

Weekly China Insight

Beijing, 28 February 2025

Clean energy surpasses 10% of China's GDP, marking a structural economic shift

On 19 February, *CarbonBrief*, a UK-based website, reported that clean energy contributed over 10% to China's GDP for the first time in 2024, marking a significant turning point in the country's economic structure. Total clean energy-related sales and investment reached RMB 13.6 trillion (USD 1.9 trillion), exceeding real estate sales for the first time. The sector's growth was led by electric vehicles and batteries, which accounted for 39% of the total value, besides the growth of wind and solar power.

The shift reflects China's deepening commitment to reducing reliance on fossil fuels while securing a leadership position in the global clean energy race.

Joint-venture EV price war escalates as FAW-Volkswagen slashes ID. series prices

On 22 February, the First Auto Works (FAW)-Volkswagen joint-venture marked the fourth anniversary of its ID. series by announcing price cuts of up to RMB 55,000 (USD 7,600) on its ID.4 CROZZ and ID.6 CROZZ models. The ID.4 CROZZ now starts at RMB 139,900 (USD 19,300), intensifying the price war among joint-venture brands. Buyers also benefit from government subsidies for the pro-consumption trade-in program of up to RMB 30,000, aligning FAW-Volkswagen with the aggressive pricing strategies of Nissan, Toyota, Hyundai, and SAIC-Volkswagen.

The price war among joint-venture EV companies signals a shift in joint-venture EV companies' strategies as they contend with domestic EV firms' advantages in cost and innovation.

Spring Festival travel and consumption hit record highs

On 23 February, official data revealed that China's 2025 Spring Festival travel season (Chunyun) recorded 9.02 billion inter-regional trips, the highest in history. Similarly, China's consumer market saw robust growth during the 8-day extended holiday, with retail, dining, tourism, and entertainment reaching new highs. Domestic tourism orders surpassed 2019 pre-pandemic levels. Outbound travel demand also soared, with Chinese travelers' overseas spending increasing 140%. Southeast Asia recorded a 580% rise in transactions, driven by the visa-free policy.

The record-breaking travel and spending figures are boosted by improved infrastructure, pent-up demand, and policy incentives.

US tightens investment restrictions on China, unfreezes Taiwan military aid, raises tariffs

On 24 February, US President Donald Trump signed the "America First Investment Policy", restricting Chinese-affiliated investments in technology, infrastructure, energy, and defense-related sectors, while limiting US capital flows into China's military-related industries. The policy memorandum, which also labels Hong Kong and Macau as "foreign adversaries", signals Washington's efforts to decouple critical industries. In response, China's commerce ministry condemned the move as discriminatory and non-market-based, warning of necessary countermeasures. On 26 February, the US unfroze USD 8.7 billion in military aid to Taiwan as part of a broader foreign assistance package. China's foreign ministry strongly opposed the move, stating it infringes on China's sovereignty. On 27 February, Trump escalated the trade war with Beijing further by announcing on social media that US is going to raise tariff rates on Chinese goods by another 10 percentage points on 4 March.

With Washington tightening economic controls, escalating military support for Taiwan, and intensifying the tariff war, Beijing is likely to respond with countermeasures, potentially raising tariffs on US imports and further restricting exports of certain critical minerals. These moves underscore the deterioration in relations between Washington and Beijing.

Coming up next week...

The 14th Chinese People's Political Consultative Conference (CPPCC) will start on 4 March 2025, and the third session of the 14th National People's Congress (NPC) will start on 5 March 2025, in Beijing. The two annual gatherings of China's top advisory body (CPPCC) and the national legislature (NPC) are known collectively as the "Two Sessions", which offers an important window to monitor China's key economic targets, policy directions, legislative agenda, and governance reforms, reflecting insights into the leadership's priorities and strategies for the year ahead. It also serves as an opportunity for policy advocacy for many multinational corporations.