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Multipolarity in focus: Why China is gaining influence

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Despite geopolitical tensions and export restrictions, China's economy is showing robust growth momentum, supported by exports and competitiveness. The Xi-Trump summit underscores the mutual need to preserve the fragile balance between the two countries, but is unlikely to fundamentally alter the strategic rivalry. China continues to expand its technological and energy autonomy, which creates attractive but select opportunities for investors—especially in the technology, industry, and sustainability sectors—amid persistent geopolitical and domestic economic risks.

Expectations for the summit between China's President Xi Jinping and US President Donald Trump were likely kept deliberately low in advance. As a result, few observers are anticipating any landmark changes in the relationship between the two countries. But the very fact that the meeting is taking place is an important signal that both sides are interested in stabilizing relations—and therefore likely a positive factor for markets and investors. The meeting also illustrates how effectively China understands how to assert its own interests and thereby expand its global leadership role. For China, the strategic value is therefore not only in the individual agreements, but also in further improving its positioning as a leading economy and a reliable partner. Notably, China can now act from a position of relative economic stability and industrial strength, despite—or perhaps precisely because of—all the shocks the country has had to overcome in recent years.

The debate around rare earths and semiconductors has largely disappeared from media headlines, but remains a key factor in managing the fragile balance between the two powers. Beijing has used its levers selectively and skillfully to counter US technology restrictions and import tariffs. That said, export restrictions, tariffs, or even sanctions could still unsettle markets in the future. It is also notable that Beijing rarely comments publicly on geopolitical issues such as Iran or Taiwan,

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even though these topics also have economic relevance for mainland China and further escalation would likely represent an economic risk. Overall, the summit could help to consolidate and make more visible the trend toward a multipolar world order, in which mainland China is likely to further expand its autonomy and strengthen its global market leadership across a number of industries.

China's economy is currently in good shape. Despite geopolitical tensions and higher energy prices, growth and exports have recently beaten estimates, while early signs of a reflation cycle have also emerged. GDP is expanding at around 5%, above expectations, driven mainly by strong export numbers. Producer prices have turned positive for the first time in years. While rising inflation is a risk in many places, a potential return to a (slightly) inflationary environment in China after years of deflation would be broadly welcome.

In technology and industry, China is also steadily building on its position as a global market leader—combining technological know-how and innovation with strategic investment in growth industries. In artificial intelligence (AI), the launch of DeepSeek V4 highlights rapid progress and the ability to keep pace with the West even in the development of complex key technologies. This reduces dependence on western technology and strengthens the local innovation ecosystem. China's competitiveness also rests heavily on scale effects, automation, and deeply integrated supply chains. Even under export restrictions, it has managed bottlenecks while continuing to expand its industrial base. And China's energy policy is increasingly becoming a differentiator: Around 80% self-sufficiency reduces external vulnerability; the massive expansion of renewable energy and electrification strengthens competitiveness across many future-facing industries; and market leadership in EVs and batteries creates export opportunities and supports the economy and, in turn, domestic consumption.

For investors, this implies an environment with attractive but select opportunities. Select, because Chinese equities—despite all the positive developments—have lagged many other markets. One reason is the still-weak domestic economy, which continues to suffer from the effects of the property crisis. Until consumer sentiment normalizes, no sustained improvement is likely. Shareholders' interests have also sometimes been treated as secondary, for example where political or strategic objectives were prioritized.

That said, the technology sector—for example in AI and internet-related areas—and green industries such as renewable energy, batteries, and EVs offer compelling opportunities, in our view. Alongside these select opportunities in China, we would also highlight other markets in North Asia. In particular, in the technology space—especially within the semiconductor industry—several companies delivered strong first-quarter results. That has supported share prices, while valuations have barely been stretched. In our view, it is worth looking East, even if the Xi-Trump summit does not lead to a material shift in US-China relations.

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