Five Critical Forces Reshaping Business

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THE BOTTOM LINE

The AI boom is lifting the stock market, but it may be masking a weaker economy

PUBLISHED TUE, OCT 14 2025•10:47 AM EDT

Charlotte Morabito
@IN/CHARLOTTEMORABITO/

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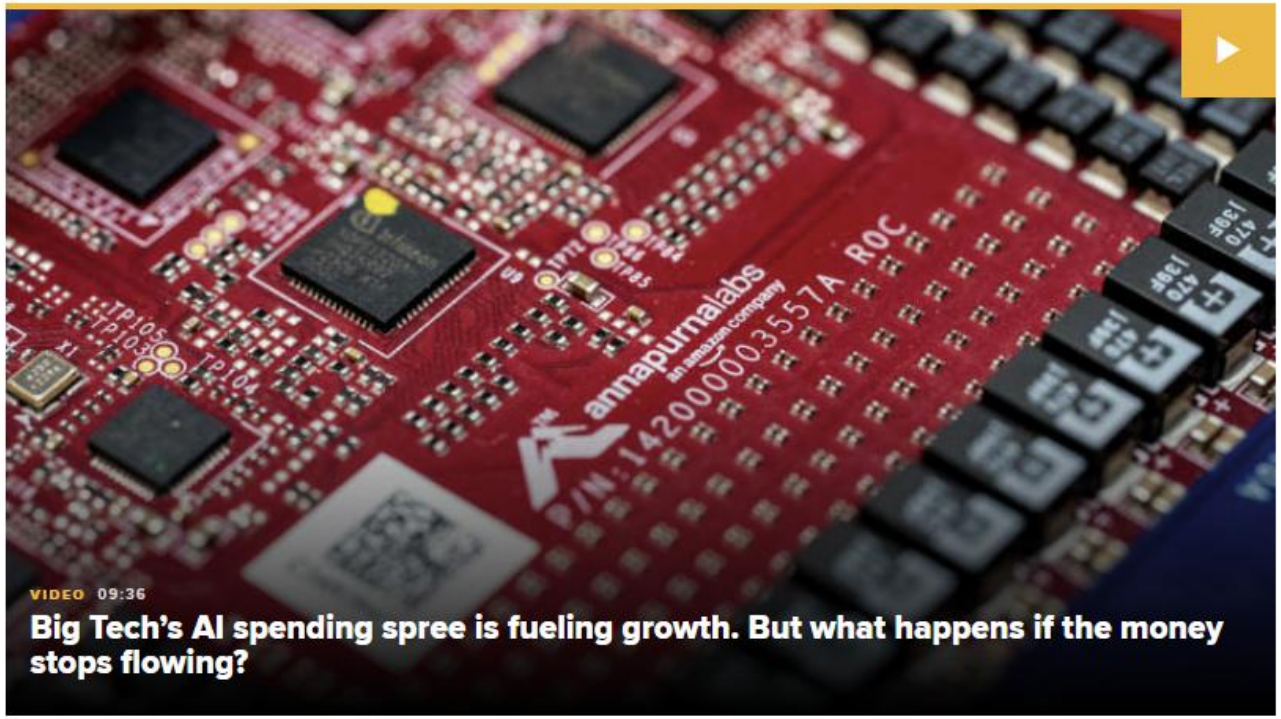

VIDEO 09:36

Big Tech's AI spending spree is fueling growth. But what happens if the money stops flowing?

KEY POINTS

- Global AI spending is projected to reach $375 billion in 2025 and $500 billion by 2026, fueling GDP growth and market optimism.
- Economists warn that without AI-driven investment, the U.S. may already be in a recession, raising concerns about economic dependency.
- Unlike the dot-com era, when most internet startups were unprofitable, today's AI giants generate substantial cash flow and earnings.

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"We need to increase AI literacy and to teach people to use it in a more responsible fashion,"
Mahmut Taylan Kandemir
Professor, Penn State

Source: CNBC

/ Commentary /

Focus on the New Economy, Not the Old: Why China's Economic Slowdown Understates Gains

COMMENTARY — Feb 18, 2025



A worker at a factory that makes electronic products for new-energy vehicles, in a high-tech industrial park in Fengcheng, China, February 6, 2025
Photo by Zhu Haipeng/VCG via Reuters



By Gerard DiPippo

Today, one hears two narratives about China's economy. One is about economic decline, and the other is about China's growing economic and technological power.

> "One must hold two simultaneous pictures in mind: a "blah" macroeconomy with serious, but not fatal, problems (deflation, confidence), alongside an incredibly vibrant, competitive technology economy."

> "Both the macro problems (deflation) and the technological strength are rooted in the same factor: the extraordinarily competitive environment within China."

Arthur Kroeber – author of China's Economy: What Everyone Needs to Know

Source: https://www.rand.org/pubs/commentary/2025/02/focus-on-the-new-economy-not-the-old-why-chinas-economic.html

CHINA ECONOMY

China's property slump is far from bottoming. But Beijing is prioritizing tech growth

PUBLISHED THU, OCT 23 2025•3:48 AM EDT | UPDATED THU, OCT 23 2025•4:02 AM EDT

Evelyn Cheng
@IN/EVELYN-CHENG-53B23624
@CHENGEVELYN

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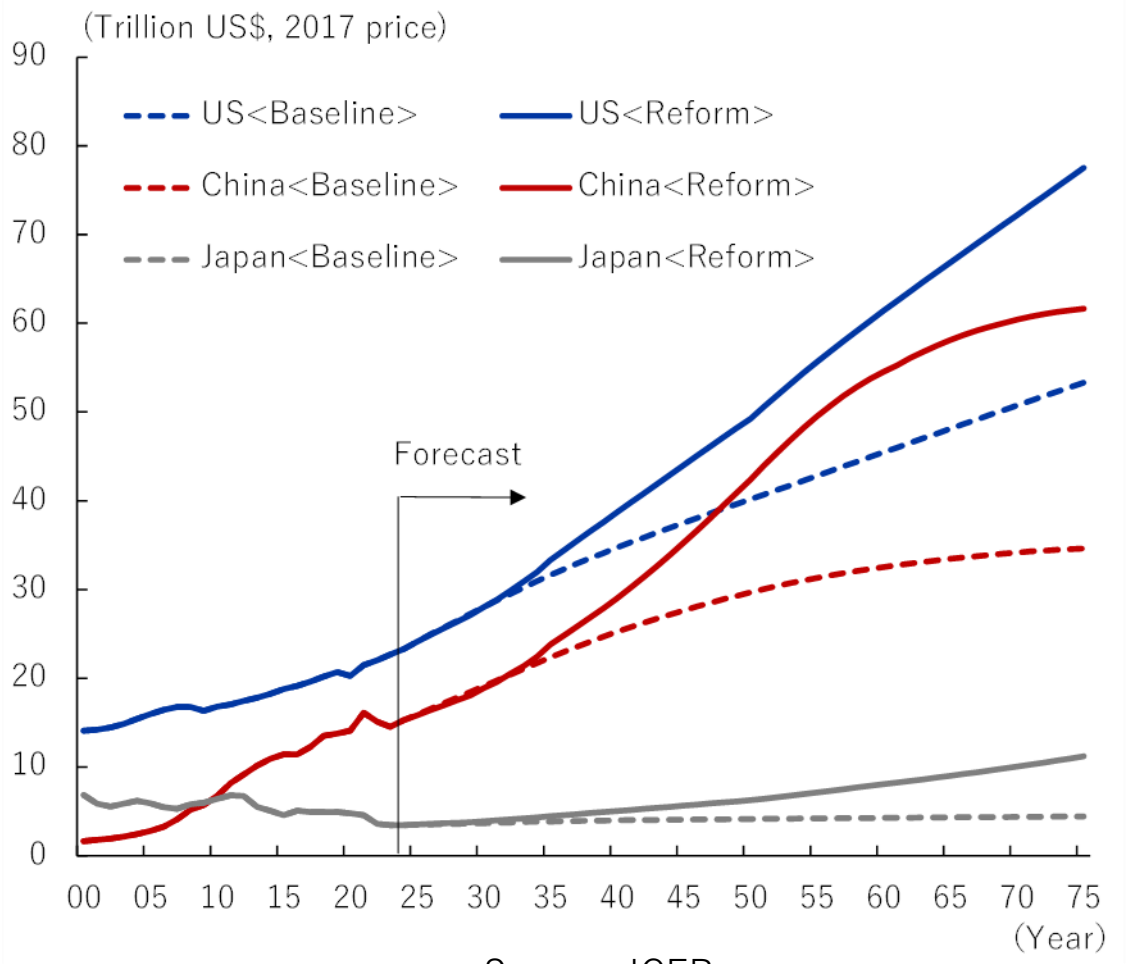
KEY POINTS

- Chinese policymakers will likely focus more on tech development than real estate as tensions with the U.S. escalate.
- "The government believes the property market is bottoming," said Zhu Ning, author of "China's Guaranteed Bubble."
- But he believes "it is a gradual process and may take more time before reaching the bottom."



Global Powers in 2075:
Reform scenario focused on AI transformation

<Real GDP in the US, China, and Japan>



Source: JCER

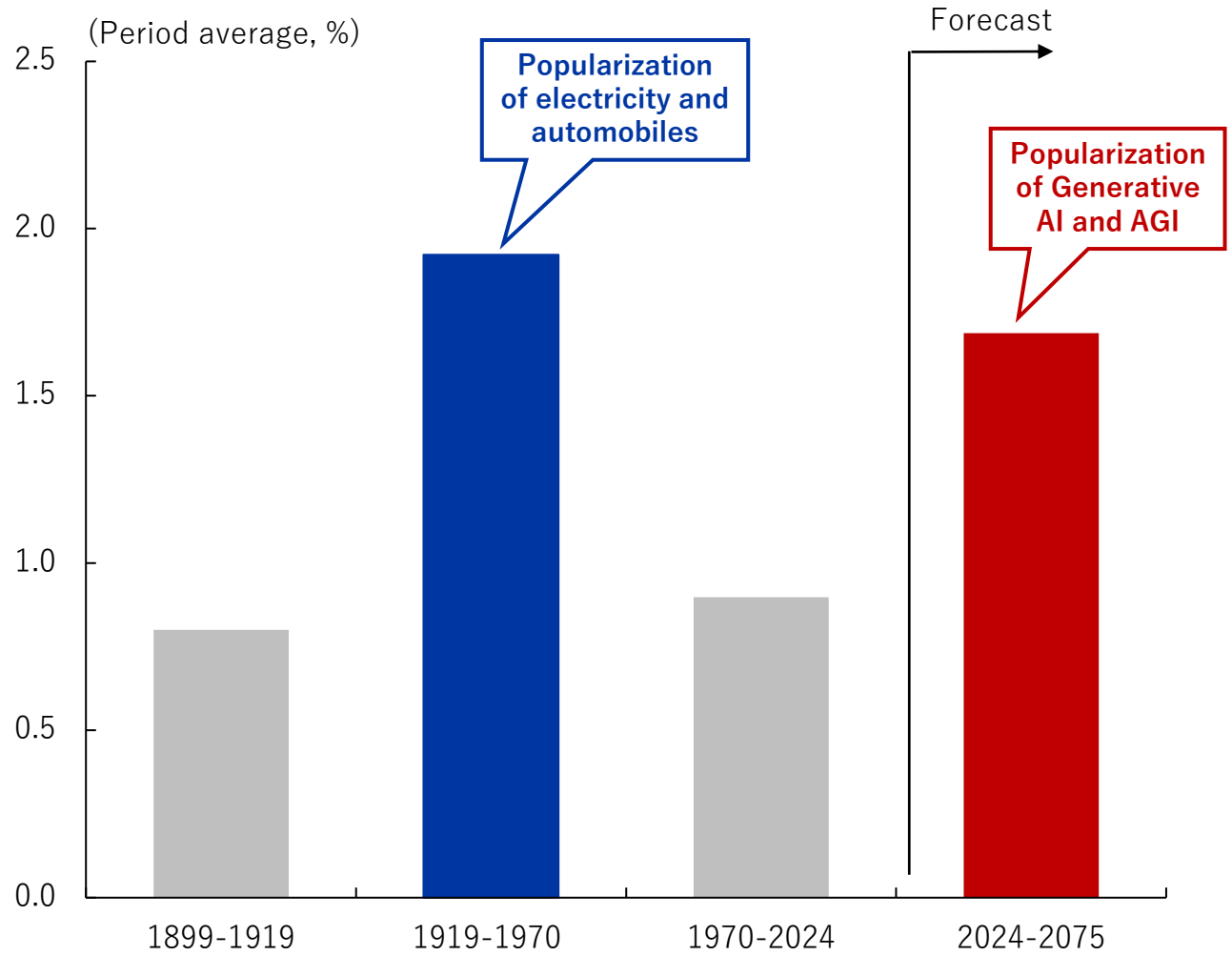
AGI and Its Impact on Productivity in the US

<Definition of AI in each scenario>

	Generative AI [Baseline Scenario]	AGI [Reform Scenario]	
		Software AGI	Physical AGI
Capability	Human-level performance in certain areas in cognitive tasks	Capabilities equivalent to humans across a wide range of fields	
Intervention in physical space	× [Software operation only]		○
Manageable tasks	Routine cognitive tasks and some non-routine cognitive tasks	A wide range of cognitive tasks, including autonomous decision-making and other broad cognitive tasks	A wide range of physical tasks, including precision work
Example	Document creation, translation, etc.	Business strategy formulation, market analysis, education, etc.	Cooking, security, surgery, etc.
Timing for the rollout to businesses	CY2023～	CY2030～	CY2035～
Productivity growth	30%	40%	40%

Source: JCER

<Growth rate of TFP in the US>

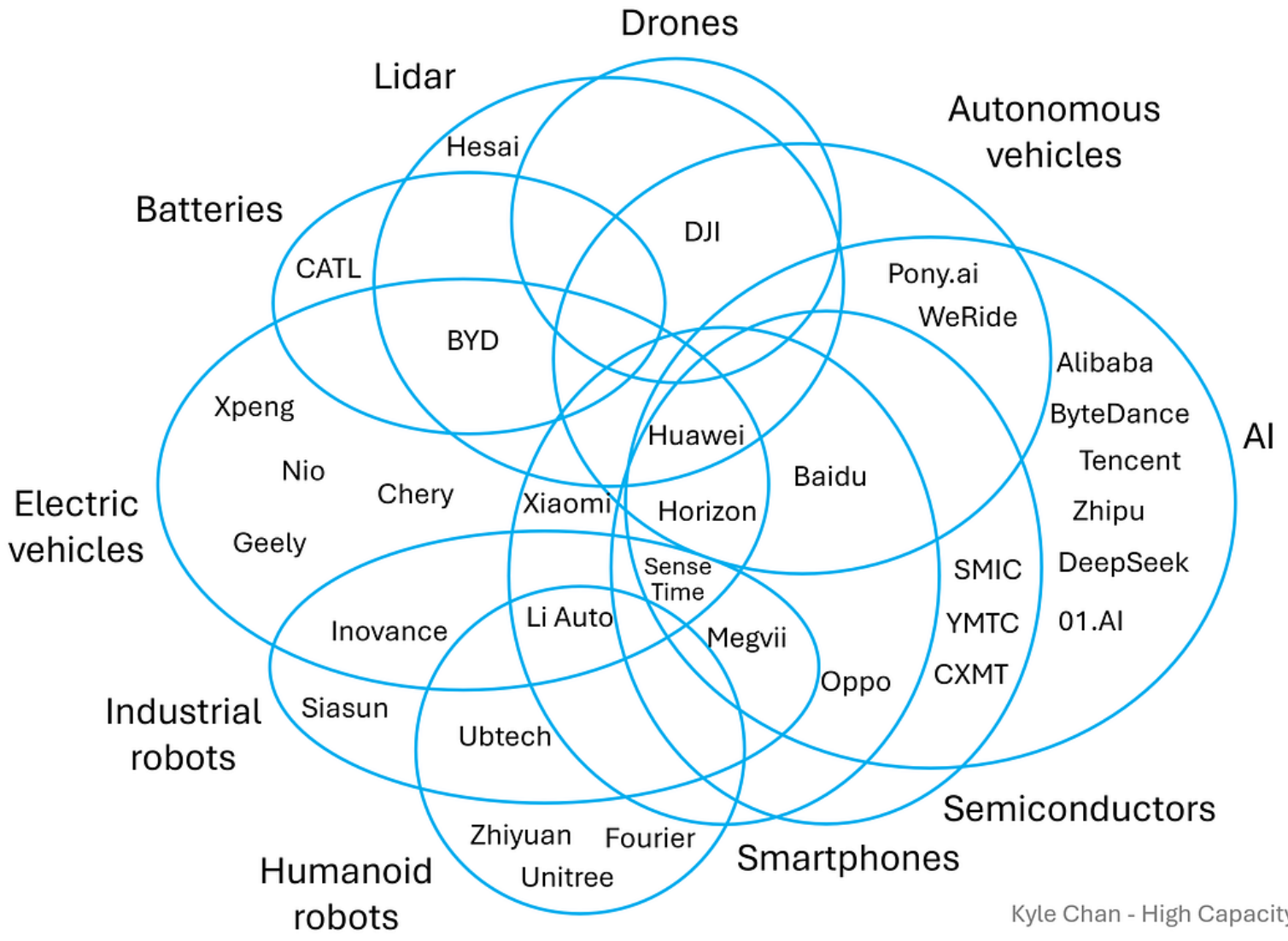


Note: Based on BLS data. Estimates prior to 1941 are from Bakker et al. (2015); 1919-1970 excludes 1942-1947.
Source: Bakker, Crafts, and Woltjer (2015) “A Vision of the Growth Process in a Technologically Progressive Economy: the United States, 1899-1941”; BLS; projections by Japan Center for Economic Research

Source: JCER

Hard Tech: Physical AI

- **Economic Power**
- **Military Power**



Kyle Chan - High Capacity

Critical Force #1

From AI to Physical AI

THE WALL STREET JOURNAL.

TECHNOLOGY | ARTIFICIAL INTELLIGENCE Follow

America's Chip Restrictions Are Biting in China

Shortages of advanced AI chips are so acute that Beijing is intervening and tech companies are resorting to workarounds

By Lingling Wei Follow, Amrith Ramkumar Follow and Robbie Whelan Follow

Nov. 11, 2025 9:56 pm ET

Share Resize 131 Listen (2 min)



Chinese companies are hamstrung by export control of chips even as the country works to win the AI race. FANG DONGXU/UTUKU/ZUMA PRESS

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SUN TZU

THE ART OF WAR

THE NEW ILLUSTRATED EDITION

法

TRANSLATED BY

SAMUEL B. GRIFFITH

8. Fostering emerging industries and industries of the future

We should redouble efforts to develop emerging pillar industries. We should launch industrial innovation projects and make integrated moves to construct innovation facilities, advance technological research and development (R&D), and promote product upgrading. We should accelerate the development of industrial clusters in strategic emerging fields such as new energy, new materials, aviation and aerospace, and the low-altitude economy. To improve the industrial ecosystem, we should carry out demonstration initiatives to extensively apply new technologies and products in new scenarios and scale up emerging industries at a faster pace.

Forward-looking plans should be put in place for industries of the future. We need to explore diverse technology roadmaps, typical application scenarios, feasible business models, and market regulation rules and work to foster new drivers of economic growth such as quantum technology, biomanufacturing, hydrogen and nuclear fusion power, brain-computer interfaces, embodied artificial intelligence (AI), and 6G mobile communications. We should introduce new regulation methods, develop venture capital investment, and establish mechanisms to increase funding and share risks in future industries. We should promote the growth of small and medium-sized enterprises (SMEs) that use specialized and sophisticated technologies to produce novel and unique products. We should also nurture unicorn companies.

Source: Recommendations of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development

CHINA ECONOMY

It's not just AI — China's quickly gaining an edge over the U.S. in biotech

PUBLISHED THU, JUN 5 2025•8:10 AM EDT



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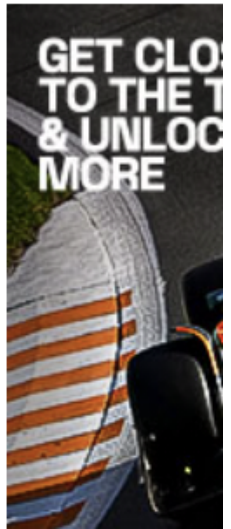
KEY POINTS

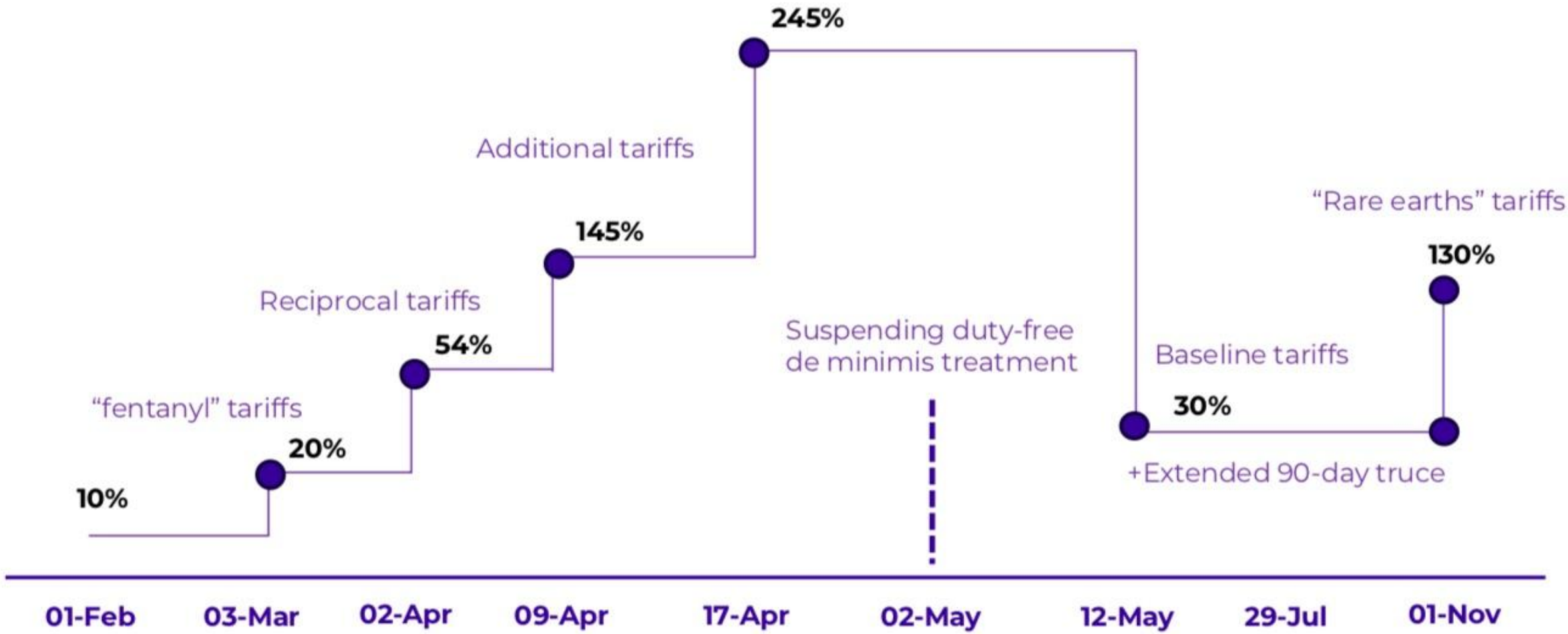
- Out of five critical tech sectors, "China has the most immediate opportunity to overtake the United States in biotechnology," the Harvard Belfer Center said in a new report.
- Just as China is developing its biotech sector, reports from the U.S. biotech hub of Cambridge and Boston reveal layoffs and empty labs.



Critical Force #2

Next-generation Technologies

Review of the U.S. Tariffs on China 2025



Source: O1VC

US expands export blacklist in crackdown on Chinese subsidiaries

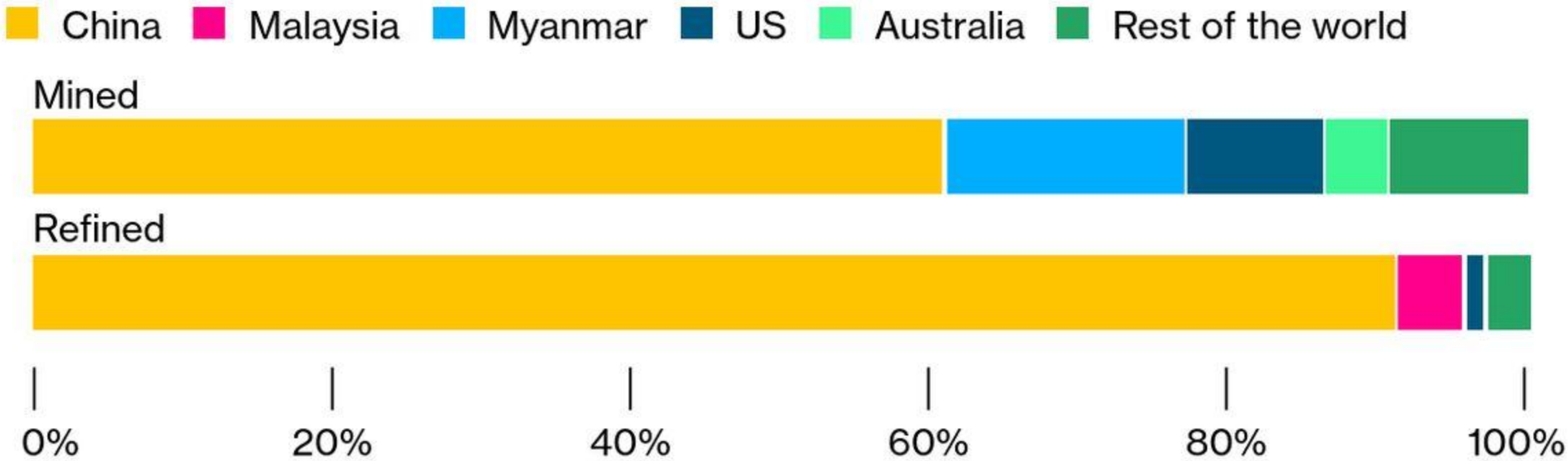
By **Karen Freifeld**

September 30, 2025 4:29 AM GMT+7 · Updated September 30, 2025



China Dominates the Supply of Rare Earths

Share of 2024 global mined and refined production of magnet rare earths — neodymium, praseodymium, dysprosium and terbium



Source: International Energy Agency

Bloomberg

Supply chains

‘Rare earths are not that rare’

Marty Weems of American Rare Earths argues there are mid-term alternatives to China



Rare outside China: plants processing rare-earth elements, such as this one in Australia, are becoming increasingly common in the rest of the world. Image via Mercury Bloomberg.

Source: fDi Intelligence

China’s Rare Earth

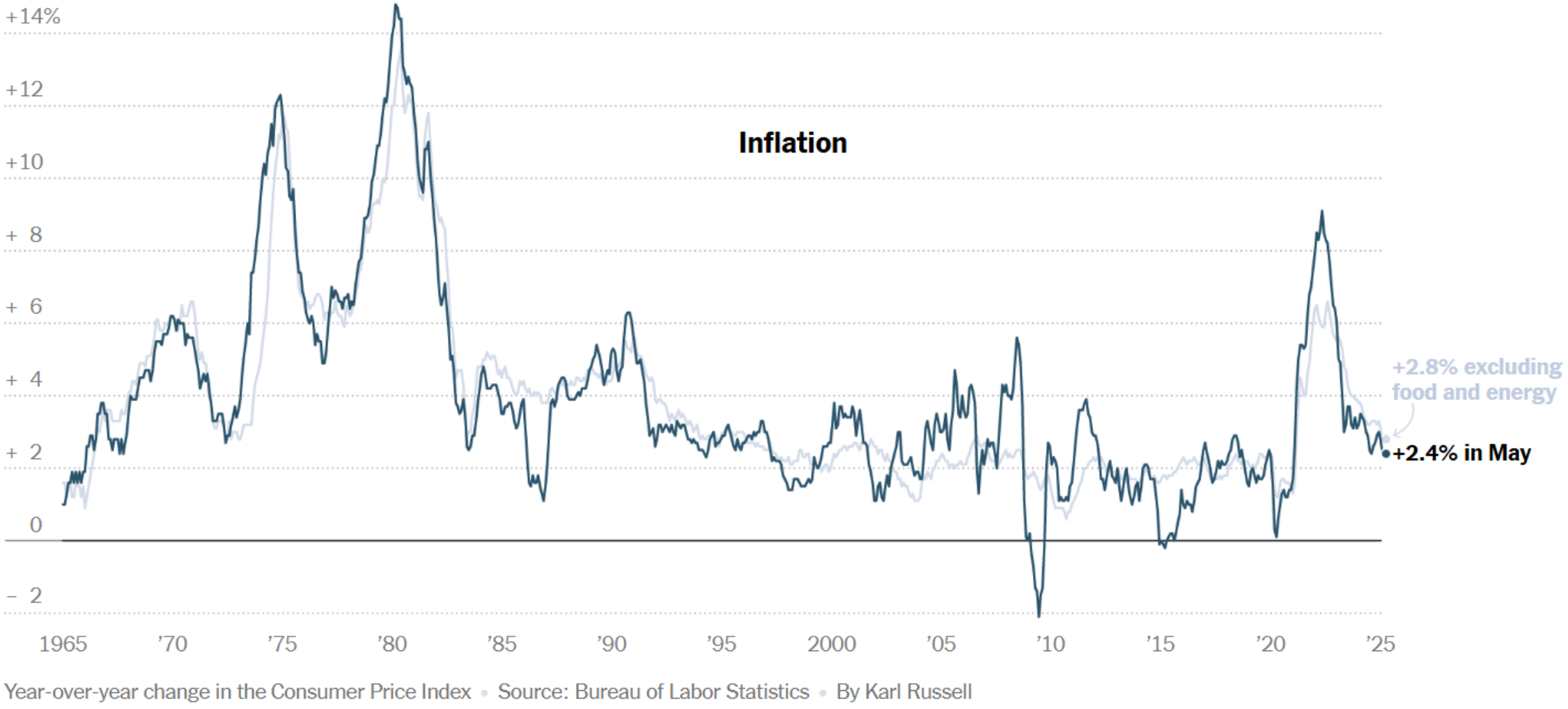
The card with an expiry date. Three years.

US-China Deal

- China will delay implementation of the expanded rare earth export controls by a year and buy soybeans, and that the US will not impose 100% tariff and will roll back some export controls.

- US cut down 10% fentanyl tariff rate for China. The total rate is now reduced from 30% to 20%. (Trump said China’s rate 45%)

Why tariffs haven't raised inflation much (yet)?



US stock market reaction to April tariff news = biggest market meltdown in history

US stock market reaction to July tariff news = zero effect



BBC

Conservative justices sharply question Trump tariffs in high-stakes hearing

6 November 2025

Share Save

Anthony Zurcher, North America correspondent and **Natalie Sherman,** at the US Supreme Court



KENT NISHIMURA/POOL/EPA-EFE/REX/Shutterstock

Trump admin prepares backup tariff plans ahead of Supreme Court judgement — what options are available?

The US administration, led by Trump, is preparing fallback options ahead of a Supreme Court ruling on tariffs, exploring alternatives like Section 301 and Section 122 of the Trade Act. These methods, while slower, aim to maintain Trump's tariff agenda amid legal uncertainties.

Riya R Alex

Updated • 23 Nov 2025, 06:31 AM IST



US administration explores tariff alternatives. ***(Bloomberg)***

Deglobalization, Decoupling, and Fragmentation

- Uncertainty vs. Certainty
- Regardless of whether Trump or the Democrats are in power, and regardless of any deal with China, decoupling remains a long-term trend.


mint
Think Ahead. Think Growth.
'WORLD MINUS AMERICA'
NEW WORLD ECONOMY?

Critical Force #3

A World Minus Two

Globalization Excluding US and China: The Age of Fragmentation



US Manufacturing

for US Market



Chinese Manufacturing

for Chinese market

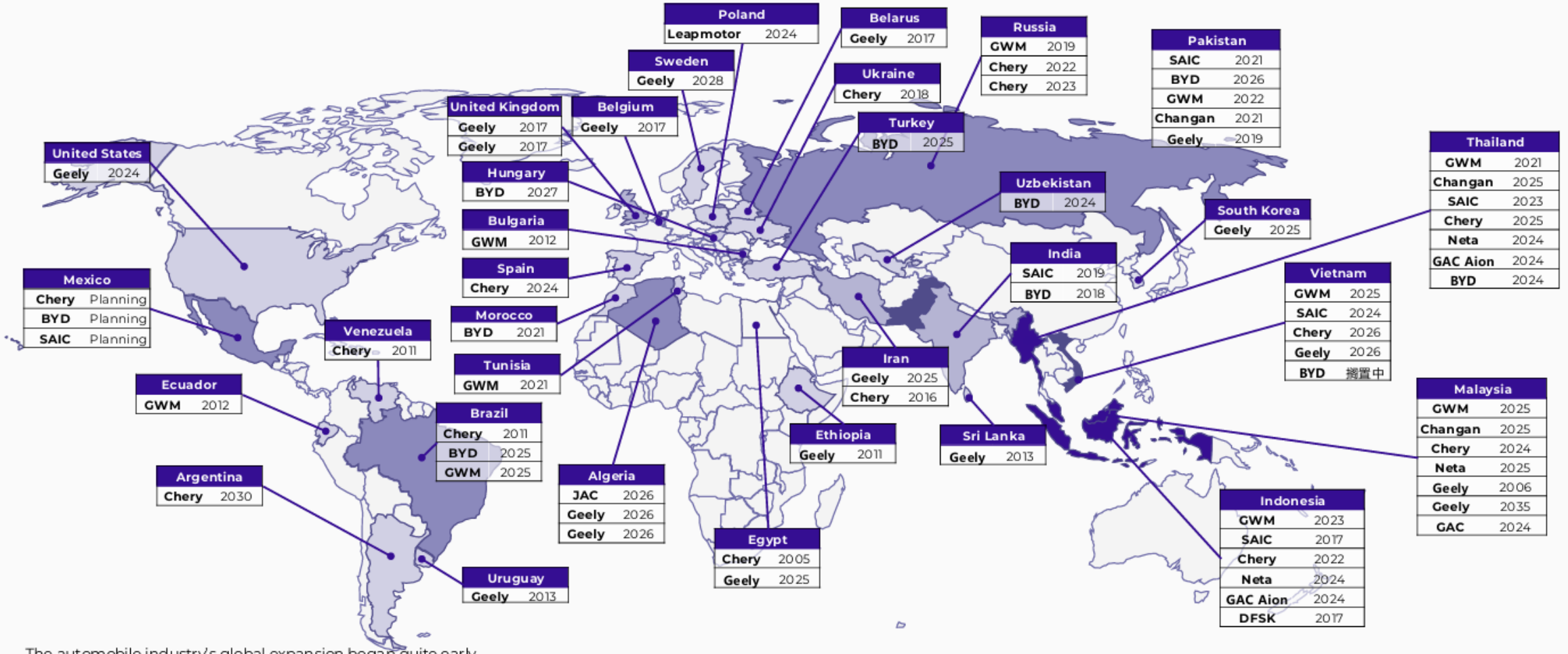
Shrinking Globalization

Critical Force #4

China's "Going Out"

- Barriers to US and EU markets.
- Too much supply and competition at home.
- ASEAN is the destination of choice.

From Made in China to Made by China

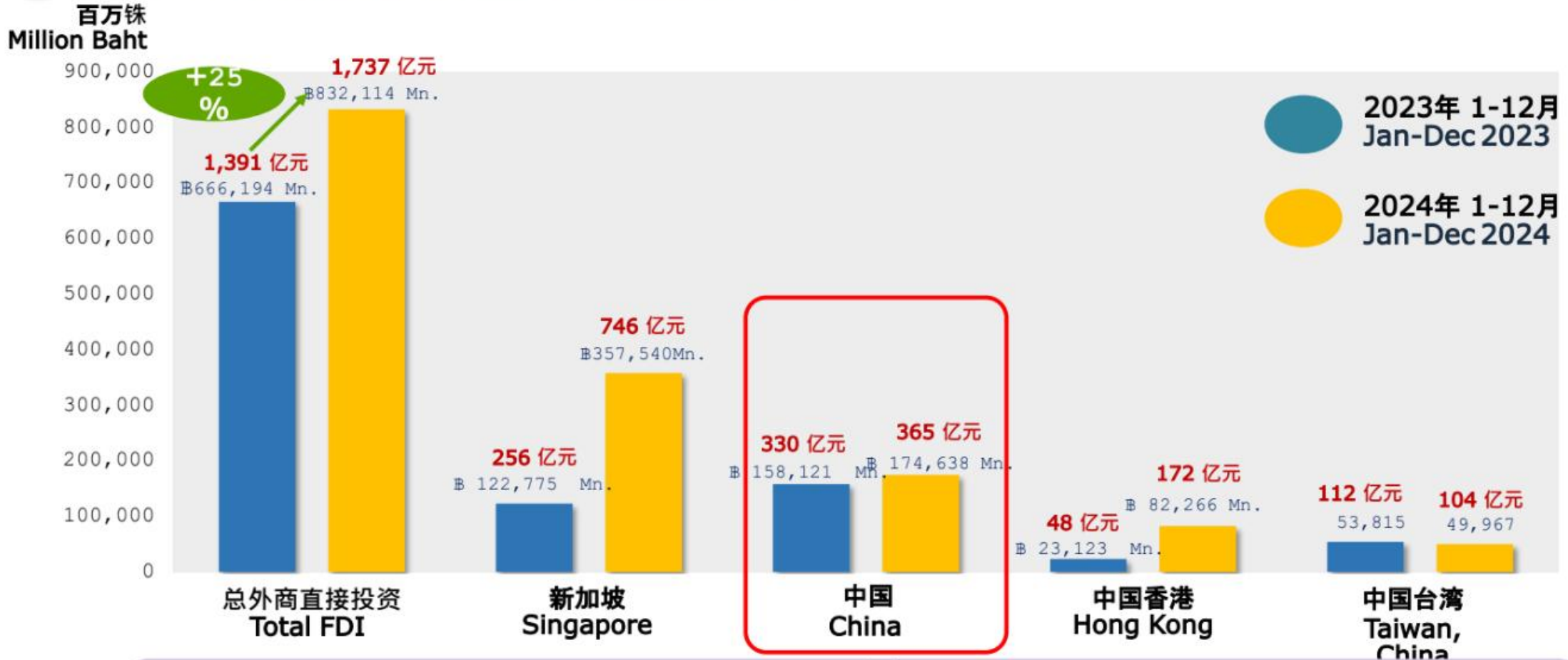


The automobile industry's global expansion began quite early.

1. Once a target market reaches a certain scale, automakers tend to establish new local production capacities, often through joint ventures with local conglomerates in industries such as steel and real estate. Before 2017, overseas production was primarily focused on low-end fuel-powered vehicles.
2. Since 2020, electric vehicles, led by BYD, have begun expanding internationally, gradually gaining traction in the premium market. Notably, they have made significant inroads in traditional markets such as Europe, North America, and South Korea.

Source: O1VC

Foreign Investment Promotion Application 2024
外商申请促进投资项目总值 (2024年)



中国项目投资的前五大产业
CHINA TOP5 INDUSTRY

1. 电器与电子
Electrical & Electronic
95.32 亿元
฿45,660 Mn.

2. 汽车及机械装备
Machinery & Vehicles
74.88 亿元
฿35,872 Mn.

3. 金属及材料
Metal & Materials
74.81 亿元
฿35,835 Mn.

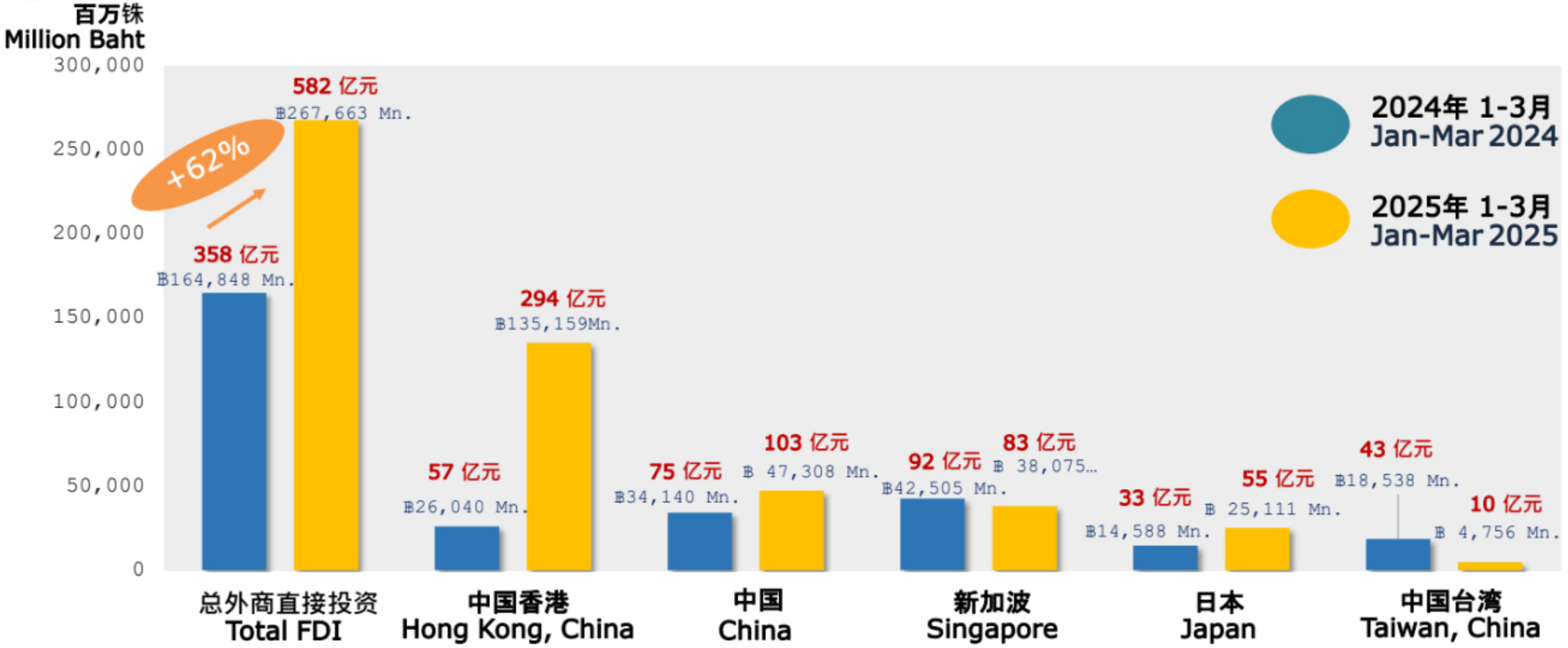
4. 化学与石化
Chemical & Petrochemical
56.09 亿元
฿26,869 Mn.

5. 农业、食品与生物技术
Agriculture, Food & Biotech
31.86 百万元
฿15,261 Mn.

资料来源：泰国投资促进委员会 Source : Thailand Board of Investment

汇率 Exchange Rate 1 RMB : 4.79 THB 泰铢 as of

Foreign Investment Promotion Application 2025 (Jan-Mar)
外商申请促进投资项目总值 (2025年 1-3月)



中国项目投资的前五大产业
CHINA TOP5 INDUSTRY

汽车及机械装备
Machinery & Vehicles
24.98 亿元
฿11,495 Mn.

金属及材料
Metal & Materials
24.47 亿元
฿11,257 Mn.

公共设施
Chemical & Petrochemical
21.91 亿元
฿10,081 Mn.

电器与电子
Electrical & Electronic
15.3 亿元
฿7,040 Mn.

高附加值服务业
Agriculture, Food & Biotech
7.79 亿元
฿3,587 Mn.

资料来源：泰国投资促进委员会 Source：Thailand Board of Investment

汇率 Exchange Rate 1 RMB：4.60 THB 泰铢 as of 21

CHINESE GIANTS IN THAILAND: a robust investment footprint

在泰投资的中国知名企业：强劲的投资足迹



*IBC stands for International Business Center, which is a BOI-eligible activity that allows a company to provide services to its associated companies both overseas and in Thailand. It may also be referred to as a Regional Headquarters (RHQ).

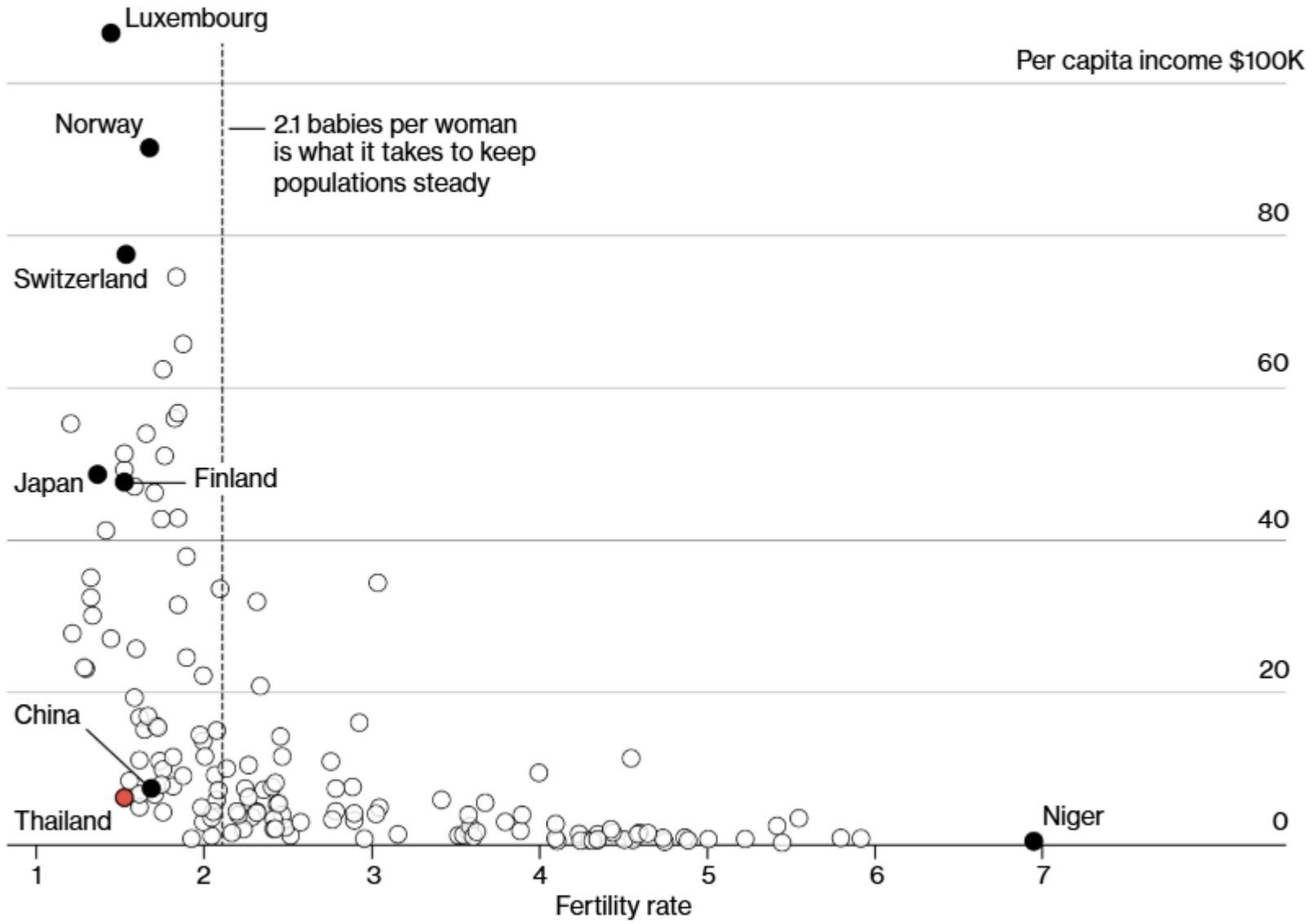
THAILAND BOARD OF INVESTMENT

Does your business have a China strategy?

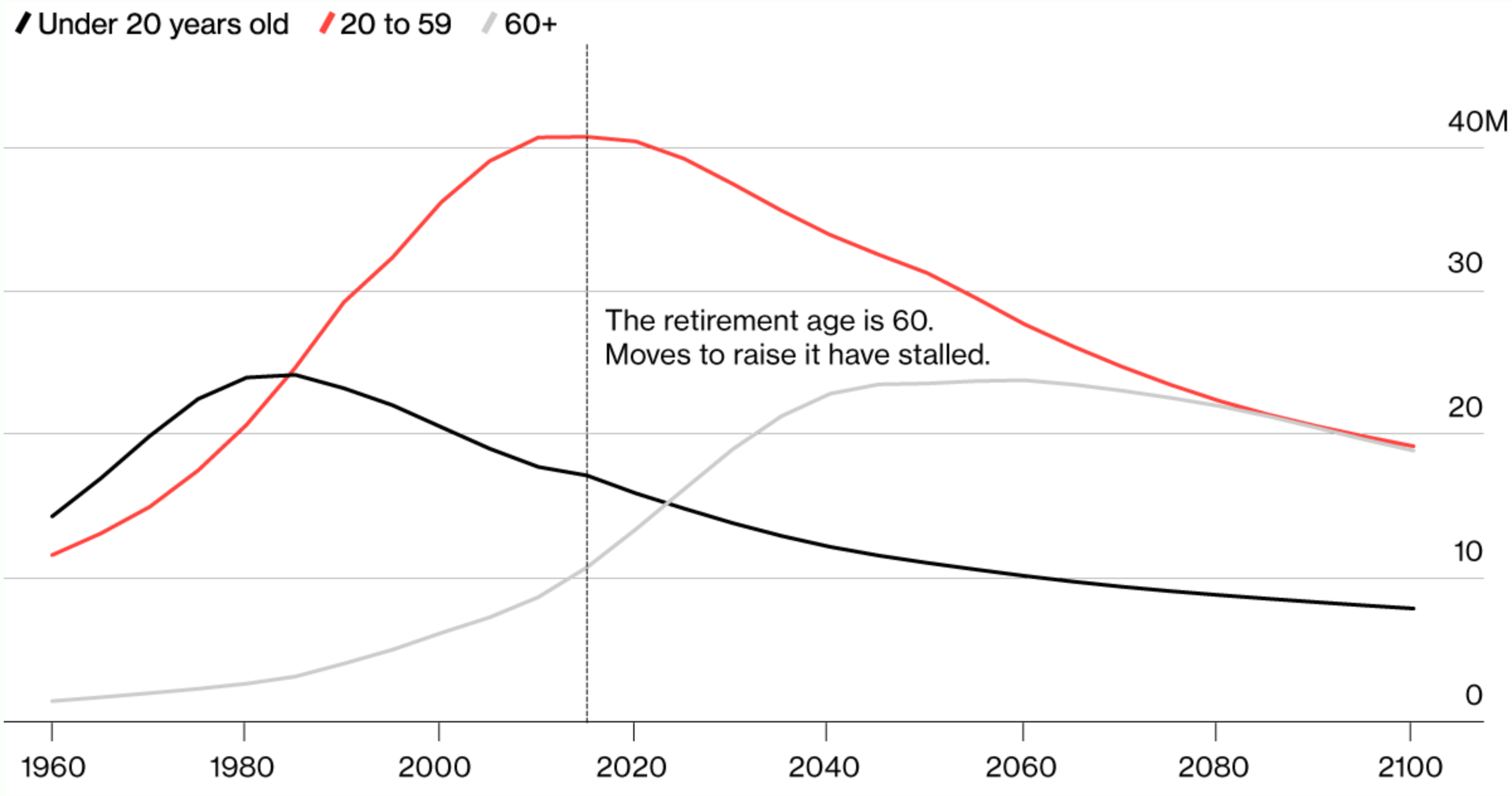
Thailand Has a Developing Economy and a Big First World Problem

By Margo Towie, Jason Clenfield and Hannah Dormido
July 25, 2019, 12:00 PM

Thailand's Uncommonly Low Fertility Rate and Income



Note: Omits the former Soviet bloc and some smaller islands


Under 20 years old
20 to 59
60+
40M
30
20
10
0
The retirement age is 60.
Moves to raise it have stalled.
1960
1980
2000
2020
2040
2060
2080
2100

Critical Force #5

Demographic Downturn

Underestimating China

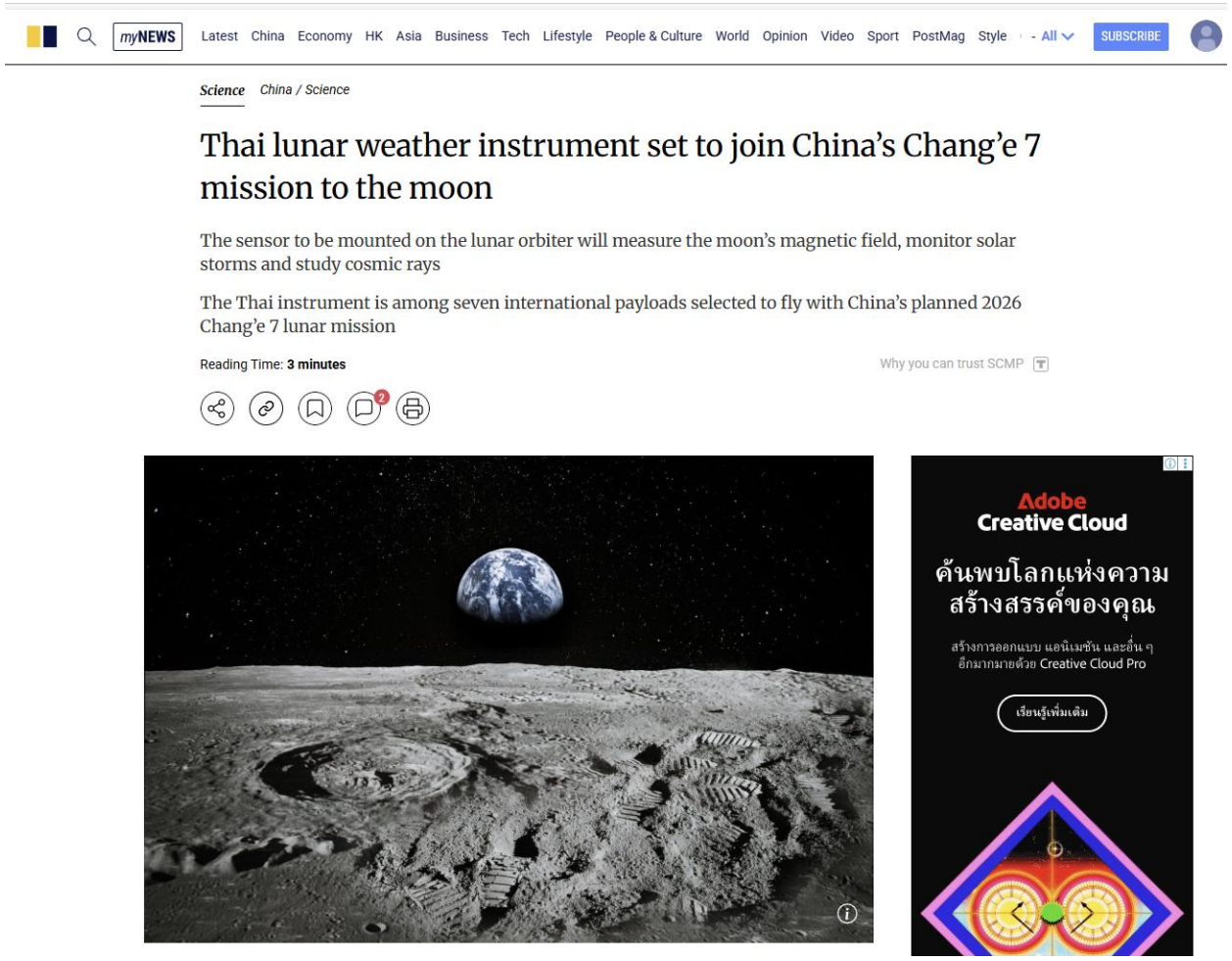
Why America Needs a New Strategy of Allied Scale to Offset Beijing's Enduring Advantages

KURT M. CAMPBELL
AND RUSH DOSHI



Does your business have a strategy of allied scale?

Moonshot Strategy for Thailand

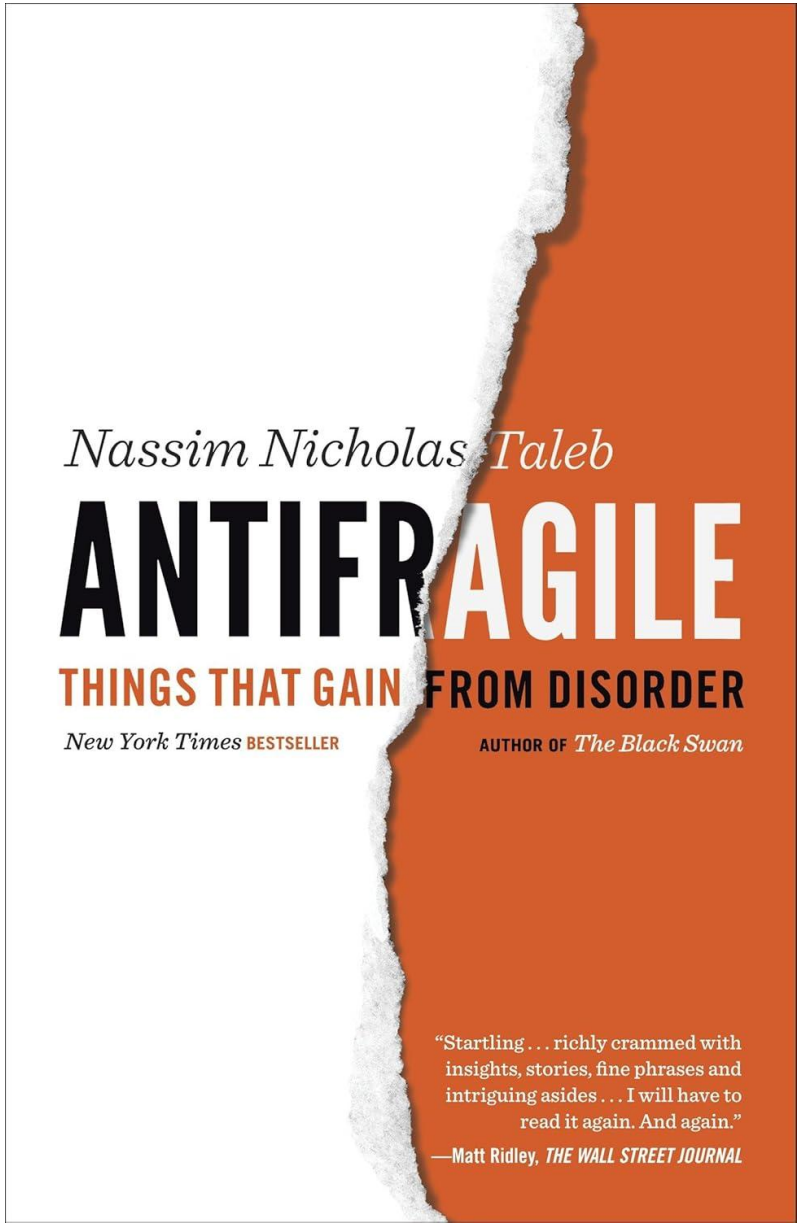


Key Points:

- Integrate ourselves into China's new tech ecosystem
- We must have some comparative strengths.
- Connect with US supply chain
- **Talent Hub**

Five Critical Forces

1. From AI to Physical AI
2. Next-generation Technologies
3. A World Minus Two
4. China’s Going Out
5. Demographic Downturn



"The resilient resists shocks and stays the same; the antifragile gets better and better."