

A World In Acceleration

The U.S.–China leaders' meeting in Beijing in May 2026 marked a high-signal moment of diplomatic recalibration.

In this issue of *China Call Report*, we examine China's state asset revitalization initiative.

We also look at China's AI buildout plan, which will link computing hubs nationwide into an integrated network. AI, among others, is playing an important role in the electric vehicle industry, one of the key growth engines that supports China's broader economic expansion.

Finally, we highlight new developments and emerging trends in carbon markets, which continue to have far-reaching implications for the global economy.

We are operating in an increasingly fast-moving global environment.

Anita Tang, Managing Director



The Xi-Trump Summit In Beijing: Positive Yet Pragmatic

On May 14-15, 2026, President Donald Trump and President Xi Jinping held their highly anticipated summit in Beijing, China. The meeting was more about stabilizing the U.S.-China relationship than achieving meaningful breakthroughs. Both leaders displayed pragmatism. President Trump described the talks as “very productive,” and President Xi emphasized that the two sides should “work together to ensure the steady and sound development of bilateral ties.” The tone of the engagement suggested a mutual recognition of moving towards de-escalation, which was a positive step in the process.

While both parties signaled a willingness to manage competition and maintain open channels, major strategic areas such as trade, tariffs, Taiwan, Iran and technology were shrouded in ambiguity or remained without a visible policy

shift.

The summit produced only limited deliverables. While the White House revealed that China would resume purchasing U.S. agricultural and aerospace products, including beef and soybeans, President Trump stated that the two leaders had discussed trade and broader economic ties. Nevertheless, observers noted that the talks fell far short of the ‘big deal’ rhetoric, and that no major compromise on tariffs was reached.

Although the summit did not solve fundamental differences, it established a more structured framework for future negotiation. Analysts described the meeting as modest yet potentially positive. It reduced the immediate risk of confrontation between the two global powerhouses while allowing for the implementation of incremental confidence-building measures.

Carbon Markets: New Developments And Emerging Trends

Since 2022, climate exchanges and carbon markets have undergone major changes driven by new international rules, technological innovation, geopolitical competition, and evolving market expectations.



Article 6 of the Paris Agreement

The Paris Agreement was adopted in 2015. Article 6 of the Paris Agreement established the framework for international cooperation in achieving climate goals through carbon markets and other cooperative approaches.

However, it was only in 2021, at COP26 held in Glasgow, that much of the technical rulebook for the Paris Agreement was finalized. And, in 2023, at COP28 held in Dubai, implementation was further advanced, including debates over global carbon trading standards, language on the fossil fuel transition, and the scaling of climate finance.

The finalization of Article 6 is significant because it: (1) creates clearer international standards for carbon trading; (2) encourages cross-border investment in decarbonization projects; (3) expands opportunities for developing countries to attract climate finance; (4) increases the potential scale of global carbon markets; and (5) improves transparency and accountability mechanisms.

Shake-up of the Voluntary Carbon Market

Beginning in 2022 and intensifying in 2023, the voluntary carbon market faced a major credibility crisis. Investigative reports and academic studies questioned the environmental validity of many carbon credits, particularly forestry and avoided-deforestation projects. As confidence declined, many corporations became more cautious about relying heavily on offsets to support net-zero claims.

The crisis triggered significant reforms and reassessment within the industry. Key developments included: (1) increased emphasis on high-integrity car-

bon credits; (2) new initiatives to strengthen standards and methodologies; (3) greater scrutiny from regulators, investors, NGOs, and the media; (4) more conservative corporate climate claims; and (5) stronger demand for transparency and independent verification.

The future of the voluntary carbon market will likely depend on whether it can restore trust and demonstrate measurable climate benefits.

Voluntary and Compliance Markets Convergence

Historically, voluntary and compliance carbon markets operated separately. Compliance markets were driven by government regulations, while voluntary markets were driven mainly by corporate sustainability commitments.

Several factors have pushed the two systems closer together: (1) governments increasingly recognize the role private capital can play in financing decarbonization; (2) Article 6 creates mechanisms linking national and international accounting systems; (3) companies seek credits that align with official climate targets and regulatory expectations; and (4) investors demand more standardized and reliable carbon assets.

As a result, distinctions between voluntary and compliance credits may gradually narrow.

Overall, carbon markets are entering a more integrated and regulated phase of development. While Article 6 of the Paris Agreement provides greater structure and voluntary markets undergo reform, the direction of convergence of the voluntary and compliance markets remains ongoing and uncertain. Continued monitoring of policy implementation, market integrity, and institutional alignment will be essential.

According to Climate Action Tracker (CAT), as of October 2025, around 145 countries had announced or are considering net-zero targets, including China, the EU, and India. The countries cover close to 77 percent of global emissions, compared to 93 percent before the Trump Administration reversed course and no longer committed to reaching net-zero emissions.

THE STATE OF NET ZERO IN 2026

137

National governments
with net-zero targets

74%

of global GHG
emissions covered

77%

of global GDP
covered

10,000

Companies with
SBTi-validated targets

1.2°C

Warming above
pre-industrial levels

45%

Required emissions
cut by 2030

Sources: Net Zero Tracker (2025), SBTi (Jan 2026), UN Climate (2024).

China's State Asset Revitalization: One Step Closer To Institutionalization

China's state asset revitalization, also known as the revitalization of the state-owned “Three Assets” (resources, assets and funds), aims to unlock the value of underused government assets. It involves: (1) converting dormant resources — not only vacant land and idle real estate properties, but also other assets such as water conservancy, clean energy projects and the vast amount of data and information collected and underused by government bodies — into formal assets; (2) turning these assets into income-generating projects through mechanisms such as leases, securitization (e.g., real estate investment trusts, or REITs) and funds to attract private investment, and other mechanisms that can recycle capital from existing idle public assets into income-generating instruments.

Beijing has urged local governments and state-owned enterprises (SOEs) to identify and activate their unused assets. The overall goal is to generate a sustainable, long-term revenue stream for local municipalities.

There are three key implications of China's state asset revitalization. Firstly, it provides immediate fiscal and financial relief for local municipalities. It enables local governments and SOEs to raise funds without immediately incurring new debt, while improves the return on state-owned assets.

Secondly, if the revitalization program can be successfully and widely implemented, it could indirectly reduce the property market oversupply — one of the biggest challenges facing the Chinese economy — and eventually support housing prices. For decades, local municipalities' budget deficits were mostly funded by land sales, which led to oversupply in the property market.

Ultimately, if China's state asset revitalization initiative is successful, it could boost local economic growth and consumption.

Nonetheless, the initiative is relatively nascent and has only been observed in a few municipalities in recent years. It has yet to have a significantly positive impact on local municipality balance sheets.

While uncertainty remains, China is moving towards a stage where state-owned idle assets can be managed institutionally with a long-term vision, i.e. generating recurring income, instead of a one-time ‘monetization’ sale. It is an area worth monitoring for operators and investors.

China's Ambitious AI Buildout Plan

Bloomberg reported that Beijing is planning a two trillion yuan (US\$295 billion) AI data center buildout over the next five years. The buildout, led by the National Development and Reform Commission, is expected to link computing hubs nationwide into an integrated network. It can improve national compute allocation by linking scattered data centers into a more efficient network.



State firms are expected to run much of the infrastructure. It appears to favor domestic suppliers, with reports stating at least 80% of the technology — including AI chips — should come from Chinese vendors. It could provide a guaranteed market for local champions such as Huawei, China Mobile and China Telecom.

The aim of this AI development plan is threefold: to establish a domestic AI infrastructure, to reduce China's reliance on U.S. chips and cloud capacity, and to support the wider drive towards technological self-sufficiency.

The plan, if successful, could boost AI adoption across the Chinese economy. However, it could raise the risk of overinvestment and fragmented standards, if the execution is weak. As they do in other parts of the world, data centers impose constraints on power, water and infrastructure, especially in regions where infrastructure is already inadequate.

The near-term outlook is positive for China's domestic AI ecosystem, especially infrastructure, chips, and network operators. It is worth observing whether the buildout can boost China's global competitiveness in AI performance.

Driving The Future: China's Electric Vehicle Revolution

In 2025, global electric vehicle (EV) sales reached approximately 20.7 million units, marking a 20 percent year-over-year increase, and accounted for a quarter of global sales of all new passenger vehicles.

According to Global EV Outlook 2026 by the International Energy Agency (IEA), of all the EVs sold in 2025, some 55 percent, or 13 million units, were sold in China. Chinese automakers supplied 60 percent of EVs sold worldwide and accounted for 70-75 percent of global EV production, followed by Germany (6-8 percent) and the United States (4-6 percent).

By year-end 2025, the number of pure electric vehicles in China was 30.22 million, representing 68.74 percent of the total new energy vehicle population.



Photo by Luke Miller on Pexels

“The competition has moved beyond hardware. Chinese companies are integrating artificial intelligence, chips, and software ecosystems into vehicles,” asserted Wilson Lee Flores, an economics and politics analyst.

A key reason for the lower barriers to entry for EV newcomers is the relative mechanical simplicity of

EV hardware, and product differentiation increasingly depends on software that can be continuously upgraded.

China's sustained investment in semiconductors has provided the hardware foundation for artificial intelligence and digital connectivity by supplying the computing power needed for data processing, automation, and intelligent systems — all of which have been critical in enabling China to emerge as a global leader in the EV industry.

Artificial intelligence, as a general-purpose enabling technology, has broad applications across industries, including the EV sector, where it supports autonomous driving, battery management, manufacturing optimization, and smart connectivity. China holds a competitive edge in this area due to its early investment in AI development and energy policies that support industries' rising energy demand.

5G and emerging 6G networks serve as foundational digital infrastructure, enabling real-time data exchange, coordination, and system-level optimization across industries, thereby significantly supporting the EV sector.

“Higher petrol prices and the availability of affordable Chinese-made EVs are driving record sales around the world,” stated Jennifer L., editor at CarbonCredits.com.

The EV industry is only one of several growth engines underpinning China's broader economic expansion. Its success reinforces China's economic strength and enhances its geopolitical influence.

This article is excerpted from a Royal Roots White Paper titled “China's Climate Policy is Demonstrating its Strategic Vision.”

Read the full White Paper here: [China's Climate Policy Is Demonstrating Its Strategic Vision.](#)



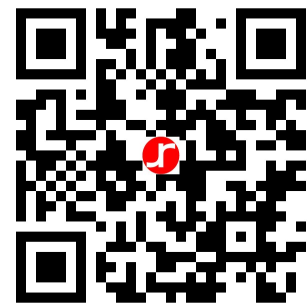
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