

Print Edition

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ChinAI #376: Around the Horn (27th episode)

BY JEFFREY DING · CHINAI NEWSLETTER · 5 OCTOBER 2026

Greetings from a world where...
Slow Horses is back

...As always, the searchable archive of all past issues is [here](#). Please please [subscribe here](#) to support ChinAI under a *Guardian/Wikipedia*-style tipping model (everyone gets the same content but those who can pay support access for all AND compensation for awesome ChinAI contributors).

Around the Horn (27th episode)

At least we still have PTI. Let's honor Around the Horn again.



This is our 27th roundup of articles on China's AI ecosystem. For new readers, here's how it works (see ChinAI #365 for the previous edition):

- I give short previews of ten articles that caught my eye during a scan through my usual sources (all published within the past week or so). The title for each preview links to the original article in Chinese.

- Readers vote on next week's feature translation by replying to the email and/or commenting on the post with the number of your preferred article. **Extra weight goes to votes from those of you who support ChinAI through a paid subscription.*
- The main idea is that any of these 10 links would have made for a great feature translation this week — like the Hadestown soundtrack, there are no skips!

1) My “Tier-5” hometown became a Token Capital

Summary: Both Goldman Sachs and Wired spotlighted Ulanqab, a city in Inner Mongolia, as a new center of China's AI computing boom. This reporter visits their hometown to uncover what's actually happening beneath the headline figures.

Source: 量子 (QbitAI) — news portal that regularly covers AI issues, similar to Leiphone. They also publish longer reports.

2) Using AI for National Day travel: the first wave of users feel let down

Summary: During this one-week holiday for National Day, Chinese travelers offshored more of their planning to AI travel assistants. Disappointments ensue.

Source: 胡秀 (Huxiu), a well-known platform that shares user-generated content but also publishes their own pieces on China's science and technology ecosystem.

3) Why do Kimi and DeepSeek appear in the same model configuration?

Summary: This one would push the bounds of my technical knowledge. The article breaks down a trend in Chinese large model architectures: for some layers, they follow Kimi's linear attention approach; for other layers, they mix in DeepSeek's sparse attention approach.

Source: AI极客 (aitechtalk) — focuses on in-depth reports on developments in the AI industry and academia.

4) BAT giants redo AI pre-training to fix the “Dirty Data” pitfall

Summary: Why have so many Chinese AI labs reworked their pre-training process in the past six months? Dirty data. This article explores junk portions of corpuses, ambiguous data labeling rules, and evaluation set problems.

Source: 莱iphone (Leiphone) — media portal that covers China's science and tech landscape, with a focus on AI-related happenings.

5) Alibaba DAMO Academy's Medical AI, piecing together a decades-long picture

Summary: We've covered the frustrations and challenges of medical AI applications in China in previous issues. This piece profiles the long road to success for Alibaba's medical AI team.

Source: 晚点 (LatePost) — publishes in-depth analysis on China's tech scene, known for deeply-sourced reports.

6) Jev Dethroned: Chinese open-source decision model StartLux takes top spot

Summary: It was fun to learn a little more about decision models like TypeSafe AI's Jev, which return judgments about different choices/scenarios, instead of open-ended text. How does the Chinese open-source model StartLux compare?

Source: 机织信 (jiqizhixin) — media portal similar to Leiphone in coverage.

7) Research Report on Development of the Token Economy (2026)

Summary: It's been a while since we've dug into a CAICT white paper. This one on the token economy looked informative.

Source: 中国信息通信研究院 (CAICT) — a think tank under China's Ministry of Industry and Information Technology.

8) In the US-China AI race, the deciding factor isn't compute, it's another thing

Summary: This essay argues that U.S. hegemony in computing power is built not just on chips; rather, the key factor is the ability of Google, Microsoft, and other hyperscalers to build large-scale infrastructure that aggregate computing power, land, energy, and cooling resources (including in other countries like the Netherlands)

Source: 北京文化评论 (Beijing Cultural Review) — leading platform for contemporary political and cultural thought, which also publishes a quarterly journal.

9) What happens when AI employees join the workforce?

Summary: Tencent convened a roundtable on AI employees, with a focus on what the transition from pilots to large-scale deployment. The discussion draws on insights from Tencent's WorkBuddy agent.

Source: 腾讯研究院 (Tencent Research Institute) — Tencent's policy and governance research arm.

10) Ban on AI-Human "Romantic Relationships": New rules on minors' internet use to tighten controls on virtual companions

Summary: Building on companion AI regulations from a few months ago, new draft regulations on safeguarding minors' internet usage impose further restrictions on AI services. Article also cites previous

investigations by Southern Metropolis Daily on AI apps' weak child protection measures.

Source: 南方都市报 (Southern Metropolis Daily's Privacy Guard Team) - connected to Nandu Personal Information Protection Research Center.

Thank you for reading and engaging.

These are Jeff Ding's (sometimes) weekly translations of Chinese-language musings on AI and related topics. Jeff is an Assistant Professor of Political Science at George Washington University.

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Any suggestions or feedback? Let me know at chinainewsletter@gmail.com or on Twitter at [@jjding99](https://twitter.com/jjding99)

France is the Biggest Loser in the Global Rates Reset

BY MATTHEW C. KLEIN · THE OVERSHOOT · 3 OCTOBER 2026

Borrowing costs are up everywhere. And France—thanks to its dysfunctional domestic conditions and its membership of the euro area—is getting hit the hardest.

In the years immediately before the pandemic, long-term yields on government debts in Japan and “core” Europe were roughly zero or negative before inflation, about 1% in the U.K., ~1.5% in Czechia, about 2% in Australia, Canada, the U.S., and Korea, and about 3% in Poland. As of this writing, longer-term yields are now about 3% in Japan, ~3.5% in Germany and Sweden, 4% in Canada and Spain, close to 5% in France and Korea, and a bit over 5% in Australia, the U.S., U.K., Czechia, and Poland. As far as I can tell, the only rich countries that have largely missed out on the yield reset have been Switzerland, Singapore, Taiwan, and Greece (sort of), albeit for very different reasons. In general, long-term yields in the rich countries are about 2-3 percentage points higher than they were on average in 2017-2019.

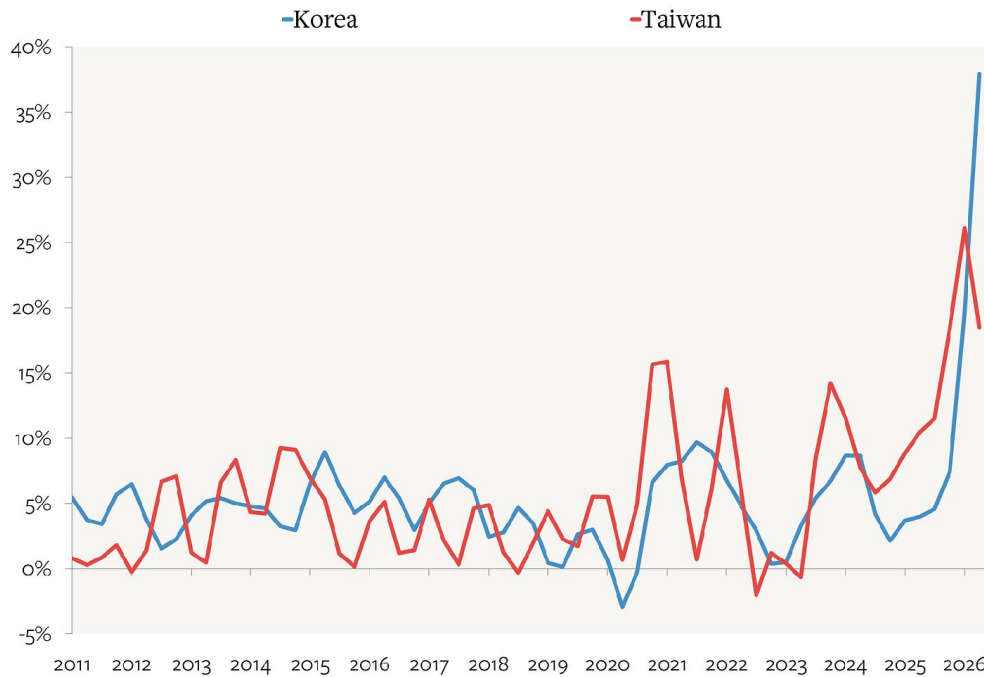
Whether this is a problem depends on where you are. A simple average across rich countries shows that the most recent 12-month nominal income growth rates are also 2pp faster than the 2017Q1-2019Q4 annualized average. But that average conceals considerable variation across countries. For many places, such as the U.S., Canada, Japan, Portugal, and Spain, there has been a one-for-one link between the uptick in yields and the change in growth rates. In a few cases, such as Taiwan, Korea, and Greece, yields have gone up by much less than one might have guessed based on how much growth has accelerated. It may not last, but the

Taiwanese economy is currently growing by about 20% a year in local currency terms while the Korean economy is growing at 40% (!) thanks to soaring export earnings.

Chips Ahoy

The Korean economy is currently growing about 40% a year in won terms thanks to soaring demand for memory, while Taiwan's GPU/CPU/TPU economy is growing ~20%/year.

Nominal gross domestic product growth in local currency (2Q/2Q annualized)



Source: KOSIS, National Statistics (Republic of China), Matthew Klein's calculations

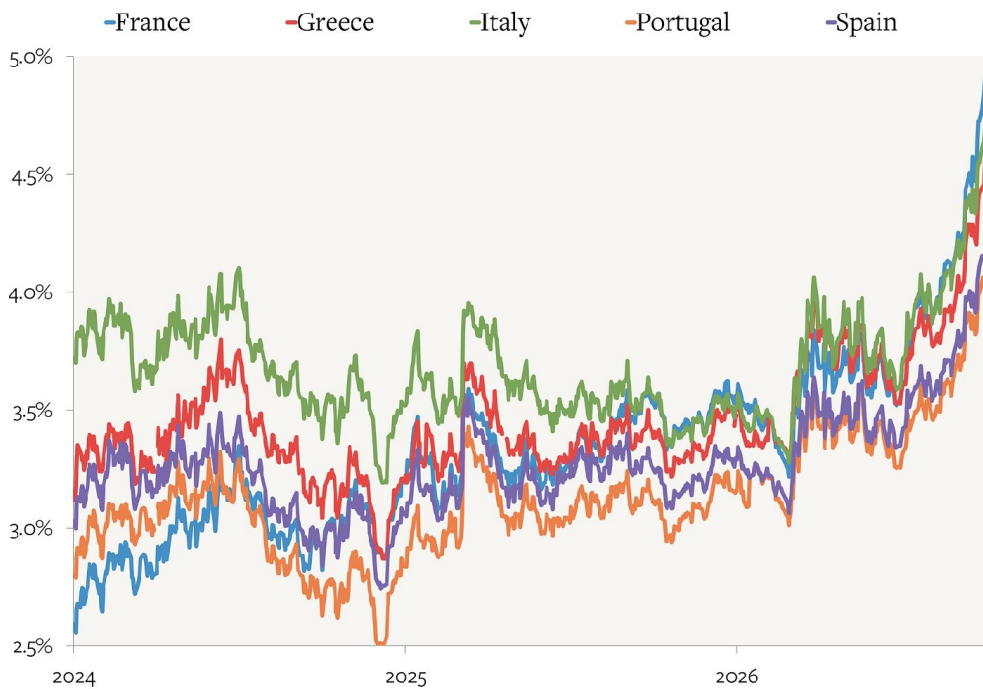
On the opposite extreme is France.

Yields on French government bonds (OATs) now exceed the yields on their Spanish, Italian (BTPs), Greek (GGBs), and Portuguese equivalents. For veterans of the euro crisis, this is a remarkable turn of events. As recently as 2024, yields on 10-year BTPs were about 1.1 percentage points higher than on 10-year OATs. But as of this writing, 10-year OATs now yield about 0.2pp more than the equivalent BTPs. The resulting 1.3pp shift in the spread has occurred in almost a straight line. While some of that move was a function of improving conditions in Italy in 2024, it mostly reflects problems in France, especially over the past few months. For example, the spread between Belgian and Italian yields has been essentially unchanged over the past year.

Zut!

The France-Italy spread has moved by about 1.3 percentage points since the beginning of 2024, with France now having some of the highest borrowing costs in the euro area.

10-year government bond yields

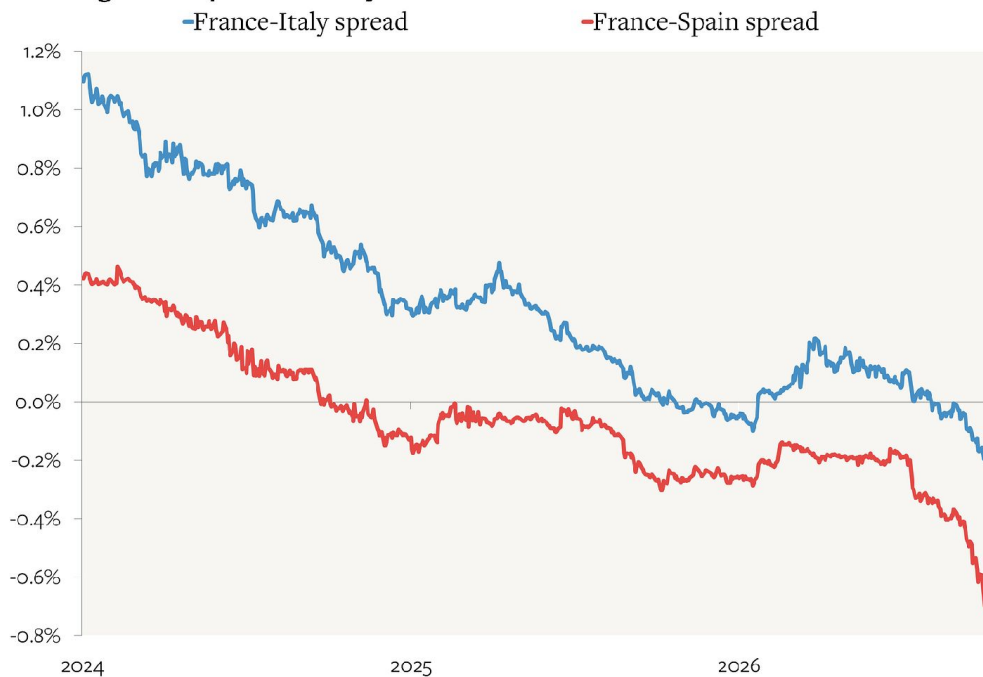


Source: Koyfin

Bienvenue en Périphérie

Yields on French government debts have soared relative to Spanish and Italian yields. This is mostly attributable to idiosyncratic problems in France, especially over the past month.

Sovereign bond spreads vs. 10-year OATs



Source: Koyfin, Matthew Klein's calculations

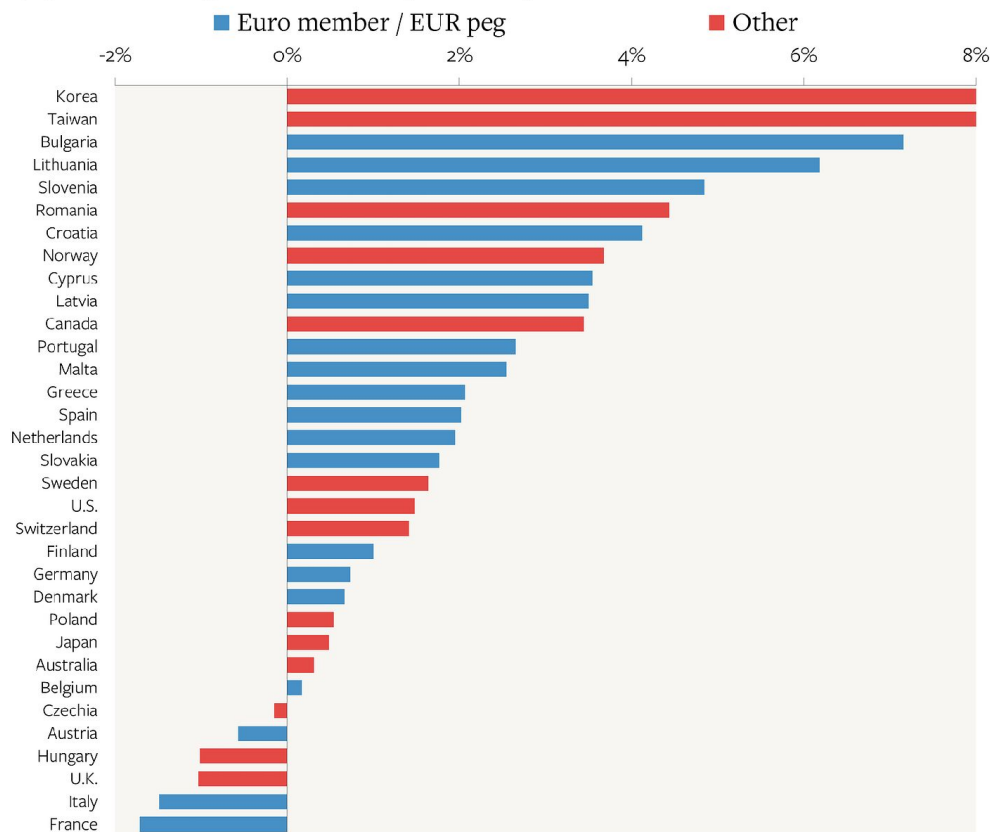
Market data come from Koyfin. I have been a subscriber for years, and readers of *The Overshoot* are eligible for discounted subscriptions and free trials by using this link.

The problem for France is that its bond yields are surging even as its nominal income growth has slowed relative to the 2017-2019 pace, to the point that, almost uniquely among rich countries, borrowing costs there now substantially exceed growth rates. In fact, the spread between French sovereign borrowing costs and French growth rates is now the most unfavorable anywhere in the rich world.¹ The French economy was not quite growing by 2% a year in euro terms as of 2026Q2, which was even worse than the anemic 3% yearly average nominal growth rate recorded in 2017Q1-2019Q4. As of 2026Q2, France's cost of borrowing was therefore about 2pp higher than its income growth rate. (At current yields, the penalty is more like 3pp.) By contrast, Spanish and Greek bond yields are still about 2pp lower than their income growth rates.

G>R, Mostly

The latest available data imply that most countries enjoyed relatively favorable borrowing conditions as recently as the summer. The exceptions were in Europe, most notably France.

4-quarter NGDP growth minus 10-year bond yield in 2026Q2



Source: Eurostat, IMF, OECD, BEA, ONS, KOSIS, SECO, National Statistics (Taiwan), Koyfin, Matthew Klein's calculations

Abusing “Le Privilège Exorbitant”

At one level, the problem is obvious:

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