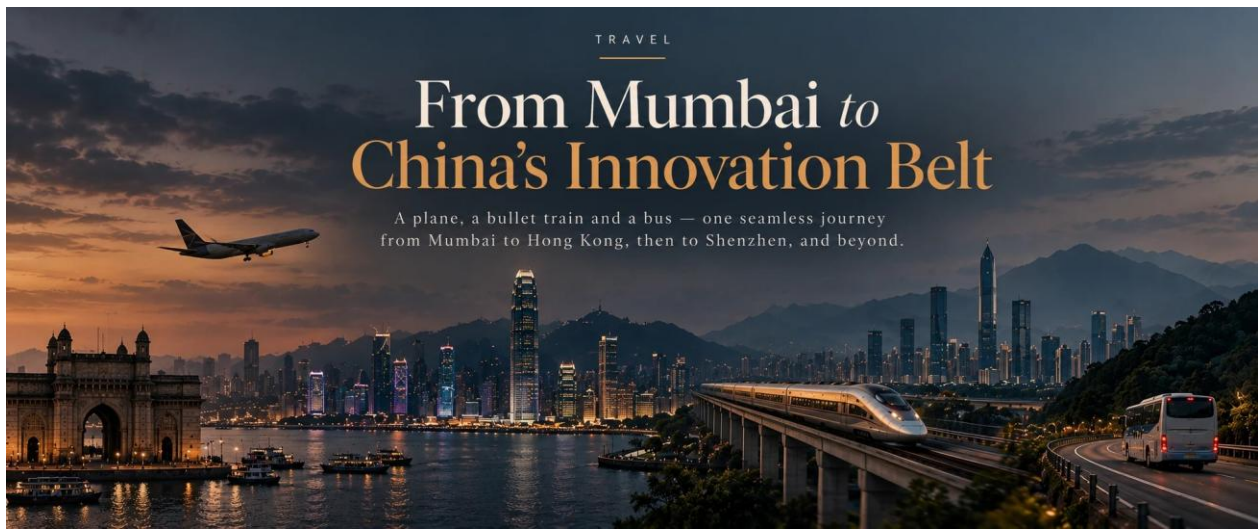




12 days | 15 companies | 5 cities

Figure 1: Trip route: Hong Kong → Shenzhen (bus) → Hangzhou (flight) → Shanghai (train) → Beijing (flight); 12 days, 15 companies, 5 cities.

The first time I came to China was in 2008, for an industrial visit. Beijing was weeks from the Olympics. Factories had been shut to clear the air, and the first 350 km/h line, Beijing–Tianjin, began running on 1 August. You had the option to pay in cash. There was no WeChat Pay and no iPhone on sale. By November, the global financial crisis had set off a \$586 billion stimulus. I left the country with a few notes and a promise to myself to revisit at frequent intervals, something I badly missed. Eighteen years later, in September 2026, I came back and was surprised to see the progress and the magnitude of growth and change the country has gone through since I last visited.

We distantly remember: in October 2004, a week before Maharashtra went to the polls, Manmohan Singh told a Mumbai press conference that the city should be developed "like Shanghai in China." Seventeen months later he was still explaining it: Mumbai could learn from Shanghai "in reinventing itself; in rebuilding itself; in rediscovering itself." Let me admit, I was very inquisitive to discover, twenty-two years on, whether Mumbai had become Shanghai or Shanghai had become Mumbai.

Since then, the Chinese economy has grown from \$4.7 trillion to \$19.5 trillion. High-speed rail went from a few hundred kilometres to 50,400. Almost no new-energy vehicles were sold in 2008; China sold 16.5 million in 2025, nearly half of all car sales. Exports went from \$1.4 trillion to \$3.8 trillion. China's share of world manufacturing value added rose from 14% to 27%. Urbanisation went from 47% to 68%. Solar capacity went from 0.14 GW to roughly 1,200 GW. The graduating class went from 5.6 million per annum to 12.7 million per annum.

This letter is written in that register: what we saw then, what stands now, and what is entirely new. It begins across a table.

The Western consensus has been slow to see this, partly because China's first decade looked like cost arbitrage, and partly because the institutions best placed to notice had the most to lose by acknowledging it. What we found was not a manufacturer defending margin. It was a civilisation that had decided, across twenty-five years of Five Year Plans, to own the full stack of the next economy: the battery, the grid, the chip, the model, the molecule. Each sector funded the one above it. Each company we visited sat at the junction of at least two layers. Before the boardrooms, there was the street. And the street told you everything.



Figure 2: A Chinese city skyline at night, photographed during the trip.

The numbers behind that QR are remarkable. China's bank-processed mobile payments rose from RMB347 trillion (\$50 trillion) in 2019 to RMB572 trillion (\$80 trillion) in 2025, a 65% increase, while volumes more than doubled from 101.4 billion to 231.5 billion transactions. By 2021, 82% of Chinese adults made digital merchant payments, the highest rate among the economies covered by the World Bank, and, the part that stuck with me, more than 100 million (11%) made their first such payment during the pandemic. China entered COVID with digital payments already deeply embedded.

The infrastructure of money was invisible. The infrastructure of movement was impossible to miss.

China's high-speed network was about 19,000 kilometres in 2015, when I was in secondary school. By end-2025 it was 50,400, roughly two-thirds of all high-speed track on the planet: 31,400 added in a decade, 3,140 a year, through a trade war, a pandemic and a property crash, including 2,862 in 2025 alone. Annual rail investment ran between RMB 711 and 902 billion (\$100–130 billion), a commitment that makes the Mumbai-Ahmedabad project feel like a rounding error.

What he found remarkable, when I explained it, was that India's first high-speed railway had been under construction for seven years and had not yet carried a passenger. He didn't say it unkindly, but the way you'd react to learning that a friend was still hand-washing their laundry: a mild surprise at something taken entirely for granted.

Table 1: High-speed rail in operation: China vs the world, 2015 vs 2025

| Country       | ~2015 (km) | 2025 (km)                  | Change               |
|---------------|------------|----------------------------|----------------------|
| China         | ~19,000    | ~50,400                    | +31,400              |
| Spain         | ~3,100     | 3,993                      | +~900                |
| Japan         | ~2,620     | ~3,100                     | +~500                |
| France        | ~2,040     | 2,735                      | +~700                |
| Germany       | ~1,330     | 1,631                      | +~300                |
| Italy         | ~920       | 921                        | flat                 |
| South Korea   | ~600       | 873                        | +~270                |
| United States | 0*         | 0*                         | none                 |
| India         | 0          | 0 (508 under construction) | first 50 km due 2027 |

Sources: China Ministry of Transport (end-2025; UIC's stricter definition gives 40,493 km at Dec-2024); UIC High-Speed Rail Atlas (Dec 2024); national operators. \*US Acela runs 735 km on the shared Northeast Corridor with only short stretches above 240 km/h; no dedicated 250 km/h+ line operates. ~2015 figures approximate.

China added about 31,400 km of high-speed line, against at most about 900 km for any other country listed, while India and the United States remain at zero.

The argument for HSR was never just passenger experience but the economic activity around stations. Linking Shenzhen, Dongguan and Guangzhou in 40 minutes expands labour markets, gives workers first-tier wages without first-tier rents, compresses supply chains and enables just-in-time production without relocating factories. By 2021, HSR covered 93% of Chinese cities with populations above 500,000, effectively creating a single national workspace.

The export numbers compound the story. Guangdong province exported \$839 billion in 2025, more than three times the combined exports of India's top three states. Xi'an, a second-tier interior city most Indians associate only with the Terracotta Army, exported \$49 billion in 2025, up 25.8% year-on-year. Uttar Pradesh, India's most populous state with 240 million people, exported \$22.8 billion in total.

The gap is widest where it matters most: at the bottom. On almost every measure of the material floor, China's urban poor live better than India's. Safely managed urban sanitation reaches 85% of China's city dwellers against 56% in India; safely managed drinking water 96% against 83%. Child stunting is 4.5% in China and 32.9% in India. At the World Bank's \$8.30-a-day line, 21% of Chinese fall below it against 82% of Indians. Shanghai's poorest households receive a cash minimum-living allowance of about \$210 a month; India's main urban safety net is free grain. The honest caveat is hukou, China's household-registration system: about 300 million migrant workers live in cities without local registration and are shut out of that allowance, local schools and full medical cover. Much of China's urban poverty is counted in the villages those workers came from. India's is visible in its slums.

The domestic substitutes are not just local champions; several are now global leaders in their own right. Their share of the world market, from early scale to today:

**Table 2: Chinese leaders in global markets: global share, early year → latest**

| Row             | Chinese leader | Global share: early year → latest                                  |
|-----------------|----------------|--------------------------------------------------------------------|
| EVs             | BYD            | 11.3% (2015) → ~22% (2025) of global EV + PHEV sales               |
| Smartphones     | Xiaomi         | ~4.7% (2014) → 13.1% (2025) of global shipments                    |
| Card payments   | UnionPay       | 20.4% (2013) → ~40% (2022) of global card volume                   |
| Coffee          | Luckin         | 7% (2018) → 88% (Q2 2026) — stores as % of Starbucks' global count |
| Music streaming | Tencent Music  | ~10.6% (2018) → 13.8% (Q4 2025) of paid subscribers, #2 globally   |
| Ride-hailing    | DiDi           | ~58% of DiDi + Uber combined trips (Q1 2025)                       |
| Sportswear      | Anta           | #3 globally by revenue (2025)                                      |

Sources: Inovev, Rho Motion, IDC, Nilson Report, company filings (Luckin, Starbucks, DiDi, Uber), MIDiA, Anta FY2025. Search, social, video, e-commerce and short video have no clean global metric.

## China is the place where “Execution Eats Strategy for Lunch”

China's industrial dominance can be understood by reflecting on its five-year national plans. These documents explain almost everything we have seen on this trip. We were taught that central planning is what collapsed the Soviet Union. China's planners, it turns out, were not doing central planning in the Soviet sense. In retrospect, and in the data, it looks more like the most patient institutional investor strategy ever executed at country scale.

**Table 3: Four plans, four sets of priorities**

| Plan                       | Big idea                                     | Unique high-priority themes (new in this plan)                                                                                                                                                                                                                                                        | Headline targets                                                                                                      |
|----------------------------|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 12th FYP /<br>Year 2011–15 | Rebalance and go green                       | Seven Strategic Emerging Industries launched: New-Energy Vehicles; New Energy (Solar, Wind, Nuclear); Energy Saving & Environmental Protection; Biotech; New Materials; High-End Equipment; Next-Generation IT                                                                                        | Strategic emerging industries 8% of GDP by 2015 (4% in 2010); carbon intensity –17%; R&D 2.2% of GDP                  |
| 13th FYP /<br>Year 2016–20 | Innovation-driven growth, Made in China 2025 | Made in China 2025 and Internet Plus; AI, 5G, IoT, Big Data, Cloud; Integrated Circuits; Industrial Robots & Smart Factories; supply-side reform (Steel and Coal capacity cuts); ending rural poverty                                                                                                 | Strategic emerging industries 15% of GDP by 2020; five industries of RMB10trn each; R&D 2.5% of GDP                   |
| 14th FYP /<br>Year 2021–25 | Self-reliance and dual circulation           | Seven frontier areas: AI, Quantum Information, Integrated Circuits, Brain Science, Gene & Biotech, Clinical Medicine, Deep Space/Earth/Sea/Polar; Digital Economy (Industrial Internet, Blockchain, VR); “dual carbon” (peak 2030, neutral 2060); Food, Energy and Supply-Chain security              | Core digital economy 10% of GDP by 2025 (7.8% in 2020); R&D up 7%+ a year; basic research over 8% of R&D              |
| 15th FYP /<br>Year 2026–30 | New quality productive forces and AI+        | AI+ across industry; future industries: Quantum, Biomanufacturing, Hydrogen & Nuclear Fusion, Brain-Computer Interfaces, Embodied AI, 6G; full-chain breakthroughs in Chips, Machine Tools, High-End Instruments, Basic Software; Robotics and Aerospace; household consumption; curbing “involution” | Emerging pillar industries above RMB10trn by 2030; R&D up 7%+ a year; household consumption rate to rise (indicative) |

Sources: State Council decision on strategic emerging industries (2010) and 12th FYP; 13th FYP Strategic Emerging Industries Plan (State Council, Dec 2016; CSET translation); 14th FYP Outline (Mar 2021); 15th FYP Outline (Mar 2026) via China Daily, CGTN and MERICS. Targets are as stated in each plan, not outcomes.

Interestingly, while reading all of them, one realises that each plan moves one layer up the technology stack: from making clean-energy hardware (12th), to digitising and automating the factory (13th), to owning the chips and the science behind them (14th), to industries that barely exist yet at commercial scale (15th).

The structure matters. Five-Year Plans operate on two tiers: “binding” targets, backed by cadre performance evaluations and direct administrative enforcement, and “anticipated” targets, delivered through market forces the government merely guides. Binding targets hit. Anticipated targets miss. So the commitments to take seriously are those tied to a Communist Party official's promotion; those tied to market outcomes are the ones that slip. The 15th iteration is now on the table: the 15th Five-Year Plan, running 2026–2030, with AI and semiconductors circled in ink where heavy industry used to be.

The mechanism is visible in a single chart. From 2021, as real estate credit contracted by over 2 trillion CNY (~\$280 billion) annually, industrial loans expanded by the same magnitude in the opposite direction. The banking system was not collapsing; it was being retooled, from consumer assets to productive capacity. The \$3.7 trillion export machine is what that reallocation looks like at scale.

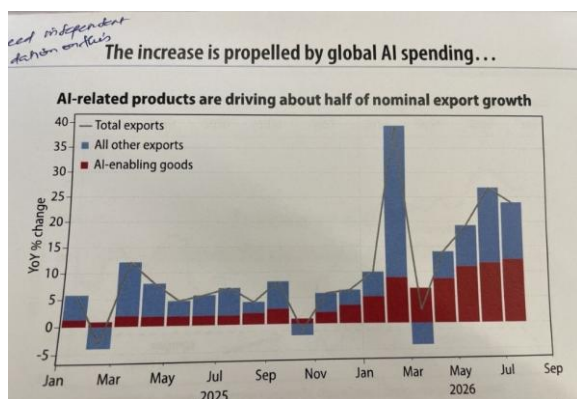


Figure 3: AI-related products are driving about half of China's nominal export growth, 2025–26. Source: Gavekal Dragonomics, Macrobond (annotated page from our notes).

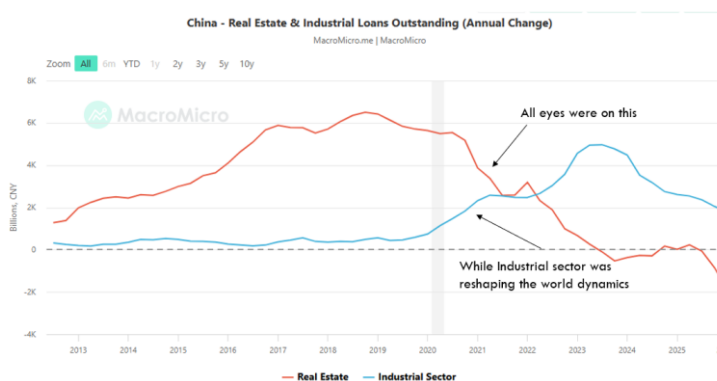


Figure 4: China: real estate vs industrial loans outstanding, annual change (CNY bn), 2013–2026. Source: MacroMicro.

Whatever the plans prioritise, China tends to end up owning, and someone else pays. In each of the four industries below, a plan designation came first, provincial money and cheap credit followed, and within a decade China held between two-thirds and nine-tenths of world output. When China walks in, profit and countries walk out. **The losers are specific. Germany's carmakers lost ten points of share in their most profitable market; Europe's solar manufacturers went bankrupt one after another; Korea's battery makers and shipyards ceded the lead; and Europe's home-grown battery champion, Northvolt, collapsed. This is what a binding target looks like from the outside.**

Table 4: What the plans built — and who paid for it

| Industry              | Prioritised in                         | China's global share: then → now                                            | China vs world today                                     | Who paid for it                                                                                                                              |
|-----------------------|----------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Electric vehicles     | 12th, 13th, 14th FYP                   | 40%+ of EV sales (2016) → ~65% (2024), 62% (2025); 70%+ of production       | 12.9m of 20.7m EVs sold (2025)                           | German brands' share of China's car market 26% (2019) → 16% (2025); VW China deliveries 4.23m → 2.7m; BYD overtook VW as China's No.1 (2024) |
| Solar PV              | 12th, 13th FYP                         | ~half of modules (2010, est.) → 86% (2024), 83% (2025); 80%+ of every stage | ~575 GW of 694 GW made (2025); world was 23.5 GW in 2010 | SolarWorld collapsed (production ended 2018); Germany has had no cell maker since; Meyer Burger insolvent (2025)                             |
| Lithium-ion batteries | 12th, 13th, 14th FYP                   | ~71% of EV-battery installations (2025); CATL + BYD 55.6%                   | 1,187 GWh installed worldwide (2025); CATL alone 465 GWh | Korea's LGES, SK On and Samsung SDI: 23% (2023) → ~15% (2025); Sweden's Northvolt bankrupt (Mar 2025) after raising \$13.8bn+                |
| Shipbuilding          | 12th FYP, Made in China 2025, 14th FYP | 33% of new orders (2011) → ~70% (2024), 63% (2025)                          | 35.4m CGT ordered (2025); 60%+ of global orderbook       | Korea's share of orders 48% (2011) → 17% (2024), ~22% (Jan–Nov 2025); Japan below 10% (H1 2025)                                              |

Sources: IEA Global EV Outlook 2025; Rho Motion/Benchmark (2025 EV sales); CPIA (2025 module output); IEA Solar PV Global Supply Chains; IEA-PVPS; SNE Research (via Argus, CnEVPost); Clarksons (via Hellenic Shipping News, SCMP, Korea Times); Caixin; CarNewsChina; tech.eu. Solar 2010 share is an estimate; battery share sums Chinese makers in SNE's top 10.

**A caution for investors: the plans reliably create industries, but not shareholder returns.** The policy is built to maximise output and market share, not profit. A study of China's shipbuilding subsidies (~\$80 billion of support in 2006–13) lifted investment 270%, the number of firms 200% and world market share 40%, but 75% of that share was taken from other countries, and the policy produced "mediocre net profit gains" and excess capacity.

Beijing itself now calls it "involution". Robotics shows the same early signs: in November 2025 the NDRC warned of bubble risk, with more than 150 humanoid-robot makers building "remarkably similar" products. The standard narrative says China moved up the value chain. The data says something more specific: China executed backward integration. It did not merely improve what it already made; it acquired control of every upstream layer its industries depended on. Each plan marks where that strategy advanced.

Solar is the cleanest proof. China began by assembling panels from foreign polysilicon and foreign cells. It then produced its own polysilicon, then its own cells, then its own wafers, then its own equipment to make those wafers. By 2026, China accounts for 60% of global solar capacity, close to 90% of global module production, and dominant positions at every layer below the module. The same architecture of assembly, then components, then materials, then equipment, then intellectual property has been executed in EV batteries (12th FYP: scale lithium for consumer electronics; 13th FYP: redirect that scale into NEVs, 5-million-unit target met on schedule), shipbuilding and high-speed rail. The plan has run this model for twenty years; the eight chokepoints are simply the last eight pieces. I have also discussed this network in detail in our [Shareholders Letter of 2023-2024](#). Today, AI-enabling goods account for approximately half of China's nominal export growth: hardware, not software, from servers to networking, power and cooling. The West built the algorithms. China is building the substrate they run on, and increasingly the algorithms too.

## Will Manufacturing Leave China? The Story of China + 1 = India

During the trip, in Shenzhen, the head of Hesai Technology's investor relations set a LiDAR unit the size of a hockey puck on the conference table between us. "This ships at \$200," he said. "The American version ships at \$500. Same range. Same resolution. We are three doublings of volume ahead of them on the cost curve. Do the math." We did the math. Then we did it fourteen more times, across fourteen companies, four cities and five industries. Every time, the arithmetic pointed the same way. **The commodity became the platform. The platform became the ecosystem. The ecosystem became the moat.**

China's advantage is not a collection of competitive companies but an interlocking industrial ecosystem: overlapping industries sharing suppliers, technologies, manufacturing capabilities and markets, with mutually reinforcing returns. Four channels. Supply: domestic upstream makers give downstream firms suppliers they can modify. Demand: adjacent industries provide customers and volume before products are globally competitive. Technology: polysilicon knowledge supports both photovoltaic and semiconductor production; inverter expertise spans solar, EVs, rail and telecom. Scale: shared inputs such as lithium batteries serve several large industries at once.

**The instinct, looking at that chart, is to name a company. But Kyle Chan's work cuts through that instinct cleanly:**

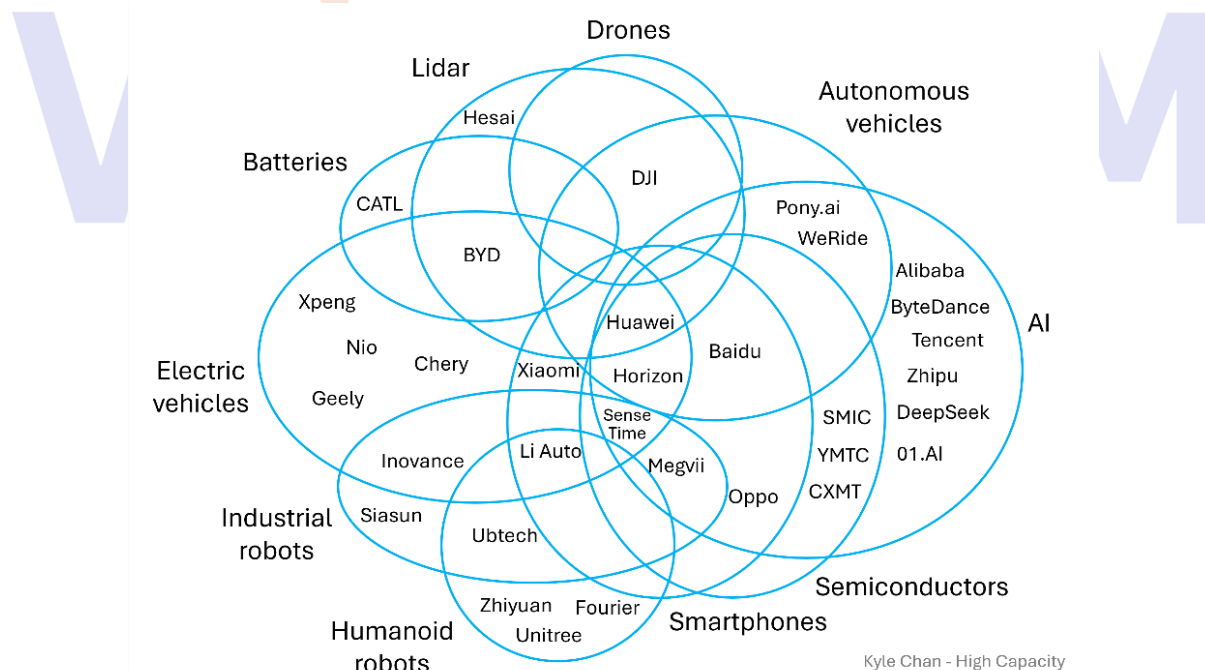


Figure 5: China's industrial ecosystem: overlapping industries and the companies that sit at their intersections. Source: Kyle Chan, High Capacity.

Ten of the companies we met sit as nodes in that web, not as individual bets:

## CATL

**Moat:** one cell platform serves EVs and grid storage; 661 GWh sold in 2025 (+39%), ~\$3.2bn of R&D. **Share:** global EV-battery share from ~23% (2018) to 39.9% (H1 2026, SNE Research), against BYD 14.4% and LGES 8.6%. **Why best:** \$10.4bn net profit in 2025, a 17% margin, against LGES's ~5.7% operating margin including US tax credits; China pack prices of \$84/kWh are 44% below North America and 56% below Europe.

## SenseTime

**Moat:** full AI stack, with 48,000 PFLOPS of own compute plus SenseNova models; IDC's #1 in China vision AI for ten years. **Share:** 12.2% of China's large-model platform market (2024), down from 16% as hyperscalers scaled; generative AI now ~80% of revenue. **Why best:** first net profit in H1 2026 (~\$91m on ~\$430m revenue, 41% gross margin), while Zhipu and MiniMax lose \$290–360m each.

## Horizon Robotics

**Moat:** sells chip, driving software and toolchain as one bundle at mass-market prices; ~500 model design wins. **Share:** China front-camera ADAS chips from 23.7% (2023) to 47.7% (2025, #1), ahead of Mobileye's 27.8%. **Why best:** 2025 revenue +58% to ~\$540m at a 64.5% gross margin; its J6P is rated 560 TOPS against NVIDIA Orin-X's 254.

## Hesai Technology

**Moat:** own lidar chips and automated plants; 1.62m units shipped in 2025 (+223%), capacity above 4m units in 2026. **Share:** #1 in global automotive-lidar revenue since 2021 (Yole); 43% of long-range ADAS lidar units in 2025. **Why best:** first lidar maker with a full-year GAAP profit (\$62m on \$433m revenue) at about \$270 per unit; Luminar filed for Chapter 11 in December 2025.

## Alibaba Cloud

**Moat:** China's hyperscaler with the leading open-weight model family; Qwen has 700m+ downloads and passed Llama on Hugging Face in October 2025. **Share:** 37% of China cloud (Q4 2025), more than double Huawei; ~4% globally. **Why best:** \$7.1bn quarterly revenue (June 2026), +45% against a 35% global market; AI revenue has grown triple digits for 12 straight quarters.

## Anji Microelectronics

**Moat:** proprietary chip-polishing slurries co-developed with fabs (copper, tungsten, ceria), plus wet chemicals (+51%). **Share:** global slurry share up from ~8% to ~13% (company figure). **Why best:** 55.6% gross and ~35% net margin, against Entegris at 44% gross; 2025 revenue +37%, profit +49%.

## Bambu Lab

**Moat:** an ex-DJI team running a consumer-electronics playbook; hardware, software, multi-colour printing and the MakerWorld library as one ecosystem. **Share:** from nil in 2021 to 37% of global entry-level 3D-printer shipments (#1, Q4 2025). **Why best:** the P1S prints at 500 mm/s, fully enclosed, for \$799–949; Prusa's Core One+ is \$1,203 assembled and outside the top four.

## Scantech

**Moat:** full 3D-measurement stack with 10,000+ customers in 70+ countries; opened a calibration centre in Noida in July 2026. **Share:** under 1% of a ~\$7bn global market, growing 12–22% a year. **Why best:** 0.015 mm accuracy at 8.1m points/s against Creaform's 0.025 mm and 1.3m; 74% gross and 26% net margin.

## CNOOC

**Moat:** fast, shallow offshore development; all-in cost \$27.90/boe, operating cost \$7.61. **Share proxy:** production up from 573 to 777 mmboe (2021–25), about 8% a year. **Why best:** same output as Equinor (2.14 mmboe/d) but ~165% reserve replacement against 48%, and ~\$17bn net profit against \$5.1bn.



Figure 6: Left: 3D-printed models at Bambu Lab. Centre: conference session at Alibaba headquarters. Right: meeting at Hesai Technology.

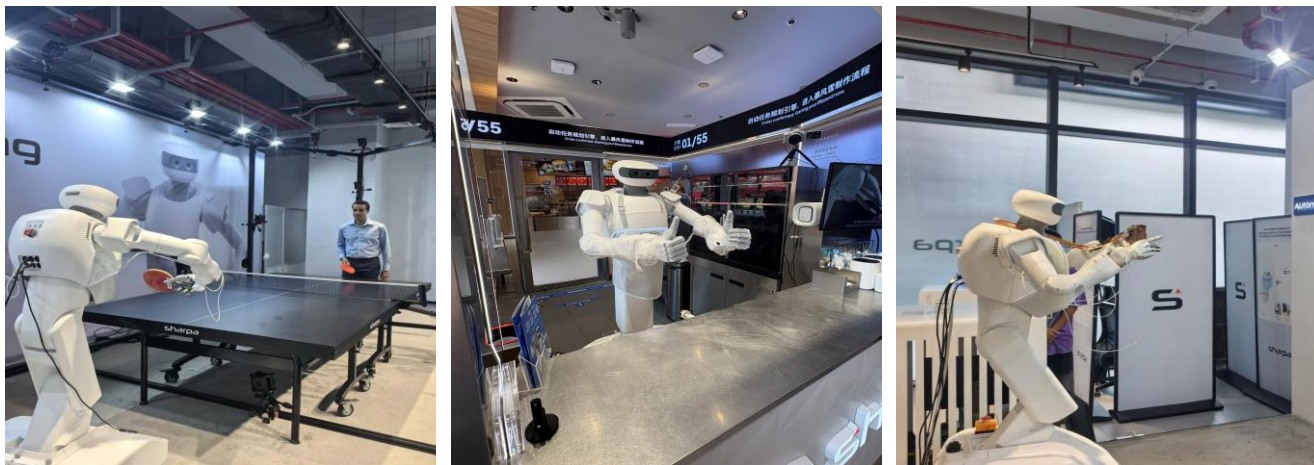


Figure 7: Humanoid robots on show during the trip: table-tennis demonstration (left), service-counter robot (centre) and a handling demonstration (right).

## The Driver Who Wasn't There

Imagine: a white robotaxi pulled up outside our Shenzhen hotel, its door unlocked, and nobody inside.

I had expected a driver. Failing that, I expected a steering wheel. Neither was there. It was a Baidu Apollo Go vehicle, the same kind we had been reading about all week, waiting at the kerb as if it had been sent for someone who had already gone upstairs. My colleague laughed and said it was the first time he had been kept waiting by a car. I was less amused. Somebody had decided this street was safe enough to leave an empty vehicle parked on it, and I wanted to know who, and on what basis.

**That question turned out to be the whole section. A driverless taxi is not a single invention. It is a technology stack, a licensing system, an operating model, and a population willing to share the road with it. China has assembled all four faster than anywhere else in the world.**

Our visit to Baidu's Apollo Go was a delight. It runs a Level 4 system. The vehicle drives itself with no human required, but only inside a mapped zone and under defined conditions. Its sixth-generation vehicle, the RT6, was built with Jiangling Motors. It is fully electric, carries up to three passengers, and is fitted with more than 30 sensors. Lidar, cameras and radar build a live picture of the street. A high-definition map places the car to within centimetres. Software identifies vehicles, pedestrians and cyclists, predicts what each is likely to do next, plans a path, and executes it through steering, braking and throttle.

Two other parts of the system matter as much as the driving. The first is remote assistance: when a vehicle is stuck or uncertain, a human in a control room can review the situation and guide it without taking over the wheel. The second is the depot. Vehicles must be cleaned, charged, inspected and repositioned, and that network is a large cost that rarely makes the headlines. The chips and sensors inside these cars come from the same domestic supply chain we profiled above, with Horizon Robotics on the compute side and Hesai on the sensing side. *As India debates which vernacular language the driver should speak*, Apollo Go provided 3.2 million fully driverless rides, according to Baidu's results filing. Weekly rides peaked above 350,000 in March, and total rides grew more than 120% year on year.

## EV Automaker Showrooms

Our trip to various EV automaker showrooms offered an update on electric vehicles: BYD took the same logic and ran it vertically, not as a node in the ecosystem but as the finished product built from every node at once. What looks like one premium vehicle is an entire industrial ecosystem converging inside one machine.

BYD is a battery, EV, semiconductor and energy storage company, each feeding the cost structure of the others. Its export share nearly doubled to approximately 43% of unit sales in 2026, as domestic demand moderated and international markets absorbed the capacity.

The significance of China's EV industry is not that Beijing simply selected winners, but that the state, local governments and private firms each played a role: local governments worked with private manufacturers, and private firms supplied the agility SOEs often lacked. It evolved from local-government support for private automakers in the 1990s, through access to global capital and technology in the 2000s, to increasingly sophisticated local-government investment after 2015. Today, there are 50+ EV car manufacturers and 16 of them account for 95% of the market.

Competition is not slowing at the frontier. A few weeks back, Geely unveiled a battery that charges from 10% to 70% in 4 minutes 30 seconds with 2.2-megawatt chargers. BYD's flash charging does 10–97% in nine minutes; in comparison, India's

typical public fast charger delivers 30–60 kW, roughly 40 to 70 times slower. The country will have 90,000 charging stations by 2028. Back in China, the intensity of competition is at an insane level. AlixPartners counted 129 EV and plug-in hybrid brands fighting for the same buyer, and expects only about 15 of them to be financially viable by 2030. In 2024 alone, 195 car models took price cuts, against 150 a year earlier; by April 2025, industry-wide discounts had touched a record 16.8%, and the car industry's profit margin had slipped to 4.4%. Only a handful, BYD, Li Auto and Seres among them, actually make money; the rest are selling cars to stay alive, which is precisely what Beijing now calls involution.

**Table 5: Ranking of the top 10 automotive manufacturers in China, 2025**



| Rank | Company          | Ownership                                           | Market Share (%) |
|------|------------------|-----------------------------------------------------|------------------|
| 1    | BYD              | Private firm                                        | 14.7             |
| 2    | Geely            | Private firm                                        | 11.0             |
| 3    | FAW-Volkswagen   | JV between SOE and foreign firm                     | 6.4              |
| 4    | Chang'an Auto    | SOE                                                 | 5.9              |
| 5    | Chery            | Private firm (with minority local government stake) | 5.7              |
| 6    | SAIC-Volkswagen  | JV between SOE and foreign firm                     | 4.5              |
| 7    | SAIC-GM-Wuling   | JV of giant SOE, regional SOE, and foreign firm     | 3.7              |
| 8    | FAW-Toyota       | JV between SOE and foreign firm                     | 3.4              |
| 9    | GAC-Toyota       | JV between SOE and foreign firm                     | 3.3              |
| 10   | Great Wall Motor | Private firm                                        | 2.9              |

Source: China Passenger Car Association (CPCA), full-year 2025 retail sales, via CnEVPost (12 January 2026).

Note: JV = joint venture; SOE = state-owned enterprise.

Figure 8: An EV showroom visited during the trip.

## Pharma, new emerging champion

India has led the pharmaceutical championship in the world. Global pharma is now paying for that bet. Eight of the ten largest licensing deals worldwide in the first half of 2026 involved Chinese assets: AstraZeneca committed up to \$18.5 billion to CSPC for obesity programmes, Bristol Myers Squibb up to \$15.2 billion to Hengrui, Pfizer up to \$10.5 billion to Innovent. China now supplies about a third of global licensing deal value, against 8% in 2021. Chinese biopharma companies spend 72% of revenue on R&D at median. Their Indian counterparts spend 7%. India built a generics empire on low-cost manufacturing and was paid for it: Indian biopharma returned 248% over ten years on mid-to-high-teen margins. *China took the opposite bet on antibody-drug conjugates, cell and gene therapies and bispecific antibodies, where the global science is still being written.*

**Table 6: China's drug out-licensing: headline value vs cash received**

| Period                                  | Headline deal value | Cash upfront  | Deals |
|-----------------------------------------|---------------------|---------------|-------|
| 2025 (full year)                        | \$ 135.7bn          | \$7.0bn (~5%) | 157   |
| H1 2026 (Moshang Pharma / Pharnexcloud) | \$ 71.9bn           | n/a           | 62    |
| H1 2026 (NMPA / VBDData)                | ~\$106–110bn        | \$6.2bn       | 81    |

**Table 7: Who pays China: H1 2026, share of disclosed deal value**

| Licensee country                         | Deals      | Value    | Share |
|------------------------------------------|------------|----------|-------|
| United States                            | 27         | \$42.9bn | ~60%  |
| United Kingdom (mostly AstraZeneca–CSPC) | 6          | \$21.7bn | ~30%  |
| EU (France; others not split out)        | 3+         | \$2.5bn+ | ~4–5% |
| Australia                                | 4          | \$1.2bn  | ~2%   |
| Rest (Japan, Korea, Switzerland, Spain)  | few        | ~\$3.6bn | ~5%   |
| India                                    | none found | ~0       | ~0%   |

Sources: Pharmcube/NextPharma via EEO (2025); Moshang Pharma (Pharnexcloud) and NMPA/VBDData via CCTV (H1 2026). Trackers define deals differently, hence the H1 2026 range; "Rest" is the balance of the disclosed total.

Two things stand out. The headline is mostly promise: of \$135.7 billion signed in 2025, only \$7 billion, about 5%, arrived as cash; the rest depends on milestones many programmes will never reach. Western buyers are purchasing options on Chinese science, not finished franchises. India barely appears; its deals with Chinese firms cover biosimilars and India-only rights, not new molecules.

Domestic returns remain poor. Volume-based procurement cuts prices by half or more, around 50 Chinese companies run GLP-1 programmes at once, and profitability is in the low single digits where it exists. This is the setup that preceded the battery breakout: overwhelming investment, negative near-term returns, a crowded field and an explicit designation in the plan, as the 15th FYP names biotech a strategic emerging industry. The investment cycle is running ahead of the returns cycle.

India's opening sits on the other side of the ledger. The US BIOSECURE Act, law since December 2025, restricts Chinese biotech equipment and services in federally funded work but not IP licensing. The emerging split is that China invents and India manufactures, helped by the ₹10,000 crore (~\$1.1 billion) Biopharma SHAKTI programme. The catch: India still imports roughly 70% of its key drug ingredients from China. The lesson is that the business world is sometimes entangled with geopolitics and, at times, remains apathetic to it. Big pharma needs China's innovation engine more than anyone else.

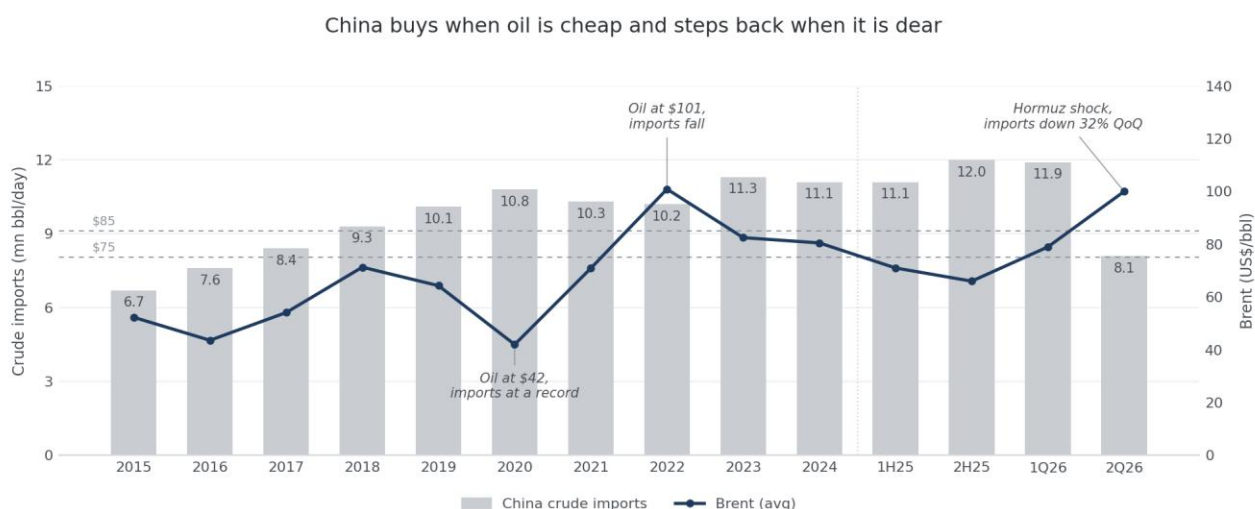


Figure 9: China buys when oil is cheap and steps back when it is dear: crude imports (mn bbl/day) vs Brent (US\$/bbl), 2015–2Q26.

China is navigating the current geopolitical crisis in the Middle East by positioning years in advance. The import data show it accumulating crude aggressively when Brent trades below \$75/barrel and cutting purchases above \$85. It is a commodity options position at sovereign scale, structured as energy procurement. When the Strait of Hormuz closed and Brent crossed \$100, China simply stepped back: imports in the second quarter of 2026 fell 32% from the quarter before, and it drew on the barrels it had stored the year earlier.

China had built strategic reserves sufficient to buffer multi-month disruptions, so domestic energy costs never moved as violently as global ones, and factories making solar panels, batteries and AI hardware ran on cheaper energy than rivals. CNOOC, with all-in costs of \$27.90 per barrel of oil equivalent in 2025 and roughly three times Equinor's profit on the same output, is unusually defensible: a low-cost producer whose domestic buyer has a strategic accumulation mandate, in an energy system partially decoupled from global prices. So China exports, and not just goods. It exports its problem's structure: manufacturers flush with capacity and light on domestic demand price at the margin of survival and take global share, widening the trade surplus. But China also controls what it withholds. In March 2026 Beijing suspended new diesel and gasoline export permissions to prioritise domestic supply, showing how its refining capacity can reshape global fuel availability.

**The harder question is what the plan cannot solve, and why that failure helps make the export machine run so intensely.**

China registered 7.92 million births in 2025: roughly half the 2015 figure, under a third of the 1980 peak. The 2040 workforce is already substantially born, and smaller than ever. But the more immediate problem is the balance sheet of the generation already here. The dips mark the Great Leap Forward famine, the Cultural Revolution and the one-child slide, with a brief two-child bounce after 2016. Births were still 10.6 million in 2021; a baby unborn today is a worker missing in the 2040s. India's crude birth rate is still roughly 19 per 1,000, more than three times China's.

The generation now entering work is smaller but far better educated. China produced 5.6 million graduates in 2008; the class of 2026 is a record 12.7 million, over 40% in STEM. It has awarded more STEM doctorates than the US since about 2007, and was projected to reach roughly twice the US level by 2025. The strain shows at entry: youth unemployment (16–24, students excluded) was 18.9% in August 2026, on a new method adopted after the old series peaked at 21.3% in 2023 and was suspended. Agriculture's share of employment has halved since 2008, from 40% to 22%, while factory payrolls shrink even as output rises.

They were told through their prime earning years that property was the correct savings vehicle. They bought at peak, on mortgages; prices fell from 2021 highs. Easing cannot restore that confidence; you cannot cut your way out of insolvency.

The result was long deflation: consumer prices near zero, factory-gate prices falling 33 straight months, while US inflation ran positive. Only in 2026 have prices turned: August CPI was up 0.8% and PPI 3.8% year on year.

This was a construction depression, not a tier-one price crash, and tier-one prices, at 28–29 times income, remain as unaffordable as Mumbai's. The bust did not reduce Chinese saving; it redirected it, and India is the clearest mirror.

Households in both save roughly a fifth of GDP: India 21.7% in FY25, China about 19–20% by our estimate. The money travels in opposite directions.

India saves in bricks and borrows to do it. Of the ₹69 trillion (~\$816 billion) saved in FY25, about two-thirds went into physical assets, mainly housing, plus roughly 3% into gold; only a third was net financial savings.

China saves in bank deposits and has stopped borrowing. In 2025 households added ¥14.6 trillion to deposits, about 54% of our estimated ¥27 trillion (~\$3.8 trillion) of saving; nearly three-quarters of the ¥166 trillion stock is in time deposits. New household borrowing collapsed from ¥7.9 trillion in 2021 to ¥0.44 trillion in 2025, an 18-year low. Housing, once half of Chinese saving, has shrunk to perhaps a fifth.

The money is starting to move. Wealth-management products grew ¥3.4 trillion in 2025 to ¥33.3 trillion; insurance premiums reached ¥6.1 trillion, life insurance up 11.4%; Chinese buyers took a record 432 tonnes of gold. Around ¥50–75 trillion of time deposits mature in 2026, the largest swing factor for Chinese markets. Until then, that pool funds the factory build-out.

## Why Inflation Matters to China, Not the Stock Market

Two foundations help us understand China. China's inflation runs on a different engine from the West's. After the mid-1990s hyperinflation (above 24% in 1994, tamed by Zhu Rongji's austerity), Chinese CPI has spiked four times against the G7 since 2000, each a supply shock, not overheating. Beijing tightened away the first three; the last faded as supply recovered and demand collapsed.

**Table 8: China's 500 largest companies: big revenue, thin profit**

| Top 500 Chinese companies by market cap | Total M Cap | Revenue   | EBITDA   | EBITDA % | PAT    | PAT % |
|-----------------------------------------|-------------|-----------|----------|----------|--------|-------|
| Top 100                                 | 67,26,168   | 35,64,098 | 4,97,273 | 14%      | 77,738 | 2%    |
| Next 150 (101–250)                      | 15,93,040   | 15,51,780 | 1,69,296 | 11%      | 14,577 | 1%    |
| Next 250 (251–500)                      | 11,87,128   | 7,59,046  | 73,124   | 10%      | 9,494  | 1%    |

Source: Vallum Capital research dataset (aggregates by market-cap cohort; figures in the dataset's reporting units). R&D: NBS China (2025); India DST.

The table shows the top 100 companies earning a 14% EBITDA margin and a 2% PAT margin, against 10% and 1% for the next 250.

The 2021–23 episode is the mirror image: the G7 had its worst inflation in forty years (above 11% in the UK, near 12% in Italy, above 9% in the US), driven by stimulus-fuelled demand and the energy shock. China's CPI never broke 3%, then sank to zero and below as the property bust hit. Today China prints 0.8% against 3.4% in the US, 3.3% in Italy and 3.1% in the UK. Inflation Beijing could tighten away; deflation is a demand problem it cannot simply stimulate away. **Learning: look at Chinese bonds for investment if you are running a bond book, and turn to stocks when you see that anti-involution has started working.**

## Life in Beijing

Later on, walking from the hotel to a meeting in Futian district, I counted the CCTV cameras at one ordinary intersection. I stopped counting at eleven. This was not a government building or a border post. It was a street corner with a bubble tea shop.

China has an estimated 700 million surveillance cameras, about 494 for every 1,000 people. That is Comparatist's projection, not an official census, but no serious analyst disputes the order of magnitude. On the same basis, Seoul has 24 per 1,000, Singapore 18, London 13, Delhi 9, Mumbai 4 and Tokyo 1.4. India's state police forces reported 591,885 cameras in 2024, 22 times the 2016 count and still a sliver of China's density. It feels that way on the street, too. In Gallup's 2025 Global Safety Report, 94% of Chinese adults said they feel safe walking alone at night where they live, third-highest of 144 countries behind only Singapore (98%), against 72% in India, 71% in the United States, 76% in Britain and a global average of 73%.

Does it change anything? The question kept coming up in our conversations with local contacts. A 2026 study across 322 Chinese cities says yes: a 100-log-point increase in camera investment cuts crime by about 10%, a causally identified effect, not a correlation.

The same machinery reached the official's desk. On Transparency International's Corruption Perceptions Index, where higher means cleaner, China climbed from 39 in 2012, when Xi Jinping's anti-corruption campaign began, to 43 in 2025. It peaked at 45 in 2021–22 and now ranks 76th of 182. India moved from 36 to 39 and ranks 91st. Tokyo proves cameras are not necessary for safety. China suggests that, at this density, they can deliver it fast. That is the civic bargain. Citizens gave up

privacy and got back some of the safest streets in the world and a state measurably less corrupt than a decade ago. It is not a comfortable bargain to describe. It is simply what we observed. During my long stay in Beijing, I finished my run and sat on a park bench. I thought, this is what infrastructure does when it works long enough. It stops being infrastructure. It becomes the baseline expectation of a life. The cameras told you who was watching. The parks told you what they'd built while doing it.



Figure 10: The hotel delivery robot that brought our plate of fruit to the room.

Later when I checked in, I ordered a plate of fruit from the room. Minutes later, a softly glowing robot rolled down the corridor and stopped at my door. Its tray lifted; my fruit was waiting. I took the plate, and with a quiet beep, the robot turned and disappeared around the corner. No human had come.

The robot was not a gimmick; it was the scale of the industry showing through. China ended 2025 with about 4.3 million four- and five-star-equivalent rooms (1.43 million luxury, 2.89 million upscale), against roughly 150,000 branded rooms in the same tiers in India, a gap of more than 28 times. Among government-rated hotels, China has 772 five-star and 2,325 four-star properties against India's 387 and 361 (2023, the latest split both governments publish). The telling number is price: an Indian branded room averaged about \$100 a night in 2025 at 64% occupancy, while China's 7,586 star-rated hotels averaged about \$50 at 47%.

India's shortage shows up as pricing power; China's abundance shows up as robots and thin margins. The park began two blocks from the hotel. Not a "park" in the Indian sense, a dusty patch of median strip with one broken swing, but a proper green corridor: fitness stations, elderly residents doing tai chi in careful rows, a woman of about sixty working the lat pulldown with practiced form. The grass was trimmed. The air was cold, but it was breathable. This is the detail that doesn't show up in GDP tables. It should.

On the skyline, arguably yes: by one count Mumbai now has more towers above 150 meters (278 against 203). Almost everything else moved the other way. Shanghai went from 125 km of urban rail to 962 km. Its airports handle 135 million passengers a year against Mumbai's 55 million. Its port moves 55 million containers, the world's busiest; JNPT moves roughly 6–7 million. Shanghai's economy grew from \$90 billion to \$789 billion. Mumbai built the towers. Shanghai built the city around them, and, it turns out, the parks and the air.

Table 9: India's 15 largest cities vs their Chinese counterparts: scale, income and air

|    | INDIA       | CHINA (paired by economic role) |            |                 |         |           |           |            |                 |       |                   |
|----|-------------|---------------------------------|------------|-----------------|---------|-----------|-----------|------------|-----------------|-------|-------------------|
| #  | City        | Pop. (mn)                       | GDP (\$bn) | Per-capita (\$) | PM2.5   | City      | Pop. (mn) | GDP (\$bn) | Per-capita (\$) | PM2.5 | China GDP ÷ India |
| 1  | Mumbai      | 12.7                            | 162        | 3,470*          | 50w     | Shanghai  | 24.8      | 789        | 31,810          | 26    | 4.9x              |
| 2  | Delhi (NCR) | 11.0                            | 186        | 5,530           | 108a    | Beijing   | 21.8      | 724        | 33,230          | 27    | 3.9x              |
| 3  | Bengaluru   | 8.5                             | 112        | 8,850           | 37w     | Shenzhen  | 17.9      | 539        | 30,100          | 17    | 4.8x              |
| 4  | Hyderabad   | 7.0                             | 80         | 4,370*          | 52w     | Hangzhou  | 12.6      | 320        | 25,410          | 29    | 4.0x              |
| 5  | Ahmedabad   | 6.4                             | 67         | 3,260*          | 65–100e | Suzhou    | 13.0      | 385        | 29,640          | 28    | 5.8x              |
| 6  | Chennai     | 4.7                             | 92         | 3,770*          | 36w     | Guangzhou | 18.9      | 446        | 23,590          | 22    | 4.8x              |
| 7  | Kolkata     | 4.6                             | 75         | 1,800*          | 65w     | Wuhan     | 13.7      | 308        | 22,490          | 36    | 4.1x              |
| 8  | Surat       | 4.6                             | 42         | 3,260*          | 60–70e  | Dongguan  | 10.5      | 178        | 16,910          | 20    | 4.2x              |
| 9  | Pune        | 3.1                             | 51         | 3,470*          | 55–65e  | Nanjing   | 9.6       | 270        | 28,160          | 27    | 5.3x              |
| 10 | Jaipur      | 3.0                             | ~16        | 2,880           | n/a     | Chengdu   | 21.3      | 345        | 16,180          | 33    | ~22x              |
| 11 | Lucknow     | 2.5                             | ~14        | 1,150*          | 96e     | Xi'an     | 13.1      | 193        | 14,770          | 40    | ~14x              |
| 12 | Kanpur      | 2.8                             | ~11        | 1,150*          | 93e     | Zhengzhou | 12.6      | 212        | 16,830          | 38    | ~19x              |
| 13 | Nagpur      | 2.4                             | ~15        | 3,870           | 55–60e  | Wuxi      | 7.5       | 233        | 31,120          | 26    | ~16x              |
| 14 | Indore      | 2.0                             | ~15        | 1,750*          | 55–65e  | Changsha  | 10.4      | 219        | 21,050          | 37    | ~15x              |
| 15 | Thane       | 1.8                             | in Mumbai  | 3,470*          | 60–70e  | Ningbo    | 9.7       | 260        | 26,840          | 22    | n.m.              |

Source: Population: city/prefecture, millions. GDP: India metro GDP FY2022-23 (latest published); China city GDP 2025 (CNY 7.19/US\$). Per-capita: China city GDP per head; India \* = state average used as a proxy, because India publishes no official city per-capita income (metro incomes are well above state averages). PM2.5 (µg/m³): China 2025 annual average (municipal ecology bureau; Hangzhou and Suzhou urban districts); India w = CSE winter average Oct 2024–Jan 2025, a = 2024 annual (IQAir), e = single-source estimate. Green space per resident: China mandates at least 8 m² (Shenzhen, Hangzhou, Chengdu exceed 12); Mumbai has about 1.5 m², Delhi under 2 m². Sources: MoSPI-derived metro GDP list, municipal statistical bureaus/NBS, municipal 2025 environmental bulletins, CSE, IQAir, Vallum city-comparison research.

The table makes the gap concrete. Every Chinese city out-produces its Indian partner's entire metro area, Shanghai 4.9 times Mumbai, Beijing 3.9 times Delhi, and the gap widens inland, to about 19 times for Zhengzhou against Kanpur. Incomes never overlap: the poorest Chinese city here (\$14,800 per head) is above the richest Indian proxy (\$8,850). Nor does the air: Xi'an,

the most polluted Chinese city in the table at 40, is cleaner than Mumbai, while Delhi's 108 is four times Beijing's 27. China mandates eight square meters of green space per resident; Mumbai has about 1.5.

Food tells a quieter version of the same story. Strictly vegan restaurants are still a niche in China, but a growing one built on an old base: the Buddhist vegetarian tradition, which today supports more than 4,000 dedicated vegetarian restaurants. On HappyCow, the global plant-based directory, Shanghai lists about 29 fully vegan restaurants and Beijing about 30, followed by Shenzhen (26), Guangzhou (21) and Chengdu (15). Two Chinese cities, Beijing (13th) and Guangzhou (18th), made SIXT's 2026 ranking of the world's 20 best cities for vegans; no Indian city did. Same inputs, opposite demand cycles. The 2008 playbook, RMB 4 trillion (\$586 billion) into steel and cement, does not fit: the debt and capacity already exist. What doesn't exist is a willing buyer.

**Table 10: Western consumer brands vs Chinese domestic substitutes: status in China and the situation in India**

| Category                 | Western Brand          | China Domestic Substitute                                | Status in China                                                                                                           | India Situation                                                                                                                                                                                                                  |
|--------------------------|------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Social Media</b>      | Facebook / Instagram   | WeChat / Weibo / Xiaohongshu                             | <b>Restricted / unavailable to ordinary users</b>                                                                         | Meta platforms have a large Indian user base; avoid stating "Meta #1" without defining the metric                                                                                                                                |
| <b>Messaging</b>         | WhatsApp               | WeChat                                                   | <b>Restricted / unavailable to ordinary users</b>                                                                         | WhatsApp has a very large user base in India                                                                                                                                                                                     |
| <b>Search</b>            | Google                 | Baidu / Bing / other domestic platforms                  | <b>Google services restricted; Baidu is a major domestic search engine</b>                                                | Google has ~97.8% search-engine market share in India (Aug. 2026, StatCounter)                                                                                                                                                   |
| <b>Video Streaming</b>   | Netflix                | iQIYI / Tencent Video / Youku                            | <b>Netflix is unavailable in mainland China</b>                                                                           | Netflix operates in India; avoid the unsupported "2nd-largest new-sub market globally" wording unless you specify the historical year                                                                                            |
| <b>Music Streaming</b>   | Spotify                | Tencent Music / NetEase Cloud Music                      | <b>Spotify is unavailable in mainland China</b>                                                                           | Spotify operates in India; FY25 revenue/profit figures should be cited separately if used                                                                                                                                        |
| <b>E-commerce</b>        | Amazon                 | Alibaba / JD.com / Pinduoduo                             | <b>Amazon exited the domestic China marketplace in 2019</b>                                                               | Amazon operates in India and is a major e-commerce player                                                                                                                                                                        |
| <b>Ride-sharing</b>      | Uber                   | DiDi                                                     | <b>Uber sold its China operations to DiDi in 2016</b>                                                                     | Uber operates in India                                                                                                                                                                                                           |
| <b>Card Payments</b>     | Visa / Mastercard      | UnionPay / Alipay / WeChat Pay                           | <b>Domestic payment networks dominate; international card networks face regulatory/market-access differences</b>          | Visa and Mastercard operate in India alongside RuPay and other payment networks                                                                                                                                                  |
| <b>Electric Vehicles</b> | Tesla                  | BYD / SAIC / Geely / others                              | <b>Competing directly; domestic manufacturers have much larger market presence</b>                                        | Tesla entered India in July 2025 with its first Mumbai Experience Centre; initially selling imported vehicles (Autocar)                                                                                                          |
| <b>Sportswear</b>        | Nike / Adidas          | Anta / Li-Ning / ERKE                                    | <b>Strong domestic competition; avoid claiming Anta "outsells Nike by units" unless you have a specific source/metric</b> | Nike and Adidas operate in India; do not use the unsupported "Nike India +16%, ranks 4th" figure                                                                                                                                 |
| <b>Coffee Chains</b>     | Starbucks              | Luckin / Cotti / Manner                                  | <b>Strong domestic competition. Starbucks China comps were -1% FY25, after +2% in Q4 FY25</b>                             | Tata Starbucks has targeted <b>1,000 stores by 2028</b> ; Starbucks described India as one of its fastest-growing markets                                                                                                        |
| <b>Smartphones</b>       | Apple (iPhone)         | Huawei / Xiaomi / OPPO / vivo                            | <b>Strong domestic competition; Huawei and other Chinese brands have significant market presence</b>                      | Apple had record FY25 India sales according to reporting based on company/Indian filings; Apple itself does not separately disclose India revenue in its geographic reporting (Apple)                                            |
| <b>Cosmetics</b>         | L'Oréal / Estée Lauder | Florasis / Proya / Winona / local brands                 | <b>Domestic brands gaining share, particularly in mass-market and digital channels</b>                                    | India is an important growth market for global beauty companies; avoid the unsupported "SAPMENA +12%" unless you define the company and period                                                                                   |
| <b>Luxury Goods</b>      | LVMH / Kering          | No single domestic equivalent at comparable global scale | <b>Western luxury brands remain important, alongside growing Chinese luxury brands</b>                                    | Luxury consumption is expanding; avoid presenting "rising aspirational class" as a quantified fact without supporting data                                                                                                       |
| <b>Fast Food</b>         | McDonald's / KFC       | Dicos / Wallace / local QSR chains                       | <b>Western brands operate, but with substantial localisation and strong domestic competition</b>                          | McDonald's and KFC operate in India; China operations have increasingly localised models                                                                                                                                         |
| <b>Short Video</b>       | TikTok                 | Douyin                                                   | <b>TikTok is unavailable in mainland China; Douyin is the domestic counterpart</b>                                        | TikTok was banned in India in 2020; Meta/YouTube and Indian platforms compete in short-form video. India's 2020 government release explicitly included TikTok among the 59 apps blocked at that time. (Press Information Bureau) |

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## The myth that broke: hours, roads and demat accounts

One myth broke on this trip. I had come believing, like most of us, that an average Chinese, being the only son or daughter because of the one-child policy, inherits the wealth of two generations and hence takes life easy. To my surprise, they work harder than anyone else. It is the argument Narayana Murthy made when he asked young Indians to put in 70 hours a week, and, unfortunately, he was trolled for it.

Secondly, seen through that lens, the last twenty-five years in the two countries ran in parallel, but on different rails. China's revolution was physical. Its expressway network went from about 16,000 km in 2000 to 199,000 km by 2025, alongside 50,400 km of high-speed rail, and household savings were channelled through state banks into roads, factories and the manufacturing capacity described earlier in this letter. India's revolution was financial. Demat accounts went from 2.7 crore in 2016 to 23.5 crore by 2026, almost nine-fold in a decade, pulled in by Aadhaar-based e-KYC, UPI and the discount broker. China ended 2025 with about 25 crore stock investors, so the two investor bases are now of a similar order, though India's figure counts accounts rather than unique investors. China gave its people roads; India gave its people a stake in the market.

None of this makes China a one-way bet. Six things gave us pause:

- **Factory flight.** Manufacturing fell from 32% of GDP in 2006 to 24.7% in 2025, and foreign direct investment inflows hit a three-decade low in 2024 as buyers pushed suppliers towards Vietnam, Mexico and India.
- **Loneliness beyond the cities.** Natural villages fell from 3.63 million to 2.71 million between 2000 and 2010; 23.8% of rural residents are over 60, and an estimated 67 million children grow up with one or both parents working elsewhere.
- **Demographic collapse.** The population has fallen for four straight years to 1.405 billion; births dropped to 7.92 million, 323 million people are over 60, and the urban workers' pension fund has been projected to run dry by 2035.
- **Youth unemployment.** 18.9% of urban 16–24-year-olds were jobless in August 2026 as a record 12.7 million graduates arrived. "Lying flat" is how a generation describes its response. Each company we met spoke about employment issues and how people at the age of 50 have become expensive in the employment market.
- **Thin margins, by design.** China's largest companies run on profit margins an Indian investor would reject. The 500 largest listed Chinese companies by market value earn EBITDA margins of 10–14% but net margins of just 1–2%, because profits are ploughed back into capacity and R&D: China spent 2.80% of GDP on R&D in 2025 against India's roughly 0.65%. Indian enterprises are run for return on equity, which keeps margins high and innovation late and slow. China accepts low ROE as the price of building industries.

As I head back home, I get lost in reflection: where did India leave off and China pick up? The car/robot taxi outside our hotel was not really a gadget. It was the output of a licence, a depot network, a domestic chip supply, a patient regulator, and a city that had decided, for now, that the driver could wait. Did we become westernised in lieu of modernisation? Have we given too much leeway to capital which is driving higher ROE for its owner, rightfully, but not creating enough employment? I am yet to get an answer.

### Vallum Team

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