

June 2025

# This Month In China

**Bringing you the latest innovation news from China**



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## **There is No Overcapacity**

What if “overcapacity” isn’t China’s flaw - but Europe’s wake-up call?

‘Overcapacity’ has become a buzzword in trade policy discussions, from US to the EU. In recent months, European leaders have grown increasingly alarmed about what they perceive as a potential tsunami of Chinese products flooding global markets. This is no longer just about China selling high-volume, capital-intensive products like steel or labor-intensive goods textiles. It’s now about China exporting high-quality, automation-intensive products like electric vehicles and batteries at scale from its new green industries of the future.

Until recently, it was the U.S. taking the lead in calling out China's overcapacity. With Trump-era tariffs, followed by Biden's Inflation Reduction Act, the U.S. sought to decouple and protect its domestic manufacturing. But now, the EU is also ringing alarm bells. During Wang Yi's visit to Brussels, China's top diplomat was met with lots of concern. European leaders pressed him on subsidies, market distortion, and unfair competition. Behind the diplomatic language lies a deeper fear in Brussels: Europe's industrial base is no match for the scale, speed, and great pricing power of Chinese manufacturing. They are right to be concerned. In fact, they should be freaking out.

But not so much because China intentionally tries to distort global markets. Rather, because Beijing has limited control over how overcapacity is created in China. It's not merely the result of top-down industrial policy. It's deeply baked into the grassroots fabric of China's hyper-competitive innovation ecosystem. To China, this isn't a flaw in the system, it's a feature of the Chinese innovation model. What may look like overcapacity to Western eyes is seen in Beijing as the natural outcome of ambition, investment, and industrial upgrading.

China, therefore rejects the very label of "overcapacity." In its official statements, what the West describes as dumping or distortion, China reframes as "advanced production capacity," "green transition leadership," or even "responsible global supply contribution." Chinese policymakers argue that if the world wants to meet its climate targets, someone has to build the wind turbines, batteries, and solar panels. China just happens to do that faster, better, and cheaper.

### **From Volume to Value.**

The debate about overcapacity touches a much deeper fault line than subsidies or trade distortions. At its core, it's a confrontation between two fundamentally different models of innovation and value creation. In the West, innovation is often exclusive. A single new product or technology is developed through long R&D cycles, protected by intellectual property and standards, and monetized through scarcity, marketing, and high margins. One breakthrough product, one blockbuster drug, or one viral platform can dominate the market for years. A large moat is created, and the castle behind it is fiercely defended.

But China turns this model on its head.

China doesn't try to build a better castle. It storms it. Not with a secret weapon from Beijing like subsidies or overinvestments, but with thousands of ladders: thousands of Chinese companies launching 'good enough' products, iterating rapidly, scaling aggressively. Innovation is the outcome of continuous trial-and-error, fueled by open competition and local adaptation. What Western policymakers often call overcapacity is in fact a learning strategy.

In China's model, volume creates value.

By producing at scale, Chinese companies move faster. They lower costs, attract top talent, and quickly adapt to evolving customer needs. Every single product shipped becomes a lesson. Every failed attempt is part of a new ecosystem's collective intelligence. This isn't just a state-led top-down industrial policy. It's a bottom-up race of hundreds of players - private, semi-private, and state-owned - all trying to win in one market or industry. From this chaos, the fittest and fastest scale up. And by the time the West labels it "overcapacity," China has already industrialized the innovation and made it export-ready.

The result is a different innovation culture: instead of the Western culture where 'value creates volume', in China's model 'volume creates value'.

Where the West chases "first-of-a-kind," China chases "good-enough-at-scale." Where the West protects value by restricting access, China creates value through access and adoption. In sectors like EVs, batteries, solar, robotics, chemicals or biotech, China isn't just exporting goods - it's exporting a model of innovation through volume. The misreading of Western politicians is to see China's volume as a problem, rather than recognizing it as a model designed to create more value - not just more volume. That model may not fit Western IP logic, but it resonates with the Global South, where affordability, access, and speed matter more than uniqueness.

So is this really about "overcapacity"? Or is it about a Western system coming to terms with a new global benchmark - one where value is no longer a luxury, but a volume-driven public good?

### **It's a New Game**

Overcapacity says less about China's excess, and more about Europe's limits. While China builds factories for high-quality products in months, Europe debates permits and consensus. While Chinese companies flood new markets with iterative products, Europe clings to old models, old margins, old structures, old jobs and old prestige.

Europe's anxiety is understandable. But its reliance on import tariffs reveals a deeper discomfort: it no longer sets the pace, it reacts to it. A system that built its industrial power on high-value, high-margin goods now feels overwhelmed by a system that extracts value from volume. Tariffs may slow the pressure for a while, but they won't fix the underlying asymmetry. Europe cannot stop China from producing at scale, because scale is built into the design of its innovation model.

So what should Europe do next? It begins by shifting the lens. The real danger for Europe isn't that China is winning by overproducing, but that Europe is now merely playing not to lose. While China rewrites the innovation model, Europe hesitates,

debates, and delays. The problem is not overcapacity, but a Europe paralyzed by caution, consensus, and its past model.

This is not a moment for grand declarations, but for pragmatic, collective action. Jean Monnet - the founding architect of the European Union - understood that European progress doesn't come from ideology, but from solving real problems in critical sectors. He didn't begin with lofty ideals or defensive walls, but with the practical task of expanding coal and steel production to power the European industry. Not with big words, but with small steps - beginning where it matters most.

Europe must now ask itself a hard but urgent question: what are we willing to give up to preserve our prosperity? If we insist on defending our current wealth at all costs, we may end up losing it even faster. Because while China and the U.S. redefine the game, we risk getting crushed in between. Europe must now decide: do we sit at the table - or are we on the menu? Let's get back to the hunger that once built Europe!



## **CHINESE INNOVATION NEWS – June 2025**

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- 2. China is giving away its tech for free**
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- 4. China unveils first parallel optical computing chip, 'Meteor-1'**
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*(Click the links in titles below to read a larger news article on each topic)*

## 1. CATL and BYD are turbocharging the EV global revolution

At London Climate Action Week, CATL, the world's leading battery manufacturer, and the Ellen MacArthur Foundation shared a joint ambition to accelerate the shift to a circular battery economy where new battery production is no longer tied to virgin raw materials. CATL has set a target for 2045: 50% of its new battery production should be decoupled from virgin inputs.

As early lithium-ion batteries reach end-of-life, CATL is rethinking its systems, redesigning its products, and reimagining its business models with a recycling-first approach. The company aims to boost battery energy density and lifespan, build 10,000 battery swap stations over the next three years, and continue to recycle 99.6% of key materials like nickel, cobalt, and manganese, and 93.4% of lithium.

Another major [announcement](#) came from BYD, which confirmed it will partner with Octopus Energy in the UK to launch the Power Pack, the country's first vehicle-to-grid (V2G) bundle. The package includes a leased V2G-ready BYD Dolphin, a V2G-compatible Zaptec Pro charger, and access to a smart tariff offering completely free home charging. The car charges automatically when energy is cleanest and feeds power back to the grid when needed. From now on, drivers can power their homes, support the grid, and drive for free in return.

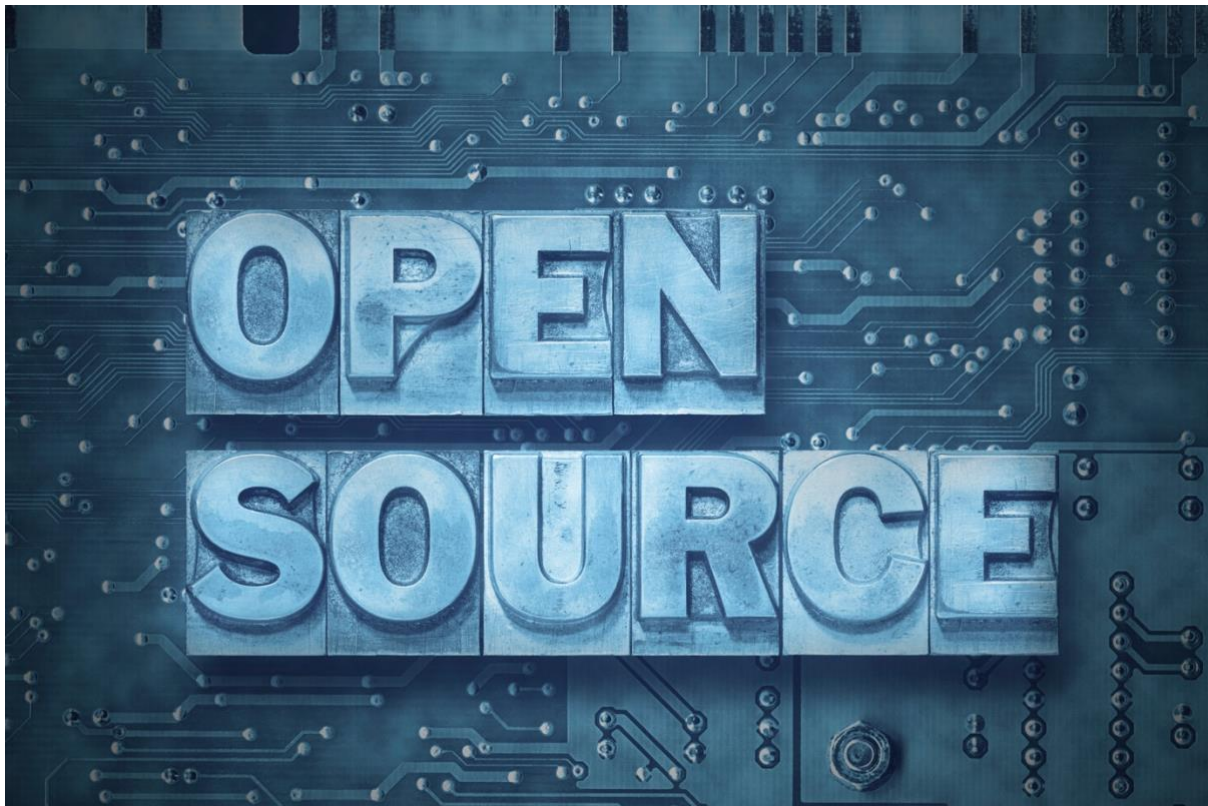


James Li, VP of CATL shared his ambition for a circular economy for critical minerals at Ellen MacArthur Foundation in London, June 2025

## 2. [China is giving away its tech for free](#)

A clear example of China's shift toward collective innovation is its rise in the world of open-source software. For years, China stood on the sidelines of the open-source community. But in recent years, it has become a key player. Today, China hosts the third-largest group of developers on GitHub, after the United States and India. Tech firms like Alibaba, Huawei, and Baidu are now major contributors and sponsors of open-source projects, especially in AI. In early 2025, DeepSeek surprised the world with cutting-edge open-source AI models built on limited resources. According to Artificial Analysis, twelve of the top fifteen open-source AI models now come from China.

Open-source software aligns well with China's logic of scale, fast iterations, and collaboration. The movement gained speed after 2019, when U.S. restrictions on Huawei created pressure to reduce reliance on Western technology. Open-source tools enabled Chinese firms to quickly adapt global code into their local solutions, supported by a large developer base. While the ecosystem is still largely developer-driven, big firms now embrace it to attract talent and cut costs. Its future may depend on keeping that ecosystem open and globally connected. For now, at least, China is giving away its tech for free.



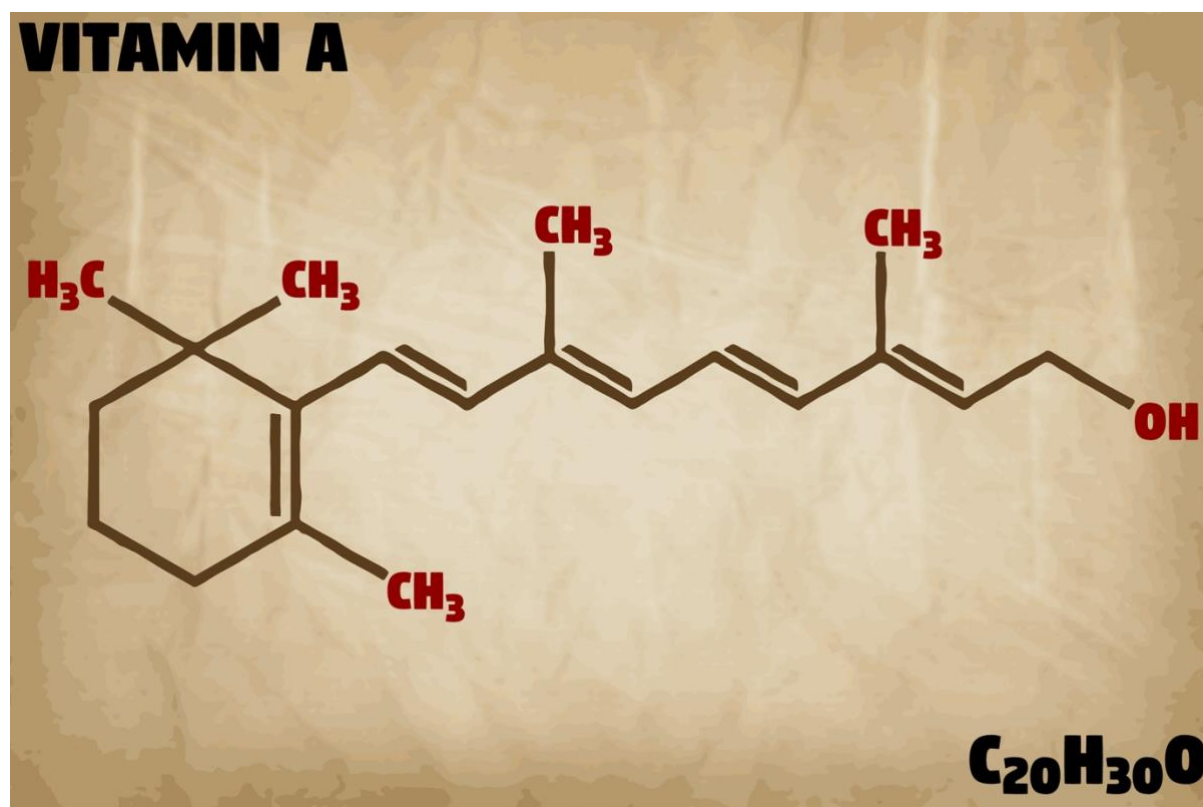
iStockPhoto: [yuriz](#)

### 3. Scientists find genetic switch for healing in mammals

Chinese scientists have made a major breakthrough in regenerative medicine by identifying a genetic switch that can restore healing ability in mammals. This major discovery that could transform treatments for organ damage and traumatic injuries. By reactivating a previously disabled genetic switch involved in Vitamin A metabolism, they enabled ear tissue regeneration in rodents.

Unlike animals such as fish and salamanders, mammals have limited ability to fully regenerate damaged tissues or organs. The ear pinna, which shows wide variation in regenerative ability across species, is an ideal model for studying how regeneration has evolved in mammals. Understanding how evolution has shaped this capacity could bring new insights into regenerative medicine.

The study found that non-regenerative mammalian species fail to activate the gene *Aldh1a2* after injury - a key deficiency that limits their ability to repair tissue naturally. Researchers showed that switching on this gene or delivering retinoic acid (RA) using a rabbit gene enhancer restored regenerative ability in mice. This could offer a new strategy for enabling regeneration in organs that normally lack it.



iStockphoto: [Malachy120](#)

#### 4. China unveils first parallel optical computing chip, 'Meteor-1'

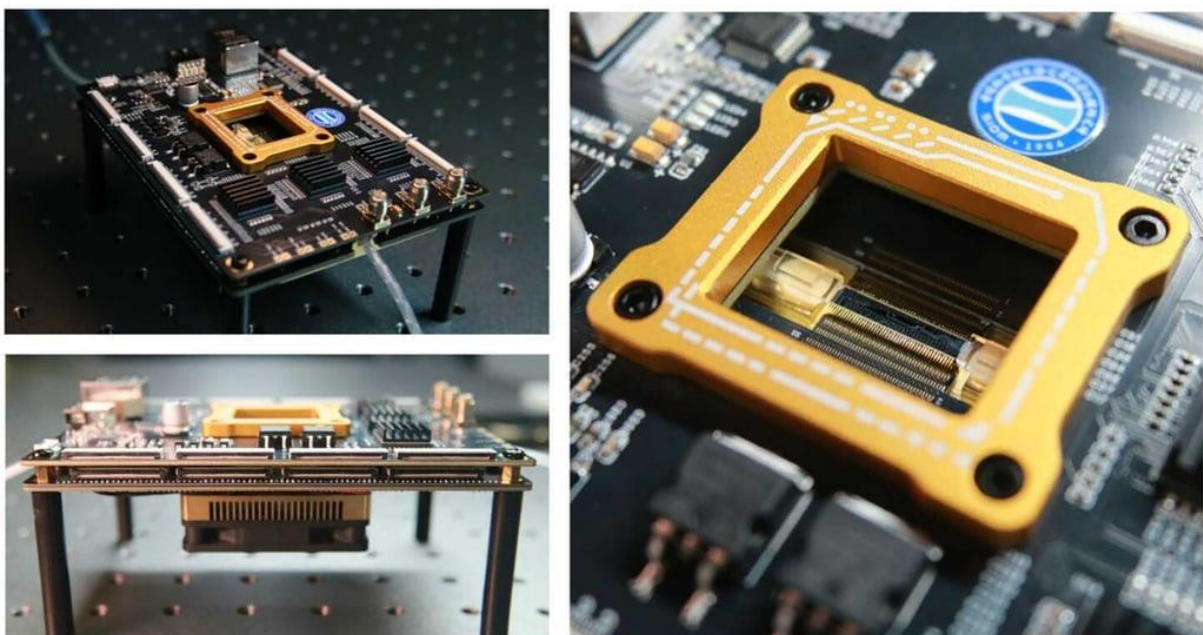
Chinese researchers have developed the first highly parallel optical computing integrated chip, named "Meteor-1." The chip achieves a theoretical peak computing power of 2,560 TOPS at 50GHz optical frequency - comparable to Nvidia's GPUs.

As traditional electronic chips face physical limits, from heat build-up to quantum effects and high power use, optical computing is emerging as a future technology. Its natural strengths, such as ultra-high speed, broad bandwidth, low power consumption, and minimal latency, make it well suited to overcome these barriers.

Until now, progress in optical computing has focused on two main challenges: increasing matrix size and boosting optical frequency. A third path forward is now taking shape: expanding computational parallelism to enable chips to multitask. This breakthrough now delivered a 100-fold improvement in optical computing through ultra-high parallelism, without needing to scale up chip size.

The Meteor-1 system is based entirely on Chinese self-developed architecture, including a light source chip, optical interaction chip, optical computing chip, and a modulation matrix driver board. Its chip-scale multi-wavelength light source replaces hundreds of individual lasers, greatly reducing system size, power use, and cost while enhancing integration. The core optical chip features a high transmission bandwidth of over 40nm, enabling low-latency parallel processing.

Lead researcher Xie Peng earned a PhD from MIT and conducted research at Oxford University and NTU Singapore before forming his expert team at the Shanghai Institute of Optics and Fine Mechanics (SIOM).



The integrated Meteor-1 system features fully self-developed architecture

## 5. [Chinese military robotics lab creates mosquito-sized microdrone for covert operations](#)

A robotics lab at China's National University of Defence Technology (NUDT) has developed a mosquito-sized drone designed for covert military missions. In a [video](#) aired on CCTV 7, China's military channel, NUDT researchers showcased various types of robots, ranging from humanoid machines to insect-sized drones barely visible to the eye.

Miniature bionic robots like this are ideal for reconnaissance and special battlefield missions. In the video, the stick-shaped drone had two leaflike wings attached to its sides, along with three hair-thin "legs."

Their tiny size makes manufacturing such drones especially challenging: sensors, power units, control circuits, and other components must all fit within a minuscule space. This requires collaboration across many disciplines, including microscale engineering, materials science, and bionics.

China is not alone in developing micro-drones. The Black Hornet, a palm-sized, helicopter-shaped drone from Norway, is widely used by armed forces worldwide. In 2019, Harvard researchers released new findings on their "RoboBee," a design similar to the NUDT microdrone. Microbotics - the field of miniature robotics - is expanding beyond military use. Medical researchers are now exploring micro- and nanorobotics for therapy, surgery, diagnosis, and imaging.

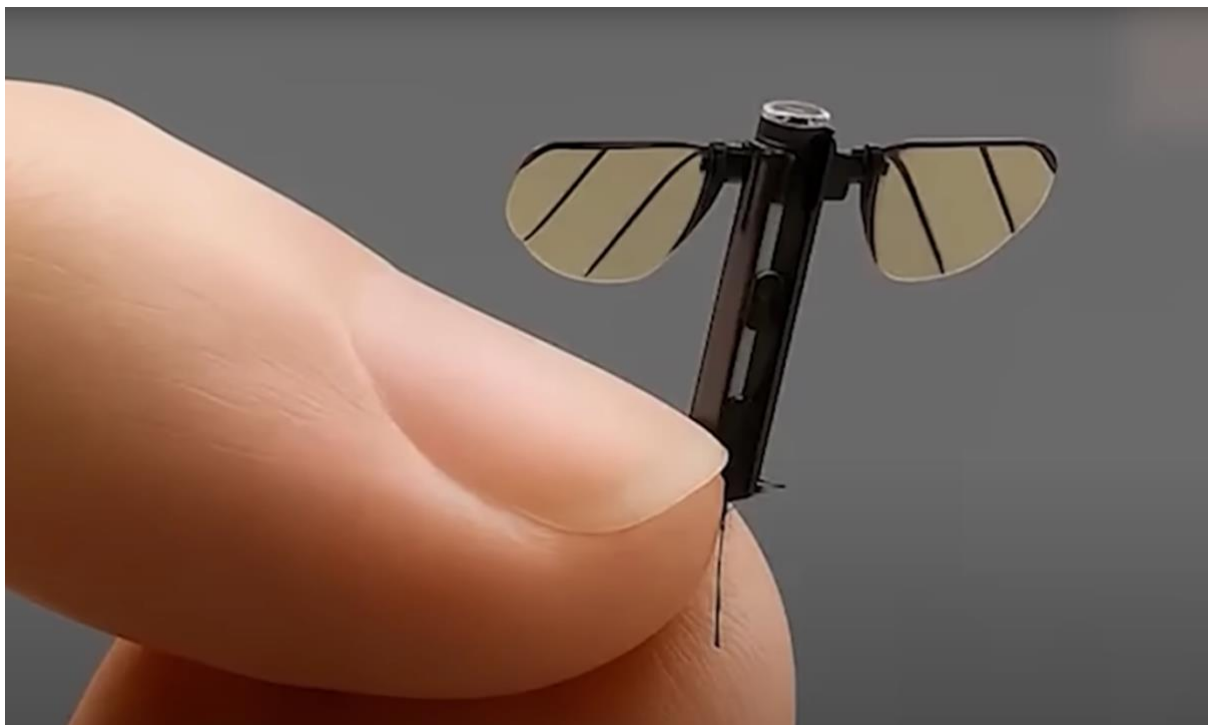


Photo: From [video](#) Financial Express

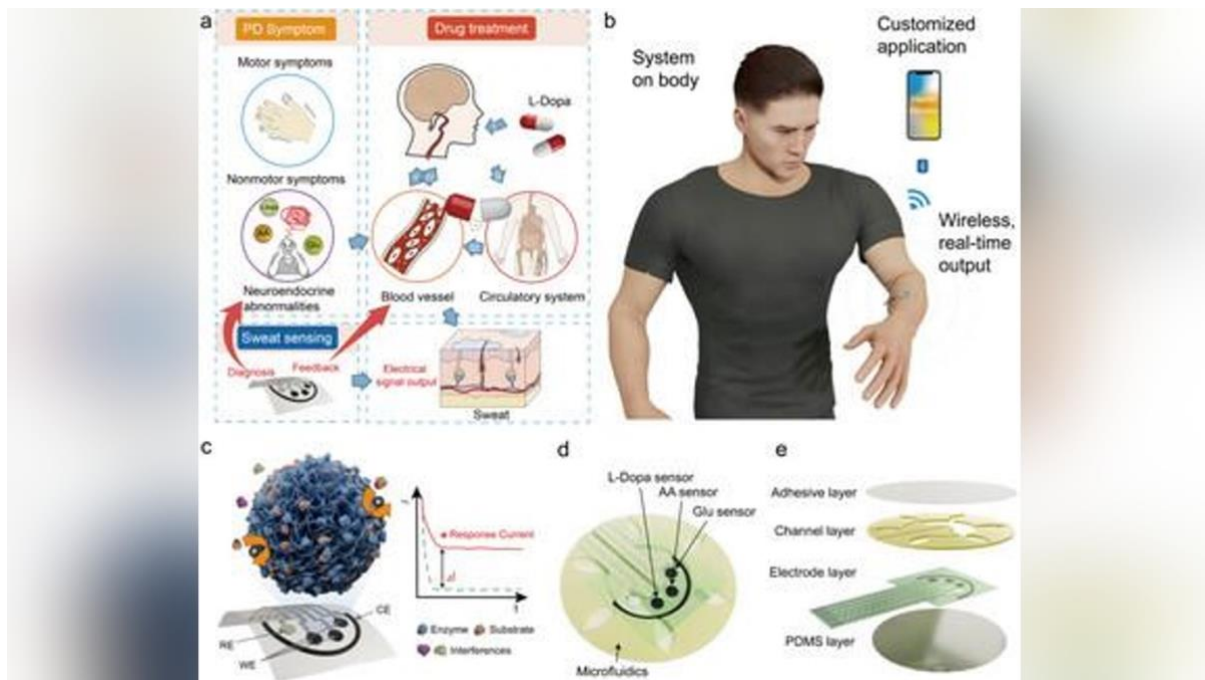
## 6. [China develops wearable sweat sensing system for Parkinson's disease warning](#)

A Chinese research team has successfully developed a fully integrated wearable sweat-sensing patch for real-time analysis of multiple Parkinson's disease-related biomarkers. The device enables non-invasive, dynamic tracking of disease progression. Despite being only the size of a band-aid, it contains a 'miniature detector.'

Early diagnosis and monitoring are crucial in treating Parkinson's disease. Biomarkers such as L-Dopa, ascorbic acid, and glucose can be detected in sweat using this wearable system. As a result, patients no longer need to draw blood or receive injections.

Another Chinese team [developed](#) a highly efficient, flexible thin-film material for power generation - a major breakthrough in wearable power technology. Using thermoelectric technology, which converts body heat directly into electricity, the film offers a safe, eco-friendly solution without mechanical parts.

The researchers used a chemical solution method to synthesize silver selenide ( $\text{Ag}_2\text{Se}$ ) nanowires, combined them with graphene, and applied the mix to a porous nylon substrate. Through filtration and rapid hot-pressing, they created a high-performance, flexible power-generating film. This body heat-powered generator achieved a world-record output for its class, sufficient to run small devices like electronic watches and hygrothermographs.



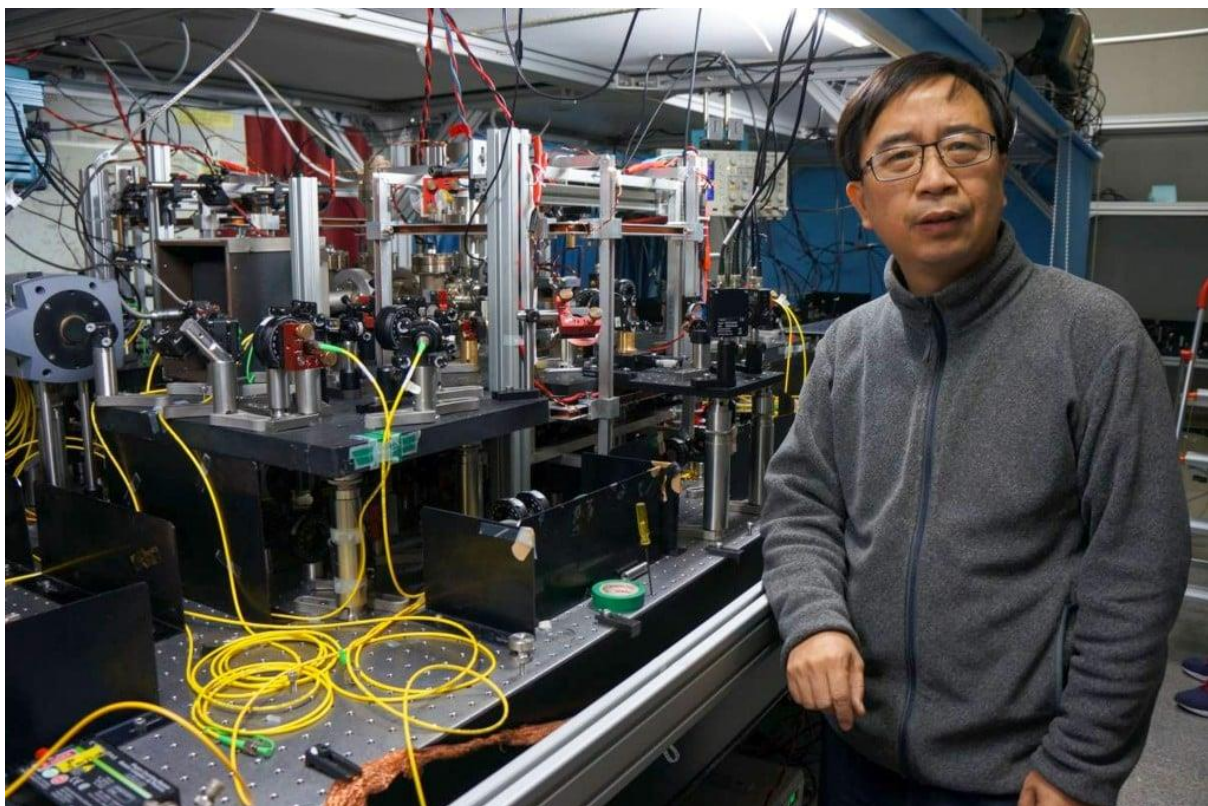
An illustration of the sweat sensing patch. /Advanced Materials (China Daily/CGTN)

## 7. [China's 'father of quantum' reveals high-orbit quantum satellite for global network](#)

China is building the world's first high-orbit quantum satellite, named Dawn, with plans to launch it by 2027. Unlike earlier satellites, Dawn will orbit 35,000 km above Earth and remain fixed over one location, enabling continuous global coverage for secure quantum communication. It builds on China's previous success with Micius, the world's first quantum satellite, launched in 2016.

Quantum communication relies on entangled particles to transmit information securely. On Earth, sending these particles through fiber-optic cables is limited to short distances due to signal loss. But in space, light travels with less interference, making long-distance quantum networks possible. Dawn will distribute entangled particles across continents and carry a highly precise atomic clock to explore new methods of measuring time, and potentially also redefining the second.

China also plans a network of low-orbit quantum satellites and an ambitious experiment to link Earth and the Moon using entangled photons. This could validate key quantum theories and push the boundaries of physics. Led by physicist Pan Jianwei, known as China's "father of quantum," these projects may reshape global communication and space science in the decades to come.



Pan Jianwei: Photo: Soho/星空军

## 8. China Generative AI updates of June 2025

### [Chinese scientists find first evidence that AI could think like a human](#)

Chinese researchers have confirmed for the first time that AI large language models can spontaneously develop a human-like system for categorizing and understanding natural objects - a process seen as a cornerstone of human cognition. This discovery provides important insights into perception and recognition.

### [Top OpenAI talent from China joins Meta as Zuckerberg bolsters AI team in tech battle](#)

Alexandr Wang, head of Meta's AI unit, hired Zhao Shengjia, Ren Hongyu, Yu Jiahui, and Bi Shuchao away from OpenAI, offering sign-on bonuses of US\$100 million to lure them over. The hiring underscores the depth of Chinese talent in top U.S. AI firms. All four graduated from leading Chinese universities before continuing their study and careers in the United States.

### [Alibaba unveils new AI model for image creation, as open-source approach gains recognition](#)

Alibaba has launched a new AI model, Qwen-VLo, which is said to generate and edit images with a level of finesse comparable to a human artist - escalating the competition in multimodal AI against rivals like ByteDance and SenseTime.

### [China's AI capital spending set to reach up to US\\$98 billion in 2025 amid rivalry with US](#)

China's investment in AI is expected to reach US\$98 billion in 2025. This would represent up to 48% growth in China's AI capital expenditure for the year. In comparison, the U.S. government has committed up to US\$500 billion over the next four years to its Stargate Project.

### [DeepSeek's updated R1 AI model equals coding ability of Google, Anthropic](#)

The latest model update from DeepSeek has matched the coding performance of industry leaders like Google and Anthropic, according to WebDev Arena. DeepSeek has shared little about the release timeline for its highly anticipated follow-up, R2.

### [China unveils open-source 'RoboBrain' AI model for China's humanoid robots](#)

The Beijing Academy of Artificial Intelligence (BAAI) has launched RoboBrain 2.0, a new series of open-source AI models designed to serve as the "brain" for robots.

### [RedNote joins AI race with its own open-source model that it says bests Alibaba, DeepSeek](#)

RedNote, known for its Instagram-like platform, has open-sourced its first large language model, dots.llm1, a mixture-of-experts system. The model activates 14 billion parameters out of a total 142 billion when handling queries. It is designed to match the performance of top AI models while significantly reducing training and inference costs.

### [Huawei claims better AI training method than DeepSeek using own Ascend chips](#)

Researchers at Huawei's Pangu LLM team claim to have improved on DeepSeek's original AI training method by using Huawei's Ascend NPU chips. They introduced a new approach called Mixture of Grouped Experts (MoGE), which organizes the experts into groups, an enhanced version of DeepSeek's Mixture of Experts (MoE) technique.

### [AI fast-tracks novel lung disease drug](#)

An experimental drug named Rentosertib, developed using AI to identify a novel therapeutic target for a severe lung disease, has shown promising safety and efficacy in its phase two clinical trial. The AI-driven process reduced the time from target discovery to preclinical candidate selection to just 18 months. This compares to the typical 2.5 to 4 years in traditional drug development.

### [Ant Group pushes wider adoption of AI-enabled smart glasses for mobile payments](#)

Ant Group is promoting the broader adoption of smart AI-enabled glasses to support digital transactions, aiming to extend mobile payments beyond phones. The Ant-Meizu initiative follows a recent launch in China by AR glasses maker Rokid, also in partnership with Ant Group.

### [Xiaomi's first AI-powered eyewear brings the firm into 'war of hundreds of glasses'](#)

Xiaomi has introduced its new smart glasses as a "next-generation personal smart gadget," capable of capturing first-person video and responding to voice commands. Priced from US\$278, the device features a 12-megapixel ultra-wide camera and Qualcomm's AR1 chip. The battery lasts up to 8.6 hours on a single charge.

### [ByteDance helps jewellery firm Lao Feng Xiang push AI glasses to China's elderly](#)

Powered by ByteDance's AI model Doubao, Lao Feng Xiang's high-tech eyewear, marketed in mainland China as a "smart assistant" for the elderly, can translate menus, interpret medication instructions, and engage in conversation with users.

## [Meet Goku, the Chinese quant trading fund with AI ambitions beyond finance](#)

Goku Technologies, a Shanghai-based quantitative trading fund similar to DeepSeek, is rapidly expanding into AI through its subsidiary AllMind. The fund established an internal AI team as early as 2017. While companies like Alibaba and DeepSeek have captured most of the spotlight, Goku has taken a more research-driven approach - and may yet deliver China's next "DeepSeek moment."



Wang Xiao, founder and CEO of Chinese quantitative trading fund Goku and its AI-focused subsidiary, AllMind. Photo: Handout

If you know of any other breaking China innovation news from June 2025 that I missed, do let me know so I can add it in next month's newsletter!

**KEEP TUNED!**