Financial Times 번역요약본 (‘25. 7/2)

1. Rugby in Vegas, the Tour de France in Scotland - why sports tourism is booming : 라스베이거스에서 열린 럭비, 스코틀랜드에서 출발하는 투르 드 프랑스 - 스포츠 관광이 호황을 누리는 이유 (‘25. 6/11)

- 라스베이거스 스타디움에서는 최근 북잉글랜드 두 도시 (위건-워링턴)간의 더비 외에도 호주의 내셔널 럭비 리그 (NRL) 팀들 간의 개결, 그리고 잉글랜드와 호주의 여자 국가대표 경기에 이르기까지 총 4개의 럭비 경기가 열렸으며 대단한 호응을 받음. 이 기묘한 스포츠 이전의 뿌리는 럭비 리그가 글로벌 인지도를 높이고 미국 시장에 진출하려는 노력에서 비롯되었지만, 그보다 더 큰 이유는 라스베이거스가 수십억 달러 규머의 재포지셔닝을 통해 세계에서 가장 빠르게 성장하는 여행 부문 중 하나인 ’스포츠 관광 (sports tourism)’을 노리고 있기 때문. UN 세계 관광기구 (UNWTO)에 따르면, 스포츠 관광은 이미 연간 6천억 달러 이상의 가치가 있으며, 전 세계 관광 지출의 약 10%를 차지하며 2030년까지 이 시장 가치가 두 배 이상 커질 수 있다고 예상. 개최지를 이동하는 대형 스포츠 이벤트의 유연성과 관광을 촉진하는 동력으로서의 역할 때문. 방문객 유치뿐만 아니라 도시 브랜드 가치를 높이는 이중 효과도 존ㅈ함. 예컨대 카타르는 2022년 FIFA 월드컵에서 340만 명의 팬을 끌어모았고, 이듬해에는 관광객이 58% 증가하였음. 이웃 사우디아라비아는 관광 중심의 다각화를 추진하며 2030년까지 연간 1억 5천만명의 방문을 목표로 삼고 있으며, 2018년 이후, 사우디는 테니스, 요트, 포뮬러1 등 약 100개의 대형 스포츠 이벤트를 개최했고, 그 비용은 국부펀드 (PIF)가 대었음. 충분한 호텔 객실과 최첨단 스타디움 등 인프라 충족의 어려움과 일부에서는 사우디, 카타르, 러시아, 중국 등 자국의 인권 문제를 스포츠 이벤트로 희석하려 한다는 (sports washing)의 지적도 받고 있음.

2. Australian shipbuilder says it would be ‘strange’ if government approves Korean takeover : **호주 조선업체 ‘정부가 한국 기업 인수하면 이상한 결과가 될 것’** (‘25. 6/17)

- 호주 choeo의 조선업체인 오스탈 (Austal)은 자국 정부가 한국 기업의 자사 인수를 허용한다면, 이는 ’이상한 결과‘가 될 것이라고 밝혔는데 이는 캔버라가 자국의 국방 및 제조 역량 재건에 집중하고 있는 상황과 배치되기 때문. 한국 최대의 방산 그룹인 한화는 퍼스 (Perth) 기반의 오스탈 지분 9.9%를 매입했으며, 지난 2년간 여러 차례 인수 시도가 실패한 뒤 이 같은 행보를 보였음. 한화는 또한 지분을 두 배로 늘릴 수 있는 옵션을 확보했으며, 최근 미국의 ’외국인투자심의위원회 (CFIUS)’로부터 이 지분 확대에 대한 승인을 받았으며 이는 향후 전면 인수의 신호탄이 될 수 있음. 오스탈은 매출의 80%를 미국에서 창출하고 있으며, 이 회사를 미국 해군 조선시장 진입의 교두보로 보고 있음. 현재 이 거래는 ‘호주 외국인투자심의위원회 (FIRB)’의 승인을 기다리고 있으며, 국가 안보를 이유로 지분 확대나 인수를 막을 가능성이 있음. 오스탈은 한화가 호주에 상장된 몇 안 되는 방산기업 중 하나인 자사를 인수하게 되면 중국이 태평양 지역에서 해군력을 확장하는 시점에서 캔버라의 조선 역량 강화 의지가 훼손될 것이라고 주장함. 오스탈은 지난해 10억 달러 규모의 인수 제안을 거절했고 당시 이들은 ‘방산 계약에 따른 소유권 조건’으로 인해 호주와 미국 정부의 승인 가능성이 현실적으로 없다고 판단했기 때문임. 그러나 분석가들에 따르면, 미국 정책 결정자들 중 상당수는 한화가 미국-한국 간 조선 협력의 중심적 역할을 하기를 바라고 있으며 이는 워싱턴이 중국과의 경쟁에서 아시아 동맹국들의 기술력을 활용할 필요성을 인식하게 되었기 때문이라는 분석.

3. China made millions of drones. Now it has to find uses for them : **중국은 수백만 대의 드론을 만들었다. 이제 그 용도를 찾아야**

한다 (‘25. 6/19)

- 수 년 동안 중국 정부는 세금 감면, 보조금, 산업단지 조성 등의 방식으로 드론 생산을 강력하게 지원해왔고, 이러한 드론을 경제의 다른 분야에 적용해 신성장 동력으로 활용하려 하고 있음. 중국 당국이 ’하늘의 도시‘라 부르는 선전 (Shenzhen)의 드론 네트워크는 중국의 이른바 ’저공비행 경제‘ 성장 전략의 중심에 있으며, 이는 지상에서 1천미터 이하의 공역에서 이루어지는 활동을 의미하며, 세계 최고층 건물인 부르즈 칼리파 (828미터)보다 약간 높은 수준임. 지금까지는 정부와 군대가 수요를 이끌었지만, 드론 제조업체들은 이제 민간 상업 고객 확보에 나서고 있음. 한 데이터에 의하면, 산업용 드론의 약 1/3은 농업 및 산림업, 약 1/5은 지형조사에 사용되고 있으며, 그 외에는 순찰, 보안 감시, 화재 진압, 재난 대응이 주 용도임. 음식 배달 플랫폼 메이투안 (Meituan)은 올해 4월, 도심 곳곳의 키오스크로 드론 배송 허가를 전국 단위로 획득하였음.

4. Population undercouting threatens public policy, scientists warn : 인구 과소 조사가 공공 정책을 위협한다고 과학자들이 경고 (‘25. 6/20)

- 과학자들은 전 세계적으로 은폐된 인구의 과소조사 위기가, 학교 신설부터 질병 대응에 이르기까지 다양한 공공 정책을 위협할 수 있다고 경고함. 연구자들은 논문에서, 점점 더 적은 수의 국가들이 인구조사를 실시하거나 결과 발표를 지연하고 있다며 이는 코로나 19 팬데믹의 여파, 예산 삭감, 정부에 대한 신뢰 저하 등이 원인임. 컴퓨터와 인공지능의 발달로 대규모 데이터 분석 역량이 향상된 시점에, 인구 정보가 줄어들면서 피해는 더욱 심화될 수 있음. 논문 제1저자는 인구 데이터 부족의 영향이 매우 심각하며, 정부가 어디에, 어떻게 투자할지를 결정할 뿐만 아니라, 민주주의 국가에서는 선거구 배정에도 영향을 미치므로, 통계기관의 예산 삭감이 데이터의 품질을 저하시킬 뿐 아니라, 인국의 상당 부분이 집계에서 누락되어

정책 결정에서 배제될 위험을 높인다고 경고함. 연구에 따르면 전 세계 인구의 15%가 거주하는 국가들은 2015-2024년 사이 시행된 2020년 인구주택 조사라운드에서 조사 자체를 실시하지 않았고, 미국도 2020년 인구조사에서 라틴계 인구가 약 5% 과소집계되는 등 부유한 국가들조차 일부 인구집단의 정보 누락 문제에 시달리고 있음.

5. What happens to Nato if the US steps back? : 미국이 발을 빼면 나토는 어떻게 될까? (‘25. 6/20)

- 6월말 예정된 나토 정상회의를 앞두고 유럽 각국은 미국 측에 ’미국은 유럽에서 병력과 무기를 철수할 것인가, 아니면 그대로 둘 것인가?‘라는 한 가지 질문을 던지고 있음. 4개월 전, 트럼프가 백악관에서 우크라이나 대통령 젤렌스키를 질책하며 원조를 끊었을 때 유럽 지도자들은 충격에 빠졌으나 지금은 그때보다 조금 낙관적인 분위기임. 독일 총리 메르츠는 최근 백악관 회담 후 미국이 나토를 떠날 거라는 의심은 전혀 없다고 말했고, 대부분의 나토 회원국들은 GDP 대비 5% 국방비 목표에 원칙적으로 동의하고 있음. 트럼프와 바이든 모두 미국의 전략적 초점을 아시아로 재조정할 필요성을 명확히 하였고, 미국은 유럽 동맹국들에게 구체적인 계획이나 일정을 공유하지 않았음. 일각에서는 미국이 떠날 준비를 하면, 오히려 미국이 떠날 이유를 더 제공할 수도 있다는 우려도 있음. 한 전문가는 속도를 강조하며, ’미국은 어떤 로드맵도 원하지 않는다. 손을 자유롭게 두고 싶어한다. 그렇기 때문에 유럽은 지금 신속히 단결하고, 방위비를 늘리고, 공동 조달 계획을 수립해야 한다.‘ ’유럽은 지금, 뱀을 앞에 두고 얼어붙은 토끼처럼 미국을 바라보고 있다... 뱀이 물지 않기만을 바라는 마음으로.‘라고 말함.

6. The vulnerabilities holding back Chinese Industry : 중국 산업을 발목잡는 약점들 (‘25. 6/30)

- 1950년대 초, 전쟁으로 황폐해진 중국을 재건하려던 공산당은 자국 산업의 암담한 현실을 직시해야 했으며, 마오쩌둥은 '우리는 탁자, 의자, 찻잔은 만들 수 있지만, 자동차, 비행기, 탱크, 트랙터 하나 제대로 만들지 못한다.'고 말함. 70년이 지난 지금, 중국은 세계 2위 경제 대국이자 군사 강국이 되었지만, 산업의 병목 지점 (choke point)' 수십 곳은 여전히 돌파하지 못하고 있음. 중국은 세계 최대 베어링 시장이지만, 생산 점유율은 25%에 불과하며, 특히 고급 베어링은 고속열차, 전기차, 로봇, 드론 등 핵심 기계에 필수적이지만, 중국은 여전히 마이크로 결함 제오와 정밀 가공에서 스웨덴, 독일, 미국, 일본 등에 뒤처짐. 시진핑 주석은 최근 국영 베어링 공장을 방문하여 '중국은 제조업을 더 발전시켜 핵심 기술을 스스로 장악해야 한다'고 말함. 한 교수는 '미국은 중국의 목표를 오해하고 있다. 중국은 미국을 이기는 것이 아니라, 자립, 생산성 향상, 경제 성장이라는 실질적 결과를 통해 공산당의 정당성을 강화하려는 것이다'라고 말함. 결국 기술은 목표가 아니라 수단이며, 자립을 위한 장기적 여정의 일부일 뿐이라고 주장함.

7. Hyundai seeks to ride Chinese coat tails to grab market share in Europe : 현대차, 유럽에서 '중국산 전기차 붐'을 타고 점유율 확대를 노림('25. 7/1)

- 현대자동차는 유럽 시장에서 중국 전기차의 빠른 성장세를 기회 삼아, 서구 및 일본 경쟁사로부터 시장 점유율을 빼앗기 위한 전략을 추진 중이며, 브랜드 전환이 활발한 EV 시대를 겨냥한 포석임. 현대차 유럽 사업 총괄로 새롭게 부임한 자비에 마르티네는 FT와의 인터뷰에서 '중국 브랜드의 성장으로 우리가 가장 먼저 타격을 받을 이유는 없다. 오히려 어떤 면엔선 수혜를 입을 수도 있다. 요즘 전기차 고객들은 예전보다 브랜드를 더 쉽게 바꾼다.'고 말함. 그는 미국 시장에서 현대기아차가 무명 브랜드에서 강자로 거듭난 경험을 유럽에 재현하고자 한다고 언급. 현대차는 지난 3월 미국 조지아주에 연 50만대 생산 규모의 76억 달러 규모 EV 전용 공장을 완공하였고,

2023년과 2024년에 미국 EV 시장에서 테슬라에 이어 2위를 기록했지만, 2025년 1분기에는 GM이 2위 자리를 차지함. 현대기아차는 유럽에서 EV 시장 점유율 8.4%를 기록 중이며, 이는 테슬라 (7.9%)보다 높지만, 폭스바겐 그룹 (28%), BMW (10%)보다는 낮은 수치임. 현대차는 과거 10년 간 중국 시장에서의 부진을 딛고, 미국, 유럽은 물론, 인도, 중동, 동남아시아 등 신흥시장으로 공격적으로 확장 중임. 또한 유럽에서의 입지를 강화하기 위해 자체 부품 개발, 차량 데이터 기반 유지 보수 및 고객 서비스 향상 등을 추진하고 있으며, 유럽 내 기존 체코와 터키 공장의 생산 능력 확대 혹은 제3공장 신설 가능성도 검토 중임.

Aerospace & Defence

Australian shipbuilder says it would be 'strange' if government approves Korean takeover

South Korea's Hanwha has received US clearance to increase stake in defence contractor Austal

US Navy ships under construction at Austal's yard in Alabama. South Korean company Hanwha views the Australian shipbuilder as a gateway into the American naval shipbuilding market © Rick Lewis/Alamy

Nic Fildes in Kwinana and **Christian Davies** in Seoul

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Australia's largest shipbuilder has said it would be a "strange outcome" if the government allowed it to be taken over by a South Korean company, given Canberra's focus on rebuilding the country's defence and manufacturing capabilities.

Hanwha, South Korea's biggest defence group, has purchased a 9.9 per cent stake in Perth-based Austal after making multiple unsuccessful offers for the business in the past two years.

It has also acquired options to double its stake and last week received the green light from the Committee on Foreign Investment in the US (Cfius) to do so, a move that could pre-empt a full takeover. Austal derives 80 per cent of its revenue from the US, and Hanwha views the Australian shipbuilder as a gateway into the American naval shipbuilding market.

The deal now awaits approval from Australia's Foreign Investment Review Board, which could block a stake raise or takeover on national security grounds.

Austal argues allowing Hanwha to acquire one of Australia's few listed defence companies would undermine Canberra's desire to enhance its shipbuilding capabilities at a time when China is projecting naval power further into the Pacific.

"Sovereignty is getting more important, not less important, so being Korean-owned doesn't feel like it meshes with the government's desire to increase sovereignty," Austal chief executive Paddy Gregg told the Financial Times at the company's shipyard in Kwinana, south of Perth, where it makes patrol boats.

Austal turned down a $1bn bid last year, saying it had no realistic prospect of approval by Canberra or Washington due to "ownership clauses associated with defence contracts".

But many American policymakers want Hanwha to play a leading role in joint US-South Korea shipbuilding efforts as officials in Washington increasingly recognise the need to harness Asian allies' expertise to keep pace with China, said analysts.

Australian defence minister Richard Marles, whose parliamentary constituency hosts a Hanwha armoured-vehicle plant, said last year the government had no problem with the South Korean company "moving in this direction".

However, Gregg questioned whether regulators would allow a takeover given Austal's central role in upgrading Australia's defence fleet, with the company signed on to four major shipbuilding programmes.

"It would be a strange outcome based on how much work they've put into the Defence Strategic Review," he said.

The review led to the largest increase in Australia's defence budget in decades — A$50bn (US$32bn) over the next 10 years — and put domestic construction of naval vessels at the heart of the country's defence strategy.

Gregg also noted complications related to bidding for the government's Sea 3000 frigate programme. Japan's Mitsubishi Heavy Industries and Germany's Thyssenkrupp are competing for a contract to deliver 11 frigates, eight of which will be built by Austal in Western Australia based on the winning bidder's technology.

Regulators would need to factor in potential opposition from the Japanese and German shipbuilders in the event that Hanwha — which lost an earlier round of bidding — bought out their Australian partner, said Gregg.

Austal also questioned Hanwha's interpretation of Cfius's ruling that it had obtained clearance to buy "100 per cent" of the Australian company.

In response, Michael Coulter, Hanwha's global defence chief executive, told the FT: "While our intention remains to increase our current 9.9 per cent shareholding to a strategic 19.9 per cent equity position, Hanwha does not need any additional approval from Cfius to acquire additional shares in Austal beyond that equity position."

"From an Australian perspective, you might not want a key shipbuilder to fall into foreign hands," said Dongkeun Lee, a Canberra-based policy fellow at the Asia-Pacific Leadership Network, "but this is also an opportunity for a top-tier global shipbuilder to invest money and knowhow in a sector that has been in decline for decades."

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Aerospace & Defence

Asia-Pacific companies

Drones

China made millions of drones. Now it has to find uses for them

Authorities bet 'low-altitude economy' will be next driver of growth

Meituan in April received nationwide approval to have its drones deliver takeaways to kiosks installed throughout cities © Ge Ziwen/VCG/Getty Images

William Langley in Shenzhen

Published YESTERDAY

In a school district in Shenzhen, would-be truants dodge surveillance drones that patrol the streets. At a nearby park, office workers pick up takeaway delivered by drones from food delivery app Meituan.

Elsewhere in southern China's technology hub, unmanned aircraft transport vials of blood between hospitals, help police departments with crowd control and extinguish blazes for firefighters.

For years, the government has provided strong support for drone production in the form of tax relief, subsidies and industrial parks, said multiple companies and analysts. Now, it is trying to apply them in other sectors of the economy and make drones a new driver of growth.

The drone network in Shenzhen, which authorities have called a “sky city”, is at the heart of China’s efforts to grow its so-called low-altitude economy, referring to activity in airspace less than 1,000 metres above ground. For comparison, the Burj Khalifa, the world’s tallest building, is 828 metres tall.

While the government and military have so far driven demand, drone makers are now seeking commercial customers.

“The low-altitude economy has gradually moved from a concept to a mature application stage,” said Li Zhizhao, marketing director at Harwar, which develops drones used in schools and is also making aircraft to fight fires and inspect roads. “It’s demonstrating huge market potential.”

A Meituan drone delivers food to a kiosk at Bijiashan Park in Shenzhen © Financial Times

China dominates the production of commercial drones, accounting for 70-80 per cent of global supply, according to analytics provider Drone Industry Insights. Shenzhen is home to DJI, the world's largest commercial drone maker by sales, as well as thousands of parts suppliers, a clustering that has made Chinese drones cheap and efficient to produce, said Li.

The country also has a stranglehold on research and development, accounting for 79 per cent of approved drone patents globally last year, according to a report by London-based law firm Mathys & Squire. DJI alone filed 64 patents among the 7,890 total.

“That’s a huge figure,” said Andrew White, a partner at Mathys & Squire. It “really goes to demonstrate the amount of innovation that’s going on by Chinese entities in this sector”.

The Civil Aviation Administration of China expects the market size of the low-altitude economy, which includes other innovations such as flying cars, to grow fivefold to Rmb3.5tn ($490bn) by 2035. In a sign of China’s ambitions for the sector, the state planner last year established the Low-Altitude Economy Development Division, a rare example of a department dedicated to developing a specific industry.

There were nearly 2.2mn drones registered with the CAAC at the end of last year, according to the latest available figures.

About a third of the country’s industrial drones are used in agriculture or forestry, while more than a fifth are used for geographical surveys. The next biggest uses are patrols, security monitoring, firefighting and disaster relief, according to 2022 figures from analytics provider Guanyan Tianxia Data Center.

Farmers operating drones to spray pesticides on farmland. About a third of the country's industrial drones are used in agriculture or forestry © Costfoto/NurPhoto via Getty Images

Wu Yudong, operations chief at agricultural drone maker JIS, said unmanned aircraft could reduce the time needed to spray pesticides or fertilisers to less than a minute a *mu*, a Chinese unit equivalent to about a sixth of an acre. Using traditional methods, that might take about half an hour, he said.

But JIS's sales of training drones, introduced less than a year ago to teach people from across different industries to pilot the devices, now outstrip those of its core agricultural products. "With the country promoting low-altitude airspace . . . lots of people want to enter this industry," said Wu.

Meituan, China's largest food delivery platform, in April received nationwide approval to have its drones deliver takeaways to kiosks installed throughout cities. Rivals JD.com and Ele.me have also begun using drones on some delivery routes.

Although many manufacturers are adapting technology for civilian use, the military remains their primary customers, said a number of companies at the Unmanned Aerial Systems Expo, China's largest commercial drone fair, last month.

The National University of Defense Technology accounted for 73 drone patents in the past two years, according to the Mathys & Squire report, although the number of applications for military technology is likely to be higher because national security-related patents are not made public, said White.

Li Sijia, a project manager at Huahang High-Tech Beijing Technology, which sells 90 per cent of its carbon-fibre body drones to military clients, said it was hoping to expand its civilian market, but the hefty price tags of its products and China's strict export controls were limiting the company's potential reach.

"Why would a company like us, that does military-use products, attend a civil drone fair? The first reason is for survival," he said, adding that profits were "not very high", given intense competition in the industry. "The second reason is that we want to bring these products to the civilian market."

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William Langley

Demographics and population

Population undercounting threatens public policy, scientists warn

Fewer countries are doing censuses owing to Covid-19, budget cuts, and lower trust in government

Authorities have used censuses since ancient Roman times to learn more about the populations they govern. © Jeffrey Isaac Greenberg/Alamy

Michael Peel in London

Published 8 HOURS AGO

A hidden global crisis of population undercounting threatens to undermine policies from school building to disease outbreak response, scientists have warned.

Fewer countries are carrying out comprehensive censuses while others have delayed publishing results, reflecting Covid-19 disruption, budget cuts, and falling trust in governments, researchers said in a paper published on Thursday.

Potential damage from the decline in demographic information is magnified because advances in computing and artificial intelligence have boosted the capacity to analyse and gain insights from big data sets.

The impact was likely to be “profound” because population data is the “denominator for nearly all economic and social activity”, said Jessica Espey, lead author of the paper published in Science on Thursday.

“[It dictates] where governments invest, how they invest, and, in democracies, how they allocate electoral representation,” said Espey, deputy director of the WorldPop research team at Southampton university.

Cuts in funding for statistics bodies compromise the available data and risk “large swaths of populations going uncounted and being excluded from public policy decisions,” she said.

Authorities have used censuses since ancient Roman times to learn more about the populations they govern. In the modern era, they are often done every ten years via self-reported household surveys and interviews. Work is carried out after data collection to estimate errors in coverage and content.

Countries home to 15 per cent of the world’s inhabitants failed to conduct a population and housing census during the 2020 round from 2015-2024, the researchers said. The sharp rise — up from 7 per cent during the previous round in 2010 — means that hundreds of millions of people are no longer being surveyed.

The problem is intensified because 24 countries accounting for a quarter of the world’s people that did censuses during the 2020 round had not yet published them as of July 2024, the paper said. In some cases, this was because of concerns about declining response rates and large margins of error.

An estimated one in three people from African countries were not counted during the 2020 census round, while conflicts in nations such as Lebanon, Syria and Yemen prevented or severely limited surveys there.

The data shortfalls tend to hit poorer countries hardest. Richer nations are also affected, with censuses increasingly failing to gather full information for certain demographic groups. Children are often undercounted, while research has suggested the US Latino population was understated by almost 5 per cent in 2020 — three times the rate for 2010.

“The 2020 US Census results highlighted a systematic undercount of ethnic minority groups with the potential for impacts upon their representation, funding, and services,” the paper says.

The census coverage drop reflects a wider decline in survey participation, said Melinda Mills, a demography and population health professor at Oxford university. Budgets have been cut for national statistical offices and programmes such as the US Demographic and Health Surveys, which track population health across scores of countries, Mills added.

Countries such as the Netherlands and Indonesia have responded to the difficulties by creating population registration systems based on national identification numbers, she said. Other nations had integrated new data types, AI models and mathematical tools. “It is rarely one magic data source or solution, but rather a cocktail of data sources from government and industry partners, coupled with advanced statistical methods, that are the future,” Mills said.

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What happens to Nato if the US steps back?

The American military has been the alliance's bedrock. But shifting US priorities, including in the Middle East, are putting new pressure on European allies

Henry Foy in Brussels, **Ben Hall** in London, **Leila Abboud** in Paris and **Anne-Sylvaine Chassany** and **Laura Pitel** in Berlin

Published 2 HOURS AGO

In the lead-up to this week's Nato summit, European capitals have been struggling to get a straight answer from Washington: is the US planning to pull any of its troops and weapons out of Europe, or not?

For eight decades, the might of the American military has provided the bedrock of Europe's defence — and a pledge from the White House to defend all of its Nato allies on the continent has represented the ultimate security guarantee.

President Donald Trump, who before Saturday's bombing of Iran had been due to attend the summit in The Hague, has placed a price on Nato's future: each ally must spend 5 per cent of their GDP on defence. This commitment also applies to the US.

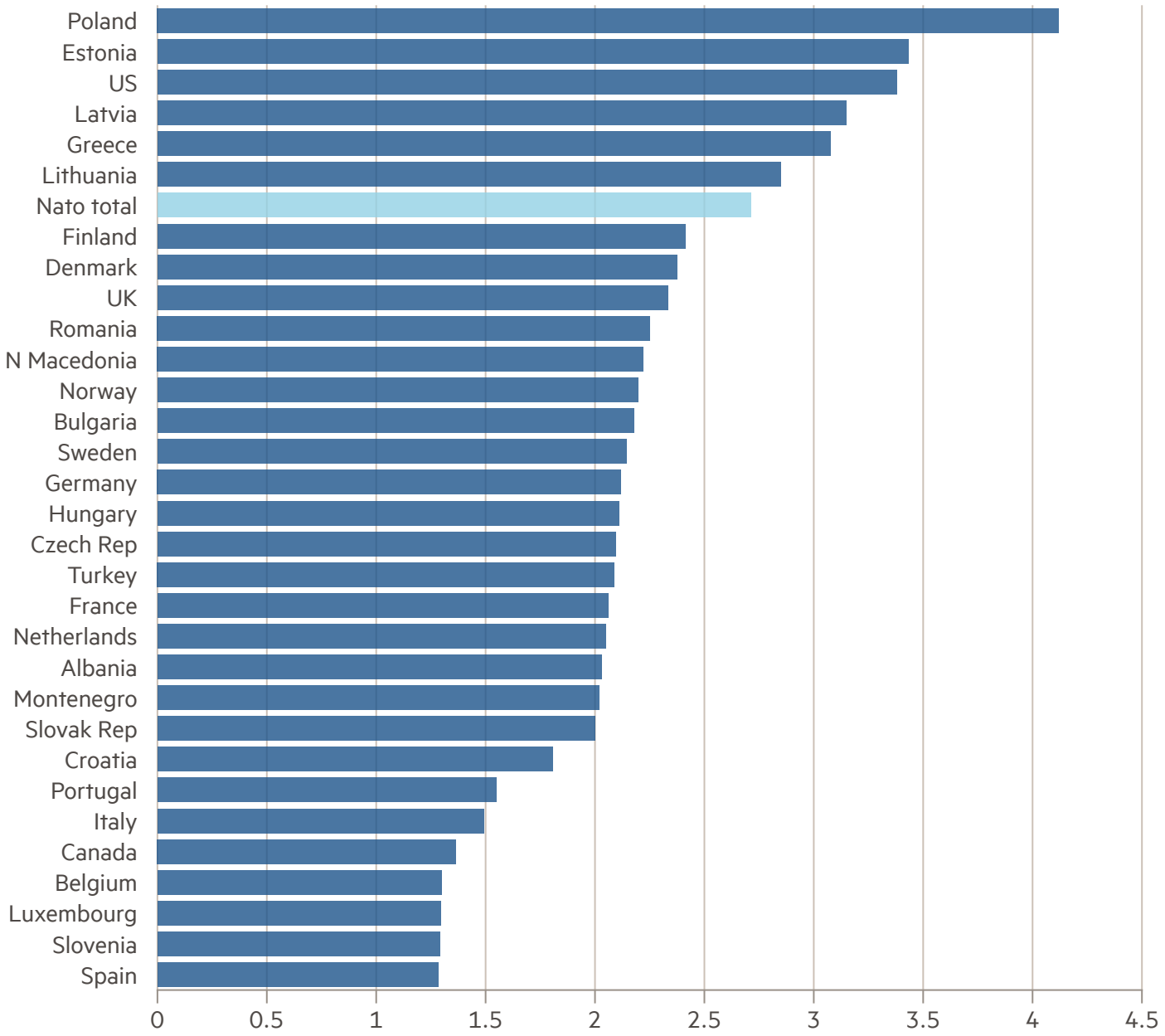
The core focus of the two-day gathering of the alliance's 32 national leaders that begins on Tuesday will be on meeting that demand, convincing Trump that Nato is trustworthy, avoiding any conflagration with the mercurial US leader and breathing a collective sigh of relief when his plane departs for home.

Yet European leaders are more optimistic than they were four months ago, when Trump berated Ukrainian President Volodymyr Zelenskyy in the Oval Office before cutting off aid to Kyiv, leaving many of them appalled.

German chancellor Friedrich Merz came away from a White House meeting earlier this month professing “absolutely no doubt” the US government was sticking to the alliance. Above all, Nato members, skilfully corralled by the organisations’s secretary-general Mark Rutte have more or less agreed in advance to the 5 per cent target — although Spain says it has secured a last-minute opt-out.

Trump’s decision to take military action against Iran, despite having campaigned against new interventions overseas, is the latest sign that his foreign policy could be more fluid than it might have appeared in the early days of his second term — and of how events elsewhere can drive decisions in the White House.

Only a few Nato countries currently spend close to 3.5% of GDP on defence



But ensuring Trump, a longtime Nato sceptic, does not repeat his 2018 summit performance when he threatened to withdraw the US from the alliance is only a short-term fix, one that delays a deeper, longer-term question: is the US military ultimately leaving the continent, and how can Europe replace it?

“What worries me is the debate over the US presence in Europe will take place after the summit, when the summit is supposed to sort of anchor the defence pledge. So the Europeans don’t know what they’re signing up for,” says Camille Grand, a former Nato assistant secretary-general. “The [US] administration is leaving all its options open.”

Trump, like Joe Biden before him, has made clear that the US needs to recalibrate its overseas military focus towards Asia, and that weapons, manpower and capabilities in Europe will need to be redeployed. The new intervention in Iran could potentially add to those pressures.

As US defence secretary Pete Hegseth put it at his first meeting with his Nato counterparts in Brussels in February, “stark strategic realities prevent the United States of America from being primarily focused on the security of Europe”.

Sustaining the alliance, he added, would “require our European allies to step into the arena and take ownership of conventional security on the continent”. Hegseth has ordered the Pentagon to draw up a new national defence strategy, due later this summer, focused on strengthening homeland defence and deterrence of China.

US officials have so far not provided their European allies with any formal plan or timeline for that shift, according to people familiar with the discussions. Washington must first produce its own defence strategy later this summer followed by a review of its force posture.

Nato head Mark Rutte, right, has persuaded alliance members to increase spending after US defence secretary Pete Hegseth said America could no longer be primarily focused on the security of Europe © Omar Havana/Getty Images

In the absence of that road map, European leaders know that they will be agreeing to spend more on their own weapons and capabilities, but have no idea which will be needed first to replace US assets.

European capitals are also acutely aware of Trump’s leverage in other areas, such as his threat to impose 50 per cent tariffs on EU goods if Brussels does not cut a trade deal with him, and worry that he will conflate the issues. Many are also scarred by vice-president JD Vance’s implied threat, made at the Munich Security Conference in February, that if European governments did not accommodate more rightwing or Maga-like viewpoints “there is nothing America can do for you” in terms of security.

As well as sign off on new spending plans, Nato leaders will also endorse new battle plans and capability commitments. This planning process, which started in 2022, assumes a 30 per cent increase in European efforts to defend the continent. But it is also premised on the US military footprint in Europe remaining the same, which, as one French military official admits, has a major question mark hanging over it.

“The US signed off on the plans, but we simply do not know if they might come back in a few months or a year and say, actually we’re changing the footprint of our forces in Europe, so you guys will have to do more,” the official tells the FT. “This is just unknowable at this point and it cannot be planned for.”

Trump first demanded that all Nato allies raise their defence spending to 5 per cent of GDP soon after his election win, threatening in private that this was what continued US protection would cost.

After his inauguration, the proposal became official. Trump called for an “equalisation” of defence spending between the US and the rest, even as his administration repeatedly vowed that the US would stand by its mutual defence commitments to Nato allies.

Devised by Rutte with Trump’s blessing, Nato leaders will all sign up to a pledge to hit the 5 per cent spending level by 2035. That will consist of spending on core defence capabilities worth 3.5 per cent of GDP, and spending on related areas including cyber security and infrastructure worth an additional 1.5 per cent.

“These targets describe what capabilities allies need to invest in over the coming years. From our air defence and fighter jets, to tanks, drones, logistics and of course personnel,” Rutte said last week. “The 3.5 [per cent] core defence spending is really rooted now in this whole Nato defence planning process.”

At first glance, Trump’s fiscal shakedown of Europe and his demand for “equalisation” would appear to neatly match calls from some European leaders, led by French President Emmanuel Macron, for the continent’s armies to increase their “strategic autonomy”.

But that proposed significant bolstering of the so-called European pillar inside the alliance is riddled with fiendishly complicated questions due to the scale of the reliance on the US, and the key role it plays in not only backstopping, supplementing and supplying all of the alliance’s armies, but also co-ordinating and commanding them.

Over a third of US service members deployed in Europe are in Germany

Approximate number by country

FINANCIAL TIMES Source: US European Command • Numbers for Spain and other bases exclude 2,000 service members currently at sea

“There is no European pillar. This is an empty phrase,” says Carlo Masala, a professor of international politics at Bundeswehr University in Munich. “Nato is an integrated military command structure, like a wheel. The European forces are like the spokes. And the US is the hub which ties them all together and makes sure the wheel can run. Who is going to replace this function?”

Without a replacement for the role the US has been playing for decades, adds Masala, “Nato moves from a modern alliance with an integrated military command structure to a kind of classical alliance with a mutual defence commitment”.

With its Gaullist roots, France has long had a particular relationship with Nato. It is a key founding member, but also one that jealously guards its own military independence. It built its own nuclear weapon so as not to rely on the US, and therefore sits outside the alliance’s nuclear sharing agreement. France has also maintained homegrown defence contractors instead of buying American-made weapons.

Once marginal — and even considered provocatively anti-American by some in Europe — Macron’s position on defence sovereignty is now becoming consensus. This shift in mindset has been spurred on by Russia’s invasion of Ukraine and its persistent threat to eastern Nato members, but also Trump’s questioning of the transatlantic alliance’s importance.

Brussels has also waded in to help make the case for increased defence spending among its member states. “This year, Russia is spending more on defence than on its own healthcare, education and social policy combined. This is a long-term plan for long-term aggression,” warned Kaja Kallas, vice-president of the European Commission, during a debate ahead of the Nato summit. She described the threat to transatlantic unity and security as “a problem for us all”.

But unlike some European allies, France does not see a possible American drawdown of its forces as an existential problem, and thinks the region can wean itself off its reliance on the US in the coming decade.

American soldiers disembark during an exercise on the Danube this month to strengthen interoperability between the armed forces of Nato member countries © Daniel Mihailescu/AFP/Getty Images

The scale of that task is vast, however.

Beyond some British and French capabilities, European militaries rely almost entirely on the US for so-called strategic enablers. Intelligence, surveillance and reconnaissance capabilities, heavy lift aircraft to move weapons around at short notice, space assets, and command and control operations have long been provided by the US and are expensive and time-consuming to replace. Officials and analysts assume that much of this would need to be developed, funded and acquired jointly.

Grand, the former Nato official now at the European Council on Foreign Relations, says that making up for a US reduction in troops is “sort of manageable even with a relatively short-time frame” for European capitals.

“[But] if we start looking at critical enablers, even short of nuclear deterrence, there the demands are much higher and the timeframe is at a minimum of a few years, possibly up to a decade. There the absence of an agreed and co-ordinated plan is much more damaging than for the unilateral withdrawal of a few thousand troops,” she adds.

In other areas of heavy US reliance, such as air and missile defence platforms and long-range strike weapons, many capitals have called on the EU to provide financial support and to help co-ordinate the search for European alternatives. A recent loan facility set up by Brussels can be spent on weapons if they are jointly procured.

“We’re not creating an EU army, but it’s clear that Brussels and the member states want a stronger European leg inside Nato,” says a senior European official involved in transatlantic negotiations. “I think you’ll see the EU taking on previously Nato-only competences on things like interoperability, standards and joint procurement.”

In recent months, German defence minister Boris Pistorius has pushed Hegseth, his US counterpart, to provide a “road map” for a US pullback from Europe, according to three people briefed on their discussions.

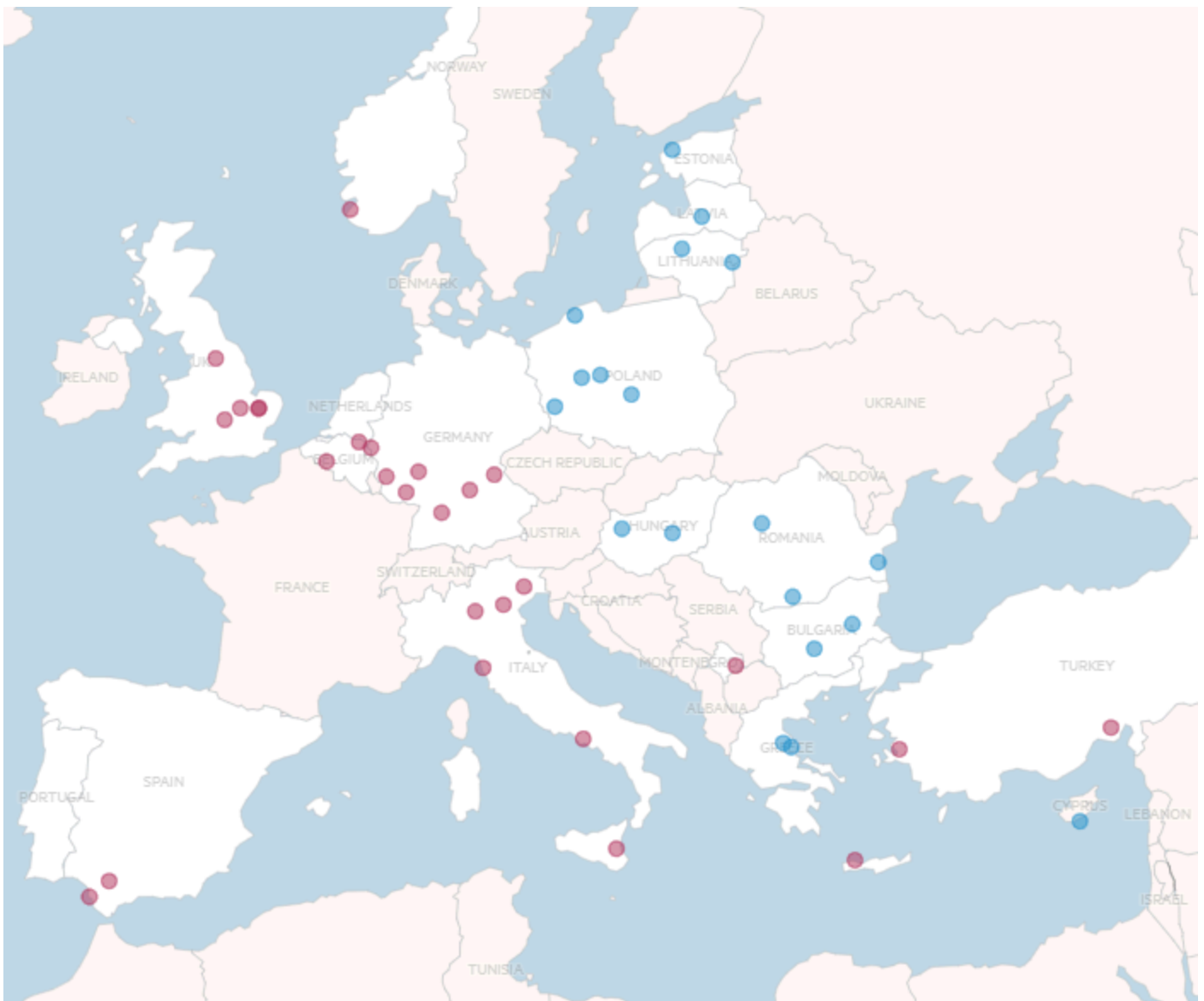
But this bid to give Berlin and its European allies a concrete timeline for which assets they need to prioritise, and how fast, has irritated other Nato capitals that believe pushing the US to clarify how quickly it plans to withdraw would only create a self-fulfilling prophecy.

The result is an inconsistent approach, says the senior European official. “Engage with the Americans like hell to keep them as close as possible, while at the same time preparing as fast as we can for them to walk away,” the official says. “Is that crazy? Yes. But the whole context is insane.”

The wide distribution of US military bases across Europe

Roll over circles for base names

Persistent US military presence* Other military sites to which US has access



FINANCIAL TIMES Source: Congressional Research Service • * Continuous US defence department use/control for at least 15 years

That disagreement has underscored the nervousness inside Nato about US planning, and the fear around what a knee-jerk decision by the Trump administration would mean.

Other Nato diplomats privately criticise Pistorius's outreach, saying the break with his key European allies risks muddying the message to Washington. But they also say that the longer the US takes to decide, the more time Europe gains to secure political support behind the increased financing and rearmament push.

"European allies in Nato may fear that they could set in motion the very outcome they seek to avoid: the more they plan to replace the US presence, the more excuse they will give US policymakers to leave," says Giuseppe Spatafora, analyst at the EU Institute for Security Studies. "If we start making these changes, the Americans will be more inclined to say their withdrawal plan is even more useful because we Europeans are doing it anyway."

"First, we [must] do nothing that would encourage the Americans to leave, because that's not in our interest," says a French diplomat. "Then, if it becomes inevitable, our main priority is that the Americans are transparent with the other members of the alliance so that the process can be orderly."

Pistorius has argued that a road map is needed to avoid a sudden and potentially dangerous US withdrawal. "We all have trauma from Afghanistan," says a senior German official, referring to the bungled US withdrawal from the country in 2021.

Berlin will play an oversized role in Nato's future, whatever the US decides to do. Unlike the UK and France, which are fiscally constrained, Merz is attending his first Nato summit with newfound financial headroom: after relaxing Germany's constitutional debt limit to allow virtually unlimited borrowing for the military, he has embraced Rutte's proposal.

"The federal government will provide all the financial resources that the Bundeswehr [Germany's armed forces] needs to become the strongest conventional army in Europe," Merz told MPs last month.

German chancellor Friedrich Merz came away from a meeting with Donald Trump earlier this month professing 'absolutely no doubt' the US government was sticking to the Nato alliance © Evan Vucci/AP

While Trump told Merz in the Oval Office earlier this month that the large US military contingent stationed in Germany would remain, in the background, Germany is working on the assumption that the numbers will reduce significantly in the coming years.

Of the roughly 90,000 US troops currently in Europe, about 37,000 are in Germany. "We have to look reality in the face," says a German official. "We shouldn't count on the same US contingent that they have now."

Pistorius said earlier this month that Germany's armed forces — currently made up of 180,000 professional soldiers and already short of its targets — would need to find an additional 50,000 to 60,000 recruits to meet Berlin's commitments to Nato by the end of the 2030s.

While Pistorius has been eager to ensure that there is a "smooth and synchronised" process in terms of shifting responsibilities from the US to Europe, the German official suggests much will depend on the US.

"The White House will dictate the tempo of this shift — and so will what happens in the world," the official says, pointing to increased Chinese aggression in the Pacific as one variable that could speed things up.

Nato officials are sure of one thing: even in the best-case scenario — in which Trump leaves The Hague with 31 new spending commitments and declares the alliance "more powerful than ever" — its future, and America's role in it, remains uncertain.

"The [transatlantic] relationship is fundamentally different, but not everyone takes that for what it is," says Gabrielius Landsbergis, Lithuania's former foreign minister. "Many of the eastern flank countries are even less realistic about the change than western Europe. Many are still hoping for the better outcomes rather than preparing for the most likely ones."

Rutte, with the unenviable job of convincing allies to agree to ambitious investment and spending plans while also unaware of Washington's exact plans for its European future, is arguing that regardless of Trump's ultimate decision, it is in Europe's interest to build its own self-reliance.

A training exercise off western France this month. Unlike some European allies, France, which has its own nuclear weapons and defence contractors, does not see a possible US drawdown of its forces as an existential problem © Loic Venance/AFP/Getty Images

"We don't have to do this because of an audience of one. We have to do this to keep 1bn people safe," Rutte said last week.

But Europe must get its act together quickly, experts suggest. "The US is not interested in a road map; they want to have a free hand, says Masala, the university professor. "That's why speed is important now. That Europe gets together, spends on its defence, co-ordinates its procurement policies, and has a plan for who's going to buy what."

He adds: "All the Europeans are looking at the US like the rabbit looks at the snake . . . hoping that the snake won't bite them."

The Big Read Chinese business & finance

The vulnerabilities holding back Chinese industry

Despite its prowess, China has not been able to overcome dozens of 'choke points' that are the essential building blocks of modern manufacturing

Edward White in Shanghai and **Harry Dempsey** in Tokyo

Published JUN 30 2025

In the early 1950s as the Communist party set out to rebuild a China ravaged by years of war, Mao Zedong, the revolutionary hero and party chairman, bluntly assessed the bleak state of the nation's industry: "We can make tables and chairs, teacups and teapots . . . But we cannot make a single motor car, plane, tank or tractor."

Soon the No 1 Tractor Plant and an adjacent factory producing ball bearings was established in Luoyang, an ancient city in the central Henan province — one of 156 industrial projects conceived under the party's First Five Year Plan, according to Karina Khasnulina of Leipzig University. Just a few years later, in 1958, the first Chinese-made tractor, named *Dongfang Hong*, "the East is Red", rolled off the production lines.

Seventy years on and China has risen to be a global powerhouse, the world's second-biggest economy and one of two true military superpowers. And yet, as the country's leaders in Beijing are acutely aware, the nation has not been able to overcome dozens of industrial "choke points".

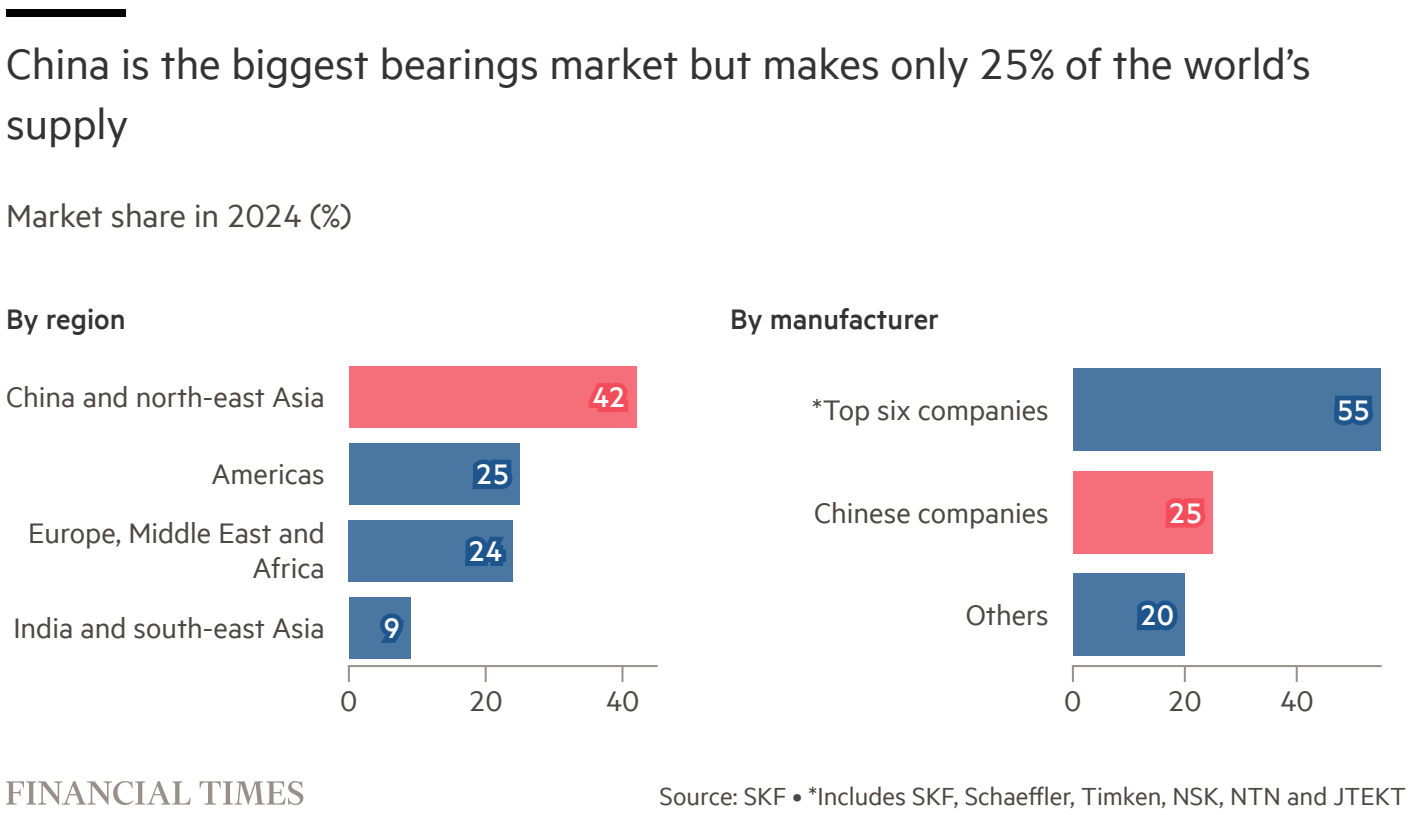
From a western standpoint, the good news is that these choke points are ultimately holding back China's quest for independence and leave it vulnerable to US pressure in an era of trade wars and export controls.

As well as cutting-edge computer chips, they also include a series of obscure components and materials that are essential building blocks of modern manufacturing.

The bad news, for the west and its companies at least, is that China is addressing these problems in a methodical and systematic manner and is using tools such as AI to advance more quickly.

Leading European, Japanese and American rivals, which have long been insulated from competition from China because of problems with quality and inconsistent yield in Chinese factories, are now on high alert.

“What should give us pause is that the dynamic of China’s technological dependency on the west is rapidly changing,” says Elisa Hörhager, the Beijing-based chief representative in China of the Federation of German Industries, known as BDI.



“Many foreign companies still hold a clear edge when it comes to high-quality industrial products, thanks to their reputation for precision and engineering excellence. But Chinese competitors are catching up fast.”

While several choke points, such as advanced semiconductor manufacturing, remain years, if not decades, from being conquered, others appear close to being resolved. These products include carbon fibre used for aviation and ball bearings.

Last month, Chinese leader Xi Jinping chose the factory floor of the current iteration of the Mao-era Luoyang factory, now operated by the state-backed Luoyang Bearing Group, to issue a rallying cry for China to address any remaining potential choke points.

The visit to Luoyang by Xi, China’s most powerful leader since Mao, was both symbolic and timely.

Successive American presidents have steadily expanded export controls to restrict access to cutting-edge technologies, fearful that China’s technological might benefits the country’s military and threatens US national security.

These controls — or the threat thereof — have driven Beijing to throw more resources into mitigating its vulnerabilities than they would have otherwise, says Kyle Chan, a researcher in Chinese industrial policy at Princeton University.

Xi Jinping visits the Luoyang Bearing Group plant last month. The motivation for the Chinese president's quest for industrial self-sufficiency has intensified since Donald Trump returned to the White House and launched a trade war © Xie Huanchi/Xinhua/Alamy

The motivation for Xi's quest for industrial self-sufficiency has only intensified since Donald Trump returned to the White House and launched a global trade war that threatens to accelerate the decoupling of the world's two biggest economies.

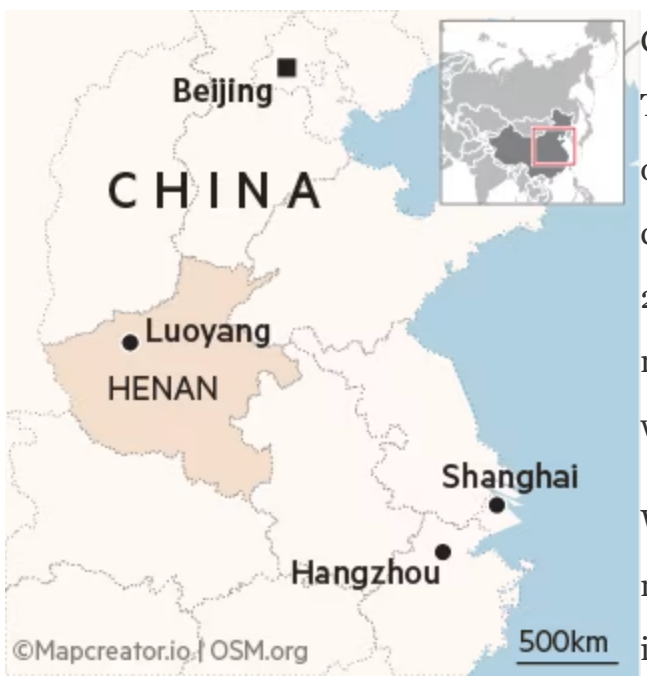
"From the past reliance on imported matches, soap and iron, to now becoming the world's largest manufacturing country with the most complete industrial categories, we have taken the right path," Xi told ball bearing engineers and technicians in Luoyang.

"China must keep improving our manufacturing sector, insist on self-reliance and self-improvement [and] master key core technologies."

At a nondescript business park on the outskirts of Hangzhou, eastern China, there are signs that a quiet industrial revolution is taking place.

A team of Chinese engineers at DeepVision Technology is redeploying image processing technology, originally developed for gastrointestinal surgery, to solve a problem that has stubbornly thwarted Chinese engineers for decades: how to make high-quality ball bearings, and at scale.

High-end ball bearings are crucial for reducing friction in everything from high-speed trains and tunnel boring machines to electric vehicles, humanoid robots and drones.



Cosimo Ries, an energy analyst with consultancy Trivium China, points out that for machinery like offshore wind turbines — which are now being built close to 200-metres tall and need to last for around 25 years — bearing manufacturers face "incredible reliability requirements" as their products must withstand "huge" amounts of weight and pressure.

While China is by far the biggest single ball bearing market in the world, the $53bn global bearing industry is dominated by Sweden's SKF along with Germany's Schaeffler, US group Timken and Japanese companies NSK, NTN and JTEKT.

The top six manufacturers account for about 55 per cent of the global rolling bearing market, according to SKF's annual report. Chinese groups hold about 25 per cent.

A 2020 study by researchers at the Wuhan University of Science and Technology noted a "significant gap" between Chinese companies and their Swedish and Japanese rivals in terms of controlling the degree of microstructural defects and dimensional accuracy. According to a research paper from Kai Yuan Securities, a Chinese investment group, published four years later, mid to high-end products still accounted for only about 20 per cent of total production among Chinese bearing manufacturers.

Sitting in an office above his factory, Wang Shuailin, the cheerful 38-year-old founder of DeepVision, sketches out a drawing of how his team combines an AI chip with image sensors to identify defects in a bearing's shape, size and structure as small as 2 micrometres — 0.002 millimetres.

DeepVision's inspection system, Wang says, is radically improving quality control for his clients, which include Luoyang.

People used to have the impression that Chinese products, not just limited to bearings, were cheap but lower quality…I don't think there's much difference anymore

One Chinese customer, he says, has seen the "qualification rate", meaning the percentage of the ball bearings it makes that are good enough to be sold to customers, jump to 97 per cent, from below 90 per cent.

Another would previously receive as many as 400 customer complaints about quality per year, but now receives just two or three, while its staffing requirements for inspection have fallen from 150 to just a few people.

"There is a stereotype that China doesn't have the ability to produce such high-precision machines," Wang says.

While foreign rivals have accumulated a technological advantage over a long period of time, he believes that when it comes to introducing AI into manufacturing, which kicked off around 2017-18, everyone has been "starting from the same point".

"And China is now adopting these technologies faster, so our products will be better," he adds.

Research by China Policy, a consultancy, commissioned by BDI and published in May, showed that China's 4mn factories are only in the early stages of seeing the impact from the kind of industrial application of AI showcased by DeepVision. But that could soon change as Beijing has set a target of having an advanced level of smart manufacturing in most big factories in the next 10 years.

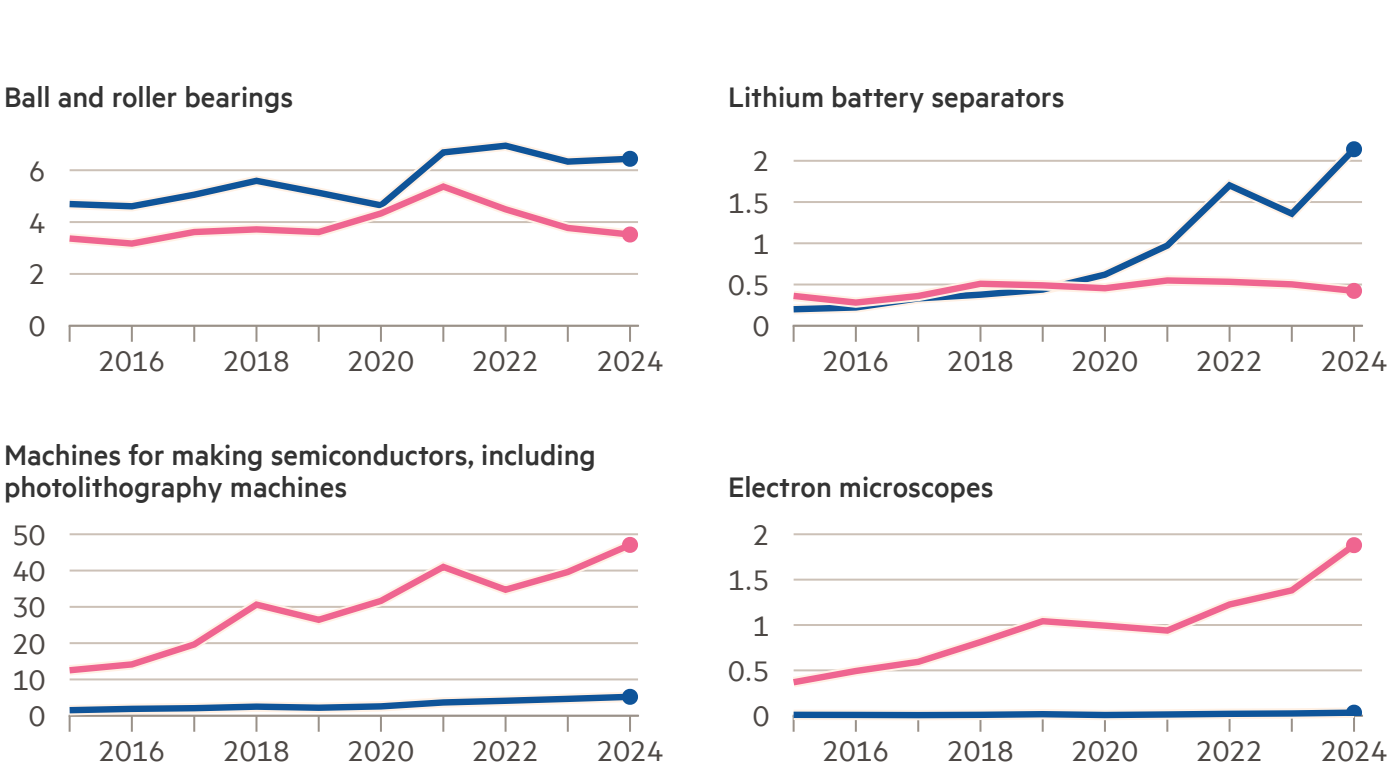
Still, as it stands today the world's biggest foreign ball bearing suppliers retain a significant technical advantage over China.

This is particularly true when producing components vital for machinery that is required to function for long durations and in extreme environments or temperatures, such as in space or chemical plants. But even the most dominant players are wary of Chinese progress.

Vivian Wang, head of marketing in China for SKF, points to the Gothenburg-headquartered group's history of selling bearings in China, which dates back to around 1912, just as the 268-year Qing Dynasty came to an end. She notes the group's large local footprint, which includes nine manufacturing units, 6,000 employees and a high localisation rate across its Chinese supply chain.

“We acknowledge the growing capabilities of our competitors, including those in China, but we act from a position of strength,” she says.

China is reducing its reliance on key components made by foreign companies, but it still depends on imports for some advanced machinery



Source: ITC Trade Map, CSET, FT research • Products in the chart correspond to the following commodity codes: 850790, 8482, 8486, 901210

Sadatsune Kazama, deputy general manager of product design for bearings at Osaka-based NTN, the world’s fourth largest ball bearing manufacturer, says that Chinese groups are now on par with the industry leaders on manufacturing technology but still lag behind on design capabilities.

“People used to have the impression that Chinese products, not just limited to bearings, were cheap but lower quality . . . I don’t think there’s much difference anymore.”

However, he says Japanese companies were still better at long-term quality, reliability and after-market support. “We’ve made bearings for 100 years and we do it based on a large amount of experience that we've built up”.

A Japanese government industrial policy official, who asked not to be named, suggested that Chinese quality still needed to stand the test of time.

“It’s amazing how far China has come. But it’s not even 20 years since they started making precision technology. The goods need to last for more than 30 years, so we’ve not yet seen how durable their products are,” they say.

Over the course of 2018, Science and Technology Daily, a Chinese state-run newspaper, published a series of 35 articles outlining the country’s most acute industrial vulnerabilities.

Ben Murphey, a former CIA linguistics expert, translated the articles at the Center for Security and Emerging Technology, a research group within Georgetown University’s Walsh School of Foreign Service. CSET analysts narrowed the 35 identified choke point technologies down to the 14 that had been “most vexing”.

These technologies, the analysts said, reflected three characteristics: the technology is the exclusive preserve of a small number of US, European or Japanese companies; few Chinese providers are making progress developing high-end versions of the technology; other unique factors making import substitution unusually difficult. They also noted that rather than acting patriotically, Chinese companies, including state-owned groups, “harbour doubts” about the quality of products from their compatriots.

While there is evidence that China is edging closer to eliminating many of the long-held industrial choke points, the thorniest import dependencies, requiring the most investment to overcome, relate to chipmaking.

According to official Chinese trade data, the value of imported photolithography machines, which are crucial for making the most advanced semiconductors, almost quadrupled to $47bn, from $12.5bn, in the past 10 years.

Chan, the industrial policy expert at Princeton University, has analysed the S&T series and notes that while the choke points are still seen by Beijing “as a major problem”, there are “clear signs” of progress.

Among those choke points identified in 2018 that have since been resolved are high-end radio frequency components and operating systems — technologies where Huawei has become self-sufficient — as well as lithium battery separators, where Chinese suppliers like CATL and BYD are now world leading, and lidars, the laser sensors used in self-driving cars, which are also dominated by Chinese suppliers.

A Schaeffler employee inserts bearings into a housing ring at a factory in Schweinfurt, Germany. High-end ball bearings are crucial for building everything from high-speed trains and tunnel boring machines to electric vehicles, humanoid robots and drones © Krisztian Bocsi/Bloomberg

Others are in the process of being mitigated. This includes vacuum evaporators, which are used to fabricate layers of organic film and metal electrodes in OLED panels, as well as photoresist material used to transfer circuit patterns for chips.

Chan says that beyond being motivated by the threat of western export controls, the lack of access to foreign suppliers and their personnel during the pandemic was another driver that sharpened Beijing’s focus.

But he also notes that a key dynamic holding back progress has long been from Chinese companies buying these components and materials. They have often preferred to stick with foreign suppliers, which are considered more reliable, rather than “take the leap with less tested Chinese suppliers”.

The aerospace industry is one area we must protect and keep proprietary technologies

One such area is carbon fibre composite cascades, which are used in an engine's casing to help aircraft land safely. Japanese group Nikkiso has a market share of 90 per cent.

Takeshi Iwaoka, head of the aerospace division at Nikkiso, dismisses the threat from China, saying that rival companies have been trying for 40 years to catch up without success.

"The process involves laminated moulding into a complex shape, which is quite a sophisticated manufacturing method," he says. "We have a lot of proprietary knowhow when it comes to shaping and forming this kind of product, and other companies just can't easily replicate it."

He notes that the Japanese government is stepping up efforts to protect its crown jewel technologies related to aerospace and other strategic sectors from industrial espionage, citing hearings on economic security conducted by the National Public Safety Commission, related to the Cabinet Office.

"In the past, we weren't receiving questions and inquiries from NPSC," he said. "The aerospace industry is one area we must protect and keep proprietary technologies."

Following the breakout success of DeepSeek — the AI developer that rocked the tech world with advances achieved with far less computing power than US rivals — there is, domestically at least, a renewed sense of confidence in China's homegrown technological capabilities, even in the context of being cut off from US technology.

In February, Ren Zhengfei, founder of tech group Huawei, was among a select group of business leaders to meet Xi in Beijing.

Seated opposite the Chinese leader, Ren told Xi that Huawei is spearheading a coalition of more than 2,000 companies aiming to boost Chinese semiconductor supply chain self-sufficiency to 70 per cent by 2028.

70%

Corporate coalition target for Chinese semiconductor supply chain self-sufficiency by 2028

The 80-year-old former People's Liberation Army engineer carefully drew on Chinese homonyms as he said hitherto concerns of the country's "lack of heart and soul" — meaning weakness in hardware and software — had eased.

Hörhager, China's BDI head, says that whereas Made in China 2025 — Beijing's 10-year manufacturing advancement plan launched in 2015 — targeted key sectors with funding and policy support, industrial AI could "go far beyond that".

This means not just eliminating the remaining choke points but boosting productivity "across China's entire manufacturing base".

Angela Huyue Zhang, a professor of law at the University of Southern California and a leading expert on China's technology regulation and policy, cautions against viewing China's choke point progress as a quest to be "number one" in a race against the US.

“Washington has misunderstood China’s goals; the real goal for China is to increase self-sufficiency, improve productivity, and drive economic growth — outcomes that will ultimately enhance the legitimacy of the Chinese Communist party,” she says. “Tech development is only a means to achieve these goals; it is not an end in itself.”

Additional reporting by Ding Wenjie and Wang Xueqiao

Data visualisation by Haohsiang Ko

Electric vehicles

Hyundai seeks to ride Chinese coat tails to grab market share in Europe

South Korean group open to building third plant on the continent as it aims to replicate US success

Hyundai wants to double its EV sales in Europe with new product launches including its three-row electric sport utility vehicle Ioniq 9 © AP

Kana Inagaki in London and **Christian Davies** in Seoul

Published YESTERDAY

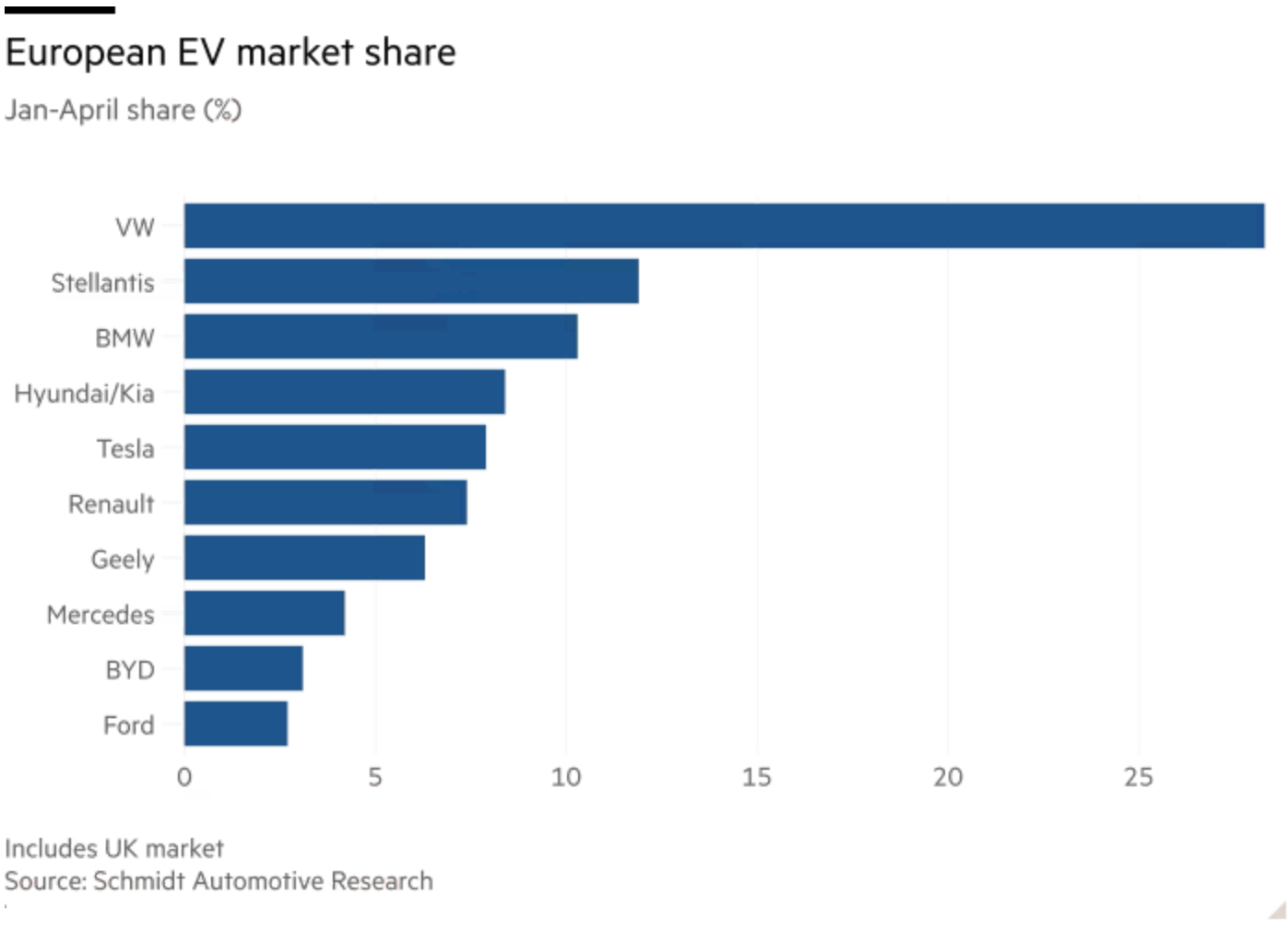
Hyundai is seeking to ride on the growth of Chinese electric vehicles in Europe to grab market share from western and Japanese rivals as the South Korean group bets on consumers switching brands in the EV era.

In an interview with the Financial Times, Xavier Martinet, the new head of Hyundai's European business, said the South Korean group was open to building a third plant on the continent as it aimed to replicate the expansion it achieved in the US.

"There's no reason that we would be the first one being impacted by . . . the growth of the Chinese," he said. "We might actually even somewhere benefit from it. A lot of people with EVs are more ready to switch brands than in the past."

Hyundai and its sister brand Kia transformed their business in the US from a little-known foreign entrant to one of the market's most dominant marques, especially in EV sales. In March, it completed construction of a $7.6bn EV plant in the US state of Georgia with an annual production capacity of up to 500,000 vehicles.

The group was second behind Tesla in US electric car sales in 2023 and 2024, although GM recently claimed second place in the first quarter of 2025.



Martinet, a former Renault executive, said Hyundai in the US was “one of the trailblazers or one of the leading brands on the market”. In Europe, “we need to work in this direction”.

Hyundai and Kia have an 8.4 per cent EV share in the UK and wider Europe, compared with 7.9 per cent for Tesla, 28 per cent for Volkswagen group and 10 per cent for BMW, according to Schmidt Automotive Research.

The company has said it wanted to double its EV sales in Europe this year with a series of product launches, including its new small electric car Inster at less than €25,000 and its new three-row electric sport utility vehicle Ioniq 9.

While the South Korean group sees the push by Chinese brands into Europe as an opportunity, it also acknowledges the increasing threat from BYD, Chery and other Chinese brands. BYD alone has already grabbed a 3.1 per cent EV share in Europe.

“We have to really raise our game to the best level possible to fight these newcomers that are challenging us,” Martinet said. “The question is, are you more ready than the others to fight this threat? I think we are.”

New registrations of Hyundai and Kia vehicles also dropped 3.5 per cent from a year earlier during the January to May period, according to European car industry body ACEA.

The group’s progress in the US is part of a wider global push, targeting the Indian, Middle Eastern and south-east Asian markets as well as Europe after a collapse of its sales in China over the past decade.

But it finds itself under pressure in its home market, with models from BYD and Tesla both outselling Hyundai and Kia’s domestically produced EV offerings.

The group is hoping to capitalise on its size to boost investment in Europe and accelerate the speed of developing its vehicles with the in-house development of components.

It is looking to improve maintenance and the aftersales service for customers by analysing vehicle data, according to Martinet.

If the company can successfully expand its market share in Europe, Martinet said the group would consider expanding its manufacturing footprint in the Czech Republic and Turkey although it also had room to expand capacity at its two European plants.

“The idea is to continue going in this direction of designing vehicles for Europe, building them in Europe and selling them in Europe,” he said.