a self-directed model and an other-directed model, with internal all-around development in agriculture, industry, science, technology, and national defense, as well as external full-scale cooperation with countries wishing to develop themselves. The Chinese modernization is a totally self-reliant modernization, adhering to finding its own path with Chinese characteristics. China does not indeed intend to develop a predatory model of modernization by enslaving anyone or colonizing any land. Therefore, as claimed by President Xi Jinping at the 20th National Congress of the Party in 2022, Chinese modernization features a peaceful road to development, which is in stark difference from any other industrial empire. The reason for that is that Chinese civilization is a peace-loving one instead of a warlike one. The deep-rooted cultural tradition tells the Chinese to make peace, not war. So, in the minds of all Chinese people, we are not afraid of war but we do not want war with any country. By making peace in the process and the end result of modernization, China is devoting itself to world peace. This shall be another contribution of Chinese modernization to the world.

For all countries and societies wishing to become modern, China's story of modernization sets a good example or even provides a good model. Chinese experience and plan for modernization will benefit all its developing partners. However, China does not intend to impose its plan on anyone at all. The Chinese cherish friendship with all peace-loving people and hope to make friends with them. Therefore, Chinese people firmly believe that any independent country and society has the freedom, right, and sovereignty to make their own way to modernization. Therefore, China wishes to join hands with all those who enjoy their own way of life and their own freedom to become modern.

All in all, people who love peaceful modernization, shall unite and work together to make their own dreams come true.

*The article was sponsored by a Chinese national project, entitled "Overseas Study on Chinese Modernization".*

# How China's record trade surplus helped spark Trump's tariff war

By Joe Leahy, William Langley & others
*Journalists*

**ANALYSIS**

LIU XIDAN/GT


*Recruitment advertisements are posted on a wall in Sanhe in Guangdong Province, an area packed with battery production facilities — including a factory owned by EVE Power, which makes batteries for electric vehicles.*
WILLIAM LANGLEY/FT

China is comfortably the world's trading superpower. Its trade surplus — the difference between imports and exports — rose to almost $1t last year. Beijing's exporting machine is one of the main reasons President Donald Trump has launched the opening shots in his new global trade war. But it is not just the US that is alarmed. Emerging economies and established rivals are also concerned about their industries being crushed by cheaper Chinese goods — a situation that could be exacerbated if products once destined for the US end up in their markets instead. China's trade surplus affects the whole world.

No country has escaped Trump's tariffs, but China's massive trade surplus has seen it hit with the steepest measures. The US and Beijing are locked in an escalatory row that has seen Washington place levies of more than 104 percent on Chinese goods entering the US.

The US president hopes that his tariff regime will erode China's surplus and enable American manufacturers to compete again. But Beijing's trade juggernaut is built on deep competitive advantages built up over decades that will not be easily dislodged.

"The sheer scale of China's dominance is unprecedented; no other country in recent decades has matched this level across such a broad range of products," says Vincent Vicard, head of the International Trade Analysis programme at economic think-tank CEPII.

The battery sector is a clear example of China's prowess in capturing industries and squeezing efficiencies until foreign rivals can no longer keep up. This is usually achieved by combining comprehensive government support with the entrepreneurialism of Chinese businesspeople like Wang Jiang.

Wang, a former factory worker who now runs a recruitment business, moved to the dusty industrial hub of Sanhe in southern Guangdong province two years ago, drawn by its efforts to build a complete supply chain for battery production, or in Chinese factory parlance, "the whole dragon".

"There are a lot of plastic parts in a battery, as well as hardware parts and some packaging consumables," he explains from his office on the ground floor of a former housing unit.

"There are material factories, plastic factories, electronics factories, and product factories. All of them are involved in the clean energy industry chain."

This region of southern China is a hotbed for battery production. It is home to a research centre for the world's third biggest lithium producer, Ganfeng Lithium, as well as Contemporary Amperex Technology (CATL), the world's largest battery maker, and EV producer BYD. In Sanhe, restaurants and homes are plastered with advertisements for jobs in green tech. The area's booming lithium-ion battery industry encapsulates the benefits manufacturing industries in China enjoy when building "the whole dragon".

Raw materials critical to battery production are found in only a few locations, with Australia, Chile, Indonesia, and the Democratic Republic of Congo (DRC) among the top producers — and China has a presence in all of them.

Even where mine ownership remains in local hands, Chinese entities have secured long-term agreements for the supply of raw materials, such as lithium from Chile and Argentina.

Beijing's supremacy is even starker further down the supply chain. China dominates mineral processing and the production of parts, according to data from Benchmark Mineral Intelligence.

China is home to the vast majority of refineries and factories that produce anodes and cathodes, key components which are then assembled into battery cells.

China produces three in every four lithium-ion batteries sold globally, according to the International Energy Agency (IEA).

Battery prices in the country have also been falling at a faster rate than the rest of the world, thanks to a fiercely competitive local market counting almost 100 producers.

Unrivalled government backing has been crucial in establishing the industry and driving down costs. Last year, the average Chinese battery pack was more than 30 percent cheaper than those made in the EU and 20 percent cheaper than in the US.

Having all the components required to make a battery located within a radius of a few hundred kilometres has not only helped reduce prices and lead times, it has also fostered innovation.

China has a commanding lead in the global share of patents filed for lithium-ion batteries, in recent years accounting for around 80 percent of the annual total, according to an analysis by Simon Lux, a battery researcher at the University of Münster in Germany.

"No other region globally provides the same unique combination of resources, advanced manufacturing capabilities, skilled labour, investment capital, and substantial governmental support for the battery industry," says Lux.

If any company exemplifies why it will be hard for other countries to rival China's battery sector dominance, it is CATL. Founded in 2011, the battery maker rode the initial wave of China's EV boom, recording a compound annual growth rate of 110 percent from 2014 to 2022.

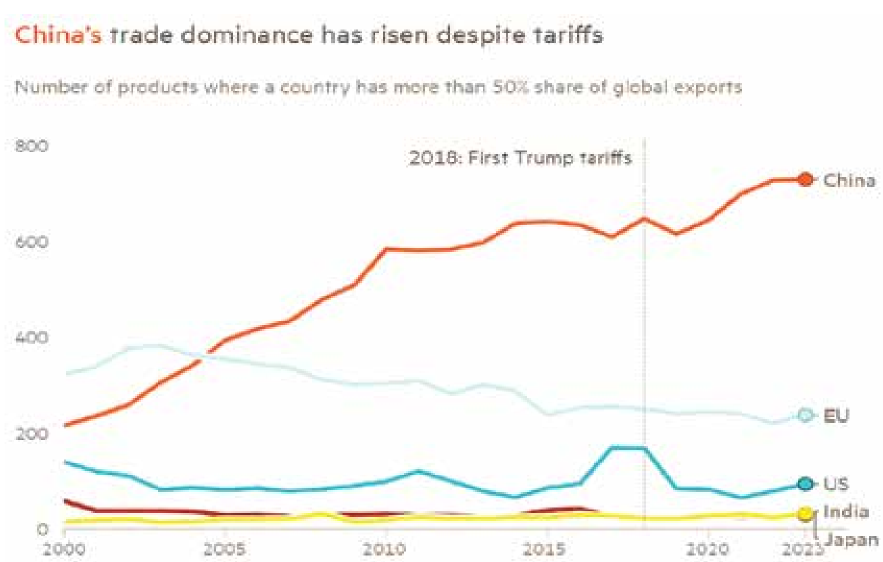
CATL's autonomy is the envy of rivals. By late 2023, half of the company's required cobalt, nickel, phosphate, and lithium refining was handled internally. It has been targeting, by this year, to boost its self-sufficiency in cathode and precursor material to around 35 percent and 45 percent, respectively. Most worryingly for competitors, the company is building new factories at about half the cost of its foreign rivals.

"CATL is not only the largest scale player in the industry but it also has the best technology and the highest utilisation levels," says Neil Beveridge, who leads investment group AllianceBernstein's energy research in Hong Kong.

Batteries are just one high-profile example among hundreds of products, including PCs, smartphones, and steel, where China exerts a stranglehold on the global market.

Other critical sectors include vitamins, pharmaceutical raw ingredients, household appliances, and personal items such as wigs, where China accounts for around 75 percent of the export market.

Overall, the country supplies at least 50 percent of global exports for 730 of 5,000 classified trading products, three times higher than the EU and almost eight times as many as the US, according to CEPII.




*CEPII analysis of UN Comtrade data*
FT

And while the EU and the US have held comparable export market shares in the past, trade now makes up a significantly larger part of the world economy — around 60 percent of global GDP.

Even with US tariffs on China's exports exceeding 100 percent, the country's superiority in so many sectors will make it challenging for importers to switch suppliers, at least in the short term. This is especially true for emerging markets, many of which have strengthened their trade relationships with China in recent years.

As the share of Beijing's direct exports to the US has declined since Trump imposed tariffs during his first term, China's trade with fast-growing economies like Vietnam, Thailand, Indonesia, Mexico, and Brazil has grown.

Those countries have in turn increased their own exports to the US, often turning components imported from China into finished products destined for the American market.

"The US trade deficit with China improved marginally, but this was offset by a significant deterioration with the rest of the world," analysts at financial services group Nomura wrote.

Brad Setser, of the Council on Foreign Relations, said in a recent post: "The US bilateral balance with China, Southeast Asia, and Taiwan is probably a better base for estimates of true US imports of Chinese content these days than direct imports from China."

Although they are calculated using a crude formula, Trump's tariffs on Vietnam, Thailand, Indonesia, and other Southeast Asian countries might well be intended to stymie this diversion of Chinese goods.

Concern about China's exporting might is not confined to Washington. Beijing's sustained push to boost manufacturing output, combined with a drawn-out period of tepid domestic demand, has flooded global markets with Chinese goods. And countries are fighting back.

China accounts for only 15 percent of global consumption — less than its 18 percent share of world GDP and far below its 30 percent share of manufacturing. That means it needs demand in other countries to absorb its enormous excess production.

China shipping more goods than it brings in is far from a recent development — Beijing has recorded an overall trade surplus for 30 years. However, the gap between its exports and imports has more than doubled since 2019, climbing to almost a trillion dollars last year.

Trading partners beyond the US have levelled criticism at Beijing that these large trade imbalances are not sustainable, posing a real threat to their economies as they struggle to develop, or maintain, their own domestic industries in the face of cheaper Chinese products.

Industrialised nations as well as fast-growing economies have expressed unease at the negative impact this is having on their manufacturing sectors. But Chinese officials have mostly denied the existence of any problem with oversupply. The US and EU — which make up almost two-thirds of China's trade surplus — have been vocal in chastising Beijing on its industrial overproduction.

*The full article first appeared on The Financial Times.*