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China's strategy of expansion

China's strategy of expansion has very clear components:

- massive investment in export-oriented industries such as shipbuilding, semiconductors, electric batteries, and photovoltaic cells;
- a substantial undervaluation of the yuan;
- the resulting generation of large external surpluses; and
- the use of these surpluses to finance overseas lending in strategic sectors such as energy, power grids, and new technologies.

Overall, the expansion will be twofold: gains in market share and participation in the financing of companies operating in strategic sectors.

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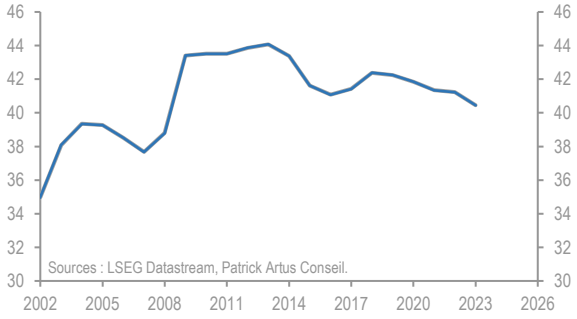
First component of China's strategy: massive investment in export-oriented industries

China has been investing heavily for many years:

- in the manufacturing of electric batteries, where it holds 71 percent of the global market;
- in semiconductors, with the objective of reaching 50 percent of the global market by 2030;
- in shipbuilding, with China currently accounting for 74 percent of the global container ship market;
- in solar panels, with 50 percent of the global market in 2024; and
- in drug development, with a 28 percent share of the global market.

The corporate investment rate in China is very high (**Chart 1**), leading to a **significant underutilization of industrial capacity**. Capacity utilization in Chinese industry stands at 74.6 percent in the third quarter of 2025, compared with 78 percent at the beginning of 2021.

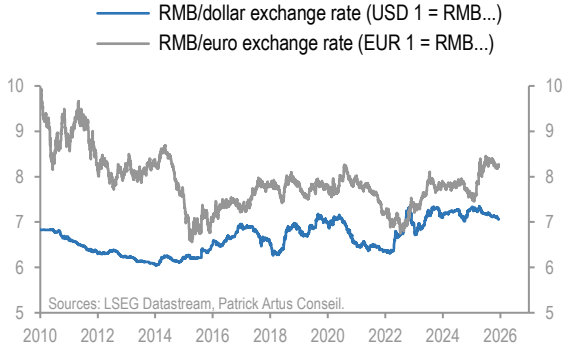
Chart 1
China: Gross fixed capital formation (as % of nominal GDP)



Second component of China's strategy: undervaluation of the yuan

One euro was worth 6.8 yuan in July 2022 and is now worth 8.2 yuan. One US dollar was worth 6.3 yuan in February 2022 and is now worth 7.1 yuan (**Chart 2**).

Chart 2
China: Renminbi exchange rate against US dollar and euro



The depreciation of the yuan since 2015 has therefore been substantial, particularly against the euro.

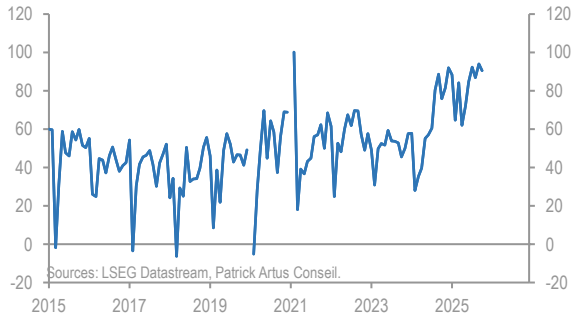
China's strategy is thus trade oriented, based on:

- an undervalued currency
- an excess industrial capacity
- aimed at generating a very large export potential.

Third component of China's strategy: generating a very large trade surplus

China's goods trade balance recorded **a surplus of 1,080 billion dollars** over the first eleven months of 2025 (**Chart 3**).

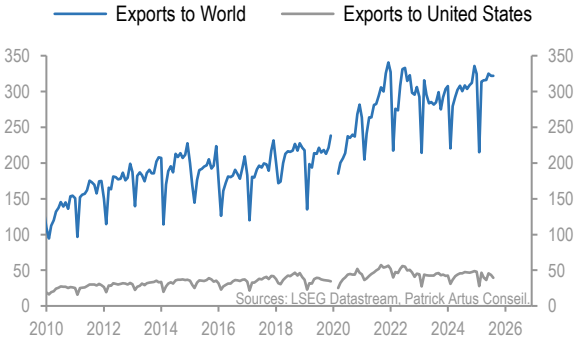
Chart 3
China: Trade balance in goods (Monthly data, in USD bn)



Over one year, exports of ships increased by 25 percent and those of electric batteries by 27 percent.

Despite the sharp decline in China's exports to the United States, total Chinese exports continue to show strong overall growth (**Chart 4**).

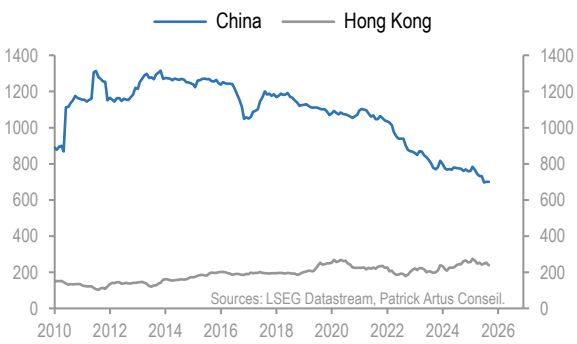
Chart 4
China: Exports to World and to United States (Monthly data, in USD bn)



Fourth component of China's strategy: investing in strategic industries

China no longer uses its trade surplus to purchase US Treasury securities (Chart 5), but rather to invest through lending in strategic industries such as energy, power grids, liquefied natural gas, pipelines, semiconductors, batteries, and airports.

Chart 5
United States: Holdings of Treasuries by China and Hong Kong (USD bn)



Data published by the College of William and Mary (source: AidData) show that **China invests in and lends to all countries, with the largest loans going to the United States** (**Tables 1 and 2**).

Table 1: China's Portfolio of Overseas Loans & Grants by country (in USD Bn)

Conuntry	Amount of loans or grants disbursed from 2000 to 2023
United States	202
Russia	172
Australia	131
Venezuela	106
Euro zone* excluding Germany	92
Pakistan	76
Angola	74
Kazakhstan	64
Brazil	64
Indonesia	61
United Kingdom	60
Switzerland	41
Argentina	37
Singapore	35
Germany	33
Türkiye	33
Iran	29
Malaysia	28
Vietnam	27
Ecuador	26
Saudi Arabia	25
Peru	24
Laos	23
Congo (DRC)	23
South Africa	22
Canada	21

* France, Italy, Spain, Portugal, Netherlands, Finland, Belgium, Luxembourg, Greece, Ireland
Source: AidData.

Table 2: China's portfolio of overseas loans & grants by sector (in USD Bn)

Sector	Amount of loans or grants disbursed from 2000 to 2023
Industry/Mining/Construction	804
Energy	327
Transport and Storage	312
Banking/Financial Services	156
Other Multisector	111
Communications	105
Business and Other Services	99

Source: AidData.

Summary: The dual objective of China's strategy

This strategy has a dual objective:

- to support the Chinese economy through exports by relying on excess capacity and an undervalued yuan, and
- to invest in strategic sectors through loans financed by the trade surplus.

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