

China

An overview of the economy and of the business environment



Table tennis, known as China's "national ball game," has played a significant role in the country's history and diplomacy. Since the 1950s, it has been a source of national pride, with millions of people playing regularly. The sport's low cost and accessibility made it popular across all social classes.



China's extensive infrastructure supports the sport, with one table for every seven people, and government funding ensures widespread access and high-level training.

This has led to China's dominance in international competitions, including the Olympics and World Championships. Table tennis is deeply embedded in Chinese culture, played in various settings and bringing people together regardless of their background.

China is the world's second-largest economy in nominal terms, behind the United States, and the largest when adjusted for purchasing power parity. The country's economic data is currently mixed. Since the 1980s, China experienced rapid growth with annual rates exceeding 6–8%. However, the Covid-19 pandemic, a trade war with the U.S., and a property sector downturn have complicated its growth trajectory.

China is the world's largest exporter and manufacturer, producing goods such as textiles, electronics, and heavy machinery. Its companies lead in emerging technologies like solar panels and electric vehicles, maintaining a significant trade surplus. Domestically, China benefits from a massive consumer market, driven by a burgeoning middle class and a population of over 1.4 billion people.



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The country has invested heavily in infrastructure projects, including high-speed railways, highways, and ports, improving domestic connectivity and facilitating international trade. The Belt and Road Initiative aims to strengthen economic ties and expand China's influence globally through infrastructure investments.

China is facing also economic challenges, including an aging population, environmental pollution, and debt concerns in corporate and local government sectors and U.S. sanctions on Chinese goods and technology. However, the ongoing trade war with the United States has not yet halted China's economic growth. China's Gross Domestic Product (GDP) recorded a 5.4 percent increase in the first quarter of this year, surpassing expectations.



China's economy is anyway expected to slow in the coming years as the easy gains from catch-up growth with the developed world fade, the population decline accelerates, and tensions with the West hamper technological advancement. Escaping the middle-income trap will depend on China's ability to generate sustained productivity gains.

As global trade tensions rise, China faces more potential headwinds. This month, the U.S. implemented a 145 percent tariff on Chinese goods and in response, China implemented a 125% tariff on US imports. These actions are expected to disrupt global trade and create uncertainty for exporters in both countries.

Among other measures to mitigate the impact of the US tariffs, China has also implemented export controls on several key products, including rare earth minerals such as gadolinium and samarium. These minerals are crucial for various high-tech industries, and restricting their export is a strategic move to exert pressure on the US. Additionally, China has initiated a probe into medical X-ray tubes originating from the US and India.

Beijing has added several US companies to its "unreliable entity list," which restricts their operations within China. This list targets firms that are perceived to pose risks to China's national security or violate Chinese laws. The inclusion of these companies is part of China's broader strategy to safeguard its economic sovereignty.

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China is actively engaging in diplomatic efforts to strengthen trade relationships with other countries, aiming to reduce its reliance on the US market. Recently, Chinese leader Xi Jinping sent a letter to India's president, Droupadi Murmu, proposing a celebration of 75 years of bilateral trade through a symbolic dance, the "Dragon-Elephant Tango." This initiative underscores the importance of mutual achievement and the fundamental interests of both nations.

The escalating trade tensions have prompted discussions about a realignment of global trade. Former UK Treasury minister Jim O'Neill suggests that closer trade ties with Beijing are inevitable following Trump's aggressive tariff policies. He advocates for G7 countries, including India and China, to lower trade barriers among themselves. This realignment could lead to stronger trade alliances and a shift away from US-centric trade policies.

China exports more goods to the EU than to the US, and this trend has accelerated since Trump's presidency. The EU's trade commissioner, Maroš Šefčovič, indicated that open trade relationships with China would require symmetrical trade flows and investment. The EU and China might resolve their disputes and promote trade multilateralism and liberalism, along with other willing nations.

In conclusion, China's response to US trade policies is multifaceted, involving reciprocal tariffs, export controls, and diplomatic efforts to strengthen trade relationships with other countries. These measures reflect China's strategic approach to protecting its economic interests and mitigating the impact of US trade barriers. As global trade dynamics continue to evolve, China's actions will play a crucial role in shaping the future of international trade relations.



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The services sector in China has expanded rapidly over the last decade, becoming the largest contributor to GDP and employing a significant portion of the workforce. Despite its growing GDP share, the sector has progressed at a slower pace due to public monopolies and restrictive regulations. The Chinese government has recently focused more on services, especially in finance, logistics, education, and healthcare, aiming to become a top exporter in transport, tourism, and construction. The trade sector is strong, with major online companies like Alibaba and JD.com. Service output has grown, with notable increases in information transmission, software, IT services, catering, and accommodation.



As mentioned above, China is a major player in global trade, exporting a wide range of commodities. Among the top exports, electrical machinery and equipment stand out, including items like smartphones, computers, and electronic integrated circuits. This category is the largest, accounting for approximately 26% of China's total exports. Additionally, machinery, including computers, is another significant export sector, making up about 15.9% of the total.

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The automotive industry has also seen substantial growth, with vehicles representing around 6% of China's exports. Plastics and plastic articles contribute about 4% to the total exports, showcasing the country's diverse manufacturing capabilities. Furthermore, items such as furniture, bedding, lighting, signs, and prefabricated buildings collectively account for about 3.5% of China's exports.

These top commodities highlight China's significant role in global supply chains and its diverse manufacturing capabilities.



China's top export destinations are diverse, reflecting its extensive global trade network. The United States is the largest recipient of Chinese exports, followed by Hong Kong. However, the ongoing trade war initiated by the US president is expected to significantly impact these exports. The imposition of tariffs and other trade barriers by both countries has already led to a decrease in trade volumes between them. This situation is likely to cause a shift in China's export assets, as the country may seek to diversify its trade partners and reduce reliance on the US market. Japan is another significant partner, importing a substantial amount of goods from China. South Korea and Vietnam also feature prominently among China's export destinations. Other notable countries include India, Russia, Germany, and the Netherlands.

China also imports a wide range of commodities from various countries around the world. Among the top import partners are Taiwan, South Korea, the United States, Japan, and Australia. These countries supply a significant portion of China's imported goods, reflecting strong trade relationships.

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In terms of commodities, China imports a substantial amount of electronic integrated circuits and microassemblies, which are crucial for its technology and manufacturing sectors. Crude oil is another major import, essential for energy needs and industrial processes. Iron ores and concentrates are imported to support China's robust steel industry. Additionally, unwrought gold and petroleum gases are significant imports, used in various industrial applications and energy production.

Indeed, the ongoing trade war between the United States and China is likely to cause significant changes in China's import assets too, as China has been reducing its reliance on US imports and seeking alternative sources for key commodities. As a result, China is increasingly looking to other countries to fulfill its import needs. This includes strengthening trade relationships with countries in Europe, the Middle East, Africa, and South America.

In this new economic context characterized by profound changes and risks, economic scenarios and structures are evolving, potentially opening new channels and commercial partnerships. Amidst this economic and commercial upheaval, it is crucial to rely on the best business information providers to understand your commercial partners in detail and obtain reliable and up-to-date information. SkyMinder, through the best local business information providers, offers the best commercial insights into all Chinese companies.



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