

Investing in the future means investing in China, Korea and Taiwan



For a very long time, investment in emerging markets was about countries "catching up" with the developed world. Clearly, this is still the case in certain countries, such as India, where growth is fast when starting from a low base. However, what investors may be less aware of is the technological leadership of countries such as Korea, Taiwan and, in particular, China. These three countries represent 60% of the total weight in the MSCI Emerging Markets Index.

Korea and Taiwan are crucial in the AI race, with almost all chips being produced by companies such as Taiwan Semiconductor and Hynix. There have also been very large developments in battery technologies and electric vehicles, etc. China has leaped forward by becoming the leader in 57 out of 64 critical technologies between 2019–2023, as per the Australian Strategic Policy Institute. These include a very wide range; space, robotics, renewable energy, quantum computing and certain AI technologies. Interestingly, between 2003 and 2007, China was a leader in just three out of 64 critical technologies. Unlike developed markets, this growth has been stimulated by a clear government policy, "Made in China 2025", which was launched in 2015.

Electric vehicles and batteries

Global electric vehicle sales topped 17 million in 2024, marking a rise of more than 25%. China accounted for 11 million, or close to two out of three EVs sold worldwide. The target for 2025 is for 15.5 million EVs to be sold in China. In recent months, more than half of all cars sold in China have been EVs. Didi, the Uber of China, recorded 68% of its mileage from EVs, compared to 15% for Uber in Europe. Just for reference, Didi provides 49 million daily rides, compared to 33 million for Uber. BYD, perhaps the best-known Chinese EV maker, has guided sales of 4.6 million units in 2025. However, other producers such as XPeng, Leap Motor, Nio etc. are also rapidly increasing their capacity. Competition is tough, which is good news for consumers who can buy cheaper EVs, but it will likely mean a bloodbath for companies.



In certain cases, the total cost of ownership for a heavy-duty electric truck is lower in China than for a diesel equivalent.

In the battery space, Chinese companies are dominant, with CATL holding close to a 40% share of the global market. New battery technology means that the charging time for EVs can be significantly reduced, in some cases to as little as five minutes. There is also a high demand for batteries for energy storage, trucks, etc., which will create further avenues for growth. The company has recently upgraded its sales forecast for 2026 to an estimated USD 74 billion, implying a growth of 24%, with a net profit of USD 12.1 billion. Tesla is expected to record sales of USD 109 billion (a 15% increase) and a net profit of USD 7.7 billion. CATL is smaller than Tesla in terms of sales but is growing faster and has a larger net profit. BYD's corresponding numbers are USD 148 billion in sales and USD 7.6 billion in net profit. In other words, the expected net profits of Tesla and BYD are very similar, but Tesla's market capitalisation is USD 1,534 billion, whereas BYD's is USD 129 billion, a difference of 12x. In our global emerging markets fund, we own shares in Geely, which owns brands such as Zeekr, Lynk and Smart. The company trades at a discount of almost 50% to BYD.

LiDAR

LiDAR, short for Light Detection and Ranging, uses pulsed lasers to measure distances and create 3D images of the surroundings. This technology is expected to be the “eyes” for autonomous and intelligent mobility such as EVs, robotaxis, humanoid robots and even lawn mowers. The global LiDAR market is expected to grow from USD 1.3 billion in 2025 to USD 10.5 billion by 2030, at a 52% CAGR. As of June 2025, 17% of EVs in China already had LiDAR installed, with some of them having up to six units in order to provide accurate self-driving eyes.

The top three Chinese LiDAR companies currently account for 76% of all global shipments. Hesai Technology leads the market with a 33% market share in the automotive sector and supplies nine out of the top ten robotaxi companies worldwide. They expect to reach a production capacity of 1.5 million units by the end of 2025.

Artificial intelligence

China seemed to be significantly lagging behind the US on the AI front until early this year, when it released DeepSeek. With DeepSeek it became clear that Chinese IT companies could deliver on AI too. Since then, there has been a flurry of activity, with almost all major Chinese IT companies releasing their own AI tools. Currently it seems Alibaba's Qwen3-Max is on par with Chat-GPT5 in terms of reasoning and agentic tasks in a number of tests. On a separate note, it seems many Chinese AI models use significantly less processing capacity, up to 82% less, according to Alibaba's Aegaeon pooling system. Logically, US companies should be better, as they have access to faster chips. However, during the year, we have seen close to a revolution in Chinese AI tools. China has the ambition to produce its own AI chips, but we have not yet seen evidence of any large-scale production. Nonetheless, China clearly has made this a strategic priority.

Alibaba controls a third of the Chinese cloud market, more than the next three players combined. AI developments will lead to significantly greater use of various cloud services. Lastly, Jack Ma returned to Alibaba after a long period of being 'out in the cold'. This seems to have reignited the company, with sales in the core e-commerce segment up 10% in the last quarter, beating the previous star, PDD.

China is developing its own AI ecosystem and will try to produce its own chips, but the largest beneficiaries are likely to be found in Korea and Taiwan. Taiwan Semiconductor produces Nvidia's chips and is expected to record sales of USD 149 billion, implying growth of 30% this year. Perhaps even more impressive is SK Hynix's expected sales growth of 39%, or an 88% bottom line increase this year. The company produces 90% of the high bandwidth memory chips (HBM3) connected to Nvidia. Year-to-date shares in Nvidia, TSMC and SK Hynix are up 54%, 40% and 226%, respectively.



Newest LiDAR devices from Hesai in their Shanghai headquarter.

Biotechnology

This is a relatively complicated area, but Chinese biotech companies have proven that they can carry out various tests significantly faster than their Western counterparts. They have also recently had success in drug discovery.

The R&D costs are 30–50% lower, and clinical trials can be 6–18 months faster, thanks to efficient processes and large patient pools. China's share of global biotech licensing deal value is projected to rise from 8% in 2021 to 32% in 2025, showing increasing global recognition. There are a number of deals in the range of USD 5–10 billion.

Despite some geopolitical uncertainties, collaboration between multinational pharmaceutical companies and Chinese innovators continues to deepen, which is a sign of China's growing influence in global healthcare innovation.

Conclusion

From cutting-edge AI and robotics to electric vehicles and biotech, emerging markets led by China, Korea and Taiwan are no longer catching up; they are defining the next era of technological progress. These countries are driving innovation at a scale and speed the world cannot overlook, creating the chips, systems and breakthroughs that will shape the global economy. For investors, this shift underscores how the future of technological leadership is increasingly being written in emerging markets.



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