CKGSB 长江商学院 CHEUNG KONG GRADUATE SCHOOL OF BUSINESS

ie China Observatory

CHINESE COMPANIES' NEW PLAYBOOK FOR GOING GLOBAL

Building Global Businesses in a World Transformed

A Joint CKGSB – IE University Report

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Foreword

The New Frontier: How Chinese Companies Are Rethinking Globalization

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After more than four decades of rapid growth, China's economy is entering a new phase. Traditional engines of domestic growth are losing momentum, while technology and exports are emerging as increasingly important sources of dynamism, signaling the fundamental restructuring that China is going through.

At the same time, as geopolitical tensions, trade barriers and the restructuring of global supply chains change the geography of international business, globalization is becoming a strategic necessity for Chinese companies.

But the next chapter of globalization will look very different from the previous one. The new frontier is not simply Europe or North America. Increasingly, it is the Global South—a diverse group of emerging and developing economies across Southeast Asia, the Middle East, Africa, Latin America and Central Asia.

This shift is already visible in China's trade patterns. The United States has become a less dominant destination, while ASEAN, the EU, Belt and Road partner countries and BRICS partner countries, especially those in Africa and Latin America, are playing a larger role. In 2025, countries of the Global South collectively accounted for 46.2%, or nearly half of China's exports.

Rather than merely destinations for Chinese products, these markets are becoming important nodes in Chinese companies' global supply chains, manufacturing networks and brand-building efforts.

From exporting products to building global businesses

The nature of Chinese exports is changing, making the Global South strategically important.

Chinese exports used to be dominated by low-cost consumer goods and basic manufactured products, but that pattern is increasingly outdated. Today, Chinese companies are moving to the premium end of the value chain and are instead exporting electric vehicles, photovoltaic systems, energy storage equipment, construction machinery, consumer electronics, digital commerce infrastructure and other higher-value products.

Electric vehicles offer a telling example. In Thailand, BYD has rapidly established a leading position in the battery-electric vehicle market, challenging the long-standing dominance of Japanese automakers. The company's strategy has gone beyond exporting cars: it has invested in local manufacturing, allowing it to respond more effectively to local market conditions while deepening its presence in the country.

Other companies illustrate the same transition in different ways. Anker Innovations has built a global consumer-electronics brand in which overseas markets account for the overwhelming majority of revenue. J&T Express has established a strong position in Southeast Asian logistics through local operations. Chinese renewable-energy companies are also moving beyond selling equipment to building factories, supply chains, partnerships and service networks in overseas markets.

The new globalization is not about selling more products abroad, but about building businesses abroad.

The Global South is a land of opportunity with risks

The opportunity should not be mistaken for a new version of the old "blue ocean."

As Chinese capital and products enter Global South markets at scale, companies are encountering increasingly complex political, regulatory and social environments.

Local governments are becoming more sensitive to foreign investment and more demanding about local value creation. Countries such as Indonesia, Saudi Arabia, India and Vietnam are releasing more policies on domestic supply chains, local employment, technology transfer, and industrial upgrading.

Geopolitics adds another layer of uncertainty. Global South countries are not a single political or economic bloc, and their relationships with China, the United States and other major powers can shift quickly. Political transitions can alter investment rules and even the treatment of existing projects.

Pursuing market size and cost competitiveness alone are no longer sufficient.

From "going out" to "going in"

The strategic response should be a fundamental shift from "going out" to "going in."

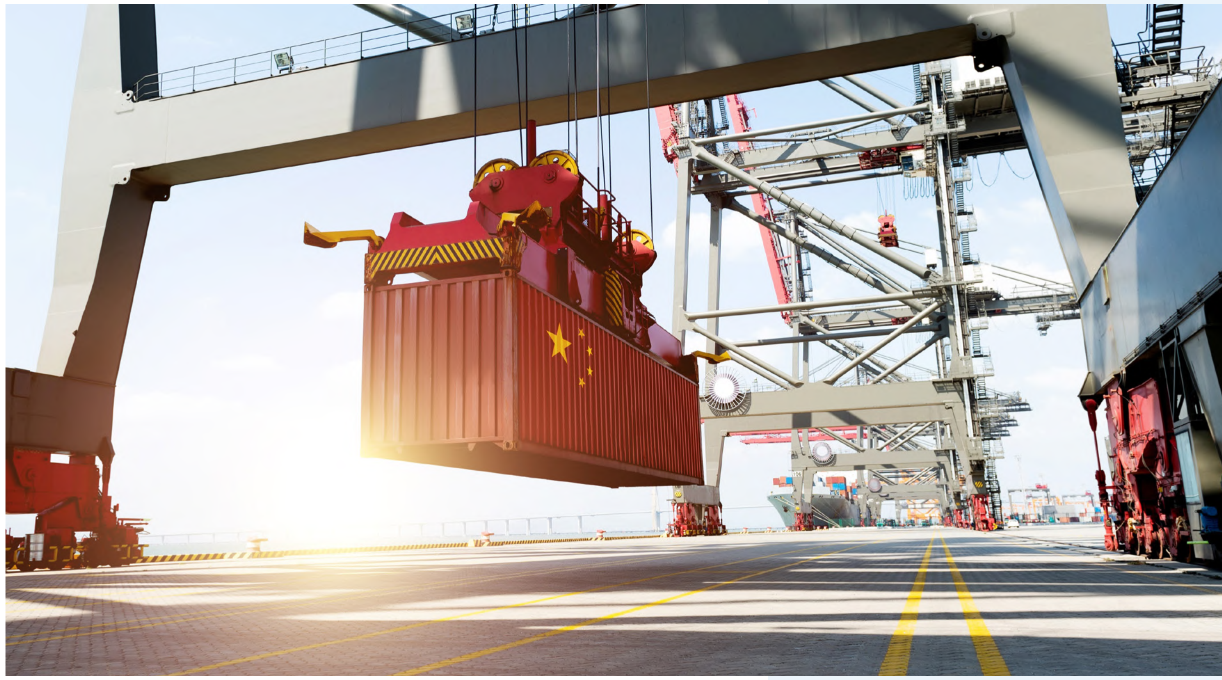
That means treating political risk as a standing input to investment decisions, not an afterthought — monitoring elections, policy shifts and international alignments systematically, rather than reacting after the fact. For that, companies need to build compliance into a core capability: compliance is not simply a cost of doing business overseas, it is the price of admission to global markets. And it means genuine localization. The era of simply exporting products or moving final assembly overseas is coming to an end — sustainable globalization requires local factories, local suppliers, local management teams and local employees, with Chinese companies creating value in local markets rather than only extracting it from them.

This is why the most successful examples of Chinese globalization increasingly resemble partnerships rather than exports. The goal is to build a local ecosystem with shared interests and shared stakes in long-term success among Chinese companies, local employees, local suppliers, local governments and local consumers.

The Global South may well become one of the most consequential frontiers for Chinese companies over the next two decades. It offers enormous demand for manufacturing, infrastructure, digital services, renewable energy, mobility and consumer products. More importantly, it provides Chinese companies with an opportunity to evolve from globally competitive manufacturers into truly global enterprises.

But this opportunity comes with a fundamental strategic test.

The era in which companies could win abroad primarily through low prices, scale and speed is coming to an end. The next generation of winners will be those that understand local politics, respect local rules, invest in local capabilities and build trust with local stakeholders.



Foreword

The Phoenix of Shenzhen — How Huawei Turned Sanctions into Sovereignty

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Founded in 1987 by a former military engineer, Ren Zhengfei, with 21,000 yuan — about USD 5,000 — Huawei began by importing telephone switches from Hong Kong and reselling them on the mainland. By 2016, it was a leading information-and-communications-technology provider with more than 180,000 employees, reaching a third of the world's population across over 170 countries, and the first Chinese multinational whose overseas sales had once exceeded its domestic ones. Revenue peaked at CNY 891.4 billion in 2020. Then the architecture of globalisation that Huawei had ridden so skilfully began to be dismantled around it.

Two values, tested by siege

The company's rise rested on two values, and — unexpectedly — so did its survival. Staying customer-centric was, in the early years, less a matter of product quality (Huawei had no switch-research team until four years in) than of relentless after-sales speed: the celebrated 2008 Swisscom bid was won with an implementation specification revised twenty-eight times against a rival's nine. Under siege, the reflex mutated from *we will fix it faster* to *we will keep making it at all*. The second value, inspiring dedication, had sent engineers to build base stations on Everest and to restore networks in the radiation zone of Japan's 2011 tsunami; sanctions redirected that culture of sacrifice inward, into a crash programme of domestic substitution. Three unconventional strategies had underpinned the ascent — local immersion (by 2016 more than 71 per cent of overseas staff were locally hired), dynamic location choice (entering neglected markets in Russia, Latin America, Africa and the Middle East and absorbing a decade of losses before prestige European carriers cascaded the brand), and counter-cyclical research (a floor of 10 per cent of revenue since the 1998 Basic Law, and an in-house Kirin chipset from 2010). That last strategic luxury would become the difference between extinction and survival.

A decade of disruption

The turning point was a single arrest. On 1 December 2018, Meng Wanzhou — chief financial officer, deputy chairwoman and the founder's daughter — was detained in Vancouver on a United States warrant. The commercial blows proved heavier than the diplomatic ones. In May 2019, the Commerce Department placed Huawei on the Entity List, and new phones lost Google Mobile Services, crippling the overseas consumer business at its peak. In May 2020, a tightened Foreign Direct Product Rule severed Huawei from TSMC and from the most advanced processors its HiSilicon unit had designed. Huawei sold its Honor sub-brand to raise cash; revenue fell by almost a third in 2021. Exclusion spread to networks, from the United Kingdom's 2020 ban on Huawei in 5G to a European phase-out the Commission moved to make legally binding in late 2025. Huawei had become the principal corporate front in a contest between the world's two largest economies — the sharp edge of what scholars call the weaponisation of interdependence, in which the very integration that had been Huawei's strength became its vulnerability. Yet the campaign designed to contain the company catalysed exactly what Washington feared: a whole-of-nation drive for self-sufficiency, with Huawei cast as national champion. Interdependence, it turned out, cuts both ways — China has since restricted gallium, germanium, antimony and rare earths and codified a supply-chain-security regime in April 2026.

Table 1 — Selected financials, 2021–2025

CNY million (except margins, ratios)	2021	2022	2023	2024	2025
Revenue	636,807	642,338	704,174	862,072	880,941
Operating profit	121,412	42,216	104,401	79,361	96,937
Operating margin	19.1%	6.6%	14.8%	9.2%	11.0%
Net profit	113,718	35,562	86,950	62,574	68,036
R&D investment	142,700	—	—	179,700	192,300
R&D as % of revenue	22.4%	—	—	20.8%	21.8%
Operating cash flow	59,670	17,797	69,807	88,417	127,384
Total assets	982,971	1,063,804	1,263,597	1,290,149	1,334,930
Total equity	414,652	437,076	507,568	544,619	600,120
Liability ratio	57.8%	58.9%	59.8%	57.8%	55.0%

Source *Huawei consolidated financial statements (IFRS, audited by KPMG) and Five-Year Financial Highlights. The 2021 net profit was inflated by an estimated CNY57 billion one-off gain on the disposal of the Honor and XFusion businesses. R&D investment for 2022 and 2023 is not separately given in the highlights table and is omitted pending confirmation against the annual reports.*

Reinvention and the battle for chips

Reinvention arrived quietly. In August 2023, the Mate 60 Pro went on sale without a press conference, running a Kirin 9000s fabricated domestically by SMIC on a seven-nanometre process and delivering the very 5G speeds the sanctions were meant to foreclose. HarmonyOS, Huawei's own operating system, passed a billion devices by October 2024 and then shed Android code entirely. Denied its old growth path, the company diversified from one business into five — ICT infrastructure, a resurgent consumer division, digital power, cloud and an intelligent-automotive unit whose revenue rose 474 per cent in a single year. The decisive front is now the semiconductor industry, and above all the chips that train artificial intelligence. Under a small-yard, high-fence doctrine, American controls have targeted design software, extreme-ultraviolet lithography, foundry capacity and high-bandwidth memory in turn. Huawei sits at the centre of China's reply: its Ascend accelerators are positioned as the answer to Nvidia, the 910C reaching roughly 80 per cent of an H100's headline performance. Trailing chip for chip, Huawei plays a systems game, wiring hundreds of Ascend chips into clusters that rival Nvidia's racks on aggregate compute — at a heavy cost in power. The qualifications are honest ones: seven-nanometre yields are low, the software ecosystem less mature, and self-reliance incomplete, since some dies were in fact TSMC-made and some memory was Korean.

Table 2 — Revenue by region, 2021–2025

CNY billion	2021	2022	2023	2024	2025
China	413.3	404.0	471.3	615.3	616.2
Europe, Middle East & Africa	131.5	149.2	145.3	148.4	161.4
Asia Pacific	53.6*	48.0	41.0	43.3	50.1
Americas & other regions	38.4*	41.1	46.5	55.1	53.2
Total revenue	636.8	642.3	704.2	862.1	880.9
China as % of total	64.9%	62.9%	66.9%	71.4%	70.0%

Source *Huawei annual reports (2021–2025) and contemporaneous reporting. China's share of revenue rose from roughly 63 per cent in 2022 to about 70 per cent by 2025 as overseas reach contracted and domestic demand carried the recovery. *2021 Asia-Pacific and Americas & other are not separately reported in the sources consulted; the figures shown are derived from the 2022 regional split and reported year-on-year growth rates, and reconcile to the audited 2021 total. For 2025 the Americas are reported together with other regions.*

What the recovery shows

By 2025, revenue had recovered to CNY 880.9 billion — up 2.2 per cent, the second-highest figure in the company's history and barely CNY1 billion short of the 2020 peak — with net profit of CNY68 billion. But the recovery is overwhelmingly domestic: China now supplies roughly 70 per cent of revenue, against about 63 per cent in 2022, as overseas reach contracted and home demand carried the rebound. Reinvention has been more complete at home than abroad — a reversal of the very pattern that defined the rise. The thesis survives its stress test, but its meaning has deepened: core values, more than any single strategy, explain both the ascent and the endurance. Huawei has proved that an emerging-market champion, armed with the right values and a generation of patient investment, can survive a deliberate effort to cut it off from the global economy. Whether it can prosper — rather than merely endure — in a bifurcated technological world remains the defining open question.

Preface

From Product Exports to Capability Exports: The Third Phase of Chinese Corporate Globalization

Chinese companies are entering a new stage of globalization. The world has become harder to navigate: tariffs, technology controls, rules of origin, investment screening and local-content requirements increasingly shape where companies can sell, build and invest. Yet the direction is clear. More Chinese companies are establishing production, supply chains, service networks and local teams overseas—and they are aiming for more than exports.

This report combines analysis with field research in Malaysia and Indonesia. It is written for companies preparing their first move abroad, those already overseas and wrestling with localization, and those ready to scale an international business that has begun to work.

Phase One — Product Export

When China opened to the world, Chinese companies entered global supply chains mainly through contract manufacturing, materials processing and component supply. Working with multinational customers helped Chinese factories build the process discipline, supply-chain coordination, quality control and cost efficiency that still underpin Chinese manufacturing.

But product export had limits. A company could manufacture an excellent product and still remain distant from the end consumer if it did not control overseas channels, customer relationships or the brand.

Phase Two — Channel Export

Cross-border e-commerce began to close that gap. Digital platforms connected manufacturers more directly with overseas buyers and consumers, allowing companies to test products, track demand, adjust pricing and packaging and learn from customer behaviour much faster.

Platforms also made payments, logistics, digital marketing and customer acquisition available to smaller firms, allowing companies to test international markets before building a full overseas organization. Chinese businesses moved from the backstage of global supply chains closer to the customer.

Phase Three — Capability Export

The next phase goes further. As China's manufacturing base has deepened and intense domestic competition has produced companies that innovate and operate at unusual speed, globalization is no longer simply about shipping more products through more channels. It is about taking an operating system abroad: technical standards, product development, supply-chain organization, service, branding, project management and business models.

BYD's overseas plants, for example, carry a vertically integrated vehicle system, not simply assembly lines. Mixue brings the supply chain, franchise management, site selection and standardization behind its store network. In both cases, the deeper export is the capability that makes the business work.

This phase is also harder than the two before it. The foundations of a company's domestic advantage—a dense supplier base, a large unified market, familiar institutions and shared working norms—do not automatically exist abroad. Cost advantages can erode in an incomplete supply chain; speed can create friction; and a product proven in China may not fit another market.

Long-term success therefore depends on more than transferring a domestic model. Companies must localize production, management and customer insight, comply with local rules and build trust with employees, partners, governments and communities. The task is not simply to relocate Chinese manufacturing around the world, but to rebuild and adapt the capabilities behind Chinese manufacturing and innovation in different markets.

From Context to Action

The report follows that journey from context to execution. Chapter 1 examines the forces reshaping the global economy and China's changing role within it. Chapter 2 turns to the practical choices companies face: where to go, how to enter, which globalization model fits their scale, and how domestic strengths can be made to work abroad. Chapter 3 draws lessons from early-moving Chinese SMEs in Southeast Asia, focusing on localization, supply chains, talent, compliance and the realities of operating in different markets.

These questions matter beyond China. Chinese firms are increasingly competitors, suppliers, partners, investors and customers for companies around the world. Understanding how they are building overseas operations—and where they are likely to succeed or struggle—can help businesses make better decisions about markets, partnerships and strategy.
The challenge is no longer simply to make products for the world or sell them across borders. It is to build businesses that can last: businesses that create value locally, earn trust and carry their capabilities into new markets without assuming those markets will work like home. That is the new playbook.

Chinese Companies' New Playbook for Going Global

Building Global Businesses in a World Transformed

Li Wei

Professor of Economics and Associate Dean, Cheung Kong Graduate School of Business (CKGSB)

Chapter 1

Global Turbulence and China's Changing Role

Donald Trump's return to the White House in January 2025 made US trade policy the largest new variable in the global political economy. Reciprocal tariffs were the most visible instrument, but the deeper change was the treatment of market access, supply chains and technology as sources of geopolitical leverage. This chapter traces that shift and then sets out seven ways in which China's place in the global economy is changing.

Trump was sworn in on January 20, 2025 and immediately began translating America First into a broader and harder policy program. The second term differed from the first not only in degree but in reach: pressure that had once been concentrated on China was now applied across allies, competitors and trading partners alike.

Three patterns stood out.

Tariffs became negotiable instruments, not a settled end state — maximum pressure came first, and relief was traded for concessions elsewhere, keeping the initiative in Washington.

Supply chains became an explicit target: pressure on ASEAN and Mexico, tightening rules of origin and origin tracing narrowed the space for simple trans-shipment, while China's own restrictions on rare earths and critical minerals showed the leverage ran both ways.

And allies were sorted by compliance rather than by alliance — resistance brought pressure regardless of relationship. The economics were poor — higher costs, lower efficiency, weaker trust in the trading system — but the political effect was lasting: companies and governments now treat market access as conditional and supply chains as strategic assets.

Seven shifts define China's changing role in the global economy

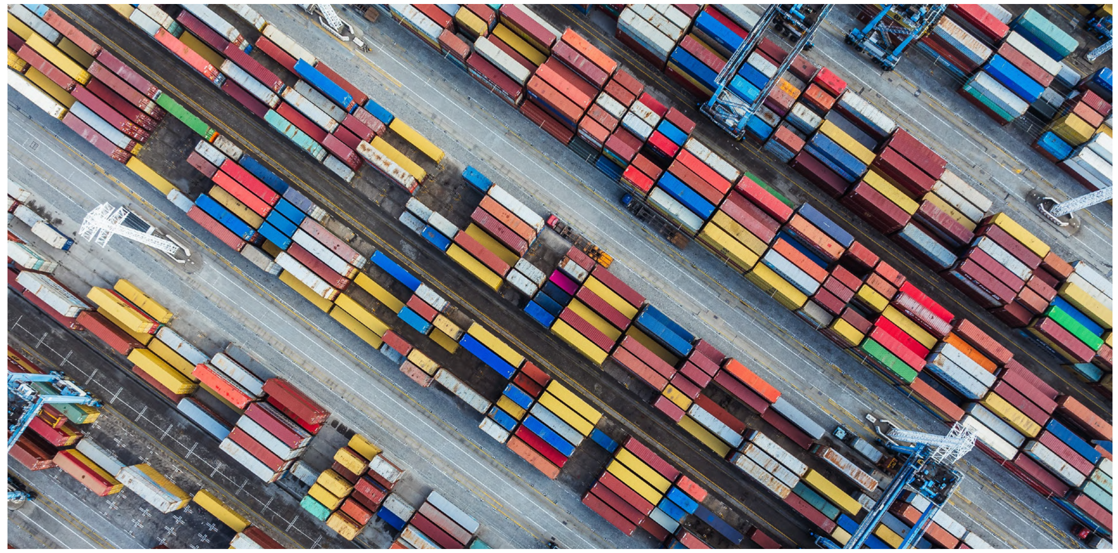
An anchor, not only an engine. For much of the past four decades China mattered principally for the growth it added to the world economy. In a more volatile period, its value increasingly lies in the scale and continuity it provides: a large domestic market, deep industrial capacity and relatively stable production at a time when policy elsewhere is becoming less predictable.

A different export mix. Equipment manufacturing accounted for 59.4% of exports in 2025 and high-technology exports reached RMB 5.25 trillion, up 13.2%. Vehicle exports passed 7 million units, including 2.615 million new-energy vehicles. China still exports consumer goods, but the centre of gravity is moving towards components, equipment and green technology.

Table 1 — China's top three export products, 2020 and 2025

Rank	2020	Value (RMB 100m), 2020	2025	Value (RMB 100m), 2025
1	Computers and parts (laptops/desktops, etc.)	14,600	Integrated circuits (chips)	14,400
2	Textile yarns, fabrics and products	10,700	Mobile phones (mainly smart phones)	8,700
3	Garments and clothing accessories	9,500	Automobiles (including NEVs)	8,400

Source: General Administration of Customs, China.



From world factory to supply-chain hub. China produces roughly 31% of global manufacturing value-added and leads output in 220 of the 500 main industrial products tracked worldwide. Industrial robots became a net export for the first time in 2025. China also controls more than 80% of the solar supply chain and over 70% of the battery supply chain. Fewer finished products may carry a Made in China label; many more will contain Chinese components, equipment or standards.

From follower to innovation source. R&D spending reached RMB 3,926.2 billion in 2025, equal to 2.8% of GDP and above the OECD average for the first time. China entered the top ten of the WIPO Global Innovation Index, twenty-five places higher than in 2013. Progress in large AI models, quantum computing, controlled fusion and electric vehicles points to a broader shift from absorbing technology to originating it.

A leader in the green transition. China's stock of new-energy vehicles passed 43 million, close to 60% of the global total. Solar capacity reached 1.2 billion kilowatts, up 35.4%, and overtook hydropower as the country's second-largest source of electricity. The same industrial base now supplies much of the equipment on which other countries' energy transitions depend.

A source of outward capital. Outbound direct investment reached RMB 174.38 billion in 2025, up 7.1% and still among the world's three largest flows. More than 85% went into greenfield projects rather than financial acquisitions. The distinction matters: factories, infrastructure and industrial clusters create production, employment and local supplier networks where the capital lands.

A more active rule-maker. China announced that it would not seek new special and differential treatment in current and future WTO negotiations, while continuing to defend developing-country interests. The posture is no longer that of a country simply adapting to rules written elsewhere; China is increasingly helping to shape standards, supply-chain governance and the terms of South–South economic cooperation.

Taken together, these shifts amount to three changes in direction. China is moving from adding growth to providing stability, from entering an existing system to shaping the industrial ecosystem around it, and from absorbing capital and technology to sending both abroad. That new position does not remove exposure to external pressure. It does, however, fundamentally change how Chinese companies can respond to it.

Three forces are accelerating Chinese companies' overseas expansion. First, exporting directly from China is becoming more costly and less predictable as tariffs, rules of origin, investment screening and technical requirements tighten. Second, supply-chain resilience increasingly requires companies to distribute production, resources and technical capabilities across several countries rather than depend on a single manufacturing base. Third—and most importantly—Chinese firms have developed advantages strong enough to support full-scale operations abroad. This is what turns overseas expansion from a defensive response to trade barriers into a longer-term strategy of building global businesses.

As these capabilities mature, what travels abroad is no longer simply the finished product. Factories carry production systems, suppliers carry standards and routines, service networks carry customer knowledge, and local teams adapt them to new markets. Chinese companies are therefore moving from participating in global supply chains primarily as the world's manufacturing base to deciding where to build production, organize supply chains and deploy their capabilities internationally. The question is no longer simply why Chinese companies are going global, but where they should go, how they should enter and how they can make the strengths built at home work abroad.

Chapter 2

Planning the Move

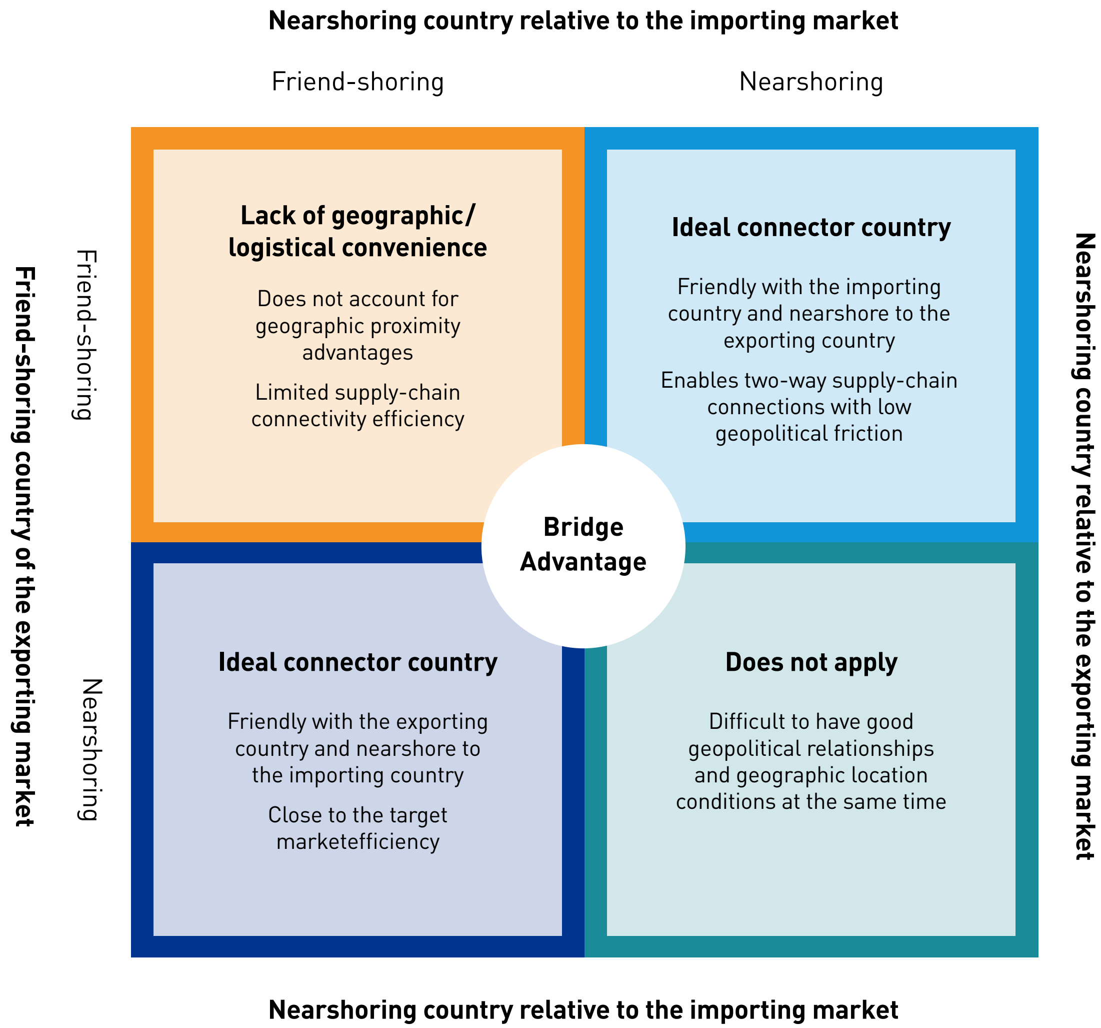
Expansion abroad is a high-investment, long-cycle undertaking that punishes drift — companies that follow a customer or a competitor abroad without a clear strategic intent pay for it later. This chapter answers three questions: which destination, which route for a company of a given size and how domestic strengths translate to a market with none of the conditions that produced them.

(1) Building Resilience: Connector Economies

If you cannot ship from China, you ship from somewhere else — and somewhere else now has to be a real factory, not a repackaging operation, since tightening rules of origin have closed that route. The search is for what we call "connector economies": markets positioned to bridge a fracturing world — close enough to China to absorb its capacity, trusted enough by Washington to sell into it without friction.

Two dimensions decide which countries qualify: proximity to the end market and political alignment with it. The strongest connector economies score on both.

Figure 2 — The nearshoring × friendshoring model



Source: CKGSB Big Data Economics Research Department

For companies targeting the United States, that yields five candidates: Vietnam, Indonesia, Malaysia and Thailand — close to China, trusted by Washington — and Mexico, close to the US market and still friendly toward China. Their profiles differ considerably.

Table 3 — Connector economy candidates

Country	Profile	Principal risk
Vietnam	The biggest winner from China-plus-one. Electronics, textiles and new-energy clusters; member of CPTPP, RCEP and the EU–Vietnam FTA; four-year tax holidays in parks such as Long Giang, with import duty relief on fixed assets in border economic zones. Samsung and LG have spent years building the local supply base.	Still an assembly economy, with core components imported from China. Power supply is tight and infrastructure incomplete, labour costs rise every year, and the size of its US surplus is drawing scrutiny.
Indonesia	South-east Asia's largest economy. The world's largest nickel reserves, plus coal and gas, which suits the upstream end of a battery chain; over 270 million consumers and clearly domestic-led growth. Tsingshan has gone deep in nickel processing; CNPC and CNOOC have taken equity in resources.	Policy stability needs work and some sectors restrict foreign investment. Infrastructure is patchy and logistics expensive. Religious and cultural distance demands genuine local operating capability.
Malaysia	Around 13% of global semiconductor packaging and test — the most important base after the mainland, Taiwan and Korea — centred on Penang. Tongfu and Tianshui Huatian have bought in; JCET now earns over 80% of revenue abroad after acquiring STATS ChipPAC. 100% foreign ownership allowed in manufacturing, earnings freely repatriated, 16 FTAs, and more than 500 Chinese companies already operating.	Kuala Lumpur has moved explicitly against disguised-origin exports and is tightening compliance review. Semiconductors carry exposure to the US Foreign Direct Product Rule. Labour costs run above Vietnam's.
Thailand	South-east Asia's largest vehicle producer, known as the Detroit of the East. Chinese applications to the Board of Investment hit a record in 2025 — 839 projects, about RMB 32 billion, mostly electronics and auto components. The Eastern Economic Corridor has taken more than 3.8 trillion baht (about RMB 760 billion) of infrastructure investment, and offers an extra 50% tax reduction; A1-class incentives run to 13 years of corporate tax exemption plus duty-free machinery imports. China has been Thailand's largest trading partner for twelve consecutive years and its largest source of foreign investment.	Labour costs are rising, some sectors cap foreign equity, politics carries some uncertainty, and scrutiny of false origin declarations has tightened since 2025.
Mexico	USMCA access and the geography to use it; 80% of exports go to the United States, and Mexico overtook China as the largest supplier to the United States in 2023. Lithium batteries, electric vehicles and semiconductors are government priorities. Huawei, BYD and Hisense have built supply chains and industrial parks; Chinese firms announced $12.6 billion of investment intentions between January and November 2023, second only to the United States.	The American factor is the largest uncertainty — Washington may press Mexico to restrict Chinese investment. Economic nationalism is rising, with possible nationalization in energy and minerals. Personal security is a genuine concern.

(2) Chain-Style Globalization: How Large Companies Move

Earlier offshoring followed a tidy gradient: multinationals sent low-value work abroad and kept research, design and brand at home.

What is happening now is different. Chinese firms, and multinationals operating in China, are driving a wave of chain-style globalization: a lead company — the chain master — takes its upstream and downstream suppliers, the chain affiliates, and moves an entire supply chain — research and technical standards along with manufacturing abroad as a coordinated group, rather than exporting products or relocating a single factory.

It moves as a cluster around the lead firm rather than as scattered individual relocations. And the motive has expanded past cost arbitrage to include market access and control over the technology itself.

None of this is entirely new — Samsung was pulling its suppliers into Vietnam around 2010. What is new is who is doing it and how fast.

The first wave, from 2018 onward, belonged to the multinationals themselves — Apple, Samsung, Nike among them, chasing resilience over pure efficiency after the pandemic exposed the risk of concentration. Major multinationals have since moved between 20% and 70% of capacity to South-east Asia by sector — sportswear over 70%, electronics 25–50%, vehicles and semiconductors still early. China remains the largest single manufacturing base for most supply chains, but a two-centre structure has taken shape.

This second, much larger wave between 2024 to 2026 has been driven by Chinese companies — in scale, speed and organization, it dwarfs anything before it.

Four mechanisms

In fuel and electric vehicles, batteries, solar modules, white goods and consumer electronics, moving as a chain has become normal.

We've identified four mechanisms of the chain-style globalization: the chain master

Changan Automobile expands abroad with its suppliers together, all at once. BYD exports a vertically integrated system and pulls outside suppliers along on the strength of its order volume alone. Midea globalizes with its supply chain network. CATL anchors its chain to a resource base instead of a factory.

Changan Automobile — The lead company globalizes with chain affiliates.

Changan adopts integrated globalization: the carmaker and component makers who already work closely at home move together, coordinating research, capacity, standards and risk.

Changan's first overseas new-energy vehicle plant, at Rayong in Thailand, started production in May 2025 as the central pillar of its Global Embrace 2.0 plan, which targets 1.5–1.8 million new-energy vehicles sold overseas by 2030.

Alongside the vehicle plant, Changan brought 300 core suppliers — CATL, Svolt Energy, Desay SV and Foretell among them — to build a local supply chain, cutting the overseas after-sales parts cycle from sixty days to fifteen.

BYD — The lead company builds a global trade ecosystem that encourages chain affiliates to follow through market-driven orders.

BYD's globalization follows an ecosystem-driven model, where overseas expansion of core subsidiaries strengthens internal supply chains and gradually encourages external suppliers to follow through market-driven orders.

BYD packages the whole chain — vehicle assembly, the battery-motor-electronics core, moulds and components — and relocates it as a unit, recreating a complete automotive ecosystem at the destination. Almost every core component comes from a subsidiary inside its own vertically integrated system — FinDreams Battery, FinDreams Powertrain, FinDreams Vision, BYD Electronics, BYD Mould.

External suppliers are not required to follow. They are pulled: once overseas capacity reaches a certain scale, a supplier either builds nearby or loses the business. Zhongding, Tuopu, Sanhua and Yinlun all chose to follow BYD into Thailand in 2024 on the strength of confirmed orders.

More than thirty Chinese component firms have now gathered around the Thai plant, and BYD also buys 529 locally made parts from 35 Thai suppliers.

Midea — The lead company expands abroad with a more comprehensive network of supply chain.

Midea's globalization model can be summarized as comprehensive internationalization, where overseas manufacturing bases serve as anchors to drive the coordinated expansion of suppliers, logistics, warehousing, digital capabilities, R&D and brands, creating a localized and ecosystem-based global supply chain network.

In May 2025 Midea set out a supply chain collaboration strategy that does not simply require suppliers to move abroad. Guaranteed orders, technical support and shared industrial parks lower the cost and the risk for any supplier that does.

The signature case came a month later in Bangkok, when Midea signed its first overseas strategic agreement with a core supplier: Xiamen Hexing Packaging, a partner of eighteen years in China, opened in Thailand to supply packaging locally and cut cross-border freight and duty. Sanhua, Meizhi, Welling, Xiangxin and Dun'an followed, raising local procurement at Midea's overseas plants.

Midea also pulled its logistics and warehousing partners across: in November 2025 it signed with COSCO Shipping's South-east Asian arm and GLP's Thai venture to build a green smart supply chain delivery centre in Bangkok, covering port-to-factory logistics and distribution.

Digital capability travels too — Midea has committed to lifting overseas suppliers through technical, managerial and digital support, which is what holds a dispersed supplier network together.

CATL — The lead company brings an entire chain abroad.

CATL, the world's largest battery manufacturer, globalizes its entire chain of resource extraction, manufacturing and recycling.

Indonesia holds the world's largest nickel reserves, and nickel is the critical input for ternary lithium cathodes. CATL broke ground in July 2025 with Indonesia's President Prabowo present, on a project covering nickel mining and smelting through precursor and cathode materials to cell assembly.

Guangdong Brunp, CATL's subsidiary, partnered with an Indonesian state miner to secure mining rights, then built nickel smelting and high-grade nickel matte lines with Tsingshan, Huayou Cobalt and Ningbo Lygend. Precursor and cathode production sit alongside them, and the cell and storage equipment plant is in Karawang, West Java. In April 2026 CATL and Toyota announced a joint battery plant in Indonesia.

The chain effect ran well beyond CATL itself.

Putailai committed RMB 2.05 billion to a 50,000-tonne anode plant in Malaysia; Tinci and Capchem built electrolyte capacity in the region; Senior and Yunnan Energy built separator capacity; Kedali followed CATL for structural components. By July 2025 more than twenty Chinese battery materials companies had established operations in South-east Asia, investing over RMB 76 billion across cathode, anode, electrolyte, separator and structural components — an entire industry relocating together.

What it means for China

Domestic resources get to concentrate on higher-value research, core components and brand as assembly moves to South-east Asia — a pattern already visible in electronics and textiles.

"China-style globalization" has opened up global market space and profit growth opportunities by creating new growth paths for Chinese companies. With competition getting tougher at home and overcapacity pressures rising, overseas markets have become the outlet for capacity and the source of better margins. The upside is measurable: by May 2026, Chinese brands' overseas gross margins on vehicles ran 3 to 10 percentage points above domestic, with the same model selling for up to 1.7 times its Chinese price, while CATL earned 31.44% gross margin abroad against 24% at home.

Of course, it also comes with some risks for China.

1) Industrial hollowing out. While this kind of expansion overseas helps upgrade industries, it also raises concerns about domestic industrial hollowing. When a lot of manufacturing capacity shifts abroad, China could face fewer manufacturing jobs, a weaker tax base and reduced industrial support. This is especially noticeable in labor-intensive industries.

2) Changes in domestic employment. Looking at employment, China's manufacturing workforce has dropped from around 125 million at its peak in 2013 to about 104.8 million by the end of 2023, which is roughly 20 million fewer people. Automation plays a part, but moving production overseas is also a major factor.

The net effect is a structural reorganisation of Chinese industry at global scale — some regions gain, some lose, and there is no clean ledger that nets it to zero.

(3) Swarm-Style Globalization: How Smaller Companies Expand Their Footprint

"Swarm-style globalization" describes how China's smaller companies internationalize: large numbers entering one market, one platform or one category in quick succession, then iterating and spreading fast. Bees behave the same way. One worker finds the nectar and the swarm arrives.

The first mover might be a cross-border e-commerce seller, a new consumer brand, a SaaS start-up or a quiet manufacturing specialist. There is no queen. Coordination comes from industrial belts at home, cross-border platforms, overseas warehouses, service providers and industrial parks abroad — a network that keeps probing outward, and once something works, peers and supply chain partners follow in a cluster.

That absence of a lead firm is what separates it from chain-style globalization. This is not one company carrying a group; it is China's industrial ecosystem extending itself outward through the independent decisions of thousands of small firms.

The author has observed seven characteristics of the swarm-style globalization.

1. Globalized firms are dispersed but from concentrated industrial belts. The participants are numerous, individually small and geographically scattered, but almost all of them sit inside specific manufacturing clusters back in China — the Pearl River Delta, the Yangtze River Delta, Fujian, Shandong, Henan. Their strength in components, process iteration, cost control and order response comes from that density rather than from any one firm's scale or brand.

2. Growth is driven by platforms, not chain masters. Swarm-style globalization has no single coordinator. Cross-border e-commerce platforms aggregate demand, logistics networks and payment systems cut transaction costs, and overseas parks give a firm somewhere to land — between them, capability that once had to be built in-house has been modularized and rented out. Several platforms lift a cohort at once; no lead firm carries it alone.

3. Start light, test the market and then scale. Smaller firms rarely start with a heavy, long-cycle investment. They begin with cross-border e-commerce, distribution partnerships, contract exports or an overseas warehouse, and move on to local after-sales, regional channels, small-scale assembly and eventually local production once the market is validated and orders have steadied. That suits a capital-constrained business and keeps the cost of being wrong low.

4. Advantage comes from domestic supply-chain spillovers, not individual brands. Many SMEs lack international brand recognition but are supported by a complete manufacturing ecosystem back in China, spanning R&D, prototyping, tooling, components, materials, packaging, logistics and flexible manufacturing. This allows them to respond quickly to fragmented, small-batch and fast-delivery demand in overseas markets. In this sense, the model is not simply the expansion of a few Chinese brands, but an extension of the capabilities of China's manufacturing system as a whole.

5. Digital infrastructure has significantly lowered the barriers to overseas expansion. Chinese SMEs' overseas expansion has a distinctly digital-driven character. Today, cross-border e-commerce platforms, independent-site tools, social media marketing, payment systems, overseas warehouses and order-management systems have modularized and standardized the capabilities of customer acquisition, payments, fulfillment and after-sales service. SMEs can therefore enter overseas markets without building a full international operation from scratch.

6. Multi-market expansion helps diversify risk. While Chinese import-export companies were once heavily concentrated in Europe and North America, many SMEs now operate across Southeast Asia, the Middle East, Latin America, Africa and selected developed economies, signaling reduced reliance on any single market. This does not necessarily mean deep penetration of every market, but it helps spread risks of tariffs, exchange-rate fluctuations, logistics disruptions and geopolitical uncertainty.

7. Companies localize gradually, rather than relocating the entire supply chains. SMEs tend to relocate customer-facing activities—such as warehousing, distribution, after-sales service, packaging and assembly closer to the consumers—while retaining R&D, critical components, equipment maintenance and core supply-chain functions in China. This model enables greater local responsiveness while preserving the core capabilities of China's manufacturing system.

In essence, SMEs' "swarm-style" overseas expansion is a distributed model of internationalization built on industrial clusters, supported by platforms and industrial parks, driven by digital tools and supply-chain spillovers, and advanced through gradual localization. It reflects not the one-way expansion of a few leading firms, but a broader shift in the organizational capabilities of China's manufacturing sector. This is a reallocation of resources towards global demand, not a relocation of capacity, and it is why swarm-style expansion does not carry the hollowing-out risk discussed in the previous section.

The scale shows up in the numbers: newly registered Chinese SME brands that globalize rose 217% year on year in the first half of 2025; China's SME export index has been in expansion for 24 consecutive months to March 2026; and in a 2026 survey, more than 80% of Chinese companies said they had established overseas operations or planned to.

What it is good for, and what it is not

Swarm-style expansion lowers the barrier and the cost for any individual company. It shares risk across the cluster instead of concentrating it in one firm, and a reputation earned by one participant lifts everyone standing next to it.

It also has real weaknesses. Individually small firms have little capacity to absorb shocks. Piling in on low prices invites the platform to squeeze margins. Dependence on third-party platform rules is heavy, coordination between participants is loose, and it is difficult to build a defensible brand this way.

For a smaller company the discipline is to take the low cost and convenience while keeping the capability not to depend on any of it.

The Temu model

Temu, Pinduoduo's overseas platform, connects China's small-manufacturer base directly to consumers worldwide. Three mechanisms make it work.

Full management + semi-management: Under full management the factory only produces — Temu handles pricing, marketing, logistics and after-sales, cutting the barrier to entry to almost nothing; semi-managed mode suits sellers with their own fulfilment.

Algorithm-driven: An algorithm sets a price ceiling from real-time sales data, and suppliers bid against each other to stay under it —those who can't compress costs lose the order. That pressure is how Temu undercuts competitors such as SHEIN by around 30%.

Brand building: In-house incubation programmes also help capable factories build a brand of their own, rather than staying anonymous suppliers behind a platform label.

The model is under pressure. From 2025, the United States, Japan, the EU, Vietnam and Mexico all abolished duty-free treatment for small parcels, and Temu had depended on direct mail to avoid both tariffs and warehouse rent. With full duties and customs fees applied, some orders cost more to import than the goods were worth. From May 3, 2026, Temu closed its regular air-freight channel from China to the United States; American sales now run through local sellers shipping from domestic warehouses. In Europe, Temu faces a potential EUR 200 million fine under the Digital Services Act over product safety, risk reporting and algorithmic recommendation — the largest since the Act came into force.

The Thai–Chinese Rayong Industrial Zone Model

Located to the southeast of Bangkok and developed jointly by China's Holley Group and Thailand's Amata Corporation, the Rayong Industrial Zone covers more than 12 square kilometres and offers smaller manufacturers a move-in-ready production base abroad.

It does not simply attract individual companies. Anchor tenants pull their own suppliers in behind them, which is how clusters form in vehicle components, electronics, new energy and metal processing. The tyres players show the mechanism clearly: tyre makers in the park buy Thai rubber locally and source semi-finished goods and components from other Chinese firms inside the park, so an internal supply loop develops alongside external sales. When Zhongce Rubber, AUX and Dun'an moved in, a wave of their suppliers followed.

What makes that possible for a small company is the service package. The park handles company registration, land purchase, plant construction, environmental approval and recruitment, and hosts a bank, a customs supervision point and a legal advisory centre.

Roughly 300 Chinese manufacturers have now established there, driving more than USD 5 billion of Chinese investment into Thailand and over 40% of Chinese investment in Thai manufacturing. Companies using the park recover their investment on average 30% faster, and smaller firms using its supply chain coordination run total operating costs 15–20% below what they would face alone. The model has since been copied by Chinese industrial zones in Vietnam and Indonesia.

(4) Making Domestic Strengths Work Abroad

ASEAN alone spans ten countries at different stages of development, each different from the others — and from China — in regulation, infrastructure and culture. The cost, efficiency, innovation and technical strengths that Chinese companies built at home do not translate automatically. The foundations that produced them — a complete supply chain, an enormous domestic market, an efficient relationship with government, one language and one culture in China — are usually absent abroad. The task is turning domestic strength into global capability, not copying the domestic model.

To rebuild domestic strengths abroad, four dimensions are key: cost, efficiency, innovation and technology. They reinforce each other, but a company rarely has the resources to build all four at once. Which to lead with depends on the stage of their global expansion:

- **Market entry stage** — companies should lead with cost and efficiency to gain a foothold quickly.
- **Growing stage** — companies should invest in innovation, and localize both products and business model.
- **Established stage** — companies should build technical strength into a long-term moat and a voice in the industry.

Table 4 — Rebuilding four domestic strengths abroad

Dimension	Why it erodes in ASEAN	What travels instead	Proof point
Cost	Labour is cheaper in many countries, but supply chains are far less complete and key components still have to be imported. Logistics costs vary enormously — 23% of GDP in Indonesia against 14% in China. Tariff and non-tariff barriers add costs that never appear on an invoice.	Localize the supply chain rather than the assembly line alone. Move as a cluster, so a lead firm's Chinese suppliers and local companies form a two-loop chain that fixes the local-content problem no single company can solve alone. Use the trade agreements — the China–ASEAN FTA 3.0 upgrade alongside RCEP takes real cost out of cross-border operations.	BYD's Rayong plant: 54% local content; each 10-point rise cuts vehicle cost 5–8%. A locally built EV pays 2% domestic tax against 32% on an import. SAIC-GM-Wuling has invested over USD 1 billion in Indonesia on the cluster model and sold 200,000+ NEVs.
Efficiency	Chinese firms are known at home for speed and hard execution. In ASEAN, working rhythms, commercial customs and legal process differ enough that a high-pressure management style usually backfires.	Local decision rights inside global standards, not headquarters running the market by remote control. Digital operations, which travel regardless of geography. Compliance treated as a competitive asset that wins trust, not a cost to be minimized.	Transsion runs local teams with support from headquarters; South-east Asian shipments grew 17% in Q2 2025, the only top-five regional brand with double-digit growth. SHEIN's digitally driven supply chain compresses design-to-shelf to 7–14 days.
Innovation	Iteration speed is a genuine asset. User insight does not transfer — consumer needs, preferences and usage patterns differ enough between ASEAN countries that a Chinese product definition rarely survives the move unchanged.	Build local research and insight rather than importing a finished product. Adapt proven domestic models instead of copying them wholesale. Open the innovation process to local universities and local talent.	Transsion's Infinix GT20Pro was built for Philippine mobile gaming and became an official esports device; a separate version was reinforced against Indonesia's heat and rain. Transsion holds 18% of the ASEAN market, 37% in the Philippines.
Technology	Chinese firms lead in new energy, EVs, AI and smart manufacturing, but exporting that lead runs into standards barriers, IP protection and — across ASEAN — Japanese and Korean incumbents with decades of embedded supply chains.	Get Chinese standards adopted locally rather than simply selling products that comply with local standards. Pair the technology with local resources. Build compliance into the technical architecture from the design stage, not after.	BYD's EV charging standard is now used in seven ASEAN countries; 35 Chinese automotive standards are used in Chile and Ecuador; 27 NEV national standards published in foreign-language versions. Chinese battery plants using Indonesian nickel operate mine-to-vehicle supply chains.

A new constraint to plan around

On June 1, 2026, China's State Council issued its Regulations on Outbound Investment, in force from July 1, 2026. The regulations bring cross-border flows of technology, data and personnel inside the outbound investment framework. Goods, technology, services and associated data that China prohibits from export may not be exported or used; anything on the restricted list requires a licence.

The rules are explicit about technical staff: companies may not transfer restricted technology abroad by seconding technical personnel, providing technical guidance or running cross-border training.

This matters more than its length suggests: it governs precisely how much capability may cross a border and by what route. Any company planning to move research, technical teams or data offshore should read it before committing.

Chapter 3

Lessons From Early-Mover Chinese SMEs Expanding Into Southeast Asia

Some large Chinese companies opened the Southeast Asian market by replicating their playbook from home. As competition intensified and smaller firms piled in, that approach started to fail — localization, cultural difference and policy compliance turned out to be harder than expected.

This chapter draws on Chinese SMEs operating in Indonesia, Malaysia, Thailand and Vietnam between 2023 and 2026, to show what it takes for a small company to move from replicating the China playbook to growing with a local market.

(1) Why China's Playbook Does Not Always Transfer to Southeast Asia

Chinese businesses' old playbook was once genuinely applicable even in Southeast Asian markets: selling a mass-produced product at a price point below that of all competitors, or acquiring customers through paid traffic, converting them with an attractive low-priced entry product, and relying on scale to drive growth. But our field research in Malaysia and Indonesia found that since 2023 this approach has been failing more often than it works — and not because the products got worse. The ground underneath is simply not the same shape.

1.1 Southeast Asia: A fragmented market, not a unified one

Within Southeast Asia, the differences across eleven countries in income, infrastructure and consumer preference are wider than the gap between China's first-tier cities and its smallest towns — and diverge sharply even within one country.

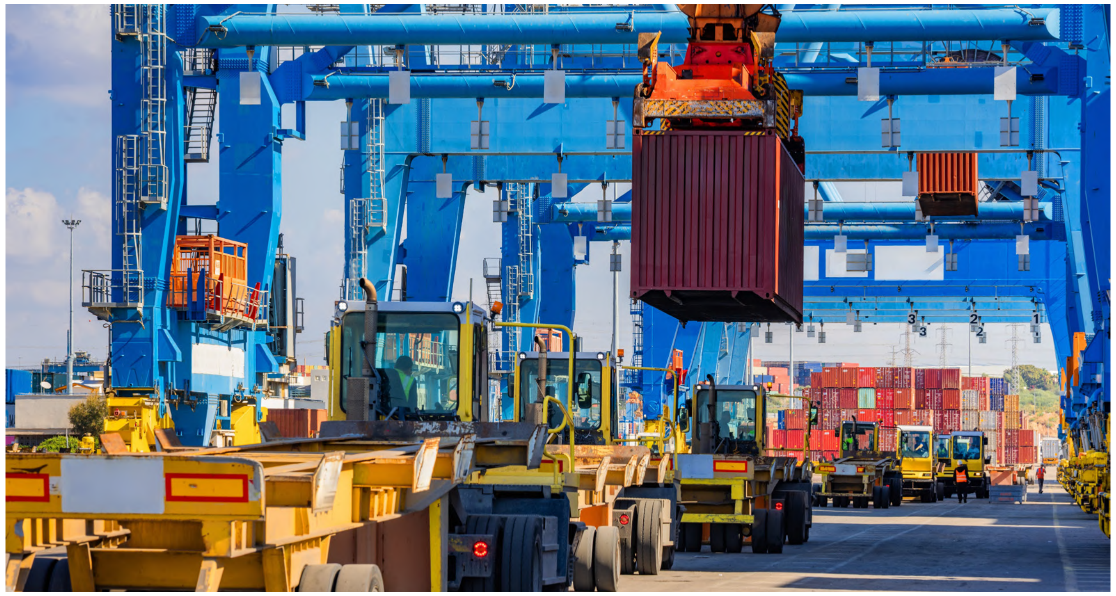
- *Singapore's 5G coverage exceeds 95%, with download speeds, data centre efficiency and power stability at international standards.*
- *Malaysia's 5G coverage, however, is at roughly 40% and Thailand's is at 24.4%, concentrated around Kuala Lumpur and Bangkok. In Malaysia and Thailand's second-tier industrial areas and rural districts, network stability is too poor to support industrial IoT — which needs low latency and high reliability.*

Consumer behaviour diverges just as much, which is why the domestic playbook — one blockbuster product dominating the market — so often fails here.

- *Indonesia's halal-certification requirement is a hard market-access line for food, clothing and cosmetics.*
- *Thai consumers, unusually, dislike the extreme-discount marketing that works almost everywhere else in the region.*
- *Vietnamese consumers show a much stronger preference for natural and herbal ingredients than their neighbours do.*
- *Filipinos' purchasing decisions rest heavily on genuine recommendations circulating on social media rather than on platform traffic pushed at them.*

Case study: **Flash Express in Malaysia**

The leading Thai parcel company Flash Express tried to win Malaysia the Chinese way: subsidise heavily, start a price war, build order density and spread the fixed costs. East Malaysia made that impossible. Sabah and Sarawak limit how far logistics costs can be compressed, and order volumes never approached the scale that makes the Chinese model work. Flash Express withdrew from Malaysia in January 2026 after four years of operation. Analysts put the failure down to treating Southeast Asia as China's lower-tier market and missing the underlying differences in market density, cost structure and competition.



1.2 Infrastructure and supply chains

Chinese businesses' speed in their domestic market is impressive. But that rests on China's dense transport networks, mature industrial clusters and efficient national logistics scheduling, which are missing in Southeast Asia and hard to replicate any time soon. This means Chinese businesses need to deal with an entirely different business reality in Southeast Asia.

1.2.1 Logistics costs and timing. Weak infrastructure pushes Southeast Asian logistics costs up, and they are rising each year — a strategy built on thin margins across high volume may not cover them.

- *Parcels shipped from China to Southeast Asia typically take 15 to 20 days, against next-day or two-day delivery domestically.*
- *In remote areas the end delivery cost can exceed the cost of the product.*

1.2.2 Weak local supply chain capabilities. Manufacturing bases across the region are relatively weak, and upstream components, high-end materials and precision equipment are still largely imported from China or other countries. In some cases, local materials cost more but are of lower and less consistent quality.

1.2.3 Incompatible and inconsistent digital systems. When operating in China, Chinese companies power their digital systems with stable power, high-speed networks and consistent data standards. Across Southeast Asia, however, this is often not the case: power reliability is low; some industrial areas lack the bandwidth for high-volume, real-time data transmission; and technical standards and data protocols differ from country to country.

1.3 Compliance: rules, not guidelines

Southeast Asian regulation runs on hard lines — ownership caps, local content, data rules, sector requirements — not the flexible space many arrivals expect, and Chinese firms used to China's more unified framework are often the ones who test them.

1.3.1 Foreign ownership caps. Southeast Asian countries have introduced sector-specific rules around foreign ownership. It can be risky to resort to nominee shareholding or temporary changes in ownership structure to get around these limits.

- *Thailand's Foreign Business Act sets shareholding limits, licence requirements or exemptions across a list of restricted sectors.*
- *Indonesia's positive investment list has offered foreign businesses access to much of the economy, but foreign businesses are advised to check the country's KBLI code for any special regulations.*
- *Malaysia generally allows 100% foreign ownership in manufacturing, while distribution, public projects, certain services and Bumiputera policy may still carry local equity or licensing conditions.*

1.3.2 Local component thresholds. This line is less visible than ownership rules, and gets missed more often by foreign businesses. Companies shipping core components in from the home market for assembly risk losing access to benefits in Southeast Asian countries.

- *Indonesia's TKDN (Tingkat Komponen Dalam Negeri, or Domestic Component Level) rules require 40% local content in core components before a foreign company's products can qualify for government tenders or receive tariff benefits.*
- *Vietnam sets its own origin requirements for local value-added before RCEP tariff benefits apply.*

1.3.3 Data localization. Foreign enterprises need to build a storage architecture using local data centers, while implementing technical measures such as encrypted transmission and hierarchical access control to prevent the risk of data leakage.

- *Indonesia's 2022 Personal Data Protection Law requires personal data to be hosted on servers inside the country as a general rule, with transfers permitted only in specific circumstances and with regulatory approval; financial and medical data must stay local.*
- *Vietnam's Personal Data Protection Law stipulates that cross-border transfers require a data protection impact assessment and a transfer impact assessment, and must be filed with the Ministry of Public Security within sixty days, with fines reaching 5% of prior-year global revenue for non-compliance. Vietnam's Cybersecurity Law separately requires companies in certain sectors to keep a copy of Vietnamese user data locally and maintain a physical office in the country.*

1.3.4 Sector-specific regulation. Southeast Asian countries have issued an array of sector-specific regulations for industries including e-commerce, logistics and social media. Businesses that overlook these regulations risk disrupting their operations.

- *Indonesia has barred social media platforms from carrying e-commerce transactions and set new limits on product provenance, transaction models and payment for cross-border sellers.*
- *Thailand has tightened testing and certification for imports and requires transaction data reporting from cross-border platforms.*
- *Vietnam has raised qualification requirements for cross-border logistics operators.*

Case study: **Temu in Indonesia**

Temu was ruled non-compliant and was blocked by the Indonesian government, which cited that the company didn't register as an Electronic System Operator under its PSE, or Penyelenggara Sistem Elektronik, framework and that its direct-from-factory model damaged local supply chains. Failing to study Indonesia's sector regulation closely enough before launching cost Temu almost all of its initial investment in the market. As of the end of May 2026, the business had still not been allowed to resume.

1.4 Culture and religion

Chinese companies often read Southeast Asia's religious and cultural complexity too shallowly — and it shows in how consumers respond to products, marketing and brands.

- *Religion plays a key role in many Southeast Asian societies. More than 40% of the region's population is Muslim. In Indonesia, Malaysia and Brunei, Islam is the official religion, with clear requirements running from formulation and packaging to marketing content and how a product is displayed.*

(2) SMEs Recalibrating their Global Supply Chain: Balancing Cost and Efficiency

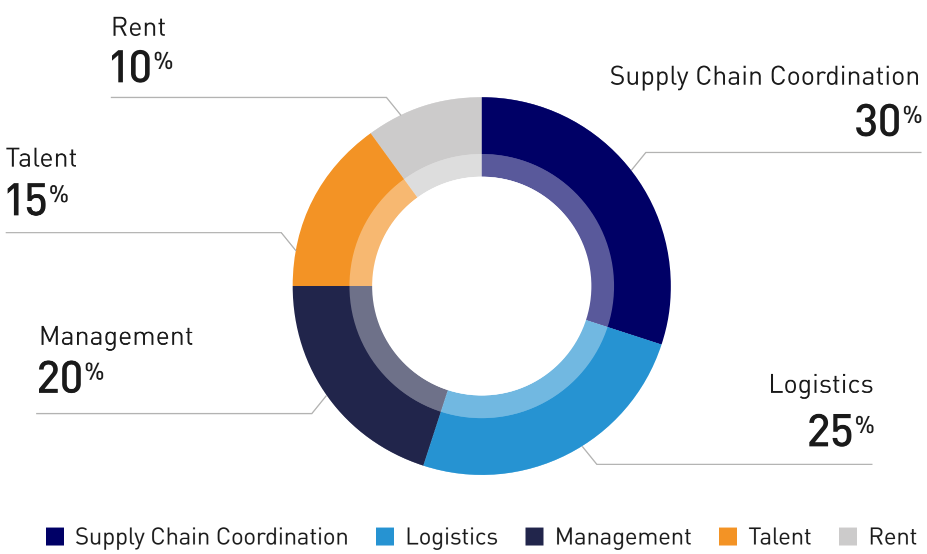
Chinese companies expanding into Southeast Asia are moving away from the model of simply relocating production capacity and exporting from there. While large firms take their suppliers with them abroad, smaller companies have built something different: a cross-border collaborative supply chain that pairs mature Chinese capacity with local Southeast Asian resources.

2.1 The cost dividend, and what cancels it

Southeast Asian countries' low costs are usually what attract a foreign company there in the first place, and the advantages are real.

- *Labour costs in northern Vietnam are only a third to a quarter of those in China.*
- *Thai manufacturing wages average around RMB 3,000 a month, roughly 40% below the level in coastal cities in China.*
- *Industrial land in Vietnamese and Thai parks rents well below industrial parks in the Yangtze or Pearl River Delta in China.*
- *Indonesia's and Thailand's energy and certain raw materials are cheaper than those in China.*

Figure 5 — Average Cost Structure, Chinese Companies in Southeast Asia



Source: Compiled from public data

Those advantages are eroding:

Costs are rising faster than anyone forecast — factory rents in northern Vietnamese industrial zones now exceed some Chinese second-tier cities.

And businesses' total operating costs have not fallen as much as expected: excluding tariffs they look 10–15% below domestic levels, but for some companies, due to hidden costs, thin local supply and lower productivity, real costs are much higher than in China. Companies, especially SMEs, should work out their cost structure before expanding overseas.

Three efficiency gaps offset that cost advantage.

1) Coordination costs are high because local supply chains are thin. Most Southeast Asian countries have limited domestic production capacity for many key components and instead rely heavily on imports from China or other countries, particularly for key inputs like high-end fabrics and precision equipment. Reliance on imported components means long shipping times, high costs and relatively greater risks as they need to go through long-distance sea transportation, multiple customs clearances and cross-border transportation.

- *Vietnam's electronics industry sources only 22–26% of its supply chain onshore, according to its Ministry of Industry and Trade and the Vietnam Association for Supporting Industries — of which Vietnamese private firms provide merely 7% and locally established foreign suppliers 15–19%, leaving more than 74% imported from China, Korea, Japan and elsewhere.*

2) High transportation costs and late or inaccurate deliveries result from weak logistics infrastructure. Logistics costs in Southeast Asian countries take a far larger share of GDP than in China, and ports, rail and roads are underdeveloped in several countries. Ports there are much less efficient in operations and customs clearance. The high cost of cross-border shipping further eats into companies' cost advantages. Even more problematic, in-transit damage rates in Southeast Asia are unacceptably high for precision manufacturing and high-end electronics.

- *Port Klang in Malaysia runs at roughly 60% of Shanghai's efficiency on every measure. Many companies' goods can sit at the port for days, or even weeks, before they can be cleared by customs.*

Table 6 — Port Efficiency: Shanghai against Klang

Measure	Port Shanghai	Port Klang	Efficiency: Port Klang vs Port Shanghai
Crane moves per hour	33.2 TEU/h	19.9 TEU/h	59.9%
Loading time per vessel at berth	0.88 days	1.47 days	59.9%
Annual throughput per berth	423,000 TEU	255,000 TEU	60.3%
Total vessel time in port	1.58 days	2.63 days	60.1%
Average customs clearance	7.2 hours	12.1 hours	59.5%

Source: Compiled from public data.

3) Low productivity offsets the cheaper labor advantage. Although labor costs in Southeast Asia are relatively low, labor productivity, worker skill levels and the proficiency of industrial workers are also significantly lower than Chinese levels — a hidden cost that companies often overlook in their early stages of global expansion.

- *Output per worker-hour in Southeast Asian garment factories runs at about two-thirds of Chinese levels, and some electronics manufacturers have to invest heavily in skills training to reach domestic standards.*
- *Skilled technical staff are scarce: engineers capable of deploying industrial IoT make up under 10% of the technical workforce, and the supply of professionals skilled in MES (Manufacturing Execution System) falls short of demand by as much as 40%.*
- *Core technical roles therefore end up filled by staff posted from China, which pushes costs back up.*

2.2 Core capacity at home, assembly in the region

For Chinese companies expanding into Southeast Asia, just relocating production capacity is not enough to gain a cost advantage. They are redesigning their supply chain and production process to find the sweet spot between cost and efficiency.

Most Chinese SMEs now use a mixed supply chain model: leveraging core capacity and component production in China, assembling parts in Southeast Asia and distributing through a regional warehousing network.

The key to this supply chain model is allowing each link in the industrial chain to play to its strengths, translating cost-effectiveness into profits and growth. Technology-intensive components that cannot be sourced locally are made in China with mature industrial clusters. Labour-intensive assembly is arranged in Southeast Asian manufacturing hubs. Regional warehousing then fulfils both local and international orders quickly.

Case study: **Dreame Technology in ASEAN**

The Suzhou-based smart-home electronics maker Dreame Technology builds its core technology, such as high-speed brushless motors, Simultaneous Localization and Mapping (SLAM) algorithms and lidar, and calibrates main boards at home, then ships to its own assembly plant in Binh Duong, Vietnam, and an OEM partner in Malaysia — serving Vietnam, Thailand and Indonesia locally while exporting elsewhere.

2.3 Localized and digital warehousing and distribution network

The mixed supply chain model only works with a functional regional warehousing network. Moving stock close to consumers avoids the timing problem inherent in cross-border logistics, stabilizes fulfilment and cuts the cost of returns.

- *According to Shopee, companies using its Fulfillment Service saved about 30% in total costs—warehousing costs were eliminated, logistics costs fell 15–20%, and returns-handling costs fell 40%—while fulfilment times fell from 15–20 days to 3–7 days, significantly improving the consumer experience and reducing operational pressure on SMEs.*

What holds the warehousing network together is cross-border digital coordination. Only with a sound digital system with visual scheduling and dispatching capabilities can information on orders, logistics and inventory move without friction among production bases in China and Southeast Asia, global warehouses and the order management system. This way, businesses can turn Southeast Asia's cost advantage into their delivery strength.

The mixed model is now under pressure. The United States has stepped up country-of-origin enforcement since 2025, and companies pursuing it will have to shift to full local supply chains — as large companies already have. Better to start now.

(3) Finding and Retaining Local Talent

Expanding abroad means running an international organisation of people. Companies that concentrated management in expatriate teams and undervalued local staff paid for it in messy communication, poor compliance and cultural conflict.

3.1 Organizational structure: A Chinese core team and a local operating team

The standard structure is a Chinese core team handling strategy, technical development and brand, paired with a local operating team running government relations, marketing, channel development and compliance — the roles that need deep company knowledge staying centralized, the roles that need local knowledge staying local.

3.2 Building a localized human resource strategy to recruit, train and retain talent

3.2.1 Recruiting without a large budget. Smaller companies cannot outbid market leaders, so recruitment has to be targeted.

First, companies can leverage local industry associations, industry job fairs and partnerships with Southeast Asian recruitment platforms to publish targeted job postings or to connect with experienced industry professionals so as to identify candidates with relevant industry experience.

Second, companies can partner with leading universities in their target countries to deliver industry seminars, offer internships, and co-develop practical training programs. This allows them to build a targeted pipeline of high-potential graduates with strong academic foundations, local networks and a high degree of cultural fit.

Third, companies can actively identify ethnic Chinese professionals with local experience in Southeast Asian markets. These individuals can be great candidates as they often speak Chinese, English and the local language; understand Chinese culture and management practices; and possess valuable local industry networks and market experience. Internal referrals can be an

effective, low-cost way to identify such high-fit talent.

3.2.2 Training: building a mentoring and localized training system. Southeast Asian staff learn fastest through direct mentoring paired with headquarters' own certification standards.

Training should be tiered and role-specific. Front-line staff need operating skills, safety and standards; technical and management staff need targeted development; strong local performers benefit from immersive training at headquarters, where they can learn and apply management practice directly.

Headquarters' core management principles should be incorporated into the culture of Southeast Asian subsidiaries.

For example, Sany introduced its headquarters' lean production system of three-level quality inspection and full-process equipment checking at its lighthouse factory in Karawang, Indonesia. The plant's own academy breaks the standards into junior, intermediate and senior courses, and Indonesian staff certify against the same technician standards used in China.

Chinese companies should note that the Chinese State Council's Regulations on Outbound Investment, effective July 1, 2026, specifically prohibit transferring restricted technology abroad through cross-border secondment of technical staff, technical guidance or cross-border training.

3.3 Retaining people: compliance + cultural respect + career growth

Turnover in Southeast Asian labour markets is high and pay compliance is only the baseline — what keeps people is cultural respect built into daily operations.

3.3.1 Pay and comply properly. Labour law across Southeast Asia is specific about employee entitlements. Allowances, bonuses and benefits belong in the social insurance base; social insurance and provident fund contributions must be made correctly. Pay has to be competitive in the local market, not benchmarked against Chinese norms.

3.3.2 Show cultural respect in daily practice. Employees in the region care a great deal about work culture and the sense of belonging. Companies should respect employees' religious beliefs and cultural practices as part of their day-to-day management. Regular cultural and employee-engagement initiatives can help foster a more diverse and inclusive workplace—one where employees feel respected and valued.

Case study: **Sany**

When Sany built its Indonesian plant, it scheduled shifts around short prayer breaks, closed the whole factory for Eid, and made the canteen fully halal. Once the plant was operating, Sany added family open days — drawing on Indonesian village and clan culture — inviting relatives to see the production lines, which helped families understand the work and strengthened employees' attachment to it. Sany also promoted Indonesian technicians into workshop supervisor and after-sales lead roles rather than reserving management for expatriates, and let local managers run team activities in local form — traditional games and folk sports days — instead of importing Chinese-style events.

3.3.3 Show people a clear career path. Businesses can build dual technical and management tracks with clear promotion standards to entice local staff to stay.

> "We respect the culture and the faith here, integrate into the environment, and involve local people in running the plant. If we can pull the surrounding market with us — a hundred thousand jobs, say — that is a hundred thousand families, and those families spend."

Shifeng Ding General Manager, Sany Heavy Industry Indonesia

(4) Blending in the Local Community

In Southeast Asia, competition has shifted from product and price to trust. High-quality products, resilient supply chains and good local hiring are necessary but not sufficient. Companies that never become part of the community get trapped in a cycle of rapid expansion and rapid retreat.

4.1 Products have to fit the culture.

This is the first threshold and often decides whether a company reaches the mainstream market at all. A product's design, formulation, packaging, labelling and instructions all need to match religious requirements, customs, habits and safety standards — a domestic product in foreign-language packaging won't work.

- *Halal certification is the clearest case: without it, no food, drink, cosmetic or household product reaches mainstream consumers in Indonesia, Malaysia or Brunei. This certification covers the entire supply chain, from raw material sourcing through processing, packaging and storage to distribution. One non-compliant step and the certificate is refused or withdrawn.*

4.2 Channels and marketing have to be local.

Offline retail is concentrated among a handful of local groups that a foreign company cannot replicate — partnership with them is the only practical route in.

On marketing, consumers here trust their own social circles and local figures rather than platform traffic, so the domestic strategy of livestreaming and paid reach underperforms. Local festivals, religious occasions and cultural references work better than translated domestic taglines.

Case study: **halocoko**

Halocoko, the chocolate ice cream brand from Aice Group, concentrated on community-level marketing, working with neighbourhood committees and grassroots organizations to run one- or two-day open-air tastings in large residential areas each week, with small branded gifts.

During Ramadan and Eid, it set up free distribution points near mosques, aligning with the religious calendar rather than cutting across it.

Having identified students as its core audience, it reached schools directly through more than 70,000 partner community stores across nearly eighty Indonesian cities, running free tastings at the school gates at closing time and letting children pull the household into repeat purchases.

> "Going global is 0-to-1 entrepreneurship, not 1-to-N replication"
>
> **Fulin Shi** General Manager, Halocoko (Aice Group), Indonesia

4.3 Public relations and social responsibility.

Government and community relationships matter throughout the Southeast Asian region, and taking part in local causes is the most direct route to garnering trust from officials, the public and industry bodies.

Bain research finds that 78% of Southeast Asian consumers would choose a Chinese brand that is visibly active in local community work, and 65% would pay a premium for one with local halal certification, local-language marketing and a physical presence.

The work has to be substantive rather than a donation — sustainable programmes tied to what the company actually does, across community development, welfare, education and the environment. The return is not sales. It is being seen, by the public and by regulators, as an operator that intends to stay.

(5) Five Lessons from Early-mover Businesses in Their Globalization Journey

Almost every company that has expanded abroad has fallen into something. The cause is rarely the product or the supply chain. It is not knowing the unwritten rules. Five lessons follow, drawn from the businesses that learned them first.

Lesson 1: Never treat regulations as negotiable

In Southeast Asia, as everywhere, overlooking regulations has consequences.

- **Do your homework beforehand:** Commission proper compliance research before launching any product, covering investment, sector, tax, labour, data and product rules, ideally with a local law firm or compliance specialist.
- **Strictly abide by the law:** Design an ownership structure and business model that does not cross the hard lines in areas including foreign ownership limits, local content thresholds, industry qualifications, and data security. Avoid adopting shady ways like nominee shareholding to sidestep the rules.
- **Build compliance into the business:** Budget real time and money for compliance, build localization of production, supply chain and data systems into the plan from the outset, and finish compliance certification and qualification review before committing resources.

Case study: **Short cuts turned a promising Thailand market entry into a failure.**

Back in 2023, a Chinese services company set up cultural communications and e-commerce operations in Bangkok without properly researching Thailand's Foreign Business Act's 49% ceiling on foreign shareholding, and arranged for Thai nationals to hold 51% on its behalf. On staffing, it ignored the requirement to hire four Thai employees with social insurance for every Chinese employee, and brought Chinese staff in on tourist visas to work illegally.

Both shortcuts failed. The nominee structure left the company without real control of its own business and exposed to legal risk it could not easily address. Immigration enforcement caught the visa arrangement, bringing heavy fines and the compulsory repatriation of Chinese staff. By 2026, the Thai team had shrunk from ten people to two, the e-commerce company had closed, and the business had been loss-making throughout.

Lesson 2: Never put all your eggs in one basket

Supply chain resilience in Southeast Asia is well below Chinese levels. Concentrating capacity in one country keeps management simple and maximizes the cost benefit, right up until something goes wrong.

- **Spread the risk:** Choose two or three countries with complementary industrial bases, relatively stable policy environments, and, ideally, some geographic distance between them.
- **Create regional synergies:** Develop diversified production bases across Southeast Asia to enhance the flexibility and adaptability of the supply chain while leveraging China's supply chain capabilities as a strategic backup for regional operations.
- **Look beyond the lowest-cost locations:** Select locations with solid industrial support, sound infrastructure and policy stability.

Lesson 3: Never undervalue local talent

Some companies never move past the posted-manager model: every significant role filled from headquarters, the local market run on domestic experience. Others hire locally but never build the systems to develop or retain anyone.

- **Use a hybrid talent structure of "Chinese core expertise + local operational excellence"** with Chinese professionals leading technology, strategy and standards, and local talent driving market execution, government engagement, sales and localization.
- **Build a localized talent management and incentive system** by aligning compensation with local market standards, respecting cultural practices, developing talent through mentorship programs and establishing clear career paths.
- **Provide long-term incentives for key local managers**, including performance-based rewards and project profit sharing, to align individual growth with the company's long-term success.

Case study: **Huayou Cobalt**

Huayou Cobalt placed 100% of its overseas nickel and cobalt capacity in Sulawesi in Indonesia. Its Huafei project, worth over USD 3 billion, is its principal hydrometallurgical base and delivered close to 40% of group operating profit in 2025.

In 2026, Indonesia cut the national nickel mining quota from 379 million tonnes to 250 million, a 34% reduction, and the quota for the Weda Bay area where Huayou operates fell by 70%. New mineral rules in April 2026 raised the correction factor for 1.6%-grade nickel ore from 17% to 30% and required cobalt and iron by-products, previously free, to be priced separately and taxed.

As a result, Huayou's production cost of nickel rose by more than USD 3,400 a tonne, pushing it below the cost curve. On May 1, 2026, Huayou suspended 48% of its Indonesian hydrometallurgical capacity, stopping three smelting lines.

Case study: **Poor localization triggered unrest and losses.**

In 2024, a leading Chinese sewing machinery manufacturer staffed the roles of production director and workshop supervisor, as well as procurement, warehousing and supply-chain functions, almost entirely with Chinese employees at its Phu Tho factory in Vietnam, leaving local employees on basic line work with almost no route upward. It transplanted a management style built on penalties, pressure and long overtime without adapting performance systems to local expectations.

In December 2025 more than 400 Vietnamese workers stopped work and complained to Vietnam's labour department about mistreatment by Chinese managers, illegal overtime and unreasonable fines. The authorities investigated, fined the company nearly 1.2 billion dong for overtime and payroll violations, and required changes to hours and pay. Production halted for twelve days and the overseas project lost more than RMB10 million in the quarter.

Lesson 4: Always respect local religion, culture and lifestyles

Southeast Asian markets do not forgive cultural missteps. Companies that have produced marketing, products or events that offended local religion or royalty have been boycotted or penalised.

- **Conduct in-depth research on local cultural and religious norms**, and integrate key considerations into operating guidelines covering products, packaging, marketing, management and public relations.
- **Embed local cultural awareness into daily operations** through employee training and localized marketing content that resonates with target consumers.
- **Build continuous feedback channels** through local teams and social media monitoring to quickly identify and address cultural concerns and reputational risks.

Case study: **Ignoring local norms turned marketing into a costly setback.**

In 2023, a leading Chinese tea drinks brand launched in Indonesia and carried its domestic marketing style — sexualized influencer content — straight onto local social media. Consumer complaints followed, regulators intervened, and every offline store was suspended, wasting the entire launch investment.

Lesson 5: Do not chase quick money

Trust in Southeast Asian markets is built slowly. Some companies that arrive to make a fast return put everything into traffic, advertising and discounting — neglecting quality, fulfilment and after-sales. The results can outlast the companies themselves.
The core principle is to abandon the quick-money mindset and localise for real — in products, supply chains, talent and brand.

- **Plan to stay.** Put resources into supply chain capabilities, local teams, compliance and brand building over short-term sales and promotions.
- **Accumulate user experience into trust.** Develop localized marketing, service and supply chain systems to deliver consistent quality and customer experiences.
- **Build bonds with local stakeholders.** Take part in local causes and industry associations. Strengthen public trust by engaging with local communities, industry associations, governments and stakeholders through ongoing communication and participation.

Case study: **Chinese motorcycles in Vietnam**

China's domestic motorcycle bans and overcapacity in the 1990s pushed Chinese manufacturers to look abroad. Jialing tapped into Vietnam successfully in 1997, and by 1999 more than 70 Chinese motorcycle brands such as Lifan, Zongshen and Loncin had piled into Vietnam, Thailand and Indonesia. The market was then dominated by Japanese brands: a comparable Honda cost around USD 2,100, but the Chinese equivalents were only priced at USD 700 to USD 800. By 2001, Chinese motorcycle brands seized more than 80% of the Vietnamese market.

Then, in 2005, Chinese brands started an unending price war. They lowered the grade and quality of the parts to cut costs. Steel was thinned, poor-quality components were substituted, and superseded engines were fitted. As a result, a Chinese motorcycle could only last two to three years and oil leaks, frame distortion and engine failure were normal. The repair bill exceeded the money saved at purchase, as there was almost no local after-sales.

As Vietnam raised import tariffs and Honda cut prices in response, the share of Chinese brands collapsed to under 5%, most of the small manufacturers left the market entirely, and only a few leading brands kept scattered dealership channels.

The damage did not stop there. Two decades later, that reputation is still being paid for. Mention Chinese motorcycles in Vietnam or Indonesia today and people still say they are cheap to buy and expensive to own.

Opinion

Beyond the Deal: Why Boundary Spanners Matter in Chinese Companies' Acquisitions in Developed Economies

Bin Ma

Academic Director of China Observatory and Professor, IE Business School, IE University

For decades, Chinese companies expanded internationally primarily by exporting products, establishing overseas sales networks, and, later, investing in greenfield operations. Today, however, their globalization strategy has entered a new phase, in which cross-border mergers and acquisitions (M&A) have become an important vehicle. Increasingly, these acquisitions target companies in developed economies, marking a reversal of the traditional direction of cross-border investment.[1]

Rather than capital flowing predominantly from developed to emerging markets, Chinese firms are acquiring companies in developed economies to gain strategic assets and strengthen their global competitiveness. Examples include Lenovo's acquisition of IBM's personal computer business in 2005, which transformed Lenovo into a global technology leader; Geely's acquisition of Volvo Cars in 2010, which gave the Chinese automaker access to world-class engineering capabilities, a premium global brand, and international distribution networks; Midea's acquisition of Germany's Kuka in 2017, which strengthened its position in industrial automation and advanced manufacturing, among many others.

Although these acquisitions enable Chinese companies to rapidly obtain technologies, brands, managerial expertise, and innovation capabilities that would take years to develop, post-acquisition challenges are inevitable.

The transaction itself may close in a matter of months, but integrating two organizations often takes years. Differences in organizational culture, management practices, communication styles and decision-making processes can quickly erode the anticipated value of the deal. More specifically, employees in the acquired company may worry about losing autonomy and corporate identity, while managers from the acquiring firm may struggle to navigate unfamiliar environments, workplace norms and stakeholder expectations. These tensions are particularly pronounced in these cases, where Chinese firms must integrate organizations operating under different institutional, cultural and managerial traditions. As a result, the greatest obstacle to success is rarely completing the acquisition itself; it is building the mutual trust, shared understanding and collaborative relationships needed for the two organizations to work effectively as one.

How can companies bridge these divides and translate strategic intent into operational success? One promising answer lies in boundary spanning theory,[2] which argues that organizations rely on individuals who can connect groups separated by organizational, cultural, or institutional boundaries to facilitate communication, coordination and knowledge exchange. In the context of

1 Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. Journal of International Business Studies, 38(4), 481-498.

2 Aldrich, H., & Herker, D. (1977). Boundary spanning roles and organization structure. Academy of Management Review, 2(2), 217-230.

Chinese firms' acquisitions in developed economies, these boundary spanners are often senior managers or experienced executives dispatched from the acquiring company to work within the newly acquired organization.

- First, boundary spanners act as *knowledge translators*. Based on their knowledge of the priorities and operating practices of both the acquiring and acquired firms, they can translate ideas, explain decisions and ensure that valuable information flows in both directions rather than becoming trapped within each organization's boundary. Research has long recognized knowledge transfer as one of the central functions of boundary spanners,[3] particularly in multinational organizations where geographic, organizational and cultural boundaries can impede learning.
- Second, they serve as *relationship builders*. Post-acquisition integration is often undermined by mistrust, uncertainty and misunderstandings between employees on both sides. Boundary spanners reduce these frictions by building personal relationships, facilitating open communication, and helping managers interpret each other's intentions and concerns. In doing so, they become trusted intermediaries who foster cooperation and mitigate conflict.[4]
- Finally, boundary spanners function as *operational integrators.* Beyond transferring information and building trust, they coordinate decisions, align priorities between headquarters and the acquired company, and help reconcile different managerial practices into a coherent way of working. Rather than allowing the two organizations to operate as parallel systems, they help create a shared organizational identity and a common direction. Their effectiveness therefore lies not only in connecting people across boundaries, but also in enabling co-evolution of processes that facilitate integration.[5]

While post-acquisition integration is challenging in any cross-border deal, Chinese companies acquiring firms in developed economies often face additional complexity. Beyond differences in culture and management practices, they must navigate divergent institutional environments, heightened scrutiny, and stakeholder perceptions shaped by geopolitical tensions. Local employees, regulators and communities may have limited experience working with Chinese owners or hold concerns ranging from decision-making autonomy to long-term strategic alignment. At the same time, many Chinese acquirers are relatively young multinational enterprises with less experience managing geographically dispersed organizations than their Western counterparts.

In this context, successful integration depends significantly on the acquiring firm's ability to bridge institutional, cultural and interpersonal divides, which highlights why boundary spanners assume an even more critical role in Chinese firms' cross-border acquisitions. When differences extend beyond organizations to encompass national cultures, institutional environments and stakeholder expectations, successful integration relies on boundary spanners who can bridge these multiple layers of complexity through the transfer of knowledge and the development of trust, fostering mutual understanding between headquarters and the acquired organization. In doing so, they help transform potential friction into productive collaboration. As Chinese companies continue their transition from manufacturing champions to global enterprises, the next chapter of Chinese globalization will be shaped not only by where companies invest or what assets they acquire, but also by how effectively they connect people, organizations and institutions across borders. In this process, boundary spanners are likely to be among the most important yet often overlooked sources of competitive advantage.

3 Mäkelä, K., Barner-Rasmussen, W., Ehrnrooth, M., & Koveshnikov, A. (2019). Potential and recognized boundary spanners in multinational corporations. Journal of World Business, 54(4), 335-349.

4 Colman, H. L., & Rouzies, A. (2019). Postacquisition boundary spanning: A relational perspective on integration. Journal of Management, 45(5), 2225-2253.

5 Rouzies, A., Colman, H. L., & Angwin, D. (2019). Recasting the dynamics of post-acquisition integration: An embeddedness perspective. Long Range Planning, 52(2), 271-282.

Opinion

The World Is Not a Hamburger — Nor Should It Become a Dumpling

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A country does not become a great power until it begins to export its culture, its way of life, and its way of doing business.[6] History is full of examples, both distant and recent.

Rome did not become the legendary civilization we still admire today until it finally shed the unmistakable Greek taint that permeated its fledgling culture. From that moment on, Rome exported not merely its legions, but its poets, its law, its commercial practices and, ultimately, its way of life.

The same could be said of the United States. America's global influence has never rested solely on its economic or military power. It was built on the emotional appeal of jazz, Hollywood, Silicon Valley and the broader narrative of the American Dream. These became the cultural and aspirational foundations that gave context and meaning to American products and made them desirable around the world.

For this reason, the question facing China today is no longer whether it can manufacture the world's products. It already does. Nor is it whether Chinese companies can compete globally. Increasingly, they can. The real question is a different one.

The question

At China's current stage of development and within today's new geopolitical environment, a new style of internationalization is emerging—one in which exporting products is no longer sufficient. Chinese companies must increasingly export knowledge, entrepreneurial spirit, organizational capabilities and management systems. This is what this report calls capability-based internationalization. But the moment we begin talking about management models and organizational capabilities, we are no longer talking merely about business. We are talking about culture. We are talking about soft power.[7]

And this is why the report poses such a profound question: Can the "New Chinese Style" (新中式) of internationalization become for the twenty-first century what Chinese porcelain represented during the Song and Ming dynasties: something naturally integrated into the daily lives of people across the world?

This question goes to the heart of China's global ambitions. Every great power eventually discovers that products alone are never enough. Economic success opens the door, but culture, ideas, institutions and ways of organizing society determine whether that door remains open.

6 José Félix Valdivieso, China para los nuevos bárbaros, Madrid: Nola editores, 2024, pág. 106.

7 Maria Repnikova, *Chinese soft power*, Cambridge (United Kingdom): Cambridge University Press, 2022, *Conceptual powers: What counts as soft power in China?*

The world is not a hamburger

For decades, the United States understood something that many economists overlooked: A Big Mac was never just a sandwich. Products become global only when they carry a compelling story. Coca-Cola, Levi's, Apple and even the Big Mac embodied the American Dream. American soft power turned commerce into culture and brands into symbols of a particular way of life. China has become extraordinarily successful at the first part of this process. BYD, CATL, DJI, Huawei or DeepSeek demonstrate that Chinese firms are no longer competing simply through lower costs. They compete through innovation, industrial organization and technological capability.

But exporting products is not the same as exporting meaning.

Chinese Dream

If Chinese products are to become permanent elements of everyday life around the world, the Chinese Dream must also become, at least partially, a global dream.

That does not mean that other societies should become Chinese. It means that China needs to increase its soft power sufficiently for its products to carry with them positive associations about creativity, reliability, innovation and ways of living.

History suggests that every durable economic power eventually exports something much more valuable than merchandise. The Greeks exported philosophy. The Romans exported law. China now faces the same historical challenge.

Exporting Management

We have become accustomed to management concepts originating in the United States—or, occasionally, from Japan, as happened in the 1970s with the Toyota Production System, whose Just in Time philosophy transformed manufacturing around the world.

It is entirely possible that this one-way flow of ideas is beginning to change.

China is no longer exporting only products and technologies; it is also beginning to export management concepts rooted in its own philosophical traditions and business experience. Perhaps the best-known example is *Rendanheyi* (人单合一), developed by Zhang Ruimin, the visionary chairman of Haier. Rather than optimizing isolated departments, it seeks to maximize value through the continuous interaction of employees, organizations and users, replacing hierarchy with entrepreneurial micro-enterprises.

Nor is it likely to be the last. New concepts are already beginning to emerge, such as boundary spanners, highlighted by Professor Bin Ma in his recent article *Beyond the Deal: Why Boundary Spanners Matter in Chinese Companies' Acquisitions in Developed Economies* (see the companion article in this report). As Chinese firms become global investors rather than simply global exporters, it is increasingly their organizational capabilities—not just their products—that are attracting international attention.

Whether these ideas will become as influential as Lean Manufacturing or Just in Time remains uncertain. What matters is that, for perhaps the first time in decades, genuinely original management concepts are beginning to emerge from China rather than being imported into it. Management ideas travel much further than products.

The world is not a dumpling

Since the rise of the United States, the global economic and political landscape has changed profoundly. America was often accused of exporting not only its products, but also its American way of life—of "McDonaldizing" the world. Whether that criticism was fair or not, there is little doubt that American soft power accompanied American business, turning consumption into culture and commerce into aspiration.

Today, China stands at a similar historical crossroads.

China is now one of the world's three largest sources of outward foreign direct investment, while accounting for roughly a quarter of global merchandise trade. Chinese companies no longer simply export manufactured goods; they invest in factories, logistics, research centers and industrial ecosystems across the globe. Increasingly, they are exporting not just products, but a Chinese way of creating value. This raises an important question.

As China's global footprint continues to grow, will it face its own "dumplingfication" dilemma? Will Chinese internationalization be perceived, fairly or unfairly, as an attempt to universalize a Chinese way of life, just as the United States was once accused of universalizing the American one?

About

Cheung Kong Graduate School of Business (CKGSB)

Established in Beijing in November 2002, Cheung Kong Graduate School of Business (CKGSB) is China's first privately-funded and research-driven business school. The school aims to cultivate business leaders with a global vision, sense of social responsibility, innovative mindset, and ability to lead with empathy and compassion. Today, CKGSB serves as a gateway between China and the world—helping global leaders understand China's rapidly evolving business landscape, while supporting Chinese decision makers as they engage and grow globally.

CKGSB offers innovative MBA, Executive MBA, Business Scholars Program (DBA) and Executive Education programs in China and worldwide locations. More than half of our 25,000 alumni are at the CEO or chairman level and, collectively, they lead one fifth of China's 100 most valuable brands. We bring world-class, research-driven faculty together with influential business leaders to turn China insight into practical business advantage, in China and globally.

About

IE University

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